



CITY COUNCIL
City of McLendon-Chisholm, Texas
Regular Meeting Minutes
August 8, 2017

The City Council of the City of McLendon-Chisholm convened in Regular Session on Tuesday, August 8, 2017, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

Robert Steinhagen	Mayor
Adrienne Balkum	Council Member
James Herren	Council Member (Absent)
Wayne Orchard	Mayor Pro Tem
Sim Woodham	Council Member
Scott Turnbull	Council Member

Staff Present:	David Butler	City Administrator
	Lisa Palomba	City Secretary

- 1. Mayor Steinhagen called the meeting to order at 6:42 p.m.**
- 2. Council Member Orchard delivered the Invocation and led the Pledge of Allegiance to the United States and Texas flags.**
- 3. Proclamation – Mayor Steinhagen presented a Proclamation to McLendon-Chisholm resident Christian Giadolor who was awarded the Presidential Scholar Medallion on June 18, 2017.** Steinhagen noted that Giadolor is a recent graduate of Rockwall-Heath High School and acknowledged Giadolor’s many academic and related accomplishments. Giadolor provided comments related to his experience as a Presidential Scholar. He will attend Stanford University in the fall where he plans to major in Energy: Atmosphere & Public Policy. Giadolor is the son of Rhonda Davis and Prince Giadolor. Much applause, praise and congratulations followed the presentation.

Mayor Steinhagen called a recess at 6:51 p.m. to allow for photo opportunities. Mayor Steinhagen reconvened the meeting at 6:56 p.m.

- 4. Mayor Steinhagen welcomed those attending the meeting and those viewing the meeting online via Facebook Live.** Mayor Steinhagen then reviewed revised Council Meeting Guidelines including Rules of Decorum noting the guidelines have been amended upon the advice of the City Attorney to include policies addressing live City Council Meeting broadcasts as well as Council and citizen interaction through social media during Council Meetings. The intent of the new policies is to ensure compliance with the Texas Open Meetings Act.

- 5. Citizens Comments. No one spoke during the citizen comment period.**

6. Mayor Steinhagen announced that he would like to postpone consideration of Minutes for the July 6, 2017 Special Work Session; July 11, 2017 Regular Meeting; July 13, 2017 Special Work Session; and July 18, 2017 Special Work Session. Minutes were postponed until the August 22, 2017 City Council Meeting without objection.

Mayor Steinhagen announced he will be moving ahead to Item 9.

9. Code of Conduct. Mayor Steinhagen called for a motion. Council Member Woodham moved to approve a resolution adopting a Code of Conduct for City employees including salaried, hourly or contracted, vendors, volunteers or others representing the City of McLendon-Chisholm. Council Member Turnbull seconded the motion. Brief discussion was held among Council Members. Woodham supports adoption of the Code of Conduct. Council Member Balkum noted Council Member Herren's absence and suggested Herren should be present to participate in the discussion. Steinhagen announced that Herren was absent related to business duties and that his absence is excused this evening. Steinhagen suggested tabling the item until Council Member Herren's return. **The item was tabled without objection.**

Mayor Steinhagen moved to Item 7.

7. Sonoma Public Improvement District (PID) 2017 Annual Service Plan Update. Abdi Yassin, MuniCap Inc. addressed Council to present information related to the Sonoma Public Improvement District (PID) Annual Service Plan Update. Yassin indicated he would be seeking approval of the Service Plan Update at the August 22, 2017 Council Meeting but wanted to provide this opportunity to explain the preliminary budget and answer any questions from Council. Yassin explained the total budget is projected to be \$889,095. Yassin further explained that \$797,245 will be used for debt service, to fund prepaid and delinquency reserves and to fund reimbursements. Yassin also explained that administrative costs are higher this year with a budgeted amount of \$91,850. \$18,500 of the \$91,850 is for reimbursable expenses to the City. Higher administrative costs are due to development delays of Sonoma Verde Phase II. As a result, Phase I assessments will be higher this year as Phase II is not in place to share administrative costs. An increase of approximately \$50 per lot in Phase I will be assessed to cover revenue shortfalls related to the delay of the Phase II development. Yassin and Council Members engaged in discussion regarding preliminary budgeted items with focus on administrative costs. Steinhagen requested to see greater detail of administrative expenses. Yassin indicated he will provide a summary of administrative expenses. Mayor Pro Tem Orchard and Yassin discussed available reserve funds. Yassin explained the PID is designed to be self-sustaining. Balkum questioned City Attorney legal fees related to the PID. Turnbull remarked he recently reviewed legal fees and confirmed expenses. Council Members would like to see a comparison of the 2016-2017 Service Plan as compared to the proposed 2017-2018 Service Plan. Yassin indicated he would provide the comparison and then concluded his presentation.

8. Fiscal Year 2017-2018 Budget Discussion:
a. Review of Contracted Services and Fees.

1. Mayor Steinhagen invited Building Official David Ellis, representing North East Texas Inspections, to the podium. Steinhagen assured Ellis they were very satisfied with inspection services but would like Ellis to provide a brief overview of services performed for the City. Ellis remarked he appreciated the opportunity to speak this evening. Ellis described his background in the inspection business. Ellis provided an overview of services focusing on his role as a Building Official to ensure the health, safety and welfare of the community as related to building inspections. Ellis explained that he interprets the City's adopted building codes and ensures builders remain in compliance with those codes as projects are constructed. Ellis then entertained questions from Council Members. Council Member Woodham asked about procedures once a house receives a final inspection but the owner has a concern that a problem may exist. Ellis responded that once finalized, he could look at a previously permitted project if an owner believes an item was not installed correctly. However, if a mechanical issue exists, the product would just need to be serviced. Woodham asked about drainage issues. Ellis explained that he looks at the drainage plan for the subdivision and lots and make sure the final grade survey shows the lot drains the way it is supposed to drain according to the drainage plan. Mayor Pro Tem Orchard appreciates Ellis' service. Council Member Turnbull then asked if the City's Fee Schedule as related to building permits were appropriate. Ellis indicated that he reviewed the fee scheduled earlier this week and fees seem to be in order. Single Family Residential Home permits may be a little low according to Ellis considering the City has a limited amount of revenue sources. Turnbull asked Ellis if the average price of permits is increasing or decreasing. Ellis responded there has not been much change. Sonoma Verde permits may be somewhat lower in value than other subdivisions in the City. The trend seems to be flat or slightly lower. Ellis added that if permit fees increase there may be push back from the building community. However, builders will adjust the finished levels of a home and perhaps take something that was standard and now make that item an upgrade to cover permit increases. Balkum asked questions regarding drainage issues and if any improvements are needed in procedures regarding builders and drainage. Ellis remarked the City Engineer and the developer's engineer will determine drainage needs. The City should always retain a copy of the drainage plan. If a problem still exists, then it should be addressed with the engineers. Balkum noted that mud in Sonoma Verde is an ongoing problem. Ellis remarked mud should not be a problem once a house has been finalized as the grass planted should prevent any erosion. Ellis responded that silt material is placed to prevent erosion on active building sites but substantial rain may cause some erosion anyway. Permitted lots are inspected to ensure that approved silt material is being used. Ellis remarked that often silt material is unintentionally knocked down during the building process. Ellis noted when silt material is lacking or not properly installed that inspections will be halted until builders remedy the situation. Balkum asked who to call if trash or other debris is an issue. Ellis indicated the superintendent is an immediate contact for such problems. Woodham asked

about drainage issues and who is responsible if there is a defect in the drainage plan. Butler offered that the City Engineer could investigate drainage issues.

2. Mayor Steinhagen invited Jordan Elder representing Severn Trent to the podium.

Elder provided an explanation of sewer services provided by Severn Trent. Elder described the billing process for services along with maintenance of lift stations and generators. Orchard asked additional questions related to billing including the process for handling delinquent bills. Elder remarked there is a set fee in place and customers are billed each month and Severn Trent processes the payment. Elder added that once a bill is past due the customer is sent a delinquent notice and that customer then has six days to make payment. Severn Trent then contacts the water company to turn off water services to the delinquent property if payment is not made during that time. Communication with the water company is sometimes slow as certified letters are required for notification but delinquencies are handled as quickly as possible. Once the water company has been contacted it is up to the water company to act. Orchard asked about other companies Severn Trent works with outside of Sonoma Verde and to compare procedure for termination of water services. Elder replied that in those cases, Severn Trent provides water services also and therefore has more control over termination of services for non-payment. Elder discussed with Orchard that options were limited regarding termination of water service because the City does not provide water services to Sonoma Verde. Balkum asked if the administration of services has improved. Elder commented that the list of delinquent customers has lessened somewhat and they are working on a better system of getting service transferred from builders to customers once a home is purchased. Balkum asked if Elder had any recommendations from TCEQ that he wanted to share and Turnbull asked specifically about TCEQ recommendations regarding backflow device inspections and if they should be required when installed and when properties are sold. Elder responded there is a requirement to inspect when installed but no other requirements for inspection exist. Orchard and elder further discussed current requirements for backflow inspections. Steinhagen asked Elder if a lien could be placed on properties for non-payment. Elder indicated he would have to consult their attorney. Late fees were also discussed. Butler remarked that he talked with a representative from RCH today and they inspect every sprinkler in Sonoma Verde by looking for the backflow preventer. No annual inspections are required but commercial backflow devices do receive an annual inspection. Butler indicated that Council could require an annual inspection if Council so desired. Steinhagen thanked Elder for his attendance at this evening's meeting.

Mayor Steinhagen called for a recess at 8:06 p.m.

Mayor Steinhagen reconvened the meeting at 8:26 p.m.

Mayor Steinhagen moved to Item 8c.

8c. Debt Obligation, Total Debt Obligation and Finance Options. Marti Shew representing Hilltop Securities and Ray Smith, CPA were welcomed by Mayor Steinhagen. Mayor Steinhagen turned the meeting over to Council Member Turnbull for

budget items. Shew will discuss options regarding redemption of bonds ahead of schedule in order to pay off City Hall debt with the goal of long term savings for citizens.

Shew began her presentation by providing history of debt owed by the City and Shew explained the City's bonds have a call date of 02/15/2025 but they can be called at any time. Shew explained the total tax rate is divided into two portions. One portion is for Maintenance & Operating (M&O) expenses and the other is for debt service payments. Shew indicated she will be referencing the portion of the tax rate dedicated to debt service also referred to as the Interest and Sinking rate (INS). The INS rate can be adjusted to add funds to annual obligatory debt payments. Money would be applied to an escrow fund established for debt payments. Any funds placed in the account will remove City liability for such debt. The City would be paying off principal payment ahead of the bond maturity dates and would realize interest savings over time. Shew provided examples of two scenarios; one paying an extra \$25,000 each year and another paying an additional \$35,000 per year. Adoption of a formal Bond Redemption Resolution is ideal prior to adoption of the tax rate to guarantee funds are available and dedicated to debt reduction. Further discussion included the following: escrow administration fee of approximately \$1800 per year; bond call fees; having resolutions every other year could reduce some escrow fees; use of reserves for debt; INS not subject to rollback; M&O rate is subject to rollback; clarification on Bond Redemption Resolution; setting aside as much as possible for debt reduction; increments of \$5,000 and once escrow is established funds may not be used for anything other than paying debt. Council discussed having the flexibility to adjust the M&O rate and INS service rate to avoid a rollback situation with the idea of achieving an early debt payoff and ultimate elimination of tax rate for debt service. Shew reviewed the various options for early payoff. Smith remarked that \$60,000 of unspent bond money could be applied to debt service if described in a Redemption Resolution. Shew departed at 9:15 p.m.

8b. Maintenance & Operating Budget and Item 8f. Utility Fund Budget will be considered simultaneously.

Ray Smith, CPA, engaged in discussion with Council regarding the Maintenance & Operating Budget (M&O). Smith discussed the City's reserve funds and explained how the City's fund balance has declined in the last several years to the current level of 111 days of operating expenses on hand. Smith continued and explained some cities have very stable and diversified sources of revenue whereas McLendon-Chisholm will be adversely affected should construction decline. Smith further indicated the need for a fund balance policy and a five-year plan. The fund balance has declined in a large part due to increased funding levels to the McLendon-Chisholm Volunteer Fire Department (MCFVD) as the higher level of funds requested was drawn from reserves. Smith also advised Council to consider all possibilities of liability associated with the Sonoma Public Improvement District (PID) infrastructure as well as other City infrastructure. Smith suggested contacting the City's insurance company to itemize City assets and liabilities, warranties and to insure adequate coverage should there be an infrastructure failure or catastrophic event. Steinhagen suggested there is no way to adequately prepare for a natural disaster and that neighboring communities would aid McLendon-Chisholm if such

an event occurred. Smith suggested a greater threat to the City is a decline in building and suggested charging more for permits and to place money in reserves so the City is prepared when revenue slows thus avoiding the need for a sudden tax increase. Further discussion was held related to limited government; not adding City amenities; the City already runs very lean; continued practice of outsourcing services; and paying down debt.

Mayor Steinhagen called for a recess at 9:50 p.m.
The meeting reconvened at 10:04 p.m.

Council continued the budget discussion focusing on expenses including: reduced municipal court activity; no change in election expenses expected; building inspections; average home valuations and septic inspections. Smith suggested staff would benefit from a training session with someone from his office to ensure expenses are being coded correctly. Discussion continued related to municipal books and manuals, maps and Citizen of the Year award.

Turnbull moved the discussion to Item 8g.

8g. McLendon-Chisholm Volunteer Fire Department (MCVFD) Budget. Council briefly discussed allocating monies in the budget to fully fund the MCVFD request but noted that this action did not mean they were agreeing to fully fund the request at this time but they were setting aside the funds to use should they decide to fully fund the request at a later date noting the MCVFD fiscal year does not begin until January.

Discussion moved back to Item 8b.

Discussion continued regarding the Maintenance and Operating Budget. It was noted that staff should discuss PID liabilities with Abdi Yassin.

Smith continued discussion regarding professional services and remarked that his company's rate to the City has not changed in 12 years and noted a change might be appropriate once a new responsibility matrix was in place. Further discussion included: no special consultants will be needed this year; EMS fees; possibility of adding dental insurance for staff and budgeting for road repairs.

Revenue was also discussed including franchise fees. Smith will use the same growth rate as the previous year to estimate franchise fee revenue. Discussion also included electric franchise fees, development income; adjusting the fee schedule to increase the Board of Adjustment Application (BOA) Fee to \$300 to cover professional planning expenses associated with BOA requests; consider raising plat fees; municipal court costs \$0, septic inspections; and sales tax. Additional discussion was held regarding PID reimbursement to the City for administrative costs. Smith advised that staff should keep a detailed log of time spent on PID matters and to aggressively pursue reimbursement for such time.

Discussion moved to Items 8d and 8e. Items 8d. Certified Property Values Effective Tax Rate and Rollback Rate and 8e. Proposed Tax Rate were considered simultaneously.

Discussion was held regarding last year's published tax rate and additional \$28,000 available for debt service. Possible effective and rollback rates were discussed along with the possibility of leaving the tax rate at the current rate or raising the M&O to the highest amount that would not trigger two required public hearings; increasing the INS rate avoiding a rollback and an approximate General Fund surplus of \$72,000.

Steinhagen suggested Council consider amending the current year's budget as needed to reflect actual expenses. Steinhagen asked if the City could lower the tax rate to an even .15 sending a message to citizens that Council is lowering the tax rate and paying down debt at an aggressive rate.

Council Member Balkum departed at 11:51 p.m.

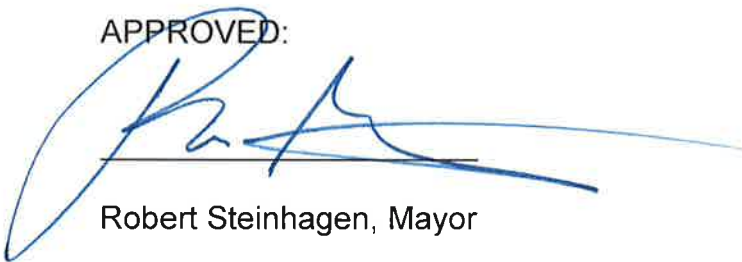
Smith suggested running some scenarios prior to the next meeting and reminded Council that MCVFD funding is still undetermined.

8h. Budget Adoption Calendar. Schedule Special Meetings if needed. No special meeting is needed for next week.

Mayor Steinhagen announced that due to the late hour all remaining items on the agenda (Items 12-14) will be postponed until a future meeting.

Council Member Turnbull moved to adjourn the meeting, seconded by Council Member Woodham. The motion to adjourn was approved by unanimous consent (Herren, absent). The meeting was adjourned at 11:56 p.m.

APPROVED:



Robert Steinhagen, Mayor

ATTEST:



Lisa Palomba, City Secretary

