



CITY COUNCIL
City of McLendon-Chisholm, Texas
Special Work Session Minutes
June 7, 2017

The City Council of the City of McLendon-Chisholm convened in Special Work Session on Wednesday, June 7, 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
Wayne Orchard	Mayor Pro Tem
Place 4 Vacant	Council Member
Scott Turnbull	Council Member

Staff Present:	David Butler	City Administrator
	Lisa Palomba	Acting City Secretary

1. Mayor Steinhagen called the meeting to order at 6:33 p.m.

2. Council Member Balkum delivered the invocation and led the Pledge of Allegiance to the United States and Texas flags.

Mayor Steinhagen welcomed those attending the meeting and those viewing the meeting online via Facebook Live. Steinhagen offered an apology for the loss of decorum at the City Council meeting held on May 25, 2017 and requested the following comments included in their entirety:

I also wish to take this opportunity to apologize both to the City Council and to the people of McLendon-Chisholm for not reviewing these rules of decorum at the beginning of our last City Council Meeting. Most especially, I apologize for allowing individuals, many of whom do not live inside our city, and for that matter, don't even live in our ETJ, to violate decorum by speaking from their seats, instead of coming to the microphone, where many, including one of our former mayors and former city councilmen, showed no regard for decorum when they continued to speak out of turn. Clearly, had I acted in accordance with these rules of decorum, the discourse would not have escalated to the level that it did. The fault of the chaotic results of the meeting is completely mine, and I am sincerely sorry. I am grateful for the grace that every one of you on the Council and so many of you in our community have extended to me in failing to live up to the high expectations that I established when taking this office. Unfortunately for me, I often learn best from my failures, and this is no exception. From this point forward, I ask my fellow members of this body to hold me accountable to these standards. In the future, should I get off track and allow decorum to be violated,

please remind me to hold decorum, which is my sign to either stop violating these rules myself, or insist that someone else not be allowed to continue violating these standards.

Mayor Steinhagen then reviewed the Rules of Decorum.

3. Citizens Comments

No one spoke.

4. (a) Discussion regarding Fiscal Year 2017-2018 Operating Budget

Ray Smith, CPA introduced himself to new Council Members and provided background regarding his history with the City of McLendon-Chisholm. Smith indicated he was present this evening to help guide the Council through the budget process.

McLendon-Chisholm Volunteer Fire Department Lt. Herman Larkin presented the Fire Department budget request. Items discussed included: staffing two firefighters augmented by volunteers seven days per week 7am to 7pm; operating expenses of \$61,130; personnel expenses of \$261,529; depreciation \$74,391 for total budget request of \$397,050, less county estimated funding of \$67,500, for City funding request of \$329,550. Other items in the presentation included key items missing for medical insurance; a new station and replacing the 1995 model fire engine. Historical data was presented along with a six-year plan. Lt. Larkin also mentioned the upcoming delivery of a new brush truck.

Throughout the presentation, Council Members offered comments, questions and discussed the following: volunteer stipend and operating expenses; insurance costs; increases for full-time employees as compared to the 2016-2017 budget; equipment costs; vehicle maintenance costs; electricity rate negotiation; selling Engine 41; AEDs; compatibility with Rockwall County EMS; items not included in the budget including medical insurance, new fire station, and replacement engine; ladder truck and arrival of the new brush truck. Fire personnel provided a brief explanation of how AED devices work. Larkin concluded the Fire Department presentation.

Ray Smith, CPA, discussed the budget process is based on a set of established assumptions including historical trends; actual numbers from October through May and revenue tied to usage. Smith reminded Council that the projected budget is a guide but may be amended as needed.

Steinhagen discussed budget boundaries, establishing priorities; growth; ad valorem tax increases and the new sales tax increase.

Other comments included IESI 2016 actual \$15,900; Oncor Electric missing from previous year's budget; 2016 actual preliminary plat income; inclusion of Fiscal Year 16-17 year-to-date at the next budget meeting; inclusion of Fiscal Year 14-15 for additional comparison; sign permit income missing; City Administrator will investigate why FEC franchise fees have decreased; why trash revenue decreased; other services such as broadband not providing franchise fees to the City; development income questioned; building permit income; mobile food trucks; and home made goods.

Mayor Steinhagen recessed the meeting at 8:30.

Council resumed the work session at 8:40.

Council resumed discussion regarding the budget. Topics discussed included: sales tax revenue increase; notice of sales tax increase to the Texas Comptroller's office; operating fund reimbursement from sewer/utility fund; method for tracking receivables owed to the city; ad valorem collections; building inspection costs ratio including needing two months to see any differences; and Text Pool.

Questions were raised regarding the City's Investment Policy including types of investments permitted by law. Council would like to know methodology behind investments. City Administrator Butler will provide copies to all Council Members.

Further discussion included possible election expenses; OSSF inspector fees; professional membership fees and training for staff and council members; no funds will be budgeted for iPad data plans; and possible future discussion of funding public safety sirens.

Smith discussed audit reports; may provide format suggestions for future reports and other budget models; City budget should reflect cash flow so month to month changes are easily noted.

Council Member Turnbull introduced the idea of providing the McLendon-Chisholm Volunteer Fire Department with quarterly payments rather than one annual lump sum payment. Smith indicated quarterly payments would be appropriate; requesting financial statements from the Fire Department and including the Fire Department in the annual audit.

Smith recommended retaining the same PID auditor. Council discussed salaries for City Administrator, Dave Butler, noting Butler had not received an increase in salary for the past two years. Council discussed TMRS cost increases and Butler requested Council consider a raise for part-time Administrative Assistant, Judy Hamby.

Other discussion included payroll processing including direct deposits; office equipment including the copier lease and maintenance; and IT support. It was suggested that IT support may need to be coded differently. Staff will check for other office supply needs and costs for a city-wide newsletter.

Legal and professional fees were discussed. CPA hours increased 50%. Smith and the Council discussed opportunities to reduce CPA costs including having staff complete some work currently being sent to the CPA including bills to be paid. Other issues included sewer/utility revenue deposits. It was suggested that multiple small deposits increased the City's CPA costs tremendously and that this could be reduced by depositing monthly. Streamlining the process of receiving and depositing was discussed to reduce costs. Staff will meet with Severn Trent. Turnbull requested to be present during such meeting. Other cost reducing measures were discussed such as sending deposit slips with revenue codes and back-up information; reconciling tap fees and the process of developer payments. Dividing responsibilities between the CPA firm and staff was discussed and having a matrix for procedures in place by the time the budget is approved.

Attorney fees were discussed including negotiating a retainer for standard attorney services and establishing rates for additional services.

Council discussed reviewing the Code of Ordinances including updating as appropriate and perhaps having fewer but necessary ordinances only. Council will review ordinances and then advise the City Attorney of any desired updates.

Further discussion was held regarding exceeding expected EMS costs; extending budgeting process to include multiple year projections and including wish lists of items for services or purchases. Examples provided included budgeting for future police, fire, and medical services and costs vs. benefits of additional fire or EMS coverage.

Council discussed street maintenance, PID responsibilities for street maintenance, and that McLendon-Chisholm has few roads to maintain. Smith discussed that the City does have title to infrastructure and discussed the need to identify City assets and liabilities including all City infrastructure as well as replacement costs and long-term maintenance costs.

Inadequate PID accounting was discussed and the need to keep the current PID auditor. Road repair and TML insurance was also discussed. Infrastructure owned by the City should be distinguished from infrastructure owned by the PID so funds will be available for maintenance when appropriate. Smith commented that PID accounting practices are of poor quality. Council requested further clarification.

Mayor Steinhagen requested the following information from Smith be recorded verbatim:

The PID accounting is pathetic and that is why I was saying you definitely do not want to unload Kyle Caperton and them because there is really only two people that really understand it. One is sitting right here and the other is him and the accounting is horrible.

Turnbull requested further clarification from Smith regarding accounting practices.

Smith elaborated and said, *like for instance if we said print us a general ledger of all the accounting activity, it's not coming out of any software. It's coming out of a mish mash bunch of spreadsheets and we are pointing out to them the value of the assets that are being deeded to the City. They could not tie that back to the accounting.* Turnbull asked *When you say they, who is they? If we wanted the general ledger, who would we go to?*

Council discussion continued regarding responsibilities for PID accounting; funds in reserve to take care of repairs and maintenance; recommendation regarding rates to ensure there is enough money for long-term maintenance; and accounting ledgers should be available for inspection. Previous road repairs were discussed. Additional comments were made indicating developers will build any needed new roads; liability insurance; frustration Kyle Caperton experienced auditing PID accounting; separation of City and PID accounting; and all PID accounting should be accessible to the City.

4. (b) Discussion regarding Fiscal Year 2017-2018 Utility Fund Budget

Council briefly discussed the Utility Fund Budget.

5. City Council Comments

The Mayor summarized the following items for further review and consideration: review of the Investment Policy; pay increases for Dave Butler and Judy Hamby; monthly

deposits from Severn Trent; development of a responsibility matrix for accounting practices; City Attorney retainer fees, requesting the auditors attend the next meeting for report and inclusion of PID maintenance costs; paying the Fire Department quarterly rather than one lump sum payment; consider increase in sales tax as budget is developed; revenue coding; adding the Fiscal Year 2015 actuals to the next budget report along FY 2016 actuals and FY 2017 year-to date revenue and expenditures and projections through the end of FY 2017; consider revising budget format; platting fees; report on open permits for revenue forecasting and stopping all iPad data plans and Butler will get an update form the Rockwall County Central Appraisal District.

Final comments regarding the Fire Department included: the City including in the budget but holding Fire Department depreciation funds; monthly financials from Fire Department; ownership of fire equipment; requesting long-term budget from the Fire Department including a reference about the 2021 Plan; many citizens do not realize the Fire Department is a private corporation; quarterly funding for Fire Department; City survey to include questions regarding Fire Department; need for Sunday staffing of fire stations questioned; personnel reports; call reports; response times; EMTs and paramedics; ambulance costs and possible reduced response times and negative public remarks about Council by Fire Department personnel.

It was noted that the newly hired City Secretary, Lisa Palomba, is currently acting City Secretary until the current City Secretary, Stephanie Galanides, retires at the end of June. Also, Stephanie continues to recover from illness and best wishes and prayers for a speedy recovery.

6. Council Member Turnbull moved to adjourn the meeting. Council Member Orchard seconded the motion. The motion to adjourn was approved by unanimous consent (Place 4, Vacant) and the meeting adjourned at 11:14 p.m.

APPROVED:


Robert Steinhagen, Mayor

ATTEST:


Lisa Palomba, Acting City Secretary

