1. CALL TO ORDER

2. INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS

3. RULES OF DECORUM

4. CITIZEN COMMENTS

   Please complete a Speaker Card and provide to the City Secretary prior to the start of the meeting. This is an opportunity for citizens who reside inside the city limits of McLendon-Chisholm to speak to Council. Citizens should stand at the podium, state their name and address, and then express concerns or questions. Citizens should limit their comments to 5 minutes or less. State law does not permit the Council to deliberate items that are not on the agenda. Concerns may be referred to Staff or scheduled for consideration at a future City Council Meeting. Please hold your comments until called. If you are here to speak regarding a public hearing matter, you will be called to speak at the appropriate time.

5. ITEMS FOR INDIVIDUAL CONSIDERATION

   5.1. Discussion and action regarding approval of January 8, 2019 City Council Meeting Minutes. *(Requested by Palomba)*
       January 8, 2019 Draft Minutes

   5.2. Discussion and action regarding acceptance of Fiscal Year 2017-2018 City Audited Financial Statements. *(Requested by Kyle Caperton, CPA)*
       Item 5.2 Staff Report - City Audit
       City Audit Report FY Ending 2018
5.3. Discussion and action regarding acceptance of the Sonoma Verde Public Improvement District (PID) Audited Financial Statements. *(Requested by Kyle Caperton, CPA)*

Item 5.3 Staff Report - Sonoma Verde PID Audit Sonoma Verde PID Audit Report FY Ending 2018

5.4. Discussion and action regarding direction to staff and/or City Financial Advisors regarding inviting proposals from select firms to serve as Public Improvement District (PID) Administrator. *(Requested by Palomba and Jim Sabonis representing Hilltop Securities)*

Item 5.4 Staff Report - Proposals for PID Administrator

5.5. A representative from Hilltop Securities will present an update and status report related to issuance of Sonoma Verde Public Improvement District (PID) Phase 2 Bonds. *(Requested by Jim Sabonis representing Hilltop Securities)*

Hilltop Securities Presentation

5.6. Presentation and discussion regarding Public Improvement Districts by FMSbonds, Public Improvement District (PID) Underwriter. *(Requested by Robert Rivera representing FMSbonds)*

FMSbonds Presentation

5.7. Discussion and action regarding authorizing the City Administrator to execute a Letter of Engagement for underwriting services with FMSbonds relating to special assessment bonds. *(Requested by Robert Rivera representing FMSbonds)*

FMSbonds Letter of Engagement

5.8. Discussion and action regarding a Resolution Ordering the General Election for May 4, 2019 for the purpose of electing persons to the Offices of City Council Member Place 1, City Council Member Place 3 and City Council Member Place 5. *(Requested by Palomba)*

Resolution Calling Election and Election Order Exhibit

5.9. Discussion and action regarding a Resolution authorizing the City Administrator to execute a Joint Election Contract with the Rockwall County Elections Administrator for services related to the May 4, 2019 General Election. *(Requested by Palomba)*

Joint Election Contract

5.10. Discussion and action regarding the 2018-2019 Citizen Survey and direction to staff to label and distribute the survey. Council Member Balkum will update the Council regarding the process. *(Requested by Council Member Balkum)*
5.11. Discussion and action regarding the future McLendon-Chisholm Fire Rescue (MCFR) Station. Council Members Balkum and Herren will update the Council regarding a recent meeting held with TxDOT representatives and all things related to the expansion of State Highway 205, the effects of station 1 and all things related to the future MCFR Fire Station. *(Requested by Council Member Balkum)*

5.12. Discussion and action regarding identification and sale of surplus city-owned assets. *(Requested by Mayor Pro Tem Turnbull)*

5.13. Discussion and action regarding the Fire Integration Contract. Chief Simmons will present a written report regarding which items have been completed and the status of any outstanding items. *(Requested by Mayor Pro Tem Turnbull)*

*Signed Integration Agreement MCVFD Oct 2018*
*Fire Chief's Report for 2-12-2019*

5.14. Discussion and action regarding a written report to be provided by Fire Chief Simmons including bank records used to identify MCVFD cash assets accounts and balances thereof as of the Fire Integration Contract's effective date, current cash assets and account balances and written explanation of the purpose for and who authorized any debits or credits to these assets. *(Requested by Mayor Pro Tem Turnbull)*

5.15. Discussion and action regarding proposed updates to City of McLendon-Chisholm Code of Ordinances Chapter 4, Business Regulations. *(Requested by Palomba)*

*Item 5.15 Staff Report - Code Updates Chapter 4*
*Kirk Franklin Legal Review*
*Chapter 4, Business Regulations Proposed Revisions*

### EXECUTIVE SESSION

6.1. Recess into Executive Session (Closed Meeting) in accordance with Texas Government Code: Section 551:071(2) Consultation with City Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter regarding the proper process for sale of surplus assets. *(Requested by Mayor Pro Tem Turnbull)*

6.2. Recess into Executive Session (Closed Meeting) in accordance with Texas Government Code: Section 551:071(2) Consultation with City Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter regarding the proper procedure for notifications to citizens who reside on substandard roads. *(Requested by Mayor Pro Tem Turnbull)*
6.3. **Recess into Executive Session** (Closed Meeting) in accordance with Texas Government Code: Section 551.074(1) Personnel Matters to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee including City Administrator/City Secretary; Assistant to the City Secretary; Building Permit Technician; Fire Chief; Assistant Fire Chief and Firefighters. *(Requested by Mayor Pro Tem Turnbull)*

7. **RECONVENE REGULAR MEETING**

8. **EXECUTIVE SESSION ACTION**

9. **STAFF REPORTS**

9.1. 1st Quarter Investment Report

10. **UPDATES, DISCUSSION AND DIRECTION TO STAFF**

10.1. McLendon-Chisholm Fire Rescue

10.2. Subdivision Zoning Regulations and City Maps

10.3. iCompass Streaming Implementation

10.4. Requests for Proposals and Qualifications

10.5. Future Agenda Items

February 12, 2019 All Updates and Reports

11. **COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS**

11.1. Mayor's Announcements including events, area happenings, and general information

11.2. Council Member Balkum's announcements including Communications, Community Engagement, Keep McLendon-Chisholm Beautiful Committee, MC50 Committee, and Veterans Memorial Brick Campaign Committee.

11.3. Council Member Larkin's Announcements including NCTCOG 9-1-1 Board and Veterans Memorial Brick Campaign Committee

11.4. Mayor Pro Tem Turnbull Announcements' including Budget and Finance

11.5. Council Member Bloom's Announcements including Economic Development
11.6. Council Member Herren’s Announcements’s including Roads and Transportation.

12. **ADJOURN**

As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session in order to see confidential legal advice from the City Attorney on any agenda item herein.

I, Lisa Palomba, do hereby certify that the above Notice of Meeting of the City Council of McLendon-Chisholm, Texas was posted or before 7:00 p.m., February 8, 2019 on the outside bulletin board at City Hall, a place convenient and readily accessible to the public at all times.
The City Council of the City of McLendon-Chisholm convened in Regular Session on Tuesday, January 8, 2019, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

Keith Short Mayor
Adrienne Balkum Council Member
Scott Turnbull Mayor Pro Tem (via Video Conference)
Jim Bloom Absent
James Herren Council Member
Herman Larkin Councilmember

Staff Present: Lisa Palomba City Administrator/City Secretary
Jim Simmons Fire Chief/Fire Marshal
City Attorney Michael Halla

1. Call to Order.

Mayor Short called the meeting to order at 6:30 p.m.

2. Council Member Herren delivered the Invocation and led the Pledge of Allegiance to the U.S. and Texas Flags.

3. Mayor Short announced the Rules of Decorum are in place and are to be observed throughout the meeting.

4. Citizen Comments.

Mayor Short stated he had several comments.

Bev Stebbins, 279 Partridge Dr., wanted to congratulate the new trash company for the smooth transition she had at her home. She was pleased and happy with the transition.

Mayor Short asked if all other comments were for item six and if they were willing to wait to discuss it under item six. This was true for all but Mr. Donnegan.

Mike Donegan, 2620 Ridgelake Lane, asked that if the council deems it necessary to conduct another survey, he has developed a list of questions he would like to see on it:

1. What type of small neighborhood type retail businesses would be attractive in the city limits?
2. Would you prefer commercial businesses along state roads or in a commercial sector?
3. Would you like written newsletters or townhall meetings when important issues are before the council?
4. Do you receive enough information on City expenses in the City budget?
5. What concerns you the most about the expansion on Hwy 205?

Mr. Donnegan does not think politically-minded questions are important.

Mayor Short closed citizen comments and moved to item 19, Mayor's Announcements.

19. Council Member Reports and Announcements.

a. Mayor’s Announcements – Events, Area Happenings, and Information.

Mayor Short stated that over the weekend some things were posted on the City’s Facebook page. Mayor Short was married before when he was 21 and then divorced. He has been married for 22 years to his current wife. His estranged sister-in-law posted inappropriate and inaccurate comments about his current wife and daughter. Mayor Short’s ex-wife spoke with her sister and she removed the item off the Facebook page.

Mayor Short introduced the new City Attorney Michael Halla.

Mayor Short recognized Ms. Lisa for providing support for a citizen. He had a call from a citizen who said they requested some assistance from her and within five minutes she had returned an e-mail or phone call to them and was in the middle of handling their request. They were very adamant that they wanted me to know how good one of our City employees handled their need. I think it is very important to recognize people when they do a good job. Lisa, thank you for your service to citizens.

5. Approval of Minutes.

a. November 13, 2018
b. November 26, 2018
c. December 11, 2018
d. December 20, 2018

Mayor Short introduced item 5. He asked if there was a motion to approve all minutes.

Council Member Balkum motioned to approve the draft minutes of all four meetings including December 20th minutes as revised.

Council Member Herren seconded the motion.
Council Member Balkum would like to look at the meeting minutes for typos.

Ms. Palomba stated Mr. Larkin gave her corrections today as well.

Mayor Short called a vote on approving all four sets of the draft minutes.

**A vote was cast and the motion carried unanimously.**

**13. Agreement for Fire Protection and Integration**

Mayor Short introduced item 13 early because the Fire Chief has Tuesday trainings and needs to leave early.

Mayor Pro Tem Turnbull requested this item because we have not received feedback on the contract. He wanted to go through the contract and hear from the Fire Chief where they stood with the contract.

Mayor Short clarified that Mayor Pro Tem Turnbull would like a list and timeline from the Fire Chief.

Mayor Pro Tem Turnbull asked if we have enough employees to meet the requirements and receive grant money from the SAFER Grant.

Fire Chief Simmons stated that they do. There are five full time and one shared position among several firefighters.

Mayor Pro Tem Turnbull asked about the inventory of assets. He received a list, reviewed it, but did not see documentation concerning cash assets/liabilities as required by the contract. He stated they were supposed to identify the assets/liability as of September 30. He asked Mr. Simmons if this occurred.

Mayor Pro Tem Turnbull asked about cash. He asked why the simplest of assets could not be accounted for.

Mayor Pro Tem Turnbull asked about the asset transfer deadline (9.1.3).

Council Member Balkum read the contract section 9.1.3.

Mayor Pro Tem Turnbull is concerned about the cash because if there has been a transfer of assets or expenditures without authorization by the City, those funds would need to be replenished.

Fire Chief Simmons stated there was no cash spent by the MCVFD. He will provide Mayor Pro Tem with all documents.
Mayor Pro Tem Turnbull stated he will look forward to reviewing the documents and reviewing once Chief Simmons provides them. Mayor Pro Tem Turnbull also asked about selling the '95 pumper, that it has been on the books for 60 days.

Mr. Simmons stated the vehicle has been for sale for 40 days. There are two parties interested. The plan is if it doesn’t sell by the end of the month he will transfer at that time.

Mayor Pro Tem Turnbull clarified that if the vehicle is not sold by the end of January he will make the transfer.

Mr. Simmons stated that was correct.

6. Community Waste Disposal (CWD) Services

Mayor Short introduced item six. Mayor Short asked for professionalism in public comment and then opened the floor for public comment.

Elaine Reynolds stated that Jason answered most of her questions and has been wonderful.

Mary Naish, 320 Herron Circle, stated that she lives on a private road. CWD stated they do not have a truck small enough to service her road. She has not had her trash picked up in 2.5 weeks. Lisa did come out and service some of their trash. Now it’s being said that as of now, they will have to wheel all their carts down to 205 because nobody is going to be able to come down Herron Circle. They have a disabled vet and an elderly person living on their road so it is difficult to take their trash a far distance. She wants to understand how they can make this work. Currently it does not work, but she is still paying for the service.

Council Member Balkum asked if she has been reimbursed.

Ms. Naish stated no. They all paid at the beginning of December have not had a pick up from the old company since before Christmas.

Council Member Balkum asked if CWD’s truck that dropped their trash can off is an okay vehicle to go down their street.

Ms. Naish stated the vehicle is identical to the old company’s flatbed truck. The only reason she knew the trash company was changing was because they delivered a new trash can. She did not receive a newsletter. But now they say they don’t have a truck that can service this road.

Council Member Balkum stated they will communicate with Ms. Naish.

Mr. Jeremy Swindle, 321 Herron Circle, is not being serviced by the trash company. He asked if there are solutions. Will they need to hire another company? He does not feel it
is appropriate for them to have to take their garbage down to the end of the street with
the elderly people and the disabled vet. The cans are heavy and it is not safe to take them
down there.

Council Member Balkum stated she looked at six companies to come down the road. Two
of them were possibilities to use for that road. The numbers were high. She also has a
concern that the cans are on 205 so she wants to discuss this with CWD. They are being
proactive to try and find other solutions. She stated they are looking into things and she
wants to make sure there is communication. She thanked Mr. Swindle for sharing
comments.

Gary Nickel, 612 Kentwood, stated he was impressed with the transfer of service, but is
confused by the brochure. There seems to be some inconsistencies. He asked why it is
necessary to bag garbage now before putting garbage in the trash can. This makes him
wonder how different their trash service will be, primarily yard waste.

Mayor Short stated he believed they will have some answers for him.

Mr. Roemer, from CWD, stated they, as far as Herron Circle, were not aware that a pick-
up truck was used to service the road in question when the contract was signed. The
service in their RFP expected to use a garbage truck, not a pick-up truck to service the
area. They are working with the City to come up with other solutions, perhaps they can
have secondary pricing to service that road.

Mr. Roemer stated that yard debris may be placed in garbage cans. He also clarified that
recycles do not have to be bagged but if they are bagged it needs to be in a clear bag.

Mayor Pro Tem Turnbull asked for clarification on garbage bag colors.

Mr. Roemer stated that when people bag recyclables it should be a clear, or light blue
bag so you can see what is inside.

Mr. Larkin stated Corporal Michael Fox who is a US Marine, retired, double amputee,
lives at the end of Herron Circle. His home was built and gifted to him through “Home for
Troops”. It is important to make sure we don’t put any extra burdens on him. But, we do
need to be fair to all our citizens. He is also concerned about the look of 205. There were
a lot of trash from bags blown open.

Mayor Pro Tem Turnbull stated the transition was fine, but there were mistakes about
where carts were replaced after being dumped. We need to be sure carts are put back in
the right place. I’m sure it will be worked out.

Council Member Balkum asked about customer service calls.

Mr. Roemer stated there were a lot of calls, but transitions are difficult especially on the
holiday. There were streets missed, such as Windsor Dr., because the previous
contractor did not give them complete lists. We did come back on Saturday to service the houses missed. For Herron Circle, the solution to move their trash to 205 was a temporary solution. They are looking for another solution. He stated they are dedicated to work on a solution.

Council Member Balkum stated it is hard to meet expectations and customer needs and she appreciates the communication with CWD. She asked for a quote for the Herron Circle issue for the smaller vehicle.

Mr. Roemer stated they will have a quote Thursday.

Council Member Balkum stated they will go over the price quote and inform the citizens what is next.

Concerns were expressed about old carts not being pick up. Mr. Roemer stated CWD will them up.

Council Member Balkum ask if a date had been set for the Extreme Green even.

Mr. Roemer gave a few dates for the Extreme Green event - on April 20, March 9, March 16 and June 8.

Ms. Palomba stated that for the time being, people on Herron Circle can take their trash to 205 and if you need help getting carts to 205, call the City.

Mr. Roemer stated that CWD has designated Saturday as “missed trash” pick up day.

7. Information Technology Award of Contract

Mayor Short introduced item 7.

Ms. Palomba stated the City received three proposals. She suggested narrowing the contract down to one or two options or award the contract tonight.

Mayor Pro Tem Turnbull wants to table this item until the first meeting in February and resubmit the RFP for a larger response. He has spent 20 years in the industry and was not impressed with their options. He recommends contacting Microsoft to notify their partners so the City will have a wider selection of applicants. He asked the City Attorney if they need to resubmit the RFP or if they can just extend it.

City Attorney stated you need to restart the bidding process again. You can table it and direct staff to issue another RFP. You do not have to accept if you are not satisfied.

Ms. Palomba used TML, Website and newspaper to advertise.

Mayor Pro Tem Turnbull stated he will help Lisa get in touch with Microsoft.
Mayor Pro Tem Turnbull made a motion to table this item until the second Council Meeting in February.

Council Member Herren seconded the motion.

Mayor Short called for a vote.

Vote passed unanimously.

8. Appointments to Economic Development Review Panel

Mayor Short introduced Item 8.

Council Member Herren asked if council could postpone this item since Council Member Bloom, who requested it, is not in attendance.

Mayor Short tabled item eight until the 22nd of January.

9. iCompass Agenda Management

Mayor Short introduced Item 9.

Council Member Balkum wants an update on iCompass. She sees we are using it. She had questions about the document center – is that a program they are using that you just scroll through? Also, for proprietary documents, how will we be sure those documents aren’t just out there?

Mayor Pro Tem Turnbull asked Lisa Palomba for training on how to use iCompass.

Council Member Balkum also asked about the PDFs which are dropped in, if they will be searchable. She also asked about the log-in information. What if someone were to get her information, would they be able to log-in at another location, or would it cancel itself out? Also, on the layout, it is hard visually. Will they customize the template?

Council Member Balkum would like the video streaming of meetings to move forward.


Council Member Balkum mentioned yard signs/garage sales.

Council Member Balkum asked if the fire marshal can distribute tickets.

Council Member Balkum stated some newspapers mention when a city has a new ordinance.
Council Member Balkum thinks there should be quick links in the code.

Council Member Herren believes the City Council’s job is to provide guidance and direction but should not have authority over the overall daily operations of the City.

Councilmember Balkum stated she did enjoy that everyone did their homework reviewing the trash service as well as reviewing the applicants and their proposals. She did think that could be done with any position. She believes the Council should be involved in any of these contracted services for any type of potential position. She believes all their input is valuable to make sure they are going in a good direction for the City.

Council Member Balkum felt that the Mayor offered to take her questions to the interview of the attorney, but dismissed her input. She believes all their input is valuable as members of the City Council.

Council Member Herren stated there should be a job description of any position we have for a City position and people submit their resumes based on that. For a contractor, the City will do an RFP. The Mayor should have authority to manage, but the council is responsible for funding the city. When developing the budget for the city, we help determine how that gets spent also. I do believe the Mayor has certain responsibilities for running the city, but I do believe the city council has a right to have a say on who gets hired. There needs to be a balance.

Mayor Pro Tem stated that using the job description instead of an RFP for advertising and taking resumes for a full-time position can be changed. He is in favor of the council reviewing all applications and voting for any position that comes before them.

Council Member Balkum asks if a Council Member is not present and we are voting on a position, do we need to wait for another meeting to have a majority? If we had a split vote, would we postpone until we were all together?

City Attorney Halla explained that you could move to table a motion, but that a motion to table would supersede any other motion.

Mayor Pro Tem Turnbull asked in that case can the Mayor cast the deciding vote?

Councilmember Balkum asked who would be in charge of making decisions in case of an emergency.

Mayor Short stated he believes the Government Code states he is the head of emergency management as the Mayor of the city.

Mayor Short stated he does not believe the responsibility should flow down to the City Administrator because she has enough on her plate without that. He believes the next in line from him should be the Fire Marshal because he is going to be the command staff
and it should be delegated from him to the Fire Marshal. He should be the next in line because he's going to be there anyway.

Council Member Balkum pointed out that the City Administrator should be involved.

Changes to the verbiage in the Code were discussed.

Council Member Balkum stated last year they missed the deadline for getting a new municipal judge and she also asked about the RFP for an accountant.

Council discussed position descriptions.

Council Member Balkum ask if the City Planner would be responsible for city maps.

Mayor Pro-Tem Turnbull stated they need to be able to put their job duties under the position so they will know what they are supposed to be doing.

City Attorney Halla stated they should put as much information as possible into an RFP.

Council talked about position descriptions.

Mayor Short called a recess at 8:54 p.m.

The meeting reconvened at 8:54 p.m.

Mayor Short talked about animal control and dog areas and leash lengths.

Mayor Pro Tem thinks a maximum leash length should be 10 feet.

Mayor Short is okay with that. The average is 6 feet.

Mayor Short asked if there was a state law or ordinance about tethering an animal.

11. City Survey Direct Mail Notice

Mayor Short introduced Item 11.

Council Member Balkum combined the list of property owners and voter registration. She is now at 3391 but she is still removing duplicates. The actual count will be less than 3390. To lower the cost of printing, she likes the 9x6 or 5x4 mailer. Her suggestion is two mailers, two different sizes, smaller, to save money.

Council Member Herren stated he is not sure he is in favor of doing a survey this year. He doesn't think things have changed and he doesn't want to spend the money.
Council Member Balkum welcomed everyone’s input. She wants information to help the council do their job. The reason she is bringing it to the council now is because she needs approval for funds to purchase the postcards.

Mayor Pro Tem Turnbull stated the 5x4 cards are the least expensive and to use that for the first mailing and the larger size for the reminder mailing. He agrees that the focus should be different than the survey in the past, but it could be a benefit to the community. He believes the money is well spent on the survey.

Council Member Balkum and Council Member Herren will sit down and talk about the survey focus.

Mayor Short agrees that the smaller mailer will be more cost-effective.

Council Member Herren asked if it was worth sending a second mailer based on how many people respond. He asked if there was a way to target constituents online rather than a physical mailer. He believes council should be looking for the best way to do this.

Council Member Balkum stated each respondent would need a unique code from the city.

Mayor Pro Tem Turnbull suggested using a city account number if doing an electronic survey. However, it would be difficult.

Mayor Pro Tem Turnbull made a motion to authorize Council Member Balkum to order 5x4 mailers for the survey.

Council Member Balkum seconded the motion.

Vote passed unanimously.

12. Request for Proposals for City Engineer, City Planner and City Accountant.

Mayor Short introduced item 12.

Mayor Pro Tem Turnbull stated the contractors in place now are good, but it would be a good idea to review their contracts. He would like them to be the best qualified, but doesn’t want to put off evaluating this. He would like to post the positions and see what is available. He feels it is Council’s job to get the best people in the positions. He recommends a 30-day filing deadline. Mayor Pro Tem Turnbull would like to contact local CPA chapters.

Mayor Short gave Lisa the directive to post positions in the newspaper and to contact professional organizations.

Mayor Pro-Tem Turnbull stated he would like to move forward as quickly as possible within the time constraints.
Mayor Short asked if they wanted to receive RFPs for all positions at the same time so they can review them or stagger them.

Mayor Pro-Tem Turnbull stated he would like to receive them all so they will have something to look at.

14. Executive Session

Mayor Short stated there was no reason to enter Executive Session.

15. Reconvene Regular Meeting

16. Executive Session Action

17. Reports


   Mayor Short opened discussion on Financial Reports.

   Mayor Pro Tem Turnbull asked Lisa to ask Ray if there was a way to show offsets for the Fire Department on the SAFER Grant.


   No Discussion

c. Rockwall County Sheriff Activity for November 2018.

   Mayor Short stated there were 25 burglary and car theft calls for the area.

d. McLendon-Chisholm Fire Rescue Department and EMS Activity for November 2018.

   Mayor Short stated Fire Rescue was active for New Years.

18. Updates, Discussion and Direction to Staff

19. Council Member Reports and Announcements.

   a. Mayor’s Announcements – Events, Area Happenings, and Information.

      Mayor Short did not have announcements

   b. Council Member Balkum – Communications and Community Engagement.
Council Member Balkum went with the company they chose for bricks for their ability to laser bricks. They don’t have a design.

Council Member Balkum has been on social media, taken phone calls, and taken trash out for citizens.

Mayor Short stated there was good communication with citizens, council, and city employees. He stated Council Member Balkum did a great job.

c. Councilmember Larkin – NCTCOG 9-1-1 Board and Related Items

Council Member Larkin gave an update on the funds passed down to the participating counties.

d. Mayor Pro Tem Turnbull – Budget and Finance.

Mayor Pro Tem Turnbull stated he does not have anything new on the budget, but asked Lisa to add notes on the Agenda that says “One-two Council Members may video-conference in.”

City Attorney says it is the best practice to do that.

e. Council Member Bloom – Economic Development.

Moved to next meeting since Council Member Bloom is absent.


Council Member Herren reported that FM 549 expansion to four lanes is scheduled to be let in June 2022. Also, they will be doing the southern part of 205 in June of 2023.

20. Adjourn.

Mayor Pro-Tem Turnbull moved to adjourn the meeting. The meeting was adjourned at 10:38 p.m.

ATTEST:    APPROVED:

_________________________    ________________________
Lisa Palomba, City Secretary    Keith Short, Mayor
Item 5.2 – Discussion and action regarding acceptance of FY 2017-2018 City Audited Financial Statements.

DATE:
February 12, 2019

BACKGROUND OF ISSUE:
The City Council engaged Murrey, Paschall & Caperton P.C. to perform the FY 2017-2018 City Audit. Auditors spent time at City Hall gathering information to supplement the financial statements. All information requested by the auditors was provided by staff as requested. At this time, the audit is complete and the audit findings are presented for acceptance by the City Council.

FINANCIAL IMPACT:
The City engaged Murrey, Paschall & Caperton, P.C. for a price not to exceed $9,500. The actual price was $8,800. This amount has been paid in full. No additional costs are expected at this time.

OPERATIONAL IMPACT:
N/A

RECOMMENDATION:
Staff recommends acceptance of the FY 2017-2018 City Audited Financial Statements.

Suggested Motion: I move to accept the FY 2017-2018 City Audited Financial Statements as presented.

Lisa Palomba, City Administrator/City Secretary
CITY OF MCLENDON-CHISHOLM, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

MURREY PASCHALL & CAPERTON, P.C.
Certified Public Accountants
**CITY OF MCLENDON-CHISHOLM, TEXAS**

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**SEPTEMBER 30, 2018**

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<td></td>
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</tbody>
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INDEPENDENT AUDITOR’S REPORT

To the Honorable Mayor and Members of the City Council
City of McLendon-Chisholm, Texas
McLendon-Chisholm, Texas

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of McLendon-Chisholm, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of McLendon-Chisholm, Texas, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and the required GASB 68 Pension Schedules on pages 5–10 and pages 35-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2018, on our consideration of the City of McLendon-Chisholm, Texas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of McLendon-Chisholm, Texas’ internal control over financial reporting and compliance.

Murrey Paschall & Caperton, P.C.
Forney, Texas
December 28, 2018
Within this section of the City of McLendon-Chisholm, Texas’ annual financial report, the City’s management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. The City’s financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City’s primary government.

FINANCIAL HIGHLIGHTS

- The City’s assets exceeded its liabilities by $11,782,388 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by $11,424,227. This includes contributed assets received as part of the Phase I agreement with the developer of the Sonoma Verde planned community, MC 550 Investors, L.P. Total developer contributed assets to the city now total $11,237,312.

- Total net assets are comprised of the following:
  1) Capital assets, net of related debt, of $10,651,174.
  2) Restricted for debt service funds of $178,184.
  3) Unrestricted net assets of $953,030 represent the portion available to maintain the City’s continuing obligations to citizens.

- The City’s general fund reported total ending fund balance of $741,944 this year. This compares to the prior year ending fund balance of $346,833, showing an increase of $395,111 during the current year.

- The City’s liabilities are accounts payable, sewer tap rebates and long-term debt.

- The City previously implemented GASB Statement No. 68 which requires the City to record its Net Pension Liability $27,905.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management’s Discussion and Analysis introduces the City’s basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the financial statements.

Government-Wide Financial Statements

The City’s annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the citywide statement of financial position presenting information that includes all the City’s assets and liabilities, with the difference reported as net assets. Over time, the increases or decreases of net assets may serve as
a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City’s net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City’s distinct activities or functions on revenues provided by the City’s taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and fees and on occasion grants from state and federal sources. Governmental activities include general government, public safety, public services, and culture and recreation. Business-type activities include airports, water utilities, solid waste management, storm water drainage, golf courses, fairgrounds and stadium, ground transportation, and parking. Fiduciary activities such as employee pension plans are not included in government-wide statements since these assets are not available to fund City programs. During 2018, the City continued collecting sewer tap fees which are considered business-type funds. See further discussion in the notes to the financial statements.

The City’s financial reporting includes the funds of the City (primary government). There are currently no component units.

The government-wide financial statements are presented on pages 11-12 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the City’s most significant funds rather than the City taken as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The City of McLendon-Chisholm, Texas has a governmental fund, the General Fund and a proprietary fund for business type activities, utilities.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City’s governmental funds. These statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of the expendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between the two perspectives.

The basic governmental fund financial statements are presented on pages 13-16 of this report.
Proprietary funds are used to report the same functions presented as business-type funds to account for its utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. See reporting on pages 17-19.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The statement shows multiple columns: 1) the original and final budget as amended by the Council (if any changes); 2) the actual resources, charges to appropriations, and ending balances in the General Fund and 3) the difference or variance between the final budget and the actual resources and charges.

The budgetary comparison statement can be found on page 35-36 of this report.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements on page 20 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

Comparative data is accumulated and presented to assist analysis. The City’s net assets at fiscal year-end are $11,782,388. This is a $358,161 increase from last year’s net assets of $11,424,227.

A large portion of the City’s net assets (90.39%) reflects its investments in capital assets (e.g. contributed capital assets, land, furniture, equipment and leasehold improvements). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The city received bond proceeds during 2015 in the amount of $2,150,000 for the primary purpose of constructing a new city hall which was completed in 2016. During 2018 the city voted to establish an escrow account for an early bond redemption. As of September 30, 2018, the funds in this escrow account were $185,984 and are expected to be applied against debt principal in February 2019.

The remaining balance of unrestricted net assets of $953,030 may be used to meet the government’s ongoing obligation to citizens and creditors.
### CITY OF MCLENDON-CHISHOLM, TEXAS

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2018**

#### Governmental Business-Type Total

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$1,108,469</td>
<td>$470,433</td>
<td>$370,338</td>
<td>$236,994</td>
<td>$1,478,807</td>
<td>$707,427</td>
</tr>
<tr>
<td>Capital &amp; other assets</td>
<td>7,887,533</td>
<td>7,994,466</td>
<td>4,779,473</td>
<td>4,882,040</td>
<td>12,667,006</td>
<td>12,876,506</td>
</tr>
<tr>
<td>Total assets</td>
<td>8,996,002</td>
<td>8,464,899</td>
<td>5,149,811</td>
<td>5,119,034</td>
<td>14,145,813</td>
<td>13,583,933</td>
</tr>
<tr>
<td>Long-term bonds outstanding</td>
<td>1,785,000</td>
<td>1,870,000</td>
<td>-</td>
<td>-</td>
<td>1,785,000</td>
<td>1,870,000</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>517,169</td>
<td>270,706</td>
<td>61,256</td>
<td>19,000</td>
<td>578,425</td>
<td>289,706</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,302,169</td>
<td>2,140,706</td>
<td>61,256</td>
<td>19,000</td>
<td>2,363,425</td>
<td>2,159,706</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of debt</td>
<td>5,871,701</td>
<td>5,915,743</td>
<td>4,779,473</td>
<td>4,882,040</td>
<td>10,651,174</td>
<td>10,797,783</td>
</tr>
<tr>
<td>Restricted</td>
<td>178,184</td>
<td>88,103</td>
<td>-</td>
<td>-</td>
<td>178,184</td>
<td>88,103</td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>643,948</td>
<td>320,347</td>
<td>309,082</td>
<td>217,994</td>
<td>953,030</td>
<td>538,341</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$6,693,833</td>
<td>$6,324,193</td>
<td>$5,088,555</td>
<td>$5,100,034</td>
<td>$11,782,388</td>
<td>$11,424,227</td>
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</table>

#### Program revenues

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for services</td>
<td>$761,747</td>
<td>$378,812</td>
<td>$376,359</td>
<td>$305,697</td>
<td>$1,138,106</td>
<td>$684,509</td>
</tr>
<tr>
<td>Ad Valorem Tax</td>
<td>583,592</td>
<td>484,499</td>
<td>-</td>
<td>-</td>
<td>583,592</td>
<td>484,499</td>
</tr>
<tr>
<td>Franchise &amp; Sales Tax</td>
<td>366,256</td>
<td>266,981</td>
<td>-</td>
<td>-</td>
<td>366,256</td>
<td>266,981</td>
</tr>
<tr>
<td>Investment Income</td>
<td>12,224</td>
<td>2,198</td>
<td>5,641</td>
<td>1,570</td>
<td>17,865</td>
<td>3,768</td>
</tr>
<tr>
<td>Other Sources</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues</td>
<td>1,723,819</td>
<td>1,132,490</td>
<td>382,000</td>
<td>307,267</td>
<td>2,105,819</td>
<td>1,439,757</td>
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</tbody>
</table>

#### Program expenses

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>1,139,656</td>
<td>1,105,921</td>
<td>-</td>
<td>-</td>
<td>1,139,656</td>
<td>1,105,921</td>
</tr>
<tr>
<td>Cultural &amp; Recreation</td>
<td>1,781</td>
<td>1,306</td>
<td>-</td>
<td>-</td>
<td>1,781</td>
<td>1,306</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>12,843</td>
<td>14,362</td>
<td>-</td>
<td>-</td>
<td>12,843</td>
<td>14,362</td>
</tr>
<tr>
<td>Public Safety</td>
<td>139,775</td>
<td>336,410</td>
<td>-</td>
<td>-</td>
<td>139,775</td>
<td>336,410</td>
</tr>
<tr>
<td>Debt Service</td>
<td>60,124</td>
<td>55,738</td>
<td>-</td>
<td>-</td>
<td>60,124</td>
<td>55,738</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
<td>393,479</td>
<td>270,142</td>
<td>393,479</td>
<td>270,142</td>
</tr>
<tr>
<td>Total expenses</td>
<td>1,354,179</td>
<td>1,513,737</td>
<td>393,479</td>
<td>270,142</td>
<td>1,747,658</td>
<td>1,783,879</td>
</tr>
<tr>
<td>Excess (deficiency) before transfers</td>
<td>369,640</td>
<td>(381,247)</td>
<td>(11,479)</td>
<td>37,125</td>
<td>358,161</td>
<td>(344,122)</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>12,715</td>
<td>-</td>
<td>(12,715)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>369,640</td>
<td>(368,532)</td>
<td>(11,479)</td>
<td>24,410</td>
<td>358,161</td>
<td>(344,122)</td>
</tr>
<tr>
<td>Plus Developer Contribution</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Change in Net Assets</td>
<td>$369,640</td>
<td>$(368,532)</td>
<td>$(11,479)</td>
<td>$24,410</td>
<td>$358,161</td>
<td>$(344,122)</td>
</tr>
</tbody>
</table>
FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of expendable resources. Governmental funds reported ending fund balances of $920,128. Of this year-end total, $741,944 is unassigned indicating availability for continuing City service requirements while the remaining $178,184 is to be applied to debt service.

Major Governmental Funds

General Fund – The City does levy property taxes. Other revenues that are received are from such miscellaneous sources as state sales tax sharing, franchise taxes, etc. The basic expenses of a governmental nature involve the maintaining of a city hall and the associated expenses of the city government.

Proprietary Fund - The City has a component utility unit: the sewer system of the Sonoma Verde Development. Although a part of the city, this operates primarily as a business selling the services provided to the public. The business-type activities operated at a net loss of $11,479 (after depreciation expense) in 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget for fiscal year 2018 was expected to be a gain of $362,994. The actual net gain was higher ($485,192) primarily due to new debt proceeds used to purchase new fire & rescue equipment. Budgetary comparisons are found on page 35-36 of this report.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental activities, net of depreciation and related debt, as of September 30, 2018 is $10,651,174. These include land, furniture, equipment, leasehold improvements and developer contributed assets in Sonoma Verde. Additions during the year related to further progress on the new City Hall property and Sonoma Verde infrastructure (water lines, sewer lines, roads and drainage improvements.

At the end of the current fiscal year, the City had total bond debt outstanding of $1,870,000.

Additional information regarding the City of McLendon-Chisholm’s capital assets can be found in Note IV on page 26.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET CONSIDERATIONS

The rapid growth of Rockwall County will continue to foster additional home starts in the area, thus increasing City income from permits, inspections and filings.

General Fund expenses for the 2018-2019 fiscal year are budgeted to increase compared to the 2017-2018 budget. The major difference for 2018-2019 will be increases in income and related expenses for building permits/inspections, septic fees, professional fees, road repairs and sales tax revenue are all expected to increase. Also with the establishment in September 2018 of the McLendon Chisholm Fire & Rescue department, expenses will include staffing fire fighters, purchasing needed equipment and
renovating fire department facilities. To help offset these cost, the City has been awarded a $621,600 SAFER (Staffing for Adequate Fire and Emergency Response) grant to be split over the next 3 years. For more information see the announcement on the city website.

Population growth in the City and County has been an important topic for City leaders and citizenry for several decades. The City has seen an increase in retail establishments and single-family homes. The City expects its population to continue to increase and is working to plan for the needs of the citizens and generating revenues to support those needs. This is a primary focus of the City. Additionally, the City sees its ability to balance the need for professional services (such as planning, engineering, legal and, financial) with population growth as a challenge in the future.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City’s finances, comply with finance-related laws and regulations, and demonstrates the City’s commitment to public accountability. If you have questions regarding this report or would like to request additional information, you may submit a request to the City Secretary at 1371 West FM 550, McLendon-Chisholm, Texas 75032.
### CITY OF MCLENDON-CHISHOLM, TEXAS
#### STATEMENT OF NET ASSETS
#### SEPTEMBER 30, 2018

Here is the table structure for the primary government:

<table>
<thead>
<tr>
<th></th>
<th>Government Activities</th>
<th>Business-Type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>$ 844,885</td>
<td>$ 370,338</td>
<td>$ 1,215,223</td>
</tr>
<tr>
<td>Miscellaneous Receivables and Prepaids</td>
<td>188,360</td>
<td>-</td>
<td>188,360</td>
</tr>
<tr>
<td>Sales Tax Receivable</td>
<td>61,434</td>
<td>-</td>
<td>61,434</td>
</tr>
<tr>
<td>Development Revenue Receivable</td>
<td>13,790</td>
<td>-</td>
<td>13,790</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,108,469</td>
<td>370,338</td>
<td>1,478,807</td>
</tr>
<tr>
<td><strong>Capital Assets (Note IV)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture &amp; Equipment - City</td>
<td>140,675</td>
<td>-</td>
<td>140,675</td>
</tr>
<tr>
<td>Equipment &amp; Gear - Fire Dept</td>
<td>230,341</td>
<td>-</td>
<td>230,341</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>25,985</td>
<td>-</td>
<td>25,985</td>
</tr>
<tr>
<td>Building</td>
<td>2,170,689</td>
<td>-</td>
<td>2,170,689</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>6,108,954</td>
<td>5,128,358</td>
<td>11,237,312</td>
</tr>
<tr>
<td>Land</td>
<td>322,511</td>
<td>-</td>
<td>322,511</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>20,000</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(1,223,173)</td>
<td>(348,885)</td>
<td>(1,572,058)</td>
</tr>
<tr>
<td><strong>Total Capital Assets</strong></td>
<td>7,795,982</td>
<td>4,779,473</td>
<td>12,575,455</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Cost, net amortization</td>
<td>47,684</td>
<td>-</td>
<td>47,684</td>
</tr>
<tr>
<td>Deferred Outflows Related to Pensions</td>
<td>43,867</td>
<td>-</td>
<td>43,867</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td>91,551</td>
<td>-</td>
<td>91,551</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>8,996,002</td>
<td>5,149,811</td>
<td>14,145,813</td>
</tr>
</tbody>
</table>

| **Liabilities**      |                       |                           |           |
| Account Payable      | 180,523               | 61,256                    | 241,779 |
| Net Pension Liability | 27,905                | -                        | 27,905 |
| Deferred Inflows Related to Pensions | 3,497              | -                        | 3,497 |
| Accrued Bond Interest | 7,818                 | -                        | 7,818 |
| Bond Premium, net amortization | 101,965            | -                        | 101,965 |
| Current - Notes Payable (Note V) | 85,000               | -                        | 85,000 |
| Long-term - Leased Equipment (Note V) | 110,461            | -                        | 110,461 |
| Long-term - Notes Payable (Note V) | 1,785,000           | -                        | 1,785,000 |
| **Total Current Liabilities** | 2,302,169           | 61,256                    | 2,363,425 |

| **Net Assets**       |                       |                           |           |
| Investment in Capital Assets, net of related debt | 5,871,701           | 4,779,473                 | 10,651,174 |
| Restricted for Debt Service | 178,184              | -                        | 178,184 |
| Unrestricted         | 643,948               | 309,082                   | 953,030 |
| **Total Net Assets** | $ 6,693,833           | $ 5,088,555               | $ 11,782,388 |

The accompanying notes are an integral part of the financial statements.
CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

PROGRAM REVENUE

<table>
<thead>
<tr>
<th></th>
<th>Charges for Services</th>
<th>Net Revenue (Expense)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>Expenses</td>
<td></td>
</tr>
<tr>
<td>Culture and Recreation</td>
<td>$ 1,781</td>
<td>$ -</td>
</tr>
<tr>
<td>General Government</td>
<td>1,139,656</td>
<td>761,747</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>12,843</td>
<td>-</td>
</tr>
<tr>
<td>Public Safety</td>
<td>139,775</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>60,124</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,354,179</td>
<td>761,747</td>
</tr>
</tbody>
</table>

Business Type:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility</td>
<td>393,479</td>
<td>376,359</td>
</tr>
<tr>
<td>Total Business-Type Activities</td>
<td>393,479</td>
<td>376,359</td>
</tr>
</tbody>
</table>

Change in Net Assets:

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (Expense) / Revenue</td>
<td>(592,432)</td>
<td>(17,120)</td>
<td>(609,552)</td>
</tr>
<tr>
<td>Ad Valorem Tax</td>
<td>583,592</td>
<td>-</td>
<td>583,592</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>206,341</td>
<td>-</td>
<td>206,341</td>
</tr>
<tr>
<td>Franchise</td>
<td>159,915</td>
<td>-</td>
<td>159,915</td>
</tr>
<tr>
<td>Investment Income</td>
<td>12,224</td>
<td>5,641</td>
<td>17,865</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>369,640</td>
<td>(11,479)</td>
<td>358,161</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,324,193</td>
<td>-</td>
<td>$ 6,693,833</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
CITY OF MCLENDON-CHISHOLM, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

The accompanying notes are an integral part of the financial statements.
Amounts reported for government assets in the Statement of Net Assets are different because:

Capital Assets of $9,019,155, net of Depreciation of $1,223,173 are not financial resources and, therefore are not reported in the funds. See note IV for additional detail 7,795,982

Net other post employment benefit obligation in governmental activities does not require current financial resources and therefore is not reported in the governmental funds balance sheet. 12,465

Bond Cost, net are not financial resources and, therefore are not reported in the funds. 47,684

Bond Premiums, net are not due and payable and, therefore are not reported in the funds. (101,965)

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (1,980,461)

Net Assets of Governmental Activities $ 6,693,833

The accompanying notes are an integral part of the financial statements.
CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Debt Service Fund</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem Tax</td>
<td>$347,167</td>
<td>$236,425</td>
<td>$583,592</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>206,341</td>
<td>-</td>
<td>206,341</td>
</tr>
<tr>
<td>Franchise</td>
<td>159,915</td>
<td>-</td>
<td>159,915</td>
</tr>
<tr>
<td>Investment Income</td>
<td>12,224</td>
<td>-</td>
<td>12,224</td>
</tr>
<tr>
<td>Service Revenue</td>
<td>761,747</td>
<td>-</td>
<td>761,747</td>
</tr>
<tr>
<td>Debt proceeds</td>
<td>162,500</td>
<td>-</td>
<td>162,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,649,894</td>
<td>236,425</td>
<td>1,886,319</td>
</tr>
</tbody>
</table>

| **Expenditures**       |              |                   |                         |
| Culture and Recreation | 1,781        | -                 | 1,781                   |
| General Government     | 787,706      | -                 | 787,706                 |
| Infrastructure         | 12,843       | -                 | 12,843                  |
| Public Safety          | 139,775      | -                 | 139,775                 |
| Capital Expenditures   | 254,664      | -                 | 254,664                 |
| Debt Service: Principal| 52,038       | 85,000            | 137,038                 |
| Debt Service: Gross Interest | 5,976     | 61,344            | 67,320                  |
| **Total**              | 1,254,783    | 146,344           | 1,401,127               |

Net Change in Fund Balance | 395,111 | 90,081 | 485,192 |

Fund Balance: Beginning | 346,833 | 88,103 | 434,936 |

Fund Balance: Ending | $741,944 | $178,184 | $920,128 |

The accompanying notes are an integral part of the financial statements.
Net Change in Fund Balance - Total Governmental Funds $ 485,192

Amounts reported for government activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceed depreciation in the current period is (less depr. $390,901 add purchase of $254,664) (136,237)

Governmental funds report all payments to pension benefits as expenditures. However in the government-wide statement of activities the pension expense is actuarially determined. (Paid to TMRS - Actuary Expense) 38,951

The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources of government funds. Neither transaction however, has any effect on the net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. (18,266)

Change Net Assets of Governmental Activities $ 369,640

The accompanying notes are an integral part of the financial statements.
CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2018

<table>
<thead>
<tr>
<th>Business-Type Activities</th>
<th>(Utility Fund)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>$ 370,338</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>370,338</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5,128,358</td>
</tr>
<tr>
<td>(less) Accumulated Depreciation</td>
<td>(348,885)</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>4,779,473</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 5,149,811</td>
</tr>
</tbody>
</table>

| **Liabilities**          |                |
| Sewer Tap Rebates        | $ 45,000       |
| Payables                 | 16,256         |
| Total Liabilities        | 61,256         |

| **Net Assets**           |                |
| Investment in Capital Assets, net of related debt | 4,779,473 |
| Unrestricted             | 309,082        |
| Total Net Assets         | 5,088,555      |
| Total Liabilities and Net Assets | $ 5,149,811 |

The accompanying notes are an integral part of the financial statements.
### Business-Type Activities (Utility Operations Fund)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Connection Fees</td>
<td>$219,000</td>
</tr>
<tr>
<td>Sewer Customer Service</td>
<td>$157,359</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$5,641</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$382,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Connection Developer Fee</td>
<td>$131,400</td>
</tr>
<tr>
<td>Septic Maintenance</td>
<td>$142,779</td>
</tr>
<tr>
<td>Accounting &amp; Payroll Services</td>
<td>$16,733</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$102,567</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$393,479</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>$(11,479)</td>
</tr>
<tr>
<td>Net Assets: Beginning</td>
<td>$5,100,034</td>
</tr>
<tr>
<td>Plus Developer Contribution:</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Net Assets: Ending</strong></td>
<td>$5,088,555</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
CITY OF MCLENDON-CHISHOLM, TEXAS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<table>
<thead>
<tr>
<th>Business-type Activities (Utility Operations Fund)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
</tr>
<tr>
<td>Receipts from customers and users $382,000</td>
</tr>
<tr>
<td>Payments to suppliers (248,656)</td>
</tr>
<tr>
<td>Payments to employees</td>
</tr>
<tr>
<td>Net cash provided by operating activities 133,344</td>
</tr>
</tbody>
</table>

| Cash flows from noncapital financing activities:  |
| Transfers In (Out) from Other Funds -            |
| Net cash provided (used) by noncapital financing activities - |

| Cash flows from capital and related financing activities: |
| Acquisition and construction of capital assets -       |
| Net cash provided (used) by capital and related financing activities - |

| Net increase (decrease) in cash and cash equivalents 133,344 |
| Cash and cash equivalents at beginning of year 236,994     |
| Cash and cash equivalents at end of year $370,338          |

Reconciliation of operating income (loss) to net cash provided by operating activities:
Operating income (loss) $ (11,479)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:
Depreciation and amortization 102,567
Increase (decrease) in accounts current liabilities 42,256
Total adjustments 144,823
Net cash provided by operating activities $133,344

The accompanying notes are an integral part of the financial statements.
NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of McLendon-Chisholm, Texas (City) are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations, including required disclosures of the City’s financial activities for the fiscal year ended September 30, 2018.

B. Financial Reporting Entity

Incorporated in 1969, the City of McLendon-Chisholm, Texas is a General Law Municipality in which citizens elect the mayor at large and five council members at large. The accompanying financial statements present the City’s primary government.

Based on the primary accountability for fiscal matter, authority to make decisions, appoint administrators and managers, and significantly influence operations, the City meets the definition of a “Financial Reporting Entity” as defined by GASB statement 14.

The accompanying financial statements present the City’s primary government.

C. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual fund of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Government-Wide Financial Statements

The government-wide financial statements include the statements of net assets and the statement of activities. These statements report financial information of the City as a whole. The government has a Proprietary Fund other than the General Fund and no component units. Therefore, the statements distinguish between governmental and business type activities, one being generally supported by taxes and City general revenues, while the other is generally financed with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities that capture the expenses and program revenues associated with a distinct functional activity. Program revenue includes charges for services, which report fees and other charges to users of the City’s services (specifically permit fees). Taxes and other revenue sources not properly included with program revenues are reported as general revenues.
Fund Financial Statements

Fund financial statements are provided for governmental funds and proprietary funds.

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in the other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting thus relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statement uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to claims and judgments are recorded only when payment is due and payable shortly after year end as required by GASB Interpretations No. 6.

Program revenues as reported in the Statement of Activities include 1) charges to customers for goods, services, or privileges provided and 2) capital grants. Other revenues received by the City that are internally dedicated by their purpose are reported as general revenues rather than program revenues. In this respect, all tax revenues are included in general revenues.

Sales tax and franchise tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. License and permits, charges for services, and miscellaneous revenues are recorded as revenues when received in cash, as the related receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements are used as guidance.
Allocation of indirect expenses: The City currently has no indirect expenses.

Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

The General Fund and the Debt Service fund are the only two operating funds of the City.

E. Financial Statement Amounts

Cash and Equivalents – The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables – Ad valorem taxes are levied by October 1 on the assessed value listed with and established by Rockwall Central Appraisal District. The Rockwall County Tax Assessor/Collector bills and collects the City’s taxes. Taxes are due upon receipt of the bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Other receivables include sales taxes collected within 60 days of year end and other miscellaneous balances due to the city.

Investments – Accounting pronouncement GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, applied to investments in external investing pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities are required to report the “fair market” changes for these investments at year-end and record these gains and losses on their income statement. Investments with maturities less than one year at the time of purchase are stated at cost or amortized cost. The fair value of the City’s position in these investment pools is the same as the value of the pool shares.

Capital Assets – The City’s capital assets with useful lives of more than one year are stated at historical cost if purchased or constructed and comprehensively reported in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. The City generally capitalizes purchases of $1,000 or more as outlays occur. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. Capital assets are being depreciated using the straight-line method over periods between 5 and 15 years.

Impairment of Long-lived Assets – The City reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset’s carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of September 30, 2018, no impairment of long-lived assets is necessary.
Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. Bond premium or discount as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the related bond premiums or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premium received on debt issuances is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Deferred outflows related to pensions, which arise only under an accrual basis of accounting, is reported only in the government-wide and proprietary statements of net position. This amount is deferred and amortized over the actuarial determined recognition period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under an accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and amortized over the actuarial determined recognition period.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity – GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
• **Nonspendable fund balance** – includes the portion of net resources that cannot be spent because of their forms (i.e., inventory, long-term debt, or prepaid items) or because they must remain intact such as the principle of an endowment.

• **Restricted fund balance** – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e., externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.

• **Committed fund balance** – includes the portion of net resources on which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

• **Assigned fund balance** – includes the portion of net resources for which an intended use has been established by the City Council or the City official authorized to do so by the City Council. Assignment of fund balance is much less formal than commitments and do not require formal action for their imposition or removal.

• **Unassigned fund balance** – includes the amounts in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first and then unrestricted resources as needed.

**NOTE II. COMPLIANCE AND ACCOUNTABILITY**

**Finance-Related Legal and Contractual Provisions**

- In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<table>
<thead>
<tr>
<th>Violation</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>None Reported</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

**Deficit Fund Balance or Fund Net Position of Individual Funds**

- Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Deficit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
Budgets and Budgetary Accounting

- The Texas Uniform Budget Law requires each mayor or city manager to prepare a budget each year to cover all the expenditures of the municipality for the succeeding year. The budget should be prepared at least 30 days prior to the setting of a tax levy by the city. Not less than 15 days prior to the levying of taxes a public hearing should be held, after being duly advertised. After this the Council should adopt the budget. The City complied with state requirements.

NOTE III. DEPOSITS AND INVESTMENTS

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the City’s bank accounts are at a federally insured institution and the balances amounted to $1,215,223, all of which is covered by federal depository insurance and pledged securities.

Investments – Public funds of the City of McLendon-Chisholm, Texas may be invested in the following: (1) obligations of the United States Government or its agencies and instrumentalities, (2) fully insured or collateralized certificates of deposit from any bank domiciled in the State of Texas, (3) repurchase agreements not to exceed 180 days to stated maturity, (4) AAA-rated, no-load, SEC registered money market funds, and (5) AAA-rated, constant dollar Texas Local Government.

Deposits and Investments are comprised of the following:

<table>
<thead>
<tr>
<th>Depository</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alliance Bank</td>
<td>$365,992</td>
<td>30.12%</td>
</tr>
<tr>
<td>Alliance MM</td>
<td>64,235</td>
<td>5.29%</td>
</tr>
<tr>
<td>Alliance Sinking Fund</td>
<td>18</td>
<td>0.01%</td>
</tr>
<tr>
<td>Logic</td>
<td>580,467</td>
<td>47.77%</td>
</tr>
<tr>
<td>Bond Early Redemption Escrow</td>
<td>185,984</td>
<td>15.30%</td>
</tr>
<tr>
<td>TexPool</td>
<td>18,527</td>
<td>1.51%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,215,223</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Pledged Securities through Alliance Bank: market valued at $803,624 with a 10/1/22 maturity
NOTE IV. CAPITAL ASSETS

The following tables provide a summary of changes in capital assets:

Capital Assets Activity - Governmental

<table>
<thead>
<tr>
<th>Capital Assets</th>
<th>09/30/17</th>
<th>Increases</th>
<th>Decreases</th>
<th>09/30/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 322,511</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 322,511</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,170,689</td>
<td>-</td>
<td>-</td>
<td>2,170,689</td>
</tr>
<tr>
<td>Furniture &amp; Equipment</td>
<td>136,352</td>
<td>234,664</td>
<td>-</td>
<td>371,016</td>
</tr>
<tr>
<td>Improvements</td>
<td>25,985</td>
<td>-</td>
<td>-</td>
<td>25,985</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>6,108,954</td>
<td>-</td>
<td>-</td>
<td>6,108,954</td>
</tr>
<tr>
<td>CIP</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total Depreciable:</strong></td>
<td>8,764,491</td>
<td>254,664</td>
<td>-</td>
<td>9,019,155</td>
</tr>
<tr>
<td><strong>Less Accumulated Depreciation</strong></td>
<td>(832,272)</td>
<td>(390,901)</td>
<td>-</td>
<td>(1,223,173)</td>
</tr>
<tr>
<td><strong>Total Capital Assets</strong></td>
<td>$ 7,932,219</td>
<td>$(136,237)</td>
<td>$ -</td>
<td>$ 7,795,982</td>
</tr>
</tbody>
</table>

Capital Assets Activity - Business Type

<table>
<thead>
<tr>
<th>Capital Assets</th>
<th>09/30/17</th>
<th>Increases</th>
<th>Decreases</th>
<th>09/30/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>$ 5,128,358</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 5,128,358</td>
</tr>
<tr>
<td><strong>Total Depreciable:</strong></td>
<td>5,128,358</td>
<td>-</td>
<td>-</td>
<td>5,128,358</td>
</tr>
<tr>
<td><strong>Less Accumulated Depreciation</strong></td>
<td>(246,318)</td>
<td>(102,567)</td>
<td>-</td>
<td>(348,885)</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>$ 4,882,040</td>
<td>$(102,567)</td>
<td>$ -</td>
<td>$ 4,779,473</td>
</tr>
</tbody>
</table>

During 2018, the City voted to approve a new Fire & Rescue Department which required the purchase of new equipment and gear. The Construction in Progress also relates to the new Fire Department as plans began in late 2018 to renovate the old City Hall and turn it into a bunk house for the fire fighters.

The city received no additional infrastructure assets from MC 550 Investors, L.P. who are developing the Sonoma Verde planned community. However, the Phase 2 additions have begun in 2018 and are expected to be transferred to the City when completed in 2019. Sonoma PID (not the City) is expected to reimburse the developer for these cost while the City continues to pay each lot's sewer tap rebates.
NOTE V.  LONG-TERM OBLIGATIONS

Government-Type Activities

New City Hall Bond - The City of McLendon-Chisholm, Texas Combination Tax and Limited Surplus Revenue Certificate of Obligation, Series 2015 were issued January 27, 2015, in the amount of $2,090,000 and bear interest at the rate of 2% - 4%. Principal payments began in February 2016. Expected payoff 2035.

Principal and interest payments projected for the following five years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$85,000</td>
<td>$59,862</td>
</tr>
<tr>
<td>2020</td>
<td>$90,000</td>
<td>$58,113</td>
</tr>
<tr>
<td>2021</td>
<td>$90,000</td>
<td>$56,313</td>
</tr>
<tr>
<td>2022</td>
<td>$95,000</td>
<td>$54,463</td>
</tr>
<tr>
<td>2023 and subsequent years</td>
<td>$1,510,000</td>
<td>$409,244</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,870,000</td>
<td>$637,995</td>
</tr>
</tbody>
</table>

It is noted that the Sonoma Public Improvement District issued $7,600,000 in Certificate of Obligation Bonds in April of 2015 in the City of McLendon-Chisholm’s name. All debt is expected to be paid with additional property assessment fees in the Sonoma Verde planned development with expected payoff in 2040.

The only other long-term debt of the City is a Master Equipment Lease Purchase Agreement with Community First National Bank which the City used to purchase new equipment for the Fire & Rescue Department. The agreement dated 6/1/2018 was for $162,500 and was originally set to follow this schedule with 6 payments of $29,007.51:

<table>
<thead>
<tr>
<th>Date</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/1/2018 (paid early)</td>
<td>$25,762</td>
<td>$3,245</td>
</tr>
<tr>
<td>6/1/2019 (paid early)</td>
<td>$26,277</td>
<td>$2,731</td>
</tr>
<tr>
<td>12/1/2019</td>
<td>$26,801</td>
<td>$2,206</td>
</tr>
<tr>
<td>6/1/2020</td>
<td>$27,337</td>
<td>$1,670</td>
</tr>
<tr>
<td>12/1/2020</td>
<td>$27,884</td>
<td>$1,125</td>
</tr>
<tr>
<td>6/1/2021</td>
<td>$28,439</td>
<td>$568</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$162,500</td>
<td>$11,545</td>
</tr>
</tbody>
</table>

However, the City voted to pay the first two installments in September 2018 leaving a remaining balance of $110,461 as of September 30, 2018.

NOTE VI. DEBT SERVICE FUND

According to generally accepted accounting principles, when taxes are assessed to service the interest and principle payments of a debt obligation, a debt service fund should be established and used for this purpose. The current year’s financial statements reflect the Debt Service Fund and the accounting of appropriate activities through it.
NOTE VII. EMPLOYEE PENSION PLAN

A. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

- Deposit Rate: 5%
- City’s Full Retirement Rate: 2017/9.65%; 2018/9.48%
- Matching Ratio (City to Employee): 1 to 1
- Years Required for Vesting: 5 years
- Service Retirement Eligibilities: 5 yrs/age 60; 20 yrs/any age

Employees covered by benefit terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

- Inactive employees or beneficiaries currently receiving benefits 1
- Inactive employees entitled to but not yet receiving benefits 1
- Active employees 2

4
C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.65% and 9.48% in calendar years 2017 and 2018, respectively. The city’s contributions to TMRS for the year ended September 30, 2018 were $17,672 and were equal to the required contributions.

D. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

- Inflation 2.5% per year
- Overall payroll growth 3% per year
- Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based
on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Long-Term Expected Real Rate of Return (Arithmetic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>17.5%</td>
<td>4.55%</td>
</tr>
<tr>
<td>International Equity</td>
<td>17.5%</td>
<td>6.35%</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>10.0%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Non-Core Fixed Income</td>
<td>20.0%</td>
<td>3.90%</td>
</tr>
<tr>
<td>Real Return</td>
<td>10.0%</td>
<td>3.80%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10.0%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>10.0%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>5.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.
Changes in Net Pension Liability

<table>
<thead>
<tr>
<th></th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Pension Liability (a)</td>
</tr>
<tr>
<td>Balance at 12/31/2016</td>
<td>$ 75,416</td>
</tr>
<tr>
<td>Changes for the year:</td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
</tr>
<tr>
<td>Change of benefit terms</td>
<td></td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td></td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td></td>
</tr>
<tr>
<td>Contributions - employer</td>
<td></td>
</tr>
<tr>
<td>Contributions - employee</td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td></td>
</tr>
<tr>
<td>Benefit payments, including refunds of employee contributions</td>
<td></td>
</tr>
<tr>
<td>Administrative expense</td>
<td></td>
</tr>
<tr>
<td>Other changes</td>
<td></td>
</tr>
<tr>
<td>Net changes</td>
<td>$ 18,065</td>
</tr>
<tr>
<td>Balance at 12/31/2017</td>
<td>$ 93,481</td>
</tr>
</tbody>
</table>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease in Discount Rate (5.75%)</th>
<th>Discount Rate (6.75%)</th>
<th>1% Increase in Discount Rate (7.75%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City’s net pension liability</td>
<td>$ 38,101</td>
<td>$ 27,905</td>
<td>$ 19,450</td>
</tr>
</tbody>
</table>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.
E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the city recognized pension expense of $8,910.

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Differences between expected and actual economic experience</th>
<th>Deferred Outflows of Resources</th>
<th>$</th>
<th>-</th>
<th>$ 3,030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in actuarial assumptions</td>
<td>1,655</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Difference between projected and actual investment earnings</td>
<td>-</td>
<td></td>
<td>2,122</td>
<td></td>
</tr>
<tr>
<td>Contributions subsequent to the measurement date</td>
<td>43,867</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 45,522</td>
<td></td>
<td>$ 5,152</td>
<td></td>
</tr>
</tbody>
</table>

$43,867 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Year ended Dec 31:</th>
<th>Deferred Expense</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ (887)</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$ (802)</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$ (856)</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$ (856)</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$ (96)</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>$ (0)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ (3,497)</td>
<td></td>
</tr>
</tbody>
</table>
The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an “other postemployment benefit,” or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2018, 2017 and 2016 were $1,391, $1,153, and $1,074, respectively, which equaled the required contributions each year.

GASB 75 Update – During 2018, the City reviewed the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB Statement No. 75”). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2017, the discount rate used in the development of the Total OPEB Liability was 3.31% compared to 3.78% as of December 31, 2016. The Total OPEB Liability (TOL) as of December 31, 2017, as reported by TMRS, was $7,363, with an OPEB expense to be recorded $1,122. As these amounts would be considered immaterial to the overall financial statements, the City has chosen to omit the full GASB 75 disclosures and will reevaluate in subsequent years.

NOTE VIII. RISK MANAGEMENT COVERAGE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above coverage. The City continues to carry commercial coinsurance for other risk of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.
NOTE IX. LITIGATION

Currently management is not aware of any outstanding litigation. During the year ended September 30, 2018 there was one lawsuit that was settled and the City was scheduled to be reimbursed for all related cost over the next 2 years. ($50,000 in 2018 has been received, $50,000 in 2019 included in accounts receivable, and $30,000 in 2020 also included in accounts receivable for a total of $130,000)

NOTE X. COMMITMENTS

Developer
- On May 27, 2014, the city entered an agreement with the developer of Sonoma Verde to establish a utility fund to track sewer tap fees $3,000 per connection. The developer funded the account $15,000 and the city reimburses the developer 60% of each fee collected. Per the agreement, funds are restricted to utility related operation and maintenance.

Public Safety
- Fire: Previously this was provided by the McLendon-Chisholm Volunteer Fire Department through a contract with the City. In October of 2018, the City merged the VFD into the City to form the McLendon Chisholm Fire & Rescue department to provide fire-fighting and other related emergency services to residents of the city.
- Police: Provided by Rockwall County Sheriff’s Department.
- Emergency: Rockwall County EMS provides ambulance service to Rockwall County residents, which includes the residents of the City of McLendon-Chisholm.

Infrastructure
The City has four city streets that it maintains. Since the City does not have a road maintenance department, it contracts with Rockwall County to maintain these roads. The State of Texas maintains the State Highway and Farm to Market Roads. Private roads are maintained by the residents of those roads. Repairs are open to outside bids.

Utilities
- Sewer for all citizens outside of the Sonoma Verde Development is not provided by the City. Septic systems are individually owned by residents.
- Water is provided by RCH Water Supply Corporation and High Point WSC.
- Electric service is provided by Oncor and Farmers Electric.
- Gas service is not provided by the City. Residents may privately own propane tanks.
- Trash collection is not provided by the City. However, the city contracted with IESI for trash pickup for the city residents and businesses.

NOTE XI. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2018 up through December 28, 2018, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.
### Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Governmental Funds

**City of McLendon-Chisholm, Texas**

**For the Year Ended September 30, 2018**

<table>
<thead>
<tr>
<th>Budget</th>
<th>Original</th>
<th>General Debt Service</th>
<th>Total</th>
<th>Amendments</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem Tax</td>
<td>$341,183</td>
<td>$331,932</td>
<td>$673,115</td>
<td>$2,754</td>
<td>$675,869</td>
<td>$583,592</td>
<td>$92,277*</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>126,445</td>
<td>-</td>
<td>126,445</td>
<td>28,158</td>
<td>154,603</td>
<td>206,341</td>
<td>51,738</td>
</tr>
<tr>
<td>Franchise</td>
<td>141,942</td>
<td>-</td>
<td>141,942</td>
<td>12,897</td>
<td>154,839</td>
<td>159,915</td>
<td>5,076</td>
</tr>
<tr>
<td>Investment Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,586</td>
<td>1,586</td>
<td>12,224</td>
<td>10,638</td>
</tr>
<tr>
<td>Service Revenue</td>
<td>548,168</td>
<td>-</td>
<td>548,168</td>
<td>109,316</td>
<td>657,484</td>
<td>761,747</td>
<td>104,263</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,157,738</td>
<td>331,932</td>
<td>1,489,670</td>
<td>154,711</td>
<td>1,644,381</td>
<td>1,723,819</td>
<td>79,438</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture and Recreation</td>
<td>100</td>
<td>-</td>
<td>100</td>
<td>1,703</td>
<td>1,803</td>
<td>1,781</td>
<td>(22)</td>
</tr>
<tr>
<td>General Government</td>
<td>695,259</td>
<td>-</td>
<td>695,259</td>
<td>98,956</td>
<td>794,215</td>
<td>787,706</td>
<td>(6,509)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>25,000</td>
<td>-</td>
<td>25,000</td>
<td>-</td>
<td>25,000</td>
<td>12,843</td>
<td>(12,157)</td>
</tr>
<tr>
<td>Public Safety</td>
<td>333,457</td>
<td>-</td>
<td>333,457</td>
<td>(238,410)</td>
<td>95,047</td>
<td>139,775</td>
<td>44,728 **</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
<td>223,950</td>
<td>225,950</td>
<td>254,664</td>
<td>28,714 **</td>
</tr>
<tr>
<td>Bond Principal</td>
<td>-</td>
<td>85,000</td>
<td>85,000</td>
<td>(238,410)</td>
<td>95,047</td>
<td>139,775</td>
<td>44,728 **</td>
</tr>
<tr>
<td>Bond Interest</td>
<td>-</td>
<td>61,562</td>
<td>61,562</td>
<td>(7,190)</td>
<td>54,372</td>
<td>67,320</td>
<td>12,948 **</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,055,816</td>
<td>146,562</td>
<td>1,202,378</td>
<td>79,009</td>
<td>1,281,387</td>
<td>1,401,127</td>
<td>119,740</td>
</tr>
<tr>
<td>Debt Service Proceeds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>162,500</td>
<td>162,500</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balance</strong></td>
<td>101,922</td>
<td>185,370</td>
<td>287,292</td>
<td>75,702</td>
<td>362,994</td>
<td>485,192</td>
<td>122,198</td>
</tr>
<tr>
<td>Fund Balance: Beginning</td>
<td>346,833</td>
<td>88,103</td>
<td>434,936</td>
<td>-</td>
<td>434,936</td>
<td>434,936</td>
<td></td>
</tr>
<tr>
<td>Fund Balance: Ending</td>
<td>$448,755</td>
<td>$273,473</td>
<td>$722,228</td>
<td>-</td>
<td>$797,930</td>
<td>$920,128</td>
<td></td>
</tr>
</tbody>
</table>

* $185,984 early redemption sinking fund to be paid against principal in 2019.
** Overages in expenditures related to purchase of Fire & Rescue equipment & vehicles approved in September 2018.

See independent auditor's report.

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## NON-GAAP BUDGETARY BASIS

<table>
<thead>
<tr>
<th>Original</th>
<th>Amendments</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer Connection Fees &amp; Service</td>
<td>$372,675</td>
<td>$(20,927)$</td>
<td>$351,748</td>
<td>$382,000</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer Connection Developer Fee</td>
<td>129,600</td>
<td>(16,200)</td>
<td>113,400</td>
<td>131,400</td>
</tr>
<tr>
<td>Septic Maintenance</td>
<td>78,577</td>
<td>13,725</td>
<td>92,302</td>
<td>142,779</td>
</tr>
<tr>
<td>Office and Admin</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,733</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>102,567</td>
</tr>
<tr>
<td><strong>Transfers In (Out)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balance</strong></td>
<td>164,498</td>
<td>(18,452)</td>
<td>146,046</td>
<td>(11,479)</td>
</tr>
<tr>
<td><strong>Fund Balance: Beginning</strong></td>
<td>5,100,034</td>
<td>-</td>
<td>5,100,034</td>
<td>5,100,034</td>
</tr>
<tr>
<td>Plus Developer Contribution:</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fund Balance: Ending</strong></td>
<td>$5,264,532</td>
<td>$(18,452)$</td>
<td>$5,246,080</td>
<td>$5,088,555</td>
</tr>
</tbody>
</table>

See independent auditor's report.
## CITY OF MCLENDON-CHISHOLM, TEXAS
## REQUIRED SUPPLEMENTARY INFORMATION
## TEXAS MUNICIPAL RETIREMENT SYSTEM
## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

### LAST 10 FISCAL YEARS*

<table>
<thead>
<tr>
<th></th>
<th>12/31/2015</th>
<th>12/31/2016</th>
<th>12/31/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Pension Liability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>$8,673</td>
<td>$11,982</td>
<td>$13,095</td>
</tr>
<tr>
<td>Interest (on the Total Pension Liability)</td>
<td>3,726</td>
<td>4,394</td>
<td>5,520</td>
</tr>
<tr>
<td>Changes of benefit terms</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>(4,993)</td>
<td>(64)</td>
<td>(167)</td>
</tr>
<tr>
<td>Change of assumptions</td>
<td>2,804</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments, including refunds of employee contributions</td>
<td>-</td>
<td>-</td>
<td>(383)</td>
</tr>
<tr>
<td>Net Change in Total Pension Liability</td>
<td>10,210</td>
<td>16,312</td>
<td>18,065</td>
</tr>
<tr>
<td><strong>Total Pension Liability - Beginning</strong></td>
<td>$48,894</td>
<td>$59,104</td>
<td>$75,416</td>
</tr>
<tr>
<td><strong>Total Pension Liability - Ending (a)</strong></td>
<td>$59,104</td>
<td>$75,416</td>
<td>$93,481</td>
</tr>
</tbody>
</table>

| **Plan Fiduciary Net Position** |            |            |            |
| Contributions - Employer      | $9,266     | $11,521    | $14,385    |
| Contributions - Employee      | 5,932      | 6,847      | 7,457      |
| Net Investment Income         | 7          | 1,298      | 5,397      |
| Benefit payments, including refunds of employee contributions | - | - | (383) |
| Administrative Expense        | (4)        | (15)       | (29)       |
| Other                         | -          | (1)        | (1)        |
| Net Change in Plan Fiduciary Net Position | 15,201 | 19,650 | 26,826 |
| **Plan Fiduciary Net Position - Beginning** | $3,899 | $19,100 | $38,750 |
| **Plan Fiduciary Net Position - Ending (b)** | $19,100 | $38,750 | $65,576 |
| **Net Pension Liability - Ending (a) - (b)** | $40,004 | $36,666 | $27,905 |

**Plan Fiduciary Net Position as a Percentage of Total Pension Liability**

|                        | 32.32%     | 51.38%     | 70.15%     |

**Covered Employee Payroll**

|                        | $118,650   | $136,938   | $149,143   |

**Net Pension Liability as a Percentage of Covered Employee Payroll**

|                        | 33.72%     | 26.78%     | 18.71%     |

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Changes in the City’s Net Pension Liability and Related Ratios shows the changes in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the city. Note that this is a 10-year schedule, to be created by the city prospectively, over the next 10-year period. This schedule is provided in the GRS Reporting Package (for the current period).

The Schedule of Employer Contributions shows the city’s required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule is based on the city’s respective fiscal year-end, and should be created by the city, and built over the next 10-year period. The city should also provide the Notes to Schedule of Contributions, including the methods and assumptions used to determine the contribution rates and information about benefit changes during the year, if any. Information to complete the Notes to Schedule of Contributions is provided in the GRS Reporting Package.

LAST 10 FISCAL YEARS WILL ULTIMATELY BE DISPLAYED

<table>
<thead>
<tr>
<th>Fiscal year ending September 30,</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially Determined Contribution</td>
<td>$10,809</td>
<td>$11,647</td>
<td>$14,268</td>
<td>$15,347</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contribution</td>
<td>$(10,809)</td>
<td>$(11,647)</td>
<td>$(14,268)</td>
<td>$(15,347)</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Covered employee payroll</td>
<td>$114,086</td>
<td>$132,555</td>
<td>$136,938</td>
<td>$149,143</td>
</tr>
<tr>
<td>Contributions as a percentage of covered employee payroll</td>
<td>9.47%</td>
<td>8.78%</td>
<td>10.42%</td>
<td>10.29%</td>
</tr>
</tbody>
</table>

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level Percentage of Payroll, Closed
- Remaining Amortization Period: 7 years
Asset Valuation Method  
10 Year smoothed market; 15% soft corridor

Inflation
2.5%

Salary Increases
3.50% to 10.5% including inflation

Investment Rate of Return
6.75%

Retirement Age
Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014

Mortality
RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information
1) There were no benefit changes during the year.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council
City of McLendon-Chisholm, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of McLendon-Chisholm, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of McLendon-Chisholm, Texas’ basic financial statements as listed in the table of contents, and have issued our report thereon dated December 28, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City of McLendon-Chisholm, Texas’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of McLendon-Chisholm, Texas’ internal control. Accordingly, we do not express an opinion on the effectiveness of the City of McLendon-Chisholm, Texas’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of McLendon-Chisholm, Texas’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrey Paschall & Caperton, P.C.

Forney, Texas

December 28, 2018
**City of McLendon-Chisholm**

**Staff Report**

*Item 5.3 – Discussion and action regarding acceptance of FY 2017-2018 Sonoma Verde PID Audited Financial Statements.*

**DATE:**

February 12, 2019

**BACKGROUND OF ISSUE:**

The City Council engaged Murrey, Paschall & Caperton P.C. to perform the FY 2017-2018 Sonoma Verde PID Audit. Auditors spent time at City Hall gathering information to supplement the financial statements. All information requested by the auditors was provided by staff as requested. At this time, the audit is complete and the audit findings are presented for acceptance by the City Council.

**FINANCIAL IMPACT:**

The City engaged Murrey, Paschall & Caperton, P.C. for a price not to exceed $5,500. The actual price was $4,250. This amount has been paid in full. No additional costs are expected at this time.

**OPERATIONAL IMPACT:**

N/A

**RECOMMENDATION:**

Staff recommends acceptance of the FY 2017-2018 Sonoma Verde PID Audited Financial Statements.

Suggested Motion: I move to accept the FY 2017-2018 Sonoma Verde PID Audited Financial Statements as presented.

Lisa Palomba, City Administrator/City Secretary
SONOMA
PUBLIC IMPROVEMENT DISTRICT
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

MURREY PASCHALL & CAPERTON, P.C.
Certified Public Accountants
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1</td>
</tr>
<tr>
<td>Statement of Assets, Liabilities, and Net Assets-Cash Basis</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Revenues and Expenses and Changes In Net Assets- Cash Basis</td>
<td>4</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>5</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

To the City Council of the
City of McLendon-Chisholm regarding the
Sonoma Public Improvement District
McLendon-Chisholm, Texas

We have audited the accompanying financial statements of Sonoma Public Improvement District (the “District”), which comprise the statement of assets, liabilities, and net assets—cash basis as of September 30, 2018, and the related statement of revenues and expenses and changes in net assets—cash basis for the year then ended, and the related notes to the financial statements.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Sonoma Public Improvement District as of September 30, 2018, and its support, revenues and expenses and changes in net assets for the year then ended in accordance with the cash basis of accounting as described in Note A.

BASIS OF ACCOUNTING

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Murrey Paschall & Caperton, P.C.
Forney, Texas
January 21, 2019
### SONOMA PUBLIC IMPROVEMENT DISTRICT
### STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS—CASH BASIS
### SEPTEMBER 30, 2018

#### ASSETS

**Current Assets:**
- Cash - Administrative Acct
- Cash - Redemption Fund
- Cash - Bond Pledged Revenue
- Cash - Series 2015 Bond
- Cash - Delinquent Reserve Acct
- Cash - Pledged Rev Acct
- Cash - Prepayment Reserve Acct
- Cash - Improvement Acct
- Cash - Reserve Acct

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash - Administrative Acct</td>
<td>$103,268</td>
</tr>
<tr>
<td>Cash - Redemption Fund</td>
<td>1,649</td>
</tr>
<tr>
<td>Cash - Bond Pledged Revenue</td>
<td>1</td>
</tr>
<tr>
<td>Cash - Series 2015 Bond</td>
<td>27</td>
</tr>
<tr>
<td>Cash - Delinquent Reserve Acct</td>
<td>66,921</td>
</tr>
<tr>
<td>Cash - Pledged Rev Acct</td>
<td>25,294</td>
</tr>
<tr>
<td>Cash - Prepayment Reserve Acct</td>
<td>44,614</td>
</tr>
<tr>
<td>Cash - Improvement Acct</td>
<td>89,960</td>
</tr>
<tr>
<td>Cash - Reserve Acct</td>
<td></td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$908,005</td>
</tr>
</tbody>
</table>

**Fixed Assets:**
- Construction in Progress (Note C)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction in Progress</td>
<td></td>
</tr>
<tr>
<td>Total Fixed Assets</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>$908,005</td>
</tr>
</tbody>
</table>

#### LIABILITIES AND NET ASSETS

**Liabilities:**
- Longterm Debt - PID Bonds (Note D)
- Longterm Debt - Developer Reimbursement (Note D)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longterm Debt - PID Bonds (Note D)</td>
<td>$7,060,000</td>
</tr>
<tr>
<td>Longterm Debt - Developer Reimbursement (Note D)</td>
<td>2,878,332</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$9,938,332</td>
</tr>
</tbody>
</table>

**Net Assets:**
- Unrestricted

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>(9,030,327)</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>(9,030,327)</td>
</tr>
</tbody>
</table>

**Total Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Liabilities and Net Assets</td>
<td>$908,005</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
SONOMA PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES AND EXPENSES AND CHANGES
IN NET ASSETS-CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Changes in Unrestricted Net Assets

Revenue:
  Pledged Income $ 912,250
  Interest Income  14,376

  Total Revenue  926,626

Operating Expenses:
  Administrative Fees  60,272
  Developer Note Interest Expense (Note D) 183,192
  Bond Interest Expense (Note D) 386,157

  Total Expenses  629,621

Increase (Decrease) in unrestricted net assets  297,005

Net assets at beginning of year (9,327,332)

Developer Assets Contributed to the City (Note C)

Net assets at end of year $ (9,030,327)

The accompanying notes are an integral part of the financial statements.
NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Sonoma Public Improvement District (District) are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations, including required disclosures of the District’s financial activities for the fiscal year ended September 30, 2018.

Organization

On September 10, 2007, the City of McLendon-Chisholm City Council passed and approved Resolution No. 2007-21 approving and authorizing the creation of Sonoma Public Improvement District ("PID") to finance the costs of certain public improvements for the benefit of property in the PID, all of which is located within the City of McLendon-Chisholm.

The funding of the District’s operations, approved by the City of McLendon-Chisholm, will be paid from assessments on the real property in the District. These costs will be allocated to the assessed property on the basis of the total equivalent units anticipated to be built on each parcel, once the property is fully developed and resulting in the method of allocation to be imposed in equal shares of the PID costs to parcels similarly benefited. There are a total of 365 units (356 residential, 8 office and 1 church) in phase 1. Each unit is giving an equivalent unit factor based off of 1 acre (1 acre = 1, ½ acre = .83, 90 ft² = .64, etc.). The equivalent unit factor is multiplied by the number of units to calculate the total equivalent units. Annual assessments per equivalent unit is calculated by dividing the total principal and interest due for 2017-18 ($795,466) by the total equivalent units (201.47). Administrative expenses per equivalent unit is calculated by dividing the total administrative expenses for 2017-18 ($91,850) by the total equivalent units (201.47). Note, equivalent units can change if a resident chooses to pay their entire PID assessment up front. As of September 30, 2018, two residents have paid in full, dropping the equivalent unit’s number for phase 1 to 200.31. Future assessment rates and levies will be set by the McLendon-Chisholm City Council according to procedures stipulated by Chapter 372 of the Texas Local Development Code.

The District has entered into a contract with the MuniCap, Inc. whereby MuniCap provides management, accounting, and other services for the District. Rockwall County provides assessment collection services for the District.

All tax assessment revenue is considered to be available for unrestricted use and is recognized as revenue when received from the taxing authorities. A total of $886,492 was collected as of September 30, 2018. In addition, one resident paid in full their assessment of $25,758, making total pledged revenue for the year $912,250.

Basis of Accounting

The District prepares its financial statements on the basis of cash receipts and disbursements. Under this basis, revenues are recognized when received rather than when earned, and
expanses are recognized when paid rather than when incurred. The accompanying statements include only the accounts of the District and do not include any accounts related to the activities of the City.

Financial Statement Amounts

Cash and Equivalents – The District invests its cash primarily with a major bank in Dallas, Texas. Accounts at the Institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The District has not incurred losses related to its cash and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Capital Assets – The District’s bond revenue is to be used primarily for the construction of capital assets within the Sonoma Verde Development. All assets are recorded at historical cost if purchased or constructed and comprehensively reported in the financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. All capital assets are expected to be transferred to the City of McLendon-Chisholm upon completion, as such there will be no depreciation expense to the District.

Long-Term Obligations – In the financial statements, long-term debt and other long-term obligations are reported as liabilities. As the District’s financial statements are cash basis, all bond premiums as well as issuance costs are fully recognized when paid.

Income Taxes – The District is a political subdivision of the State of Texas and is exempt from federal income taxes.

Accounting for Uncertainty in Income Taxes – Management has concluded that any tax provisions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, Accounting for Income Taxes, would be immaterial to the financial statements taken as whole. Accordingly, the accompanying financial statements do no include any provision of uncertain tax positions, and no related interest or penalties have been recorded in the operating statement.

Estimates – The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B. COLLECTION FEES

Collection fees, which are netted against tax assessment revenue, are paid to Rockwall County for its collection services.
NOTE C. CAPITAL ASSETS

All construction in progress draws, street improvements and developer improvements relating to phase 1 have been transferred to the City of McLendon-Chisholm as assets and included in the City’s depreciation schedule.

NOTE D. LONG-TERM OBLIGATIONS

The City of McLendon-Chisholm issued Phase 1 PID Bonds in the total amount of $7,600,000 in the form of its Special Assessment Revenue Bonds, Series 2015 (Sonoma Public Improvement District Phase One Project) (the “Phase 1A PID Bonds”), which are to be repaid from Assessments levied against the Phase 1 Assessed Property, replacing a portion of the Phase 1 Costs initially financed through the Reimbursement Agreement. The ending payable balance at September 30, 2018 for the PID Bonds is $7,060,000. The balance at September 30, 2018 for the original $3,100,000 reimbursement of Phase 1 Costs that continue to be funded under the Reimbursement Agreement is $2,878,332. The Bonds were issued April 30, 2015, in the amount of $7,600,000 and bear simple interest rate calculated in the SAP. The effective rate is currently 6.35%. Interest payments totaling $386,157 were made during the fiscal year 2017-18. The note payable from the Reimbursement Agreement has an effective interest rate of 6.35%. Interest payments on the developer reimbursement note totaled $183,192

Principal and interest payments projected for the following five years on PID Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$175,000</td>
<td>$378,687</td>
</tr>
<tr>
<td>2020</td>
<td>200,000</td>
<td>369,938</td>
</tr>
<tr>
<td>2021</td>
<td>200,000</td>
<td>359,688</td>
</tr>
<tr>
<td>2022</td>
<td>200,000</td>
<td>349,438</td>
</tr>
<tr>
<td>2023 and subsequent years</td>
<td>6,285,000</td>
<td>3,724,124</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$7,060,000</td>
<td>$5,181,875</td>
</tr>
</tbody>
</table>

Principal and interest payments projected for the following five years on Developer Reimbursement:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>-</td>
<td>$183,833</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>$183,833</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>$183,833</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
<td>$183,833</td>
</tr>
<tr>
<td>2023 and subsequent years</td>
<td>2,878,332</td>
<td>4,066,551</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,878,332</td>
<td>$4,801,883</td>
</tr>
</tbody>
</table>
NOTE F. SUBSEQUENT EVENTS

The District has evaluated all events or transactions that occurred after September 30, 2018 up through January 21, 2019, the date of the report. During this period, there were no subsequent events requiring disclosure.
City of McLendon-Chisholm

Staff Report

Item 5.4 – Discussion and action regarding direction to staff and/or City Financial Advisors regarding inviting proposals from select firms to serve as a Public Improvement District (PID) Administrator.

DATE:
February 12, 2019

BACKGROUND OF ISSUE:
In 2018, Council requested Staff issue a Request for Proposal for a PID Administrator and if a new firm is selected that such firm would begin to serve at the onset of Fiscal Year 19-20. As this time, Staff and the Financial Advisors feel it is appropriate to move forward with requesting proposals now.

After consulting with Financial Advisors representing Hilltop Securities, Staff suggests that Hilltop is the appropriate party to issue either an RFP or develop a questionnaire and send to select firms. Further, Staff suggests that Hilltop advisors should evaluate submissions and return to Council with a recommendation for a PID Administrator.

FINANCIAL IMPACT:
The PID Administrator is paid out of PID funds.

OPERATIONAL IMPACT:
The next PID filings are due March 31. It would be in the best interest of operations, if a new firm is selected, to make the change to a new vendor following the March 31 filings.

RECOMMENDATION:
Staff recommends directing Hilltop Securities to issue a Request for Proposal or send a questionnaire to selected firms for a PID Administrator, to evaluate submitted proposals and to make a recommendation to City Council at the February 26 meeting. This allows enough time to provide notice to the current provider if a new firm is selected.

Lisa Palomba, City Administrator/City Secretary
Update and Status Report
Sonoma Verde Public Improvement District
Phase 2 Bond Issuance
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<th>Page</th>
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<td>Financial Summary</td>
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<td>Debt Issuance Timeframe</td>
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<td>Issuer’s Debt Issuance Responsibilities</td>
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<tr>
<td>Bond - Legal and Regulatory Oversight</td>
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</tr>
<tr>
<td>Discussion, Comments and Questions</td>
<td>8</td>
</tr>
</tbody>
</table>
Sonoma Verde PID Phase 2 Assessments and Cash Levy

1) Phase 2 Total
   - 252 Lots
   - Assessment = $7,575,000

2) Phase 2A
   - Assessment Levy / Par Amount of PID Bonds = $6,188,007
   - 211 Lots
     - Per Lot Assessment Levy = $29,327
     - Per Lot Annual Cash Levy = $2,292
     - Total 30 Year Per Lot Cash Levy = $68,775

3) Phase 2B
   - Assessment Levy / Reimbursement Note = $1,386,993
   - 41 Lots
     - Per Lot Assessment Levy = $33,839
     - Per Lot Annual Cash Levy = $2,644
     - Total 30 Year Per Lot Cash Levy = $79,333
Debt Issuance – Process and Council Action Items

1) Draft and Finalize Documents
   - Updated SAP
   - PID Reimbursement Agreement
   - Landowner Agreement
   - Forms of opinion of general counsel to Developer for Bonds
   - Bond Purchase Agreement (BPA)
   - Preliminary Limited Offering Memorandum (PLOM)
   - Appraisal
   - Bond Indenture
   - Continuing Disclosure Agreement (CDA) of City
   - Continuing Disclosure agreement (CDA) of Developer

2) Regular City Council Meeting
   - Consider resolution approving distribution of PLOM subject to approval by City Manager, FA and Bond Counsel

3) Regular City Council Meeting
   - Conduct public hearing on levying of PID assessments.
   - Consider ordinance levying PID assessments and approving a final service and assessment plan
   - Consider resolution approving PID reimbursement agreement and landowner agreement
   - Consider ordinance authorizing issuance and sale of Bonds

4) Bond Closing
Debt Issuance Responsibilities

- PID Debt is issued by the City
  - Special and Limited Revenue Bonds

- Credit Pledge / Repayment
  - Assessment levy and collection
  - Administration
  - Foreclosure

- PID debt does not pledge or encumber of any other City revenue or asset

- City’s Credit and cost of capital not impacted by PID debt, but is impacted by City’s fulfillment of its administrative responsibilities, enforcement and SEC disclosure involving PID Debt

- The City is responsible and liable for administrative responsibilities (just as it is in any other City debt – GOs, Water and Sewer Revenue Bonds, etc.)
  - Initial evaluation, Due Diligence, Justification and Creation
  - Levy of assessments, annual cash assessment collection and property foreclosure due to non payment of assessment (similar to process for non payment ad valorem taxes)
  - Administration and Reporting – Audit, Administration, SEC initial and continuing disclosure, IRS tax exemption and arbitrage rebate compliance, City Audit (expenses reimbursed by the PID through annual maintenance assessments)
Legal, Financial and Regulatory Oversight

- Investors

- State of Texas
  - Authority
  - Debt Issuance Review and Approval
  - Required Issuer Annual Debt Transparency Reporting

- Securities and Exchange Commission ("SEC")
  - Initial Disclosure
  - Quarterly and Annual Disclosure
  - Special Disclosure
  - Investor Suitability
  - Secondary Trading

- Internal Revenue Service (IRS)
  - Tax Exemption
  - Arbitrage Rebate Compliance

- City Audit – Component / Revenue Fund
Discussion, Comments and Questions
FMS ROLE AS UNDERWRITER AND NOT FINANCIAL ADVISOR

FMSbonds, Inc., is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to the “Issuer”. The primary role of FMSbonds, Inc., (“FMS”) as an underwriter, is to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the Issuer and FMS. FMS may have financial and other interests that differ from those of the Issuer. FMS is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as “advice” within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The Issuer should consider whether to engage an advisor to act in a fiduciary capacity on its behalf in connection with this transaction.

Securities offered by FMSbonds, Inc., including annuities, are not insured by the FDIC or any government agency; are not deposits or other obligations of or guaranteed by FMSbonds, Inc. or any of its affiliates; and are subject to investment risks, including possible loss of the principal invested. FMSbonds, Inc. is a broker/dealer, member FINRA/SIPC.

FMS has a policy that is designed to comply with the disclosure requirements under revised MSRB Rule G-23. In conjunction with these requirements, we are providing the following disclosure to all of our municipal underwriting clients.
Sonoma Verde Public Improvement District

*Development Using Public Improvement Districts*

**What are Public Improvement Districts?**
Public Improvement Districts (“PID”) are economic tools available to Texas cities / counties to fund public improvements that benefit the area within the PID boundaries. Landowners within the PID are assessed for the benefits, rather than burdening the general tax base or having to consent to the formation of an independent political subdivision.

**PID Creation:** Landowners can petition a city or county to establish a PID. Thereafter, PIDs are created by cities or counties.

**Resources:** The financial resources of PIDs are assessments levied on property owners within the PID. The assessments are based on a percentage of benefited property. Additional revenues can be pledged to the project, thereby mitigating assessments. Other revenues include: tax increment, parking, fees, appropriations, etc.

**Financings:** A PID (City or County) sells assessment revenue bonds and / or can generate annual revenues.

**Governance:** Appointed by the city council or commissioner's court (dependent district).

**Eligible Costs:** PIDs can finance a wide array of public infrastructure and development items, including:
- landscaping; erection of fountains, distinctive lighting and signs;
- acquiring, constructing, improving, widening, narrowing, or rerouting sidewalks, streets/roadways or rights-of-way;
- construction or improvement of pedestrian malls;
- acquisition, construction or improvement of libraries;
- acquisition, construction or improvement of off-street parking facilities;
- acquisition, construction, improvement or rerouting of mass transportation facilities;
- acquisition, construction, or improvements of water, wastewater or drainage improvements;
- the establishment or improvement of parks;
- acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- special supplemental services for improvement and promotion of the district; and
- payment of expenses incurred in the establishment, administration and operation of the district.
**Sonoma Verde Public Improvement District**  
*Development Using Public Improvement Districts*

**Who uses Public Improvement Districts?**

PIDs have been used by cities and counties for residential (and commercial) development in lieu of other Special Districts (MUDs, FWSDs, WCIDs) to fund roads, water, sewer, and other eligible costs.

The following is a partial list of Texas cities / counties that have utilized PIDs for development:

<table>
<thead>
<tr>
<th>City of Arlington</th>
<th>Town of Trophy Club</th>
<th>City of Kyle</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Aubrey</td>
<td>Town of Northlake</td>
<td>City of San Marcos</td>
</tr>
<tr>
<td>City of Argyle</td>
<td>City of Lavon</td>
<td>City of Fate</td>
</tr>
<tr>
<td>City of Hackberry</td>
<td>City of Westlake</td>
<td>Town of Flower Mound</td>
</tr>
<tr>
<td>City of Leander</td>
<td>City of Horseshoe Bay</td>
<td>City of Lago Vista</td>
</tr>
<tr>
<td>City of Celina</td>
<td>City of McAllen</td>
<td>City of Coppell</td>
</tr>
<tr>
<td>City of El Paso</td>
<td>City of Dripping Springs</td>
<td>City of Lewisville</td>
</tr>
<tr>
<td>City of Little Elm</td>
<td>City of Lubbock</td>
<td>City of Waxahachie</td>
</tr>
<tr>
<td>City of Irving</td>
<td>Travis County</td>
<td>City of Shenandoah</td>
</tr>
<tr>
<td>Hays County</td>
<td>The Colony</td>
<td>City of Fort Worth</td>
</tr>
<tr>
<td>City of Liberty Hill</td>
<td>City of Royse City</td>
<td>City of Galveston</td>
</tr>
</tbody>
</table>
Sonoma Verde Public Improvement District
Typical Transaction Participants / Process Timeline

Overview of PID Bond Financing Team

**Issuer Financing Team:**
- City / County Staff
- City Attorney*
- Bond Counsel*
- Financial Advisor*
- Appraiser*
- Assessment Administrator*

**Investor Financing Team:**
- Underwriter*
- Underwriter’s Counsel
- Trustee*
- Trustee’s Counsel

**Developer Financing Team:**
- Developer
- Developer’s Counsel
- Engineer

* The Issuer (City or County) selects these professionals, not the developer or development team.

- Initial Working Group Meeting
- PID Petition (Done)
- Public Hearing (Done)
- Working Group Meetings
- Public Hearing – Levy Assessments (Done)
- Prepare Bond Documents
- Distribute PLOM
- Investor Call / Site Visits
- Price Bonds
- Transcript to Texas AG
- Close and Deliver Bonds
## Underwriter Responsibilities

Request and conduct due diligence on:

1. **The Developer** – including but not limited to: plan of finance, corporate organization, litigation search, background checks, 3rd party development contracts, past development success, entitlements, utilities, 3rd party financing

2. **The City** – including but not limited to: organization of the PID, assessment collections, “Chamber of Commerce” information

### Review and Comment on Bond Documents including Trust Indenture and Service and Assessment Plan

### Prepare Preliminary Offering Document

### Prepare Continuing Disclosure Agreements

### Prepare Bond Purchase Agreement

### Marketing of the Bonds to Potential Investors

### Work with the City’s Financial Advisor on Pricing the Bonds

### Bond Closing
<table>
<thead>
<tr>
<th>DATE(1)</th>
<th>ACTION</th>
<th>ACTION</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/04/2019</td>
<td>CITY COUNCIL MEETING</td>
<td>Presentation and Request to Council to Issue the Bonds</td>
<td></td>
</tr>
<tr>
<td>02/19/2019</td>
<td>First Draft of Bond Documents Circulated to Working Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/20/2019</td>
<td>First Draft of Preliminary Offering Document Circulated to Working Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/12/2019</td>
<td>CITY COUNCIL MEETING</td>
<td>Resolution Authorizing Publication of the Preliminary Limited Offering Memorandum</td>
<td></td>
</tr>
<tr>
<td>03/13/2019</td>
<td></td>
<td>Post Preliminary Limited Offering Memorandum and begin bond marketing period to potential investors.</td>
<td></td>
</tr>
<tr>
<td>03/26/2019</td>
<td>BOND PRICING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/26/2019</td>
<td>CITY COUNCIL MEETING</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consider Updated Service and Assessment Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consider Bond Ordinance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consider Bond Purchase Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consider Continuing Disclosure Agreements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>04/12/2019</td>
<td>BOND CLOSING</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Preliminary, subject to change
FMS is the number 1 PID bond underwriter in the State for 2018 (YTD)\(^1\) and was the number 1 PID bond underwriter in 2017.

- Since January 2017, FMS has marketed and underwritten 41 special assessment deals in Texas, representing approximately 74% in market share.
- Since January 2017, FMS has marketed and underwritten over $263.3 million in Texas PID bonds, representing approximately 70% in market share.
- By any metric, FMS has priced the lowest yielding PID Bonds in the State, including the:
  - Lowest new money, non-rated PID bond,
  - Lowest new money, rated PID bond,
  - Lowest refunding, non-rated PID bond, and
  - Lowest refunding, rated PID bond.

**Lower rates equals more proceeds for the project and / or lower assessments for landowners**

1. Underwritten or closed through 11/13/2018.
Ms. Lisa Palomba, TRMC  
City Administrator/City Secretary  
City of McLendon-Chisholm  
1371 West FM 550  
McLendon-Chisholm, Texas 75032  

Re: Letter of Intent for Underwriting Services & G-17 Disclosure

Dear Ms. Palomba:

FMSbonds, Inc. (“FMS”) has been engaged as the underwriter by the City of McLendon-Chisholm (the “City”) for its forthcoming issuance of Special Assessment Bonds (the “Bonds”). We ask that you, as representative of the Issuer and Obligated Party within the meaning of SEC rules (“Issuer”), agree, and acknowledge by signing below:

- FMS has been engaged as the underwriter for the Bonds (the “Underwriter”) and not as financial advisor or municipal advisor;
- As an Underwriter, FMS may provide advice to the City on the structure, timing, terms and other similar matters concerning the Bonds;
- The Issuer has reviewed Attachment I which contains Municipal Securities Rulemaking Board (MSRB) Rule G-17 disclosures;
- It is the present intention of the City that FMS will place the Bonds for the City, upon formal approval by the City, finalizing the structure of the Bonds, and the execution of a mutually agreed upon Bond Placement Agreement.
- Any advice, suggestions, or recommendations we may provide to the Issuer in connection with the structuring and issuance of the Bonds shall be part of our scope of services as Underwriter.
- The services we shall provide as Underwriter are limited in scope to the Bonds and in duration to completion of the underwriting of the Bonds.

Sincerely yours, Acknowledged and Agreed to by:

FMSbonds, Inc.

By: By:
Print Name: R.R. “Tripp” Davenport, III Print Name: Ms. Lisa Palomba
Print Title: Director Print Title: City Administrator
Attachment I

MSRB G-17 Disclosure

The City has engaged FMSbonds, Inc. (“FMS”) to serve as underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds. As part of our services as underwriter, FMS may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds. Any such advice was provided by FMS as an underwriter and not as your financial advisor in this transaction.

Pursuant to the Notice, we are required by the MSRB to advise you that:

• MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers, delegated persons such as the Issuer and investors.

• The underwriter’s primary role is to purchase the Bonds with a view to distribution in an arm’s-length commercial transaction with the Issuer. As such, the underwriter has financial and other interests that differ from those of the Issuer.

• Unlike a municipal advisor, the underwriter does not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

• The underwriter has a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with its duty to sell the Bonds to investors at prices that are fair and reasonable.

• As underwriter, we will review the disclosure document for the Bonds in accordance with, and as part of, our responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.¹

FMS will be compensated by a fee and/or a fee that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since an underwriter may have an incentive to recommend a transaction that is unnecessary or to recommend that the size of a transaction be larger than is necessary. The Issuer acknowledges no such recommendation has been made by FMS.

Please note nothing in this letter is an expressed nor an implied commitment by us to provide financing or to purchase or place the Bonds or any other securities. Any such commitment shall

¹ Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the disclosure document by the underwriters is solely for purposes of satisfying the underwriters’ obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the disclosure document.
only be set forth in a bond purchase agreement or other appropriate form of agreement for the type of transaction undertaken by you.

Further, our participation in the transaction contemplated herein remains subject to, among other things, the execution of a bond purchase agreement (or other appropriate form of agreement), further internal review and approvals, satisfactory completion of our due diligence investigation and market conditions.

FMS is acting independently in seeking to act as an underwriter in the transactions contemplated herein and shall not be deemed for any purpose to be acting as an agent, joint venturer or partner of any other principal involved in the proposed financing. FMS assumes no responsibility, express or implied, for any actions or omissions of, or the performance of services by, the other underwriters in connection with the transactions contemplated herein or otherwise.

If you or any other Issuer representatives have any questions or concerns about these disclosures, please make those questions or concerns known immediately to FMS. In addition, Issuer should consult with its own financial, municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. Depending on the final structure of the transaction that the City and FMS decide to pursue or if additional actual or perceived material conflicts are identified, we may be required to send you additional disclosures.

It is our understanding that you have the authority to bind the City with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify FMS immediately.

The MSRB requires that we seek your acknowledgement that you have received this letter. Accordingly, please send me an email to that effect, or sign and return the enclosed copy of this letter to me at the address set forth above within five (5) business days of the date of this letter. Depending on the structure of the transaction that the Issuer decides to pursue, or if additional actual or perceived material conflicts are identified, we may be required to send you additional disclosures. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.
RESOLUTION NO. 2018 – 04

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF McLENDON-CHISHOLM, TEXAS APPROVING THE ORDER OF A GENERAL ELECTION FOR THE PURPOSE OF ELECTING PERSONS TO THE OFFICES OF CITY COUNCIL MEMBER PLACE 1, CITY COUNCIL MEMBER PLACE 3 AND CITY COUNCIL MEMBER PLACE 5; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of McLendon-Chisholm, Texas ("City") is a Type A general-law municipality of the State of Texas; and

WHEREAS, the Texas Local Government Code provides a term of two years for elected officials of the City and that elections be held annually on an authorized uniform election date as provided by Chapter 41 of the Texas Election Code; and

WHEREAS, Chapter 41 of the Texas Local Government Code provides that the first Saturday in May, being May 4, 2019, is an authorized uniform election date for municipal elections; and

WHEREAS, the Texas Election Code requires that the governing body of the City is responsible for ordering the general election of elected officials of the City; and

WHEREAS, the City will hold a general election on May 4, 2019 for the purpose of electing persons to the office of City Council Member Place 1, City Council Member Place 3 and City Council Member Place 5.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF McLENDON-CHISHOLM, TEXAS:

SECTION 1: The recitals set forth in the WHEREAS clauses of this Resolution are true and correct, constitute findings and determinations by the City Council acting in its legislative capacity and are incorporated herein.

SECTION 2: That the City Council hereby approves the City of McLendon-Chisholm, Texas Order of General Election for the purpose of electing persons to the office of City Council Member Place 1, City Council Member Place 3 and City Council Member Place 5, a true and correct copy of which is attached to this Resolution as Exhibit A for all purposes and authorizes the Mayor and Council Members to execute the Order.

SECTION 3: That this Resolution shall become effective immediately upon its passage.

DULY PASSED AND APPROVED THIS 12th DAY OF FEBRUARY 2019.
Resolution 2018-04

ATTEST:                APPROVED:

__________________________    ___________________________
Lisa Palomba, City Secretary    Keith Short, Mayor
CITY OF MCLENDON-CHISHOLM, TEXAS
ORDER OF GENERAL ELECTION

An election is hereby ordered to be held on May 4, 2019 for the purpose of electing persons to the following named offices of the City of McLendon-Chisholm in a general election for two year terms:

CITY COUNCIL MEMBER PLACE 1; CITY COUNCIL MEMBER PLACE 3; AND CITY COUNCIL MEMBER PLACE 5

Early voting by personal appearance shall be administered by the Rockwall County Elections Administrator. The main early voting location for McLendon-Chisholm voters shall McLendon-Chisholm City Hall, 1371 W. FM 550, McLendon-Chisholm, Texas 75032 on the dates and times listed below.

The designated Election Day polling location for McLendon-Chisholm voters shall be the McLendon-Chisholm City Hall, 1371 W. FM 550, McLendon-Chisholm, Texas 75032 from 7 a.m. to 7 p.m.

<table>
<thead>
<tr>
<th>SUNDAY (Domingo)</th>
<th>MONDAY (Lunes)</th>
<th>TUESDAY (Martes)</th>
<th>WEDNESDAY (Miercoles)</th>
<th>THURSDAY (Jueves)</th>
<th>FRIDAY (Viernes)</th>
<th>SATURDAY (Sabado)</th>
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</thead>
<tbody>
<tr>
<td>APR 22 8am-5pm Early Voting</td>
<td>APR 23 7am-7pm Early Voting</td>
<td>APR 24 8am – 5pm Early Voting</td>
<td>APR 25 7am – 7pm Early Voting</td>
<td>APR 26 8am - 5pm Early Voting</td>
<td>APR 27 10am - 3pm Early Voting</td>
<td></td>
</tr>
<tr>
<td>APR 29 8am-5pm Early Voting</td>
<td>APR 30 8am-5pm Early Voting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MAY 4 7am-7pm ELECTION DAY</td>
</tr>
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Tuesday, April 30, 2019 is the last day of early voting.

Application for a ballot by mail should be mailed to:

Mr. Chris Lynch, Elections Administrator
915 Whitmore Drive, Suite D
Rockwall, Texas 75087
Applications for a ballot by mail must be received no later than the close of business on April 23, 2019. If application to vote by mail is made by personal delivery, the application must be delivered by the close of business on Friday, April 19, 2019.

Issued the 12th day of February 2019.

______________________________
Keith Short, Mayor

_
CIUDAD DE MCLENDON-CHISHOLM  
RESOLUCION NO. 2018 - 04  

RESOLUCIÓN DEL CONSEJO MUNICIPAL DE LA CIUDAD DE McLENDON-CHISHOLM, TEXAS APROBARÁ EL ORDEN DE UNA ELECCIÓN GENERAL PARA EL PROPÓSITO DE ELEGIR PERSONAS A LAS OFICINAS DEL LUGAR 1 DEL CONSEJO DE LA CIUDAD, LUGAR 3 DEL CONSEJO DE LA CIUDAD Y LUGAR DEL MIEMBRO DEL CONSEJO DE LA CIUDAD 5; Y PROPORCIONANDO UNA FECHA EFECTIVA.

CONSIDERANDO QUE, la Ciudad de McLendon-Chisholm, Texas ("Ciudad") es un municipio de tipo A de ley general del Estado de Texas; y

CONSIDERANDO QUE, el Código de Gobierno Local de Texas establece un término de dos años para los funcionarios electos de la Ciudad y que las elecciones se celebren anualmente en una fecha de elección de uniforme autorizada según lo dispuesto en el Capítulo 41 del Código de Elecciones de Texas; y

CONSIDERANDO QUE, el Capítulo 41 del Código de Gobierno Local de Texas establece que el primer sábado de mayo, que será el 4 de mayo de 2019, es una fecha de elección uniforme autorizada para las elecciones municipales; y

CONSIDERANDO QUE, el Código de Elecciones de Texas requiere que el cuerpo gobernante de la Ciudad sea responsable de ordenar la elección general de los funcionarios electos de la Ciudad; y

CONSIDERANDO QUE, la Ciudad celebrará una elección general el 4 de mayo de 2019 con el propósito de elegir a las personas para la oficina del Lugar 1 del Miembro del Concejo Municipal, el Lugar 3 del Miembro del Concejo Municipal y el Lugar 5 del Miembro del Concejo Municipal.

AHORA, POR LO TANTO, SEA RESUELTO POR EL AYUNTAMIENTO DE LA CIUDAD DE McLENDON-CHISHOLM, TEXAS:

SECCIÓN 1: Los considerandos establecidos en las cláusulas WHEREAS de esta Resolución son verdaderos y correctos, constituyen hallazgos y determinaciones por parte del Concejo Municipal que actúa en su capacidad legislativa y se incorporan aquí.

SECCIÓN 2: Que el Concejo Municipal por la presente aprueba la Orden de Elección General de la Ciudad de McLendon-Chisholm, Texas, con el fin de elegir a las personas para la oficina del Lugar 1 del Miembro del Concejo Municipal, el Lugar 3 del Miembro del Consejo Municipal y el Lugar 5 del Miembro del Consejo Municipal. Copia verdadera y correcta de la cual se adjunta a esta Resolución como Anexo A para todos los propósitos y autoriza al Alcalde y los Miembros del Consejo a ejecutar la Orden.

SECCIÓN 3: Que esta Resolución entrará en vigencia inmediatamente después de su aprobación.
DEBIDO PASADO Y APROBADO EL 12 DE FEBRERO DE 2019:

___________________________________  ______________________________
Lisa Palomba, secretaria de la ciudad  Keith Short, alcalde
CIUDAD DE MCLENDON-CHISHOLM, TEXAS

ORDEN DE ELECCIÓN GENERAL

Se ordena que se celebre una elección el 4 de mayo de 2019 con el fin de elegir a las personas para los siguientes cargos nombrados de la Ciudad de McLendon-Chisholm en una elección general por un período de dos años:

LUGAR DEL MIEMBRO DEL CONSEJO DE LA CIUDAD 1; LUGAR DEL MIEMBRO DEL CONSEJO DE LA CIUDAD 3; Y LUGAR DEL MIEMBRO DEL CONSEJO DE LA CIUDAD 5

La votación anticipada por apariencia personal será administrada por el Administrador de Elecciones del Condado de Rockwall. El lugar principal de votación temprana para los votantes de McLendon-Chisholm será el Ayuntamiento de McLendon-Chisholm, 1371 W. FM 550, McLendon-Chisholm, Texas 75032 en las fechas y horarios que se detallan a continuación.

El lugar designado para el Día de Elecciones para los votantes de McLendon-Chisholm será el Ayuntamiento de McLendon-Chisholm, 1371 W. FM 550, McLendon-Chisholm, Texas 75032 de 7 a.m. a 7 p.m.

<table>
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<th>(Miercoles)</th>
<th>(Jueves)</th>
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<td>ABR 25</td>
<td>ABR 26</td>
<td>ABR 27</td>
<td>10am - 3pm</td>
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<td>7am-7pm</td>
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<td>7am – 7pm</td>
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<td>8am -5pm</td>
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<td>Votación anticipada</td>
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<td></td>
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</table>

El martes 30 de abril de 2019 es el último día de votación anticipada.

La solicitud de una boleta por correo debe enviarse por correo a:

Sr. Chris Lynch, Administrador de Elecciones
915 Whitmore Drive, Suite D
Rockwall, Texas 75087

Las solicitudes para una boleta por correo deben recibirse a más tardar el cierre de actividades del 23 de abril de 2019. Si la solicitud para votar por correo se realiza mediante entrega personal, la solicitud debe entregarse antes del cierre de operaciones el viernes 19 de abril de 2019.
Emitido el 12 de febrero de 2019.

_____________________________

Keith Short, alcalde
May 4, 2019

General Election

Contract for Election Services

Elections Administrator of
Rockwall County
and
McLendon-Chisholm
and
Rockwall Independent School
District
May 4, 2019
General Election

Table of Contents
I .................................. Principal Duties and Services of the Elections Administrator
II .................................. Principal Duties and Services of the City and School District
III .................................. Cost of Services
IV .................................. General Provisions

Appendices
Appendix A .................................. Early Voting Schedule and Polling Locations
Appendix B .................................. Election Day Schedule and Polling Locations
Appendix C .................................. Cost of Services
Appendix D .................................. Joint Election Agreement
STATE OF TEXAS
COUNTY OF ROCKWALL
CITY OF MCLENDON-CHISHOLM
ROCKWALL INDEPENDENT SCHOOL DISTRICT

CONTRACT FOR ELECTION SERVICES

BY THE TERMS OF THIS CONTRACT made and entered into by and between the city of MCLENDON-CHISHOLM, the ROCKWALL INDEPENDENT SCHOOL DISTRICT and the ELECTIONS ADMINISTRATOR OF ROCKWALL COUNTY pursuant to the authority in Subchapter D, Section 31.092 and 271.002 of the Texas Election Code, agree to the following particulars in regard to coordination, supervision and running of the City’s General Election and the School District’s General Election to be held on May 4, 2019.

THIS AGREEMENT is entered into in consideration of the mutual covenants and promises hereinafter set out. IT IS AGREED AS FOLLOWS:

I. PRINCIPAL DUTIES AND SERVICES OF THE EA. The EA shall be responsible for performing the following duties and shall furnish the following services and equipment:

A. The EA shall arrange for appointment, notification (including writ of election), training and compensation of all presiding judges, alternate judges, the judge of the Tabulation Room and judge of the Early Voting Balloting Board.

1. The EA shall be responsible for notification of each Election day and Early Voting presiding judge and alternate judge of his or her appointment. The EA recommends providing up to four (4) election workers including alternate judges, clerks and interpreters. The presiding election judge of each polling place, however, will use his/her discretion to determine the working hours of the election workers during normal and peak voting hours. The EA will determine the number of clerks to work in the Tabulation Room and the number of clerks to work on the Balloting Board.

2. Election judges (including Presiding and Alternate) shall attend the EA’s school of instruction (Elections Seminar) to be held on a date determined by the EA. The Elections Seminar shall provide training in standard procedures as set forth by the Secretary of State.

3. Election judges shall be responsible for picking up from and returning election supplies to the Rockwall County Election Administrator’s office located at 915 Whitmore Dr. Suite D, Rockwall, Texas. Compensation for this pickup and delivery of supplies will be $25.00.

4. The EA shall compensate each election judge, alternate judge, clerk and interpreter. Each election judge and interpreter shall receive $12.00 per hour for services rendered. Each alternate judge and clerk shall receive $10.00 per hour for services rendered. The expenses shall be shared equally pursuant to the Joint Election Agreement as shown in Appendix D attached and incorporated by reference into this contract.
B. The EA shall procure, prepare, and distribute voting machines, election kits and election supplies.

1. The EA shall secure election kits which include the legal documentation required to hold an election and all supplies including locks, pens, markers, etc.

2. The EA shall procure and arrange for the distribution of all election equipment and supplies required to hold an election.

C. The EA shall be appointed as the Early Voting Clerk by the City and School District.

1. The EA shall supervise and conduct early voting by mail and in person and shall secure personnel to serve as Early Voting Deputies.

2. Early Voting by personal appearance for the City’s General Election and School District’s General Election held on May 4, 2019 shall be conducted during the time period and at the locations listed in Appendix A, attached and incorporated by reference into this contract.

3. All applications for an Early Voting mail ballot shall be received and processed by the Rockwall County Elections Administrator’s office located at 915 Whitmore Dr. Suite D, Rockwall, Texas 75087.

   (a) Applications for mail ballots erroneously mailed to the City or School District shall immediately be faxed to the EA for timely processing. The original application shall then be forwarded to the EA for proper retention.

   (b) All Federal Post Card Applicants (FPCA) will be sent an e-mail ballot.

4. All Early Voting ballots (those cast by mail and those cast by personal appearance) shall be prepared for count by the Early Voting Ballot Board in accordance with Section 87.000 of the Texas Election Code. The presiding judge of this Board shall be appointed by the EA. The Board shall meet for preparation of the early voting ballots at a time agreed to between the EA and the Early Voting Ballot Board Judge.

D. The EA shall arrange for the use of all election day polling places. The City and School District shall each assume the responsibility of incurring and absorbing the cost of its employees required to provide access, security and/or custodial services for the polling locations pursuant to a Joint Election Agreement as shown in Appendix D attached and incorporated by reference into this contract. The election day polling locations are listed in Appendix B, attached and incorporated by reference into this contract.
E. The EA shall be responsible for establishing and operating the Tabulation Room.

1. The EA shall prepare, test and run the County’s Tabulation System in accordance with the statutory requirements.

2. The Public Logic and Accuracy Test of the electronic voting system shall be conducted by the EA and notice of the date shall be posted in local newspapers.

3. The EA shall cause to be published in the local newspapers the required notices including notices of early voting locations, election day voting locations, and tabulation testing.

4. Election night reports will be available to the City and School District after tabulation is completed and will be released on the Election Departments Website www.rockwallvotes.com. Provisional ballots will be tabulated after election night in accordance with the Texas Election Code.

5. The EA shall prepare the unofficial canvass report after all precincts have been counted, and will provide a copy of the unofficial canvass to the City and School District as soon as possible after all returns have been tallied.

6. The EA shall conduct a manual count as prescribed by Section 127.201 of the Texas Election Code and submit a written report to the City and School District in a timely manner. Unless waived by the Secretary of State, if applicable, a written report shall be submitted to the Secretary of State as required by Section 127.201(e) of the aforementioned code.

II. PRINCIPAL DUTIES AND SERVICES OF THE CITY AND SCHOOL DISTRICT.

Each entity shall assume the following responsibilities:

A. The City and School District shall prepare the election orders, resolutions, notices, official canvass and other pertinent documents for adoption by the appropriate office or body.

B. The City and School District shall provide the EA with an updated map and street index of its jurisdictions in an electronic or printed format not later than 1 March 2018.

C.

1. The City and School District shall deliver to the EA as soon as possible the official wording for the City’s General Election and School District’s General Election to be held on May 4, 2019.

2. The City and School District shall approve the ballot format prior to the final printing.

D. The City, School District and the EA shall determine the number of ballots to be purchased.

E. The City and School District shall compensate the EA for any additional verified cost incurred in the process of running this election or for a
manual count of this election, if required, consistent with charges and rates shown on Appendix C for required services. These costs will be invoiced for reimbursement.

F. The City and School District shall reimburse Rockwall County for its portion of the printing costs of any and all related materials for ballots, early voting, election day voting, election kits.

G. The City and School District shall reimburse Rockwall County for its portion of the rental of all electronic voting equipment.

H. The City and School District shall each reimburse the EA for an administrative fee of ten percent (10%) of the City and School District's portion of the total cost of the election.

I. The City and School District shall each deposit its share of the election costs as set forth on Appendix C. The check is to be made payable to Rockwall County and delivered to the EA. The final costs of the election along with the ten percent (10%) administration fee will be prepared on a format similar to Appendix C and the invoice along with any supporting documentation shall be delivered by the EA. The invoice is due and payable 30 days after receipt by the City and School District.

J. The City and School District, in the event of a contested election, agrees to provide competent legal counsel and representation for the EA and staff, covering any and all legal fees and costs as a result of this elections process.

K. The City and School District, in the event of a recount, agrees to reimburse any expenses incurred by the EA's office not covered by the charges assessed to the person requesting the recount. This would include, but not be limited to the compensation costs of any Rockwall County Election personnel required to work beyond regular office hours in order to conduct said recount of this election. The recount shall take places in the EA’s office and the EA’s office shall assist the Recount Supervisor and/or the Recount Coordinator in the completion of the recount.

L. The EA shall be the custodian of the voted ballots and shall retain all election materials for a period of 6 months.

III. COST OF SERVICES. See Appendix C.

A. The City and School District shall share equally in the expense of conducting early voting and election day voting pursuant to a Joint Election Agreement as shown in Appendix D attached incorporated by reference into this contract.

B. The cost of site support by Third Party Contractors shall be shared equally by the City and School District pursuant to a Joint Election Agreement as shown in Appendix D attached and incorporated by reference into this contract.

IV. GENERAL PROVISIONS.
A. To the extent of the law, the City and School District agree to save and hold harmless the EA from any and all claims arising out of the failure or omission of the City or School District to perform its obligations under this contract.

B. To the extent of the law, the EA agrees to save and hold harmless the City and School District from any all claims arising out of the failure or omission of the County and the EA to perform their obligations under this contract.

C. Nothing contained in this contract shall authorize or permit a change in the officer with whom or the place at which any document or record relating to the City’s General Election or School District’s General Election held on May 4, 2019 is to be filed or the place at which any function is to be carried out, or any nontransferable functions specified under Section 31.066 of the Texas Election Code.

D. Upon request, the EA shall provide copies of all invoices, cost reports and other charges incurred in the process of running said election for the City and School District.

E. The EA shall file copies of this contract with the County Auditor and the County Treasurer of Rockwall County, Texas.

F. The City and School District shall enter into a Joint Election Agreement as shown in Appendix D attached and incorporated by reference into this contract.

G. If the City and/or School District cancels their election pursuant to Section 2.053 of the Texas Election Code, the EA shall be paid a contract preparation fee of $75.00. The City and School District will not be liable for any further costs incurred by the EA in conducting the May 4, 2019 Election.

H. This Agreement contains the entire agreement of the parties to the rights herein granted and the obligations herein assumed and supersedes all prior agreements, including prior election services contracts relating to each Entity’s May 2018 election. Any prior agreements, promises, negotiations, or representations not expressly contained in this Agreement are of no force and effect. Any oral representations or modifications concerning this Agreement shall be of no force or effect, excepting a subsequent modification in writing as provided herein.

I. Except as otherwise provided, this Agreement may not be amended, modified, or changed in any respect whatsoever, except by a further Agreement in writing, duly executed by the parties hereto. No official, representative, agent or employee of any Participating Entity has any authority to modify this Agreement except pursuant to such expressed authorization as may be granted by the governing body of the respective Participating Entity.

J. This Agreement may be executed in multiple counterparts, all of which shall be deemed originals and with the same effect as if all parties hereto had signed the same document. All of such counterparts shall be construed together and shall constitute one and the same Agreement.
WITNESS BY MY HAND THIS _______ DAY OF ___________________ , 2019.

_______________________________________
Christopher J. Lynch, Elections Administrator
Rockwall County, Texas

_______________________________________
Lisa Palomba, City Administrator
McLendon-Chisholm, Texas

ATTEST:

________________________
Judy Rhoades, Secretary

JJ Villareal, Superintendent
Rockwall Independent School District

ATTEST:

________________________
Secretary
Appendix A
EARLY VOTING LOCATIONS & HOURS
FOR GENERAL ELECTION
(votacion anticipada horarios y ubicaciones para elecciones generales)
May 4, 2019
(6 de mayo de 2019)

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<tr>
<td>CITY HALL</td>
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Appendix B
ELECTION DAY VOTING LOCATIONS & HOURS
FOR GENERAL ELECTION
(lugares de votacion de dia de la eleccion para elecciones generales)
May 4, 2019
(4 de mayo de 2019)

7:00 a.m. – 7:00 p.m.

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## Appendix C

### COST OF SERVICES (Estimate)

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Appendix D

STATE OF TEXAS
MCLENDON-CHISHOLM
ROCKWALL INDEPENDENT SCHOOL DISTRICT

JOINT ELECTION AGREEMENT

This Agreement is entered into by and between the city of McLendon-Chisholm, and the Rockwall Independent School District.

By the terms of this agreement, the City and School District do hereby agree, pursuant to the provisions of the Texas Election Code, to hold a joint election of the General Election of the City and the General Election of the School District to be held on Saturday, May 4, 2019. All entities have contracted with the Rockwall County Elections Administrator to perform various duties and responsibilities on behalf of the two entities.

The two entities shall share equally in the expense of conducting Early and Election Day voting, polling locations, election officials, election supplies, ballots and other and all necessary expenses for the election upon receipt of satisfactory billing and invoices reflecting the total of such election.

An entity canceling an election pursuant to Section 2.053 of the Texas Election Code will not be liable for costs incurred by the EA in conducting the May 4, 2019 Joint General Election; they will be liable for on the contract preparation fee of $75.00.

This Agreement contains the entire agreement of the parties relating to the rights herein granted and the obligations herein assumed and supersedes all prior agreements, including prior election services contracts relating to each Entity’s May 2017 election. Any prior agreements, promises, negotiations, or representations not expressly contained in this Agreement are of no force and effect. Any oral representations or modifications concerning this Agreement shall be of no force or effect, excepting a subsequent modification in writing as provided herein.

Except as otherwise provided, this Agreement may not be amended, modified, or changed in any respect whatsoever, except by a further Agreement in writing, duly executed by the parties hereto. No official, representative, agent or employee of any Participating Entity has any authority to modify this Agreement except pursuant to such expressed authorization as may be granted by the governing body of the respective Participating Entity.

This Agreement may be executed in multiple counterparts, all of which shall be deemed originals and with the same effect as if all parties hereto had signed the same document. All of such counterparts shall be construed together and shall constitute one and the same Agreement.
APPROVED BY THE CITY COUNCIL OF MCLENDON-CHISHOLM, TEXAS, in its meeting held on the _______ day of __________________, 2019, and executed by its authorized representative.

Lisa Palomba, City Administrator
Mclendon-Chisholm, Texas

ATTEST:

________________________
Judy Rhoades, Secretary

APPROVED BY THE TRUSTEES OF THE ROCKWALL INDEPENDENT SCHOOL BOARD, in its meeting held on the _______ day of __________________, 2019 and executed by its authorized representative.

________________________
JJ Villareal, Superintendent
Rockwall Independent School District

ATTEST:

________________________
Secretary
STATE OF TEXAS
COUNTY OF ROCKWALL

AGREEMENT FOR FIRE PROTECTION SERVICES AND INTEGRATION

THIS AGREEMENT is made between the City of McLendon-Chisholm, Texas ("City"), a Type-A general law municipality in the State of Texas, County of Rockwall, and the McLendon-Chisholm Volunteer Fire Department ("MCVFD"), a Texas non-profit corporation, to be effective on the date that the last party signs the Agreement (the “Effective Date”) and for the purposes described herein.

WITNESSETH:

WHEREAS, the City is authorized to undertake actions for the protection of the public health, safety and welfare of the citizens of the City including providing for fire protection services; and

WHEREAS, the MCVFD is a combination paid/volunteer fire department organized and operated for the purpose of providing fire protection services for the protection of persons and property from, and in the suppression and fighting of, fires in Rockwall County, Texas; and

WHEREAS, the provision of Fire Functions, defined below, is a governmental function that serves the public health and welfare, promotes efficiency and effectiveness of local governments, and is of mutual concern to the contracting parties; and

WHEREAS, MCVFD and City agree that integration of the MCVFD and the recently formed McLendon-Chisholm Fire Rescue Department ("MCFR") is in the best interests of the citizens of the City and Fire District 22, defined below; and

WHEREAS, MCVFD is authorized by the State of Texas to perform Fire Functions and the City is authorized to provide Fire Functions and the parties desire to enter into this Agreement regarding the performance of Fire Functions; and

WHEREAS, City and MCVFD have determined it necessary and appropriate to enter into this Agreement for the integration of MCVFD into MCFR and the provision of Fire Protection Services, as defined below.

NOW, THEREFORE, MCVFD and City, for and in consideration of the recitals set forth above and terms and conditions below, agree as follows:

Section 1. Recitals. The recitals set forth above are true and correct and incorporated herein.

Section 2. Definitions. The following words shall have the following meanings when used in this Agreement:
2.1 "Fire-fighting Activities", "Fire Protection Services", or "Fire Functions" shall mean any and all of the customary and usual activities of a fire department, including fire suppression, fire prevention, training, safety education, maintenance, communications, rescue and emergency medical services, photography, and administration.

2.2 “Fire District 22” shall mean the geographic area depicted on Exhibit 1 hereto, as amended by the authorized governmental entity.

Section 3. Term

This Agreement is effective on the date of signature and expires upon completion of the integration provided herein or at midnight on September 30, 2019, whichever occurs first.

Section 4. Fire Protection Services; Personnel

4.1. The parties agree that MCFR will provide Fire Protection Services within Fire District 22, including the City.

4.2. MCFR will respond to Rockwall County Sheriff 911 dispatch direction.

4.3. MCFR will honor and perform all existing Interlocal and Inter-Jurisdictional Agreements of the parties for mutual aid and response that were signed prior to the Effective Date.

4.4. MCVFD agrees to cooperate with MCFR in performing the foregoing obligations by, among other things:

   a. encouraging MCVFD personnel to apply for firefighter positions with the City and MCFR; and

   b. granting MCFR full and complete authority to operate and utilize all MCVFD buildings, land, apparatus and equipment including, but not limited to the following:

      i. 2014 Ferrara Commercial Pumper;
      ii. 2017 Ford 550 Brush Truck;
      iii. 1995 Pierce Saber Pumper;
      iv. 2009 Chevrolet 3500 Brush Truck;
      v. Hoses;
      vi. Nozzles;
      vii. Air Packs;
      viii. Air Bottles;
      ix. Cascade System;
x. Rescue Tools;

xi. Hand Tools;

xii. Stations 1 and 2 and the real estate with them located at 1250 S SH 205, McLendon-Chisholm, TX and 10685 S FM 548, Royse City, TX;

xiii. Ladders; and

xiv. Administrative Equipment.

4.5 The City shall hire 6 full-time equivalent positions as employees of the City to be funded as provided by the Staffing for Adequate Fire and Emergency Repose (SAFER) Grant Award. All payment obligations and hiring requirements herein are subject to SAFER requirements, all Federal State and local hiring laws. Full-time Firefighters hired shall receive pay and benefits based on position and hours worked including but not limited to salary or hourly wages, insurance, workers compensation benefits, retirement benefits and any other benefit provided to other City employees that work similar hours.

4.6 City shall be responsible for all individual equipment utilized by each firefighter, regardless of employment status. The ownership of individual equipment personally used by MCVFD firefighters hired by MCFR shall be transferred to the City upon such firefighter’s employment, at which time the City assumes all responsibility for serviceability, repair and/or replacement of all such equipment.

Section 5. Budget and Payments

5.1 On the effective date of this Agreement, MCFR shall be the primary provider of Fire Protection Services to Fire District 22 and the MCVFD will support MCFR operations as directed by the MCFR Fire Chief. Both entities shall cooperate to ensure fire and emergency services are provided to Fire District 22. MCVFD is solely responsible for any expense incurred by MCVFD that is not directly related to MCFR’s day to day operations. The invoices shall be submitted and processed pursuant to City policies.

5.2 The City shall be responsible for maintaining, including paying all related costs, and insuring the MCVFD assets identified herein utilized by MCFR.

5.3 All parties shall cooperate to facilitate the integration. Each party is responsible for their legal fees.

Section 6. Integration

6.1 City and MCVFD agree and commit to engage in good faith efforts to fully integrate MCVFD, including all of its assets, into the City and MCFR beginning October 1, 2018, as provided herein. Beginning October 1, 2018, the parties, and as necessary their
attorneys, shall confer and agree on the most efficient means for accomplishing all transfers along with processing, executing and filing all documents necessary, as provided herein. To achieve this purpose and the objectives and goals provided herein, the parties agree as follows:

6.1.1 Within 45 days of the effective date of this Agreement, the MCVFD and MCVFR Fire Chiefs shall present to the City Council a written report that, at a minimum, includes the following information as of September 30, 2018 and any changes through the date of the report:

a. an inventory of all assets of MCVFD;

b. the value of all assets of MCVFD;

c. the location where the assets of MCVFD kept;

d. the identity (including address, telephone number and email address) of any person or entity having any interest in any MCVFD asset;

e. a listing, with detailed explanation, of all existing liabilities of MCVFD and liabilities to accrue prior to September 30, 2019 of MCVFD; and

f. a plan for transfer of assets of MCVFD to the City, means for the proposed transfers and actions that must occur to complete such transfers.

6.2. Before September 30, 2019, MCVFD will transfer all MCVFD assets to City. This is inclusive of each and every asset of MCVFD, excepting and excluding only the real property and improvements known as MCVFD Station 2, and not limited to the assets identified above for use by MCFR. The parties agree to cooperate and aggressively pursue completion of the transfer of MCVFD assets to the City at the earliest time that due diligence permits, but in no event later than September 29, 2019.

In pursuance of the foregoing, the parties identify the following goals and objectives for completing the transfer of assets by MCVFD to MCFR:

6.2.1 Transfer of (a) all individual firefighter equipment, including uniforms and firefighter protective apparel, individually issued tools, equipment and apparatus, excluding apparatus acquired by MCVFD, in whole or in part, with grant resources by November 30, 2018; and (b) all real property and improvements, excluding Station 2, by November 30, 2018 in order to allow remodeling of Station One;

6.2.2 Transfer of any and all remaining assets, including apparatus, tools and equipment by June 15, 2019.

6.2.3 The liabilities, if any, of MCVFD existing as of September 30, 2018 shall remain the liabilities of MCVFD and shall not be assumed by the City.
6.2.4 The MCFR Fire Chief shall have the authority to adjust the time lines required for transfer of any individual piece of equipment or asset if unusual and unforeseen conditions arise that were previously unknown to or are beyond the control of either party to this agreement.

6.2.5 Any sums paid to MCVFD by Rockwall County to provide fire protection services for any part of the fiscal year 2018-2019 in the unincorporated areas of Rockwall County shall be transferred to the City within five (5) business days after complete execution of this Agreement or receipt of such funds by MCVFD, whichever occurs later. The City shall use any such money to fulfill MCFR’s obligations undertaken in section 4.3 above.

6.3. MCVFD will review and modify as necessary the MCVFD Articles of Incorporation to ensure proper and legal transfer of assets to City.

6.4 During the term of this Agreement, MCVFD, including but not limited to the MCVFD Fire Chief, shall engage with the MCFR Fire Chief for the purpose of transferring knowledge of all manner of MCVFD’s operations to the MCFR Fire Chief.

Section 7. Insurance and Indemnification

7.1. To the extent allowed by law, City will indemnify, hold harmless, release and defend MCVFD from and against all third-party claims of liability and resulting damages, including claims for property damage or bodily injury, that directly or indirectly arise from performance of this Agreement by MCVFD, its agents, employees and subcontractors.

7.2. City will keep and maintain such insurance policies as may be necessary to cover all obligations assumed under this Insurance and Indemnification provision of this Agreement, insuring liability for injury or death of third parties, extended to include personal injury liability coverage, and for damage to property of third parties, with the following limits for each occurrence:

- Injury or Death: $1,000,000
- Property Damage: $1,000,000

City shall have MCVFD added as an additional insured to the foregoing insurance policies and shall, on request, provide certificates of insurance to the MCVFD.

7.3. To the extent allowed, City waives subrogation rights for loss or damages to the extent they are covered by insurance. Insurers shall have no right of recovery or subrogation against the MCVFD for the claims covered by this section, it being the intention that the insurance policies shall protect all parties to this Agreement and be the primary coverage for all losses covered by the policies. The insurance companies shall have no recourse against the MCVFD for payment of premiums or assessments for deductibles.

Section 8. Immunity
8.1 The fact that City and MCVFD accept certain responsibilities relating to the rendering of Fire Protection Services under this Agreement as part of their responsibility for providing protection for the public health makes it imperative that the performance of these vital services be recognized as a governmental function and that the doctrine of governmental immunity shall be, and it is hereby, invoked to the extent possible under the law. Neither City nor MCVFD waives any immunity or defense that would otherwise be available to it against claims arising from the exercise of governmental powers and functions.

8.2 It is expressly understood and agreed that by executing this Agreement, neither party waives, nor shall be deemed hereby to waive, any immunity or defense that would otherwise be available to it, against claims arising in the exercise of governmental powers and functions. By its execution of this Agreement, the City does not waive or surrender any of its governmental powers, immunities, or rights except as follows:

(a) The City waives its governmental immunity from suit as to any action brought by a party to this Agreement to pursue the remedies available under this Agreement, but only to the extent necessary to pursue such remedies. Nothing in this Section 8 shall waive any claims, defenses, or immunities that the City has with respect to suits against the City by persons or entities other than a party to this Agreement nor shall this Section 8 or Agreement be construed to waive any immunities, whether governmental, sovereign, legislative, official, qualified or otherwise, except as clearly set forth in this section.

(b) Nothing in this Agreement is intended to delegate or impair the performance by the City of its governmental functions.

Section 9 Other Agreements.

9.1. During the term of this Agreement:

9.1.1. MCVFD shall remain an independent Texas non-profit corporation and Internal Revenue Code 501(c)(4) tax exempt organization;

9.1.2. MCVFD shall operate under its Corporate Charter, 2017 Bylaws and governing Federal, State and Local laws; and

9.1.3. MCVFD shall not at any time, without the prior written consent of the City, collaterally assign, pledge, grant a lien or security interest in, or otherwise encumber, any of its rights, title or interest in any asset claimed by MCVFD.

9.2. MCVFD and MCFR shall take mutually agreed upon action necessary to repurpose MCVFD as an auxiliary organization in support of firefighters and any civilian support organization serving Fire District 22 effective upon termination of this Agreement.
Section 10  Default and Remedies

10.1 This Agreement may not be terminated without the written agreement of both parties.

10.2 If a party to this Agreement is in default, the aggrieved party may, at its option and without prejudice to any other right or remedy under this Agreement, seek any relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act, specific performance and injunctive relief. Notwithstanding the foregoing, however, no default under this Agreement shall entitle the aggrieved party to seek or recover monetary damages of any kind.

Section 11  Entire Agreement

This Agreement represents the entire and integrated agreement between City and MCVFD and supersedes all prior negotiations, representations, and/or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both parties.

Section 12  Venue

The laws of the State of Texas shall govern this Agreement and each of its terms and provisions, including but not limited to the rights and duties of the parties hereto, and exclusive venue shall be in Rockwall County, Texas.

Section 13  Severability

In the event that any portion of this Agreement shall be found to be contrary to law, it is the intent of the parties hereto that the remaining portions shall remain valid and in full force and effect to the extent possible. It is the intent and agreement of the parties to this Agreement that all legal provisions of law required to be inserted herein, shall be and are inserted herein. If through mistake or oversight, however, any such provision is not herein inserted or is not inserted in proper form, then upon application of either party, the Agreement shall be amended so as to strictly comply with the law and without prejudice to the rights of either party hereunder. The provisions of this Agreement are severable.

Section 14  Non-Waiver

All rights, remedies, and privileges permitted or available to either party under this Agreement or at law or equity shall be cumulative and not alternative, and election of any such right, remedy, or privilege shall not constitute a waiver or exclusive election of rights, remedies or privileges with respect to any other permitted or available right, remedy or privilege. Additionally, one instance of forbearance by the either party in the enforcement of any such right, remedy or privilege against the other party, shall not constitute a waiver of such right, remedy or privilege by the forbearing party. A default by either party under this Agreement shall not result in a forfeiture of any rights, remedies, or privileges under this Agreement by such defaulting party.

Section 15  Authority of Parties. The City represents and warrants that this Agreement has been duly adopted by official action of the City Council in accordance with all applicable public notice requirements (including, but not limited to, notices required by the Texas Open Meetings
Act) and that the individual executing this Agreement on behalf of the City has been duly authorized to do so. MCVFD represents and warrants that this Agreement has been approved by appropriate action of MCVFD and that the individual(s) executing this Agreement on behalf of MCVFD has or have been duly authorized to do so.

Section 16  No Third-Party Beneficiaries. This Agreement inures only to the benefit of, and may only be enforced by, the parties to this Agreement.

Section 17  Cooperation. Each party to this Agreement shall, upon request of another party, execute and deliver such further documents and perform such further acts as may reasonably be requested to effectuate the terms of this Agreement and achieve the intent of the parties to this Agreement.

Section 18  Assignment

This Agreement shall extend to and be binding upon the parties and their respective successors and assigns; provided, however, that this Agreement may not be assigned without the written consent of both parties.

Section 19  Notice. All notices required or contemplated by this Agreement (or otherwise given in connection with this Agreement) shall be in writing, shall be signed by or on behalf of the person or entity giving the notice, and shall be effective as follows: (a) on or after the third (3rd) business day after being deposited with the United States mail service, certified mail, return receipt requested; (b) on the day delivered by private courier, private delivery or private messenger service (including overnight mail services such as FedEx or UPS) as evidenced by a receipt signed by any person at the delivery address (whether or not such person is the person to whom the notice is addressed); or (c) otherwise on the day actually received by the person to whom the notice is addressed, including, but not limited to, delivery in person and delivery by regular mail. Notices given pursuant to this section shall be addressed as follows:

To the City:  
Attn: City Administrator  
City of McLendon-Chisholm  
1371 West FM 550  
McLendon-Chisholm, Texas 75032

and

Chief Jim Simmons  
City of McLendon-Chisholm  
1371 West FM 550  
McLendon-Chisholm, Texas 75032
To the MCVFD:

Attn: Chief Patrick Murphy
McLendon-Chisholm Volunteer Fire Department
1250 State Highway 205
McLendon-Chisholm, Texas 75087

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed under authority of appropriate action taken by their respective governing bodies.

CITY OF McLENDON-CHISHOLM, TEXAS

Date: 10/4/18
By: Keith Short, Mayor

ATTEST:

Lisa Palomba, City Secretary

McLENDON-CHISHOLM VOLUNTEER FIRE DEPARTMENT:

Date: 10/9/2018
By: Patrick Murphy, Fire Chief
City of McLendon-Chisholm Fire Rescue  
1371 West FM 550  
McLendon-Chisholm, TX 75032  
Date: February 12, 2019  
To: Mayor and Council Members  
From: Jim Simmons Fire Chief  
Subject: Requested Report on Fire Integration Contract Update  

Mayor and Council,  

As requested by Mayor Pro Tem Turnbull, the below outline will explain all items completed and not completed under the Agreement for Fire Protection Services and Integration.  

- **Sections 1** thru 3 no action needed  
- **Section 4**, 4.1 thru 4.4 completed upon signing of the agreement by both parties  
- **Sections 4.5 and 4.6** completed upon hiring of Full-time and Part-time staff under SAFFER grant requirements.  
- **Section 5**, 5.1 thru 5.3 completed and meet upon signing of the agreement by both parties. No expenses have been accrued by MCVFD after October 9, 2018. All assets were presented to TML for coverage under the City of McLendon-Chisholm.  
- **Section 6**, 6.1 thru 6.2.1 completed prior to November 30, 2018. Written report not provided since documents of ownership were completed prior to November 22, 2019 (45th day). Council was previously informed of the only entity having any interest in assets and contact had been made by Council Member Balkum. (Texas Forestry Service). Council was briefed on the remaining liabilities on December council meeting.  
6.2 Will be completed on or before the September 29, 2019.  
6.2.1 completed B-41 and B-42 November 20, 2018, all minor tools/equipment and misc. PPE along with all issued PPE and equipment issued to each firefighter November 27, 2019. Station 1 November 20, 2018. E-41 posted for sale December 2018. (Pending Transfer to City)
6.2.2 Engine 42 will be transferred on or before June 15, 2019
(Information received from Texas Forestry Rep.)
From Chief Murphy

I spoke with Dina today about E42 and the TFS grant. She stated that until all of the merger is completed that there is nothing really for us to do. When everything is completed all we need to do is fill out a new W-9 and put the new EIN number on it. This is due to us still using MCVFD as stated in the contract (tax purposes). It will then show the City of MC on it and the MCVFD would be secondary. We are still eligible for all grants and that they would sent the checks to MCVFD. We would then transfer them over. If you have any other questions, please feel free to contact me.

6.2.3 no liabilities should be remaining under MCVFD. Existing MCVFD will be converted into MCFR Auxiliary (CERT).
6.2.4 no action
6.2.5 New agreement signed by Rockwall County and City of McLendon-Chisholm
6.3 Completed
6.4 Completed
• Section 7 completed upon signing of the agreement by both parties
• Section 8 understood by both parties
• Section 9, 9.1 through 9.1.3 are in place and meet requirements of the agreement
  9.2 first meeting scheduled for the week of February 11th to begin discussion of the foundation for Auxiliary (CERT)
• Section 10 through 19, no action or updates needed

I hope the information provided above will answer any questions regarding update on the Agreement for Fire Protection Services and Integration. Please let me know if there are any further questions you may have.

Items in Red are in process and pending transfer

V/r,

Jim Simmons
Fire Chief/Fire Marshal
Item 5.15 - Discussion and action regarding proposed updates to City of McLendon-Chisholm Code of Ordinances Chapter 4, Business Regulations.

DATE:
February 12, 2019

BACKGROUND OF ISSUE:
In January 2018, Council instructed Franklin Legal to perform a legal review of the Code of Ordinances. Franklin provided a review and suggested revisions and/or marked areas that Council may wish to update. Chapters 1-3 have been reviewed by Council and Council proposed revisions to those chapters. In consideration of Franklin’s review and suggestions and in consultation with City vendors, Staff proposes the attached revisions. Most revisions are suggested to ensure the City code is not in conflict with state law or to remove antiquated items.

Staff did not receive any suggested revisions from Council Members regarding Chapter 4, Business Regulations

FINANCIAL IMPACT:
N/A

OPERATIONAL IMPACT:
N/A

RECOMMENDATION:
Staff recommends Council review the suggested revisions and direct staff to move forward with the suggested revisions or provide other suggestions for revisions.

Staff recommends that Council review Chapter 5-6 for the next meeting and forward any comments to Staff by February 18.

Lisa Palomba, City Administrator/City Secretary
1. Pursuant to discussion at the January 9, 2018, meeting of the McLendon-Chisholm City Council, an editorial and legal review has been performed on the city's Code of Ordinances, current through Ordinance No. 2017-19 adopted October 24, 2017. This document outlines findings made, and, where appropriate, provides recommendation for rectifying problem areas located.

The city's current code is a recodification of a code originally prepared by another firm. When the recodification was done in 2017, the city opted out of the editorial and legal review. The code was reorganized and recodified into the current format based on the provisions contained in the prior code, with the more recent ordinances incorporated. New ordinances have since been incorporated through the preparation of 5 code supplements.

As noted above, the code as reviewed is current through Ordinance No. 2017-19 adopted October 24, 2017. Ordinances may have been adopted since that time that would have an effect on the items noted in the following review.

The code was reviewed not only from a legal standpoint, but also from an editorial standpoint. You will note that many of the items pointed out are matters where things were not clear, repetitive, unnecessary, etc.

It is important to note that this review may not include all items that the city wishes to revise. While some provisions may have been proper and appropriate from a general standpoint,
the city may wish to revise or omit some provisions from the code. In our experience, we have found that often provisions need revision or omission simply because they are not in accordance with current practices of the city. For this reason, it is important that the city review not only this document, but the code itself prior to the meeting to discuss these matters.

A representative of Franklin Legal Publishing will meet with the council during a workshop session, if desired, or by teleconference, to discuss findings in this review and to take input from the city. Once this is completed and suggested provisions have been provided by the city, a summary of agreed-to revisions will be submitted for approval by the city. When this is approved, Franklin Legal will prepare an ordinance to revise the code accordingly, and will submit it to the city council for adoption. Those revisions will then be incorporated into the code as part of the regular code supplementation services Franklin Legal now provides.

Any and all findings, comments and/or recommendations made by Franklin Legal Publishing should be fully reviewed by an attorney appropriately designated to represent the city. Liability shall extend only to correction of problem areas pointed out herein and not to acts or occurrences resulting from any such errors.

2. Some of the code provisions are somewhat dated and are possibly obsolete. Though specific instances of this are pointed out in this review, it is recommended that all of the provisions included in this preliminary code draft be briefly reviewed to determine whether or not they are in accordance with the procedures currently being followed by the city. Of special relevance with respect to this are the fees that are to be charged for various city services.

3. Codification consists of the codification of all “general and permanent” ordinances, meaning the code does not include ordinances that are limited in time, only applicable to a certain property or person, etc. These other ordinances (listed as Not in Code, or NIC, in the disposition tables) are specifically
saved from repeal, but are not codified. As a result, no review was performed on these ordinances, as this review was limited strictly to the city's code and ordinances affecting the code. Some examples of these types of ordinances include:

- Tax levies (ad valorem) for a specific fiscal year.
- Budget adoption (or appropriating funds) and amendments for specific fiscal year.
- Annexation, disannexations, or expanding extraterritorial jurisdiction.
- Bonds: issuance, certificate of obligation, bond elections.
- Maintenance, improvements, bids.
- Elections: Councilmembers, mayor, unopposed candidates, other elected officials. We do, however, publish charter elections and certain sales and use tax elections.
- Abandoning portions of streets, easements, rights-of-way, etc.
- Purchases, contracts, agreements if they are with a specific company.
- Franchises.
- Rezoning of a specific property. Look for boundary descriptions to help determine if the ordinance is a rezoning.

CHAPTER 1
GENERAL PROVISIONS

4. **Penalties.** Throughout the code, various penalties for violations are listed. Included in the code is Section 1.01.009, which is a general penalty provision. The penalties listed therein are in accordance with state law with regard to the maximum allowable amounts of fines. (See V.T.C.A., Local Government Code, sec. 54.001.) The city may wish to remove penalty amounts from the specific code sections, and simply reference this general penalty provision. Note: This action is not recommended in cases where the city wishes to specify a specific amount or where the penalty for violations is graduated based on the subsequent offenses.
As an example, the following provide for a maximum penalty of $200.00:

- Sec. 2.02.006: Trespassing by livestock
- Sec. 8.06.003(a)(3) and (b)(8): Junked vehicles

5. **Article 1.02, Division 3, Secretary Treasurer.**

   - Does the city secretary still also serve as treasurer for the city?
   - Is the bond requirement in section 1.02.062 still applicable for the city secretary-treasurer?

6. **Sec. 1.02.096, Authority to purchase.** This section authorizes the city administrator to contract for expenditures up to $500.00. This was adopted in 2005, and the city may wish to consider increasing this allowable amount.

7. **Article 1.06, Licenses and Permits.**

   - This article, deriving from Ordinance 2005-07 adopted 7/11/05, is intended to implement chapter 254 of the Texas Local Government Code. A more appropriate title might be "Vested Rights."

   - Presumably, section 1.06.003, regarding expiration of permits, applies only to permits that do not have an expiration date otherwise specified. It is common for municipalities to include language as follows:

     **Sec. 3.XXX  Expirations**

     (a) A permit issued by the city that is subject to Chapter 245, but does not expressly contain an expiration date, shall expire by operation of law two years after issuance. This subsection shall not apply to permits pursuant to which progress has been made.
toward the completion of the project, as determined by Local Government Code Section 245.005(c), as may be amended.

(b) A project subject to Chapter 245 shall expire by operation of law five years after an application was filed for the first permit necessary for the project. This subsection shall not apply to permits for which progress has been made toward the completion of the project.

- There are no provisions regarding the procedure for applying for establishment of vested rights.

- The following permits and approvals do not appear to have a specified expiration date:
  - Conceptual plan, development plan, or site plan for planned development district - zoning ordinance, section 5-1(D)
  - Site plan approval - zoning ordinance, section 6-1
  - Approval of variance - zoning ordinance, section 1-15(G)
  - Approval of special exception - zoning ordinance, section 1-15(H)
  - Fence permit - zoning ordinance, section 6-15(F) (but if considered a building permit would expire in six months)
  - Application for installation of a HUD-code manufactured home - section 3.03.004 (but if considered a building permit would expire in six months)

Note: The following permits and approvals do have a specified expiration date:
- Tree removal permit - section 1.07.006(i): expires 180 days after the date of issue, except if issued in connection with a building permit or site plan expires at the same time as the building permit or site plan

- Sign permit - section 3.05.012: expires if work is not started within 60 days or not completed within 120 days

- Preliminary plat - section 10.02.005(a)(4): expires six months after approval

- Final plat - section 10.02.005(b)(4): expires one year after approval

- Building permit - zoning ordinance section 1-12(D): expires six months from date of issuance if work has not begun

- Specific use permit - zoning ordinance section 6-2(I): expires unless construction or use is substantially underway within one year of granting of permit

- Section 1.06.002 establishes specific requirements as to when a permit application is deemed to be filed. Sections 10.02.005(a)(3) and (4) and (b)(3) and (4) of the subdivision ordinance contain provisions regarding when the preliminary plat and final plat “is considered to have been filed.” As drafted, it is unclear as to whether or not this in conformance with section 1.06.002?

8. Sec. 1.07.011, Approved replacement tree list. The replacement tree list is somewhat different from the list of trees approved for landscaping at the end of section 6-10 of the zoning ordinance. Was this intentional?
9. The city currently has no regulations regarding dangerous dogs. The 1992 Texas Legislature, in an effort to avoid the problems associated with regulating vicious animals while still allowing cities to do so, enacted laws for the regulation of dangerous dogs. (See V.T.C.A., Health and Safety Code, chapter 822.) These new provisions provide detailed definitions of what constitutes a "dangerous dog" and requires a license and insurance for the keeping of such a dog. Recommendation: Adopt these new dangerous dog provisions in accordance with state law. Franklin Legal Publishing can provide guidance with respect to this.

It should also be noted that in 2001 the Texas Legislature enacted provisions pertaining to dangerous wild animals (see V.T.C.A., Health and Safety Code section 822.101 et seq.) and has given the authority to municipalities to prohibit or regulate by ordinance or order the ownership, possession, confinement, or care of a dangerous wild animal (V.T.C.A., Health and Safety Code section 822).

10. Sec. 3.02.001, Codes adopted. This section provides for the adoption of the 2012 editions of the various International Codes (i.e., Building, Plumbing, Mechanical, etc.). It should be noted that more recent editions of these codes now exist. The city may wish to consider adopting the more recent edition, but only after full review of the code itself.

11. Sec. 3.03.002, Mobile homes prohibited. This section derives from Ordinance 98-5 adopted 6/8/98. This section does not actually prohibit mobile homes. The city may wish to revise this section to clarify this. It presently reads as follows: “A
municipality may prohibit the installation of a mobile home built before June 15, 1976, for use or occupancy as a residential dwelling within its corporate limits."

*Note*: Under the permitted use table in section 3-1 of the zoning ordinance, “Dwelling, mobile home” is a prohibited use in all districts.

12. **Sec. 3.03.006, Permit to be granted.** This section authorizes permits for temporary use of a mobile home when the permanent dwelling has been destroyed by fire, wind, tornado, hail or floodwaters. Should this authorize a HUD-code manufactured home rather than a mobile home?

13. **Sec. 3.04.064, Variance procedures.** This section establishes the procedures for variances from the flood damage prevention regulations. Mention is there made of an "appeal board, as established by the community." This is the standard language in these model ordinances as provided by FEMA. It is recommended that revision be made to provide that a specific body (e.g., the zoning board of adjustment or the city council) will perform these functions.

14. **Secs. 3.05.002 and 3.05.003 - Applicability of sign regulations in extraterritorial jurisdiction.** Most of article 3.05 (Signs) derives from Ordinance 2003-12 adopted 11/10/03.

Sec. 3.05.002, Application, was adopted by Ordinance 2003-12. It provides that article 3.05 is applicable in the extraterritorial jurisdiction.

Sec. 3.05.003, Extraterritorial jurisdiction, was adopted by Ordinance 2003-10, 8/25/03, prior to the adoption of the new sign ordinance. It provides that all ordinances heretofore adopted by the city regulating signs and advertisements are hereby made applicable within the extraterritorial jurisdiction of the city.
Since “all ordinances heretofore adopted by the city regulating signs” are presumably superseded by article 3.05, is section 3.05.003 needed?

15. **Sec. 3.05.009, Billboards prohibited.** This derives from Ordinance 2003-12 adopted 11/10/03. This prohibits “billboards” in the city and the extraterritorial jurisdiction. There is a definition in section 3.05.001 for “commercial billboard” but not for “billboard.” Are these the same? While this addresses future placement of such billboards, billboards existing when this was adopted are not addressed. Are such billboards considered grandfathered in or would this be affected by Texas Local Government Code, section 216.003 et seq. regarding compensation to the sign owner? (See also Sec. 3.05.024, Existing signs.)

16. **Sec. 3.05.011, Permit fees.** This derives from Ordinance 2003-12 adopted 11/10/03. This states that sign permits must be renewed annually. Is this correct? Other provisions indicate that the sign permit is a construction permit. See, for example, sections 3.05.006 and 3.05.012.

17. **Sec. 3.05.024, Existing signs.** Subsections (a) and (b) appear to contradict one another. Subsection (a) reads:

“All signs lawfully in existence prior to January 10, 2000, may continue to be used and repaired ...”.

Subsection (b) requires removal of nonconforming existing signs erected prior to January 10, 2000. It is unclear what is meant by “nonconforming” in subsection (b).

This would appear to be affected by Texas Local Government Code, section 216.003 et seq. regarding compensation to the sign owner.

18. **Article 3.07, Limitation on Construction Times.** These provisions limit construction generally; however fail to limit
such activity for any demonstrable reason. Typically, such restrictions are included as part of, or with reference to, noise regulations in the city.

19. **Sec. 4.02.004, Lock box entry system.** This may be now covered by the adopted fire code. Note also that this section was adopted as a section of this article, which otherwise relates to business permits, and would be more appropriately located in provisions pertaining to fire safety.

20. **Article 4.04, Food Establishments.** The references to the Texas Food Establishment Rules in sections listed below are outdated. Some of the food establishment rules are now in 25 TAC chapter 228.

   - Sec. 4.04.001, Adoption of state rules on food establishment sanitation
   - Sec. 4.04.002, Amendments to rules
   - Sec. 4.04.004(a) Certified food protection manager
   - Sec. 4.04.006(b) Inspections

   It is questioned if the city actually performs the functions outlined in this article at all, as most cities rely on the county for such enforcement.

21. **Sec. 4.05.033, Conditions for private clubs.** The provisions of this section are no longer in compliance with state law requirements regarding distance requirements for the sale of alcoholic beverages (i.e., there are not provisions regarding daycare centers. Also, the measurement requirements are no longer current.) It is recommended that this be revised to simply reference the applicable portion of state law. (V.T.C.A., Alcoholic Beverage Code, sec. 109.33.)
22. **Sec. 8.06.001, Definitions.** This section, adopted in 1998, contains a definition of "junked vehicle." As of September 1, 2011, the state law definition of "junked vehicle" has been amended. It is recommended that this be revised to be consistent with state law.

23. **The subdivision regulations of the city fail to provide for the state law requirements for certain vacation and replats.** A replat without vacation of the preceding plat must conform to additional notice and public hearing requirements if the area to be replatted was assigned interim or permanent single family or duplex zoning or was restricted in the same manner by deed restrictions. (See V.T.C.A., Local Government Code, section 212.015.)

24. **Street Specifications and Standards.** All of the following contain street specifications and standards:

- Subdivision ordinance - section 10.02.006(a) (Streets) (Ordinance 2007-11 adopted 7/23/07)
- Subdivision ordinance, appendix 1, section 8 (Street system) (Ordinance 2007-11 adopted 7/23/07)
- Article 10.03, Standard Street Specifications and Construction Details in Subdivisions (Ordinance 91-1 adopted 1/13/92)

Article 10.03 was adopted in 1992. Article 10.03 should be reviewed in its entirety for possible conflicts and duplications with the new subdivision ordinance in article 10.02.
The following standards are referenced in article 3.04:

(A) “Comprehensive Storm Drainage and Flood-Control Standards of the City of McLendon-Chisholm” (section 3.04.121)

(B) “General Construction Specifications for Paving and Drainage Facilities of the City of McLendon-Chisholm” (section 3.04.122)

(C) “General Design Standards for Paving, Drainage and Thoroughfare Facilities of the City of McLendon-Chisholm” (section 3.04.123)

Do the items listed in (A), (B) and (C) contain the city’s current standards for streets? If so, the provisions in chapter 10 should be reviewed to determine if they are in conformance with those standards. If the standards listed in (A), (B) and (C) are the current standards, some or all street standards in chapter 10 could be replaced with a reference to the standards listed in (A), (B) and (C).

The following were noted as possibly in conflict. These are examples and not necessarily a complete list.

- Street curves
  Sec. 10.02.006(a)(9) (Major street curves)
  Appendix 1, section 8(c) (Horizontal curve limitations)

- Radius at intersections
  Sec. 10.02.006(a)(13)(B) (Radius at acute corners)
  Appendix 1, section 8(e) (Street intersections)

- Dead-end streets and cul-de-sacs
  Sec. 10.02.006(a)(12)(A) (Turnarounds)
  Appendix 1, section 8(g) (Dead-end streets, cul-de-sac)
  Sec. 10.03.007(b) (Street arrangement)

- Subgrade
  Appendix 1, section 8(a) (General)
  Sec. 10.03.003 (Stabilization of the subgrade)
Comments

- Paving
  Appendix 1, section 8(i) (Pavement design)
  Sec. 10.03.002 (Street paving strength requirements)

25. **Landscaping.** The following contain landscaping standards. The city may wish to review these provisions for possible conflicts.

- Subdivision ordinance - Sec. 10.02.008, Landscape buffers
- Zoning ordinance - Sec. 6-10, Landscape requirements

The following appear to be in conflict:

- Section 10.02.008(g) (Lot coverage for nonresidential property): For nonresidential and multifamily property, at least 15 percent of the gross lot or tract (exclusive of rights-of-way) shall be maintained as a landscaped area.

- Zoning ordinance, sec. 6-10(D)(1) and (2) (Landscaping generally): A minimum of 20 percent of the total lot shall be landscaped.

### CHAPTER 12
**TRAFFIC AND VEHICLES**

26. Sec. 12.01.003, Traffic-control signs. Traffic-control devices must now be installed in accordance with the manual and specifications adopted by the Texas Transportation Commission pursuant to V.T.C.A., Transportation Code, sec. 544.001. Therefore, it is suggested that be included herein to read as follows:

"All traffic-control devices including signs, signals and markings (pavement and/or curb) installed or used for the purpose of directing and controlling traffic within the city shall conform with the manual and specifications adopted by the..."
state transportation commission as provided in V.T.C.A., Transportation Code, section 544.001. All signs, signals and markings erected or used by the city must conform to the manual and specifications adopted under V.T.C.A., Transportation Code, section 544.001. All existing traffic control devices and those erected in the future by the city being consistent with the manual and specifications, state law and this section shall be official traffic-control devices."

27. **Sec. 13.01.002, Standards for septic tank systems.** This adopts standards for septic tank systems as established in Ordinance 89-1. This is likely superseded by article 6.03, On-Site Sewage Disposal, which derives from Ordinance 2006-07 adopted 5/8/06.

28. **Drainage Facilities.** All of the following contain standards for drainage facilities:

- Article 3.04, Division 3, Storm Drainage and Flood-Control Standards and Specifications (Ordinance 2005-01 adopted 1/10/05)
- Subdivision ordinance, section 10.02.010, Drainage requirements (Ordinance 2007-11 adopted 7/23/07)
- Subdivision ordinance, appendix 1, section 9, Drainage and storm sewers (Ordinance 2007-11 adopted 7/23/07)

Article 3.04 refers to and adopts the following (attached to Ordinance 2005-01):

- (A) "Comprehensive Storm Drainage and Flood-Control Standards of the City of McLendon-Chisholm" (section 3.04.121)
(B) “General Construction Specifications for Paving and Drainage Facilities of the City of McLendon-Chisholm" (section 3.04.122)

(C) “General Design Standards for Paving, Drainage and Thoroughfare Facilities of the City of McLendon-Chisholm" (section 3.04.123)

Are the standards listed in (A), (B) and (C) the city's current standards? If so, the provisions in the subdivision ordinance should be reviewed to determine if they are in conformance with those standards. If the standards listed in (A), (B) and (C) are the current standards, some or all of the provisions in the subdivision ordinance could be replaced by a reference to standards listed in (A), (B) and (C).

### FEES

29. The city's fee schedule is not included the code. Section 3.01.001 adopts a fee schedule by reference (as attached to Ordinance 2017-13).

   In order to avoid possible future conflicts, the city may wish to consider deleting any specific amounts and replacing them with language such as “the fee currently adopted by the city.”

30. **Sec. 4.04.003, Permit required; issuance; exceptions.**
    Subsection (c) contains a list of permit fees. The adopted fee schedule also contains a list of food establishment permit fees. There are some differences between the list in section 4.04.003 and the list in the adopted fee schedule. Should this list in section 4.04.003 be replaced with a reference to the adopted fee schedule, or should these fees be revised to reflect the amounts from the city's fee schedule?

31. **Sec. 4.04.006, Inspections.** Subsection (a) mentions a food establishment permit renewal fee of $250.00. This appears to conflict with the adopted fee schedule.
32. Sec. 13.04.013, Rates, fees and charges. This section lists various sewer service charges. The deposit amount is in conflict with the adopted fee schedule.

- (b) Deposit: $125.00. The amount listed in the adopted fee schedule is $135.00.

- (c) Connection fee: $3,000.00. Same as the adopted fee schedule.

- (d) Monthly sewer charge: $55.00. Same as the adopted fee schedule.

- (e) Late penalty fee: $15.00. Not in the adopted fee schedule.

- (f) Disconnection of service trip fee: $55.00. Not in the adopted fee schedule.

- (g) Reconnection of service trip fee: $55.00. Not in the adopted fee schedule.

- (h) Re-service fee: $25.00. Not in the adopted fee schedule.

The following fees are not listed on the fee schedule adopted by Ordinance 2017-13:

- Sec. 3.05.011: Sign permit fees

- Sec. 3.06.006(b): Fee for placement of address number by city

- Sec. 4.04.004(b)(6): Registration as certified food protection manager

- Sec. 4.04.006(d): Additional inspections of food establishment

- Sec. 13.04.013(e)–(h): Sewer service fees, as noted above under section 13.03.013
- Zoning ordinance, section 6-5(B)(5): Clean-up deposit for temporary outdoor sales of Christmas trees
CHAPTER 4
BUSINESS REGULATIONS

ARTICLE 4.01 GENERAL PROVISIONS

(Reserved)

ARTICLE 4.02 PERMITS

Sec. 4.02.001 Definitions

The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Business. Any buying or selling for profit.

Person. Includes an individual, partnership, corporation, in person or by agent.

(Ordinance 77-1, sec. 1, adopted 3/14/77; 2007 Code, sec. 22-19)

Sec. 4.02.002 Required

It shall be unlawful for any person to engage in any type of business within the corporate city limits without first obtaining a permit from the City Council certificate of occupancy from the Building Official. (Ordinance 77-1, sec. 2, adopted 3/14/77; 2007 Code, sec. 22-20) (LP)

Sec. 4.02.003 Exemptions

Persons engaged in business at time of passage of the ordinance from which this article is derived shall be exempt here from as to the business engaged in at that time. (Ordinance 77-1, sec. 4, adopted 3/14/77; 2007 Code, sec. 22-21)

Persons engaged in lawful home occupations are not required to obtain a certificate of occupancy. (LP) Consider moving home occupations section from Chapter 6 to Chapter 4.

Sec. 4.02.004 Lock box entry systems Move entire section to Chapter 5, Fire Protection (KF)

(a) This section applies to nonresidential developments and facilities that have limited access to on-site improvements and facilities whereby fire safety and public safety personnel and equipment may be impeded or prevented after normal hours of operation. It is intended to apply to all nonresidential sites in which access is blocked or impeded at any time by locked gates, fences or other types of barricades.

(b) The owner, occupant or person in supervision or control of limited access sites to which this section applies shall install, maintain and use a lock box key entry system, or other comparable system approved by the city, whereby public safety personnel may gain sufficient access to the site in response to a public safety emergency using a key stored at or near the site’s primary entrance.

(c) The owner, occupant or person in supervision or control of limited access sites shall register with the city on forms to be provided for that purpose in order to provide the city with a current code or combination that will allow for access to the lock box or to the limited access site. The information must be updated as often as may be necessary to ensure that fire safety personnel will have sufficient information to gain access to the site at all times in the event of an emergency.

(Ordinance 2013-05 adopted 5/28/13)

ARTICLE 4.03 STREET VENDORS*

Sec. 4.03.001 Prohibited

(a) Street vendors and mobile vending operations (defined herein as any person, firm or corporation who engages in the business of selling or offering for sale goods, wares or merchandise from a motor
(b) No person shall peddle, solicit, sell, offer for sale, or exhibit for sale any merchandise upon or within any sidewalk, public park, street or right-of-way, or within 20 feet of any sidewalk, street or right-of-way, except that it shall be lawful for any person to engage in mobile vending operation involving food products upon a street or right-of-way; provided, such person has previously obtained and has in his immediate possession a permit from the city.

(c) No person shall engage in or attempt to engage in any mobile vending operation on any public street or right-of-way, within the limits of any city park, or on private property except where mobile vending operations on private property may be expressly allowed as a use by right under the comprehensive zoning ordinance.

(d) Any permittee engaged in or who attempts to engage in mobile vending operations involving food products shall stop his motor vehicle only in immediate response to a direct request from a potential customer and for a period not to exceed 15 minutes. All persons engaged in mobile vending operations involving food products shall comply with all traffic laws and parking regulations and shall not conduct operations in such a manner as to impede traffic. Sales and deliveries of products shall not be made from any part of the vehicle away from the curb.

(e) It shall be a defense to a prosecution of an offense under this section if:

1. The street vendor or mobile vending operation is a delivery of goods, wares or merchandise purchased or sold at a different location;
2. The solicitation of sales from the mobile vending operation is restricted to the owner or occupant of the property on which the mobile vending operation is conducted; or
3. The solicitation of sales is at an approved location at a city-sponsored event.

(Ordinance 2005-14, sec. 1, adopted 11/14/05; 2007 Code, sec. 22-66; Ordinance 2015-05 adopted 1/10/15)

Sec. 4.03.002 Penalty

Any person violating any of the provisions or terms of this article shall, upon conviction, be punished by a fine not to exceed the sum of $500.00 for each offense. (Ordinance 2005-14, sec. 4, adopted 11/14/05; 2007 Code, sec. 22-67)

ARTICLE 4.04 FOOD ESTABLISHMENTS

Sec. 4.04.001 Adoption of state rules on food establishment sanitation (This is outdated and not in sync with state law. Replace with Article provided by Kelly Stockberger which is attached)

The Texas Food Establishment Rules (rules) adopted by the state department of health at 25 Texas Administrative Code, sections 229.161 through 229.171 and 229.173 through 229.175 as amended herein are hereby adopted as the rules for food sanitation, a copy of which is attached as Exhibit A to the adoptive ordinance from which this section is derived, and which shall be maintained together with the adoptive ordinance in a separate file in the office of the city secretary. (Ordinance 2004-17, sec. 1(12-1), adopted 11/29/04; 2007 Code, sec. 22-48)

Sec. 4.04.002 Amendments to rules

(a) 25 Texas Administrative Code, section 229.162(75) of the rules, “Regulatory authority” is amended to read: “The City of McLendon-Chisholm appointed health official.”

(b) 25 Texas Administrative Code, section 229.166(j)(3) of the rules, “Grease trap” is amended to read: “Grease traps; garbage grinders:

1. Grease traps. If a food establishment is required to install a grease trap or grease interceptor, the trap or interceptor shall be located and sized according to the specifications of the regulatory authority. Grease traps should be located out of doors in a location easily accessible for cleaning.

2. Garbage grinders. Garbage grinders are not allowed in new extensively remodeled or reoccupied food service facilities. If used and allowed by law, garbage grinders shall be maintained according to law.”

(c) 25 Texas Administrative Code, section 229.165(f)(24) of the rules, Food equipment certification, classification, acceptability, is amended to delete: “Food equipment that is certified or classified for
sanitation by an American National Standards Institute (ANSI) accredited certification program will be deemed to comply with subsections (a)–(f) of this section,” and substitute therefor: “Food equipment installed in an establishment after the adoption of these rules, and food equipment in new or extensively remodeled establishments shall be of National Sanitation Foundation or equivalent approval. Any other equipment is subject to approval by the City of McLendon-Chisholm.”

(Ordinance 2004-17, sec. 1(12-2), adopted 11/29/04; 2007 Code, see. 22-49(a))

Sec. 4.04.003     Permit required; issuance; exceptions

(a) General permit requirements.

(1) Operation without permit prohibited. It shall be unlawful for any person to operate a food establishment within the limits of the city without having been issued a valid food service permit.

(2) Compliance with article to obtain permit. Only a person who complies with the requirements in this article shall be entitled to receive or retain a permit, and notwithstanding the fact that all inspections necessary for obtaining a food service permit have been completed, such permit shall not be issued until after the building in which the establishment is to be located has been issued a certificate of occupancy by the city.

(3) Transferability. Permits are not transferable from one person to another person or place.

(4) Display of permit in establishment. A valid permit shall be posted in or on a conspicuous place of every food establishment regulated by this article. All permits are to be displayed in public view.

(5) Effective dates. Permits shall remain in effect for 12 months from the date of issuance unless sooner revoked for cause. If the permit is granted to a temporary food establishment, the permit shall be in effect for a period of time not exceeding three consecutive days in conjunction with a single event or celebration. Permits granted to seasonal events shall not exceed 15 consecutive days not more that six consecutive months at any time during the year.

(b) Application for permit. Any person desiring to operate a food establishment shall make written application for a permit on a form provided by the city health department. The application shall include:

(1) The applicant’s full name and post office box address or street address and whether such applicant is an individual, firm or corporation and, if a partnership, the names of the partners, together with their addresses;

(2) The location and type of the proposed establishment;

(3) Number of certified employees;

(4) Square footage of the facility, if required;

(5) Capacity of grease trap and name of servicing company;

(6) Name of pest control company; and

(7) The signature of the applicant.

An application for a temporary food establishment shall include the inclusive dates of the proposed operation.

(c) Nonprofit organizations. A food establishment operated solely by a nonprofit 501(c)3 organization is exempt from fees but not exempt from the permit requirements of this article, or from compliance with the Rules on Food Service Sanitation.

(d) Establishments affected by article. Any and all food establishments that serve, sell, manufacture, and distribute any food product are to be permitted by the city. This will include convenience stores selling only prepackaged non-potentially hazardous foods and produce stands selling whole and/or cut produce.

(e) Application fee. The application shall be accompanied by a nonrefundable permit fee in the following amounts:

(1) Temporary establishment: $50.00.

(2) Restaurant: $300.00.

(3) Catering truck: $300.00.

(4) Day-care facility: $300.00.
Sec. 4.04.004 Certified food protection manager

(a) 25 Texas Administrative Code, section 229.163(b) of the rules, Knowledge, demonstration, is amended to replace “or” with “and.”

(b) Every food establishment that has employees whose work brings them in contact with the handling of food, utensils, or food service equipment shall have a certified food protection manager.

(1) A certified food protection manager is a manager or person in charge, on duty during all times of operation, and who has completed a food protection management class from any accredited institution or firm of their choice as accredited by the state department of health.

(2) Food establishments serving or selling only prepackaged non-potentially hazardous foods will be exempt from these requirements.

(3) A certified food protection manager is required for each food establishment. The city may require additional certified operators in sufficient number to ensure that all areas of food preparation and food service, during times of operation, are under the direction of certified supervisory personnel.

(4) If a food establishment does not meet the requirements for a certified food protection manager because of the termination or transfer of certified personnel, the food establishment shall employ another certified food protection manager within 45 days after such termination or transfer.

(5) Food protection management certification shall be valid for length of time stated on the state-approved certificate. It shall be sole responsibility of the owner of such certification to maintain a current certification at all times.

(6) The fee collected by the city for registration with the city as a food protection manager will be in the sum of $30.00 per person registered, for five years.

(7) The city may require additional training as specified by the city when the employing food service establishment has repeated or persistent food safety violations or the establishment is suspected as the source of a food-borne illness.

(8) All costs associated with the required additional training shall be the responsibility of the food service establishment.

Sec. 4.04.005 Submission and review of plans

(a) Whenever a food establishment is constructed or extensively remodeled and whenever an existing structure is converted to use as a food establishment, properly prepared plans and specifications for such construction, remodeling, or conversion shall be submitted to the city for review and approval before construction, remodeling or conversion is commenced. The plans and specifications shall include a proposed kitchen floor plan, equipment schedule and arrangement, mechanical and plumbing plans, and room finishing materials in all work areas. No food establishment shall be constructed, extensively remodeled, or converted except in accordance with said approved plans and specifications.

(b) Deviation from the approved plans and specifications shall result in a food establishment permit denial, suspension, or revocation.

Sec. 4.04.006 Inspections

(a) Required to determine compliance: annual renewal fee. The city shall inspect the food establishment prior to the issuance of the food establishment permit to determine compliance with any approved plans and specifications, compliance with other requirements of this article and shall
(a) Upon making such findings the food establishment permit may be issued subject to annual $250.00 renewal, continued compliance with the provisions of this article, and the existence of a valid certificate of occupancy for the building in which the establishment is located.

(b) An inspection of a food service establishment shall be performed twice annually and shall be prioritized based upon assessment of a food establishment’s compliance and potential of causing a food-borne illness according to 25 Texas Administrative Code, section 229.171(h) of the rules.

(c) The regulatory authority shall classify food establishments as high priority, medium priority, or low priority, according to the type of operation, particular foods prepared, number of people served, susceptibility of population served and any other risk factor deemed relevant to the operation.

(d) Additional inspections; fee. Additional inspections of the food establishment shall be performed as often as necessary for the enforcement of this article. If more than two annual inspections are required, a fee of $75.00 will be assessed for each inspection made.

(e) Correction of critical item; time limit; citation. If during a routine inspection, immediate correction of a critical item is not achieved, the city shall verify correction of the violation within 24 hours. If a critical item is not corrected within the specified time a citation may be issued.

(f) Demerit value, corrective actions. When the total cumulative demerit value of an establishment exceeds 30 demerits, the establishment shall immediately cease operations. The establishment shall remain closed until corrective action on all identified critical violations is complete. Corrective action on all other violations must be initiated within 48 hours. The establishment shall remain closed until reopened by the health authority.

(Ordinance 2004-17, sec. 1(12-2), adopted 11/29/04; 2007 Code, sec. 22-49(e))

Sec. 4.04.007 Suspension of a health permit

(a) The city may, without warning, notice, or hearing, suspend any permit to operate a food establishment if the holder of such permit does not comply with the requirements of this article, or the operation of its establishment does not comply with the requirements set forth herein, or, if the operation of the food establishment otherwise constitutes a substantial hazard to public health. Suspension is effective upon service of the notice. When a permit is suspended, food service operations shall immediately cease. Whenever a permit is suspended the holder thereof shall be afforded an opportunity for a hearing within ten days after receipt of a written request for hearing.

(b) Whenever a permit is suspended, the holder thereof or the person in charge shall be notified in writing that an opportunity for a hearing shall be provided if a written request for hearing is filed with the city within ten days after receipt of notice. If no written request for hearing is filed within a ten-day period, the suspension is sustained. The city may terminate the suspension at any time if reasons for suspension no longer exist.


Sec. 4.04.008 Revocation of a food permit

(a) The city may, after providing opportunity for hearing, revoke a permit for serious or repeated violations of any of the requirements of this article or for interference with the regulatory authority in the performance of its duties.

(b) Prior to revocation, the city shall notify, in writing, the holder of the permit or the person in charge, of the specific reason for which the permit is to be revoked and that the permit shall be revoked at the end of the ten days after service of such notice unless a written request for hearing is filed within the ten-day period. If no request for hearing is filed within the ten-day period, the revocation of the permit becomes final.

(c) The holder of the revoked permit may make written application for a new permit.

(Ordinance 2004-17, sec. 1(12-2), adopted 11/29/04; 2007 Code, sec. 22-49(g))

Sec. 4.04.009 Examination and condemnation of food

(a) A representative of the city shall tag, label, or otherwise identify any food subject to a hold order.
No food subject to a hold order shall be used, served, or moved from the establishment. The city’s hold order shall permit storage of the food under the conditions specified in the hold order, unless storage is not possible without risk to the public health, in which case immediate destruction shall be ordered and accomplished.

(b) A hold order shall state that a request for a hearing may be filed within ten days after issuance thereof and that if no hearing is requested the food shall be destroyed. On the basis of evidence produced at that hearing, the hold order may be vacated, or the owner or person in charge of the food may be directed by written order to denature or destroy such food or to bring it into compliance with the provisions of this article.

(Ordinance 2004-17, sec. 1(12-2), adopted 11/29/04; 2007 Code, sec. 22-49(h))

Sec. 4.04.010 Hearings/notice for hearings

(a) The hearing provided for in these rules shall be conducted by the regulatory committee at the time and the place designated by the regulatory authority. Based upon the recorded evidence of such hearing, the regulatory authority shall make a final finding and shall sustain, modify, or rescind any notice or order considered in the hearing. A written report of the hearing decision shall be furnished to the holder of the permit, license or certificate by the regulatory authority.

(b) A notice provided for in this article is properly served when it is delivered to the holder of the permit or the person in charge, or when it is sent by registered or certified mail, return receipt requested, to the last known address of the holder of the permit.

(Ordinance 2004-17, sec. 1(12-2), adopted 11/29/04; 2007 Code, sec. 22-49(i))

ARTICLE 4.05 ALCOHOLIC BEVERAGES

Division 1. Generally

Secs. 4.05.001–4.05.030 Reserved

Division 2. Private Clubs

Remove all of section as provisions are no incompliance with state law and reference applicable portion of Alcohol Beverage Code, Sec. 109.22 (KF)

Sec. 4.05.031 Definitions

The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Private club. An establishment providing dining facilities as well as alcoholic beverage service to an association of persons, which establishment otherwise falls within the definition of private club given in, and is permitted by, the applicable provisions of V.T.C.A., Alcoholic Beverage Code, section 32.01 et seq., as it may be hereafter amended and as it pertains to the operation of private club.

(Ordinance 86-2, sec. 3, adopted 3/10/86; 2007 Code, sec. 10-19)

Sec. 4.05.032 Permit required

Any person who shall desire to create a private club as defined in this article and the Texas Alcoholic Beverage Code shall obtain a special use permit in accordance with the city’s comprehensive zoning ordinance, chapter 14, exhibit A of this code, and any amendments thereto. (Ordinance 86-2, sec. 1, adopted 3/10/86; 2007 Code, sec. 10-20)

Sec. 4.05.033 Conditions for private clubs

The following conditions shall apply to the issuance of any special use permit for or in connection with a private club:

(1) Any private club must be located not less than 1,000 feet from the property lines of any existing church, school or hospital site.
Any private club must have a minimum seating capacity of 100 seats in the dining area, with at least 14 square feet per dining chair, excluding kitchen and storage areas. The floor areas of the restaurant need not be contiguous as long as all the floor area within the private club is situated within the same building.

Any private club shall have no exterior entrance to the bar area except emergency fire exits if required.

Any private club shall have no exterior signs advertising the sale of alcoholic beverages; provided that this subsection shall not prohibit the use of an established trademark name.

Alcoholic beverages shall not be offered at any private club at a price that is reduced from the price customarily charged for such beverages during a specified period of time for promotional purposes, sometimes referred to as “Happy Hour,” whether accomplished by reducing the price of an alcoholic beverage, offering more than one such beverage for the price of one beverage or selling more than the customary and usual quantity per beverage at the same price.

Revenues from the sale of alcoholic beverages shall not exceed 40 percent of the gross revenues derived from the sale of food and beverages. The city shall be provided with copies of the reports submitted by the establishment to the state alcoholic beverage commission within 30 days of the end of each quarter. Combined sales as reflected on these reports for the two last reported quarters shall be used to determine if the sale of alcohol exceeds the maximum allowed percentage specified in this article.

No gaming devices, such as billiard tables, pinball machines, and other coin-operated game machines shall be permitted inside the private club except that these devices may be permitted in hotels so long as they are not located in the area in which alcoholic beverages are sold.

(Ordinance 86-2, sec. 2, adopted 3/10/86; 2007 Code, sec. 10-21)

ARTICLE 4.06 SEXUALLY ORIENTED BUSINESSES

Division 1. Generally

Sec. 4.06.001 Purpose and intent
(a) It is the purpose of this article to regulate sexually oriented businesses to promote the health, safety, morals and general welfare of the citizens of the city, and to establish reasonable and uniform regulations to prevent the continued concentration of sexually oriented businesses within the city. The provisions of this article have neither the purpose, nor effect of imposing a limitation or restriction on the content of any communicative materials, including sexually oriented materials. Similarly, it is not the intent or effect of this article to restrict or deny access by adults to sexually oriented materials protected by the First Amendment, or to deny access by the distributors and exhibitors of sexually oriented entertainment to their intended market.

(b) It is the intent of the city council that the provisions of this article are promulgated pursuant to the city’s constitutional and legislative delegation of powers and authority, both express and those that are necessarily implied.


Sec. 4.06.002 Definitions
The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Adult arcade. Any place to which the public is permitted or invited wherein coin-operated or slug-operated or electronically, electrically, or mechanically controlled still or motion picture machines, projectors, or other image-producing devices are maintained to show images to five or fewer persons per machine at any one time, and where the images so displayed are distinguished or characterized by the depicting or describing of “specified sexual activities” or “specified anatomical areas.”

Adult cabaret. A nightclub, bar, restaurant, or similar commercial establishment which regularly features:

(1) Persons who appear in a state of nudity or seminudity;
(2) Live performances which are characterized by the exposure of “specified anatomical areas” or by “specified sexual activities”; or

(3) Films, motion pictures, video cassettes, slides, or other photographic reproductions which are characterized by the depiction or description of “specified sexual activities” or “specified anatomical areas.”

**Adult motel.** A hotel, motel or similar commercial establishment which:

(1) Offers accommodations to the public for any form of consideration; provides patrons with closed-circuit television transmissions, films, motion pictures, video cassettes, slides, or other photographic reproductions which are characterized by the depiction or description of “specified sexual activities” or “specified anatomical areas”; and has a sign visible from the public right-of-way which advertises the availability of this type of photographic reproductions;

(2) Offers a sleeping room for rent for a period of time that is less than ten hours; or

(3) Allows a tenant or occupant of a sleeping room to subrent the room for a period of time that is less than ten hours.

**Adult motion picture theater.** A commercial establishment where, for any form of consideration, films, motion pictures, video cassettes, slides, or similar photographic reproductions are regularly shown which are characterized by the depiction or description of “specified sexual activities” or “specified anatomical areas.”

**Adult theater.** A theater, concert hall, auditorium, or similar commercial establishment which regularly features persons who appear in a state of nudity or seminudity or live performances which are characterized by the exposure of “specified anatomical areas” or by “specified sexual activities.”

**City.** The City of McLendon-Chisholm, Texas.

**Consideration.** Any giving or exchange of money, an item of value, or service requested, solicited, provided, or bargained for in connection with:

(1) Gaining entrance or the permission to remain on a premises, or any portion thereof;

(2) Obtaining an item or any marking permitting entrance or the permission to remain on a premises, or any portion thereof; or

(3) A membership or other form of affiliation that allows one to enter or remain on a premises, or any portion thereof.

**Donation.** Any act or instance of presenting money, an item or thing of value, or a service as a grant or contribution in association with the availability of some benefit, including but not limited to, a good or service, admission or access to a location or event, or use of facilities.

**Escort.** A person who, for consideration, agrees or offers to act as a companion, guide, or date for another person, or who agrees or offers to privately model lingerie or privately perform a striptease for another person.

**Escort agency.** A person or business association who furnishes, offers to furnish, or advertises to furnish escorts as one of its primary business purposes, for a fee, tip, or other consideration.

**Establishment.** Any of the following:

(1) The opening or commencement of any sexually oriented business as a new business;

(2) The conversion of an existing business, whether or not a sexually oriented business, to a sexually oriented business;

(3) The addition of any sexually oriented business to any other existing sexually oriented business; or

(4) The relocation of any sexually oriented business.

**Licensee.** A person in whose name a license to operate a sexually oriented business has been issued, as well as the individual listed as an applicant on the application for a license.

**Mayor.** The Mayor of the City of McLendon-Chisholm or his designee.

**Media, sexual oriented.** Magazines, books, videotapes, movies, slides, CD’s, DVD’s or other devices used to record computer images, or other media which are distinguished or characterized by their emphasis on matter depicting, describing, or relating to “specified sexual activities” or “specified anatomical areas.”

**Media store, sexually oriented.** An establishment that rents and/or sells sexually oriented media, and that meets
any of the following three tests:

1. More than 40 percent of the gross public floor area is devoted to sexually oriented media;
2. More than 40 percent of the stock in trade consists of sexually oriented media; or
3. It advertises or holds itself out in any forum as a “XXX,” “adult” or “sex” business, or otherwise as a sexually oriented business, other than adult cabaret, adult motion picture theater or adult theater.

**Nude model studio.** Any place where a person who appears in a state of nudity or seminudity or displays “specified anatomical areas” is provided to be observed, sketched, drawn, painted, sculptured, photographed, or similarly depicted by other persons who pay money or any other form of consideration.

**Nudity or a state of nudity.** The appearance of a human bare buttock, anus, male genitals, female genitals, or female breast.

**Operate and maintain.** To organize, manage, control, design, perpetuate, publicize, invite, or solicit. Operate and maintain includes providing financial support by paying utilities, rent, maintenance costs, or advertising costs; providing food, beverages, or other entertainment; supervising activities or work schedules, and directing or furthering the aims of the enterprise or organization.

**Person.** An individual, proprietorship, trust, partnership, corporation, association, or other legal entity.

**Principal business.** An establishment having a 20 percent or greater interest of its stock and trade in books, magazines and other periodicals of which such books, magazines and other periodicals are distinguished or characterized by their emphasis on matter depicting, describing or relating to “specified sexual activities” or “specified anatomical areas,” or a 20 percent or greater interest in other sexually related activities as defined by this article.

**School.** Any public or private nursery, preschool, day-care center, learning center, elementary or secondary school.

**Seminude.** A state of dress in which clothing covers more than the genitals, pubic region, and areola of the female breast, as well as portions of the body covered by supporting straps or devices.

**Sex club.** Any organization, location or real property and its improvements where for a solicited fee, donation, or other consideration, there is an opportunity or invitation to engage in or to observe sexual activity.

**Sex shop.** An establishment offering goods for sale or rent and that meets any of the following tests:

1. It offers for sale items from any two of the following categories: Sexually oriented media; lingerie; leather goods marketed or presented in a context to suggest their use for sadomasochistic practices; sexually oriented novelties; and the combination of such items constitutes more than ten percent of its stock in trade or occupies more than ten percent of its floor area;
2. More than five percent of its stock in trade consists of sexually oriented toys or novelties;
3. More than five percent of its gross public floor area is devoted to the display of sexually oriented toys or novelties.

**Sexual encounter center.** A business or commercial enterprise that regularly offers for any form of consideration:

1. Physical contact in the form of wrestling or tumbling between persons of the opposite sex; or
2. Activities between male and female persons and/or persons of the same sex when one or more of the persons is in a state of nudity or seminude.

**Sexually oriented business.** An inclusive term used to describe collectively the following businesses: Adult arcade, sexually oriented media store, adult cabaret, adult motel, adult motion picture theater, adult theater, escort agency, sex shop, nude model studio, sexual encounter center, or sex club.

**Specified anatomical areas.** Include:

1. Less than completely and opaquely covered human genitals, pubic region, or the areola or nipple of the female breasts;
2. Human male genitals in a discernibly turgid state, even if completely and opaquely covered; and
3. Areas of the human anatomy included in the definition of “nudity or state of nudity.”

**Specified sexual activities.** Acts of human masturbation, sexual intercourse, or sodomy. These activities include, but are not limited to the following: Bestiality, erotic or sexual stimulation with objects or mechanical devices, acts of human analingus, cunnilingus, fellatio, flagellation, masturbation, sadism, sadomasochism, sexual
intercourse, sodomy, or any excretory functions as part of or in connection with any of the activities set forth above with any person on the premises. This definition shall include apparent sexual stimulation of another person’s genitals whether clothed or unclothed.

Substantial enlargement of a sexually oriented business. The increase in floor area occupied by the business by more than 20 percent, as the floor area exists on the effective date of the ordinance from which this article is derived.

Transfer of ownership or control of a sexually oriented business. Any of the following:

1. The sale, lease or sublease of the business;
2. The transfer of securities or other ownership interest which constitute a direct, indirect, legal, equitable or beneficial controlling interest in the business, whether by sale, exchange, or similar means; or
3. The establishment of a trust, gift, or other similar legal device which transfers the direct, indirect, legal, equitable or beneficial ownership or control of the business, except for transfer by bequest or other operation of law upon the death of the person possessing the ownership or control to a person meeting all of the requirements of this article, who shall have notified the mayor of the transfer and furnished all of the information required to be submitted in an application for a license, within 60 days of the transfer.


Sec. 4.06.003 Classification

Sexually oriented business is defined and classified as any establishment operating in the city, in whole or in part, as any one or more of the following:

1. Adult arcade;
2. Sexually oriented media store;
3. Adult cabaret;
4. Adult motel;
5. Adult motion picture theater;
6. Adult theaters;
7. Escort agency;
8. Nude model studio;
9. Sexual encounter center; and/or
10. Sex club.


Sec. 4.06.004 Inspection

(a) At any time it is occupied or open for business, an applicant or licensee shall permit representatives of the city, including but not limited to, health officials, fire department personnel, code enforcement, and building inspection to inspect the premises of a sexually oriented business for the purpose of ensuring compliance with law.

(b) A person who operates a sexually oriented business, or whose agent or employee operates the same, commits an offense if the person or agent or employee refuses to permit a lawful inspection of the premises by a representative of the departments described in subsection (a) of this section at any time it is occupied or open for business.

(Ordinance 2011-07, sec. 1, adopted 8/23/11; 2007 Code, sec. 22-86)

Sec. 4.06.005 Enforcement

(a) Except as provided by subsection (b) of this section, any violation of section 4.06.061 of this article is punishable by fine not to exceed $2,000.00 for each violation, and a separate offense shall be deemed committed each day during which a violation occurs.

(b) A violation of any provision of this article other than section 4.06.061 is punishable by a fine not to exceed $500.00 for each offense, and a separate offense shall be deemed committed upon each day
during or on which a violation occurs. Fines should reference maximum allowed by state law
(c) It is a defense to prosecution under this article that a person appearing in a state of nudity or seminudity did so in a modeling class operated:
(1) By a proprietary school licensed by the state, a college, junior college, or university supported entirely or partly by taxation;
(2) By a private college or university which maintains and operates educational programs in which credits are transferable to a college, junior college, or university supported entirely or partly by taxation; or
(3) In a structure:
(A) Which has no sign visible from the exterior of the structure and no other advertising that indicates a nude or seminude person is available for viewing;
(B) Where in order to participate in a class a student must enroll at least three days in advance of the class; and
(C) Where no more than one nude or seminude model is on the premises at any one time.
(d) It is a defense to prosecution under this article that each item of descriptive, printed, film, or video material offered for sale or rental, taken as a whole, contains serious literary, artistic, political, or scientific value.
(e) Unless otherwise specifically required in the definition of an offense, no intent shall be required in the charging or prosecution of any offense under this article, it being the intent of the council to impose strict liability for violations of this article.
(Ordinance 2011-07, sec. 1, adopted 8/23/11; 2007 Code, sec. 22-100)

Sec. 4.06.006   Injunctive relief
A person who operates or causes to be operated a sexually oriented business without a valid license or in violation of section 4.06.061 of this article is subject to a suit for injunction as well as prosecution for criminal violations. Any enforcement remedies provided under this article or by state law shall not be mutually exclusive and violations of any provision of this article may be enforced by any one or means lawfully available. (Ordinance 2011-07, sec. 1, adopted 8/23/11; 2007 Code, sec. 22-101)

Secs. 4.06.007–4.06.030   Reserved

Division 2. License

Sec. 4.06.031   Required
(a) A person commits an offense if the person operates a sexually oriented business without a valid license, issued by the city for the particular type of business.
(b) An application for a license must be made on a form provided by the mayor. The application form shall be sworn to and shall:
(1) Include the name and address of the applicant;
(2) State whether the applicant meets each of the requirements set forth in section 4.06.032;
(3) Include the name and address of each person required to sign the application pursuant to subsection (d) of this section, and the name, address and type of entity (if applicable) of each person or entity owned [or] controlled by such person which owns or controls an interest in the business to be licensed; and
(4) Such other matters, consistent with this article, as may be specified in the application form.
The application must be accompanied by a sketch or diagram showing the configuration of the premises, including a statement of total floor space occupied by the business. The sketch or diagram need not be professionally prepared but must be drawn to a designated scale or drawn with marked dimensions of the interior of the premises to an accuracy of plus or minus six inches. Applicants who must comply with section 4.06.067 shall submit a diagram meeting the requirements of that section.
(c) The applicant must be qualified according to the provisions of this article, and the premises must
be inspected and found to be in compliance with the law by the health official, fire department, and
building official.

(d) If a person who wishes to operate a sexually oriented business is an individual, the person must
sign an application for a license as an applicant. If a person who wishes to operate a sexually oriented
business is other than an individual, each individual who directly or indirectly through one or more
intermediaries, owns or controls a ten percent or greater interest in the business must sign and submit,
as an applicant, a separate application containing all applicable information required by subsection (b)
of this section. Each applicant must be qualified to be licensed under this article, and each applicant
shall be considered a licensee if a license is granted.


Sec. 4.06.032 Issuance

(a) The mayor or his designee shall issue a license to an applicant or the transfer by an applicant of
all or any part of the applicant’s ownership or control of a sexually oriented business within 30 days after
receipt of an application, unless the mayor finds one or more of the following to be true:

(1) An applicant is under 18 years of age;
(2) An applicant or an applicant’s spouse is overdue in payment to the city of taxes, fees, fines, or
penalties assessed against them or imposed upon them in relation to a sexually oriented business;
(3) An applicant has failed to provide information reasonably necessary for issuance of the license or
has falsely answered a question or request for information on the application form;
(4) An applicant or an applicant’s spouse has been convicted of a violation of a provision of this
article, other than the offense of operating a sexually oriented business without a license, within two
years immediately preceding the application. The fact that a conviction is being appealed shall have no
effect;
(5) An applicant is residing with a person who has been denied a license by the city to operate a
sexually oriented business within the preceding 12 months, or residing with a person whose license to
operate a sexually oriented business has been revoked within the preceding 12 months;
(6) The premises to be used for the sexually oriented business are not in compliance with applicable
zoning laws or have not been approved by the health department, fire department, and the building
official as being in compliance with applicable laws and ordinances;
(7) The license fee required by this article has not been paid;
(8) An applicant or the proposed premises is in violation of or is not in compliance with the provisions
of this article;
(9) An applicant or an applicant’s premises has been convicted of a crime involving:
(A) Prostitution, including but not limited to, compelling, solicitation of, and promotion of prostitution;
(B) Obscenity;
(C) Sale, distribution, or display of harmful material to minor;
(D) Sexual performance by a child;
(E) Possession of child pornography;
(F) Public lewdness;
(G) Indecent exposure;
(H) Indecency with a child;
(I) Sexual assault or aggravated sexual assault;
(J) Criminal attempt, conspiracy, or solicitation to commit any of the foregoing offenses, and less than
two years have elapsed since the date of conviction or the date of release from confinement imposed
for the conviction, whichever is later, if the conviction is of a misdemeanor offense; less than five years
have elapsed since the date of conviction or the date of release from confinement for the conviction,
whichever is later, if the conviction is of a felony offense; or less than five years have elapsed since the
date of the last conviction or the date of release from confinement for the last conviction, whichever is
later, if the convictions are of two or more misdemeanor offenses or a combination of misdemeanor
offenses.
offenses occurring within any 24-month period;
(10) There is on-premises sale or consumption of alcohol; or
(11) The location or establishment is a sex club.
(b) The fact that a conviction is being appealed shall have no effect on the disqualification of the applicant or applicant’s spouse.
(c) The license, if granted, shall state on its face the name of the persons to whom it is granted, the expiration date, and the address of the sexually oriented business. The license shall be posted in a conspicuous place at or near the entrance to the sexually oriented business so that it may be easily read at any time.

(Ordinance 2011-07, sec. 1, adopted 8/23/11; 2007 Code, sec. 22-84)

Sec. 4.06.033 Fees
The annual fee for a sexually oriented business license shall be established by resolution of the city council.

Sec. 4.06.034 Expiration
(a) Each license shall automatically expire one year from the date of issuance and may be renewed only by making application as provided in this article. Application for renewal should be made at least 30 days before the expiration date, and when made less than 30 days before the expiration date, the expiration of the license will not be affected.
(b) When the mayor denies renewal of a license, the applicant shall not be issued a license for one year from the date of denial. If, subsequent to denial, the mayor finds that the basis for denial of the renewal license has been corrected or abated, the applicant may be granted a license if at least 90 days have elapsed since the date the denial became final.

(Ordinance 2011-07, sec. 1, adopted 8/23/11; 2007 Code, sec. 22-87)

Sec. 4.06.035 Suspension
The mayor may suspend a license for a period not to exceed 30 days if he determines that a licensee or an agent or employee of a licensee has:
(1) Violated or is not in compliance with any provision of this article;
(2) Engaged in excessive use of alcoholic beverages while on the sexually oriented business premises;
(3) Refused to allow an inspection of the sexually oriented business premises as authorized by this article;
(4) Knowingly permitted gambling by any person on the sexually oriented business premises;
(5) Demonstrated inability to operate or manage a sexually oriented business in a peaceful and law-abiding manner thus necessitating action by law enforcement officers.


Sec. 4.06.036 Revocation
(a) The mayor shall revoke a license if a cause of suspension in section 4.06.035 occurs and the license has been suspended within the preceding 12 months.
(b) The mayor shall revoke a license if he determines that:
(1) A licensee gave false or misleading information in the material submitted to the mayor during the application process;
(2) A licensee or an agent or employee has knowingly allowed possession, use, or sale of controlled substances on the premises;
(3) A licensee or an agent or employee has knowingly allowed prostitution on the premises;
(4) A licensee or an agent or employee knowingly operated the sexually oriented business during a period of time when the licensee’s license was suspended;
(5) A licensee has been convicted of an offense listed in section 4.06.032(a)(9) of this article for
which the time period required in that section has not elapsed;

(6) On two or more occasions within a continuous 12-month period, a person committed an offense in
or on the licensed premises of a crime listed in section 4.06.032(a)(9), for which a conviction has been
rendered, and the person(s) were agents or employees of the sexually oriented business at the time the
offenses were committed;

(7) A licensee or an agent or employee has knowingly allowed any act of sexual intercourse, sodomy,
oral copulation, masturbation, or sexual contact to occur in or on the licensed premises, unless the
location is an adult motel. The term “sexual contact” shall have the same meaning as it is defined in
V.T.C.A., Penal Code, section 21.01; or

(8) A licensee is delinquent in payment to the city for hotel occupancy taxes, ad valorem taxes, or
sales taxes related to the sexually oriented business.

(c) The fact that a conviction is being appealed shall have no effect on the revocation of the license.

(d) When the mayor revokes a license, the revocation shall continue for one year, and the licensee
shall not be issued a sexually oriented business license for one year from the date the revocation
became effective. If, subsequent to revocation, the mayor finds that the basis for the revocation has
been corrected or abated, the applicant may be granted a license if at least 90 days have elapsed since
the date the revocation became effective. If the license was revoked under subsection (b)(5) of this
section, an applicant may not be granted another license until the appropriate number of years required
under this article have elapsed since the conviction or release.


Sec. 4.06.037 Appeal
If the mayor denies the issuance of a license, or suspends or revokes a license, the mayor shall send to the
applicant or licensee by certified mail, return receipt requested, written notice of the action and the right to an
appeal. The aggrieved party may appeal the decision of the mayor to the city council. The filing of an appeal stays
the action of the mayor in suspending or revoking a license until the city council makes a final decision. If within a
ten-day period the mayor suspends, revokes or denies issuance of any other sexually oriented business at the same
location, then the mayor may consolidate the request for appeals of those actions into one appeal. The decision of
the city council shall be final and binding. (Ordinance 2011-07, sec. 1, adopted 8/23/11; 2007 Code, sec. 22-90)

Sec. 4.06.038 Transfer
A licensee, including any applicant for a license, shall not transfer his license or all or any part of his ownership or
control of a sexually oriented business to another, nor shall a licensee operate a sexually oriented business under
the authority of a license at any place other than the address designated in the application. (Ordinance 2011-07,
sec. 1, adopted 8/23/11; 2007 Code, sec. 22-91)

Secs. 4.06.039–4.06.060 Reserved

Division 3. Location and Operation

Sec. 4.06.061 Location of business
(a) A person commits an offense if the person operates or causes to be operated a sexually oriented
business within 1,000 feet of:

(1) A church;
(2) A school;
(3) A boundary of a residential or agricultural district as defined by the zoning ordinances of the city;
(4) A public park;
(5) The property line of a lot devoted to residential use; or
(6) Any county, state or federally owned or controlled land used for public recreation.
(b) A person commits an offense if such person causes or permits the operation, establishment,
substantial enlargement, or transfer of ownership or control of a sexually oriented business located
within 1,000 feet of another sexually oriented business.
(c) A person commits an offense if such person causes or permits the operation, establishment, or maintenance of more than one sexually oriented business in the same building, structure, or portion thereof, or the increase of floor area of any sexually oriented business in any building, structure, or portion thereof containing another sexually oriented business.

(d) For the purposes of subsection (a) of this section, measurement shall be made in a straight line, without regard to intervening structures or objects, from the nearest portion of the building or structure used as a part of the premises where a sexually oriented business is conducted, to the nearest property line of the premises of a church or school, or to the nearest boundary of an affected public park, residential district, or residential lot.

(e) For purposes of subsection (b) of this section, the distance between any two sexually oriented businesses shall be measured in a straight line, without regard to intervening structures or objects, from the closest exterior wall of the structure in which each business is located.

(f) A sexually oriented business lawfully operating as a conforming use is not rendered a nonconforming use by the location, subsequent to the grant or renewal of the sexually oriented business license, of a church, school, public park, residential district, or residential lot within 1,000 feet of the sexually oriented business. This subsection applies only to the renewal of a valid license, and does not apply when an application for a license is submitted after a license has expired or has been revoked.


Sec. 4.06.062 Exemption from location restrictions

(a) If the mayor denies the issuance of a license to an applicant because the location of the sexually oriented business establishment violates this article, then the applicant may, not later than ten calendar days after receiving notice of the denial, file with the city secretary a written request for an exemption from the locational restrictions of this article.

(b) If the written request is filed with the city secretary within the ten-day limit, then the city council shall consider the request. The city secretary shall set a date for the hearing within 60 days from the date the written request is received.

(c) A hearing by the city council may proceed if a quorum is present. The city council shall hear and consider evidence offered by any interested person. The formal rules of evidence do not apply.

(d) The city council may, in its discretion, grant an exemption from the locational restrictions of this article if it makes the following findings:

1. The location of the proposed sexually oriented business will not have a detrimental effect on nearby properties or be contrary to the public safety or welfare.

2. The granting of the exemption will not violate the spirit and intent of this article.

3. The location of the proposed sexually oriented business will not downgrade the property values or quality of life in the adjacent areas or encourage the development of urban blight.

4. The location of an additional sexually oriented business in the area will not be contrary to any program of neighborhood conservation, nor will it interfere with any efforts of urban renewal or restoration.

5. All other applicable provisions of this article will be observed.

(e) The city council shall grant or deny the exemption by majority vote of those present. Failure to reach an affirmative majority vote to grant the exemption shall constitute a denial of the exemption. Disputes of fact shall be decided on the basis of a preponderance of the evidence. The decision of the city council shall be final and binding.

(f) If the city council grants the exemption, the exemption is valid for one year from the date of the city council’s action. Upon the expiration of an exemption, the sexually oriented business is in violation of the locational restrictions of this article until the applicant applies for and receives another exemption.

(g) If the city council denies the exemption, the applicant may not reapply for an exemption until at least 12 months have elapsed since the date of the city council’s action.

(h) The grant of an exemption does not exempt the applicant from any other provisions of this article other than the locational restrictions of section 4.06.061.
Sec. 4.06.063     Additional regulations for nude escort agencies
(a) An escort agency shall not employ any person under the age of 18 years.
(b) A person commits an offense if such person acts as an escort or agrees to act as an escort for any person under the age of 18 years.

Sec. 4.06.064     Additional regulations for nude model studios
(a) A nude model studio shall not employ any person under the age of 18 years.
(b) A person under the age of 18 years commits an offense if such person appears in a state of nudity or seminudity in or on the premises of a nude model studio. It is a defense to prosecution under this subsection if the person under the age of 18 years was in a restroom not open to public view or persons of the opposite sex.
(c) A person commits an offense if such person appears in a state of nudity or seminudity or knowingly allows another to appear in a state of nudity or seminudity in an area of a nude model studio premises which can be viewed from the public right-of-way.
(d) A nude model studio shall not place or permit a bed, sofa, or mattress in any room on the premises, except that a sofa may be placed in a reception room open to the public.

Sec. 4.06.065     Additional regulations for adult theaters and adult motion picture theaters
(a) A person commits an offense if such person knowingly allows a person under the age of 18 years in or on the premises of an adult theater or adult motion picture theater.
(b) A person under the age of 18 years commits an offense if such person knowingly appears in or on the premises of an adult theater or adult motion picture theater.

Sec. 4.06.066     Additional regulations for adult motels
(a) Evidence that a sleeping room in a hotel, motel, or similar commercial establishment has been rented and vacated two or more times in a period of time that is less than ten hours creates a rebuttable presumption that the establishment is an adult motel as that term is defined in this article.
(b) A person commits an offense if, as the person in control of a sleeping room in a hotel, motel, or similar commercial establishment that does not have a sexually oriented business license, such person rents or subrents a sleeping room to a person and, within ten hours from the time the room is rented, such person rents or subrents the same sleeping room again.
(c) For purposes of subsection (b) of this section, the terms “rent” or “subrent” mean the act of permitting a room to be occupied for any form of consideration.

Sec. 4.06.067     Exhibition of sexually explicit films or videos
(a) A person who operates or causes to be operated a sexually oriented business, other than an adult motel, which exhibits on the premises in a viewing room of less than 150 square feet of floor space, a film, video cassette, or other video reproduction which depicts specified sexual activities or specified anatomical areas, shall comply with the following requirements:

(1) Upon application for a sexually oriented business license, the application shall be accompanied by a diagram of the premises showing a plan thereof specifying the location of one or more manager's stations, the location of all overhead lighting fixtures and switches, which lights are controlled with switches, and designating any portion of the premises in which patrons will not be permitted. Only agents or employees shall have access to light switches. A manager's station may not exceed 32 square feet of floor area. The diagram shall also designate the place at which the permit will be conspicuously posted, if granted. A professionally prepared diagram in the nature of an engineer's or architect's blueprint shall not be required; however, each diagram should be oriented to the north or to some designated street or object and should be drawn to a designated scale or with marked dimensions.
sufficient to show the various internal dimensions of all areas of the interior of the premises to an accuracy of plus or minus six inches. The mayor may waive the foregoing diagram for renewal applications if the applicant adopts a diagram that was previously submitted and certifies that the configuration of the premises has not been altered since it was prepared.

(2) The application shall be sworn to be true and correct by the applicant.

(3) No alteration in the configuration or location of a manager’s station may be made without the prior approval of the mayor or designee.

(4) It is the duty of the owners and operator of the premises to ensure that at least one agent or employee is on duty and situated in each manager’s station at all times that any patron is present inside the premises.

(5) The interior of the premises shall be configured in such a manner that there is an unobstructed view from a manager’s station of every area of the premises to which any patron is permitted access for any purpose excluding restrooms. Restrooms may not contain video reproduction equipment. If the premises has two or more manager’s stations designated, then the interior of the premises shall be configured in such a manner that there is an unobstructed view of each area of the premises to which any patron is permitted access for any purpose from at least one of the manager’s stations. No viewing area shall have a door, half-door, curtain, portal partition or other divider unless at least one side is completely open to an adjacent public room and a manager’s station so that the area inside is visible to persons in the adjacent public room and a manager’s station.

The view required in this subsection must be by direct line of sight from the manager’s station.

(6) It shall be the duty of the owners and operator, and it shall also be the duty of any agents and employees present in the premises to ensure that:

(A) The view area specified in subsection (a)(5) of this section remains unobstructed by any doors, walls, merchandise, display racks or other materials at all times that any patron is present in the premises; and

(B) No patron is permitted access to any area of the premises which has been designated as an area in which patrons will not be permitted in the application filed pursuant to subsection (a)(1) of this section.

(7) The premises shall be equipped with overhead lighting fixtures of sufficient intensity to illuminate every place to which patrons are permitted access at an illumination of not less than one footcandle as measured at the floor level.

(8) It shall be the duty of the owners and operator and it shall also be the duty of any agents and employees present in the premises to ensure that the illumination described in subsection (a)(7) is maintained at all times that any patron is present in the premises.

(b) A person having a duty under subsections (a)(1) through (a)(8) of this section commits an offense if such person knowingly fails to fulfill that duty.


Sec. 4.06.068 Display of sexually explicit material to minors

(a) A person commits an offense if, in a business establishment open to persons under the age of 17 years, he displays a book, pamphlet, newspaper, magazine, film, or video cassette, the cover of which depicts, in a manner calculated to arouse sexual lust or passion for commercial gain or to exploit sexual lust or perversion for commercial gain, any of the following:

(1) Human sexual intercourse, masturbation or sodomy;

(2) Fondling or other erotic touching of human genitals, pubic region, buttocks or female breasts;

(3) Less than completely and opaquely covered human genitals, buttocks, or that portion of the female breast below the top of the areola; or

(4) Human male genitals in a discernible turgid state, whether covered or uncovered.

(b) In this section, the term “display” means to locate an item in such a manner that, without obtaining assistance from an agent or employee of the business establishment:

(1) It is available to the general public for handling and inspection; or

(2) The cover, outside packaging, or contents of the item is visible to members of the general public.
MODEL ORDINANCE
FOR TEXAS MUNICIPALITIES
ADOPTING BY REFERENCE THE TEXAS FOOD ESTABLISHMENT RULES

ORDINANCE NO. __________

AN ORDINANCE REGARDING THE REGULATION OF FOOD ESTABLISHMENTS INCLUDING FOOD SERVICE ESTABLISHMENTS, RETAIL FOOD STORES, TEMPORARY FOOD ESTABLISHMENTS, MOBILE FOOD UNITS, AND ROADSIDE FOOD VENDORS

Section 1. Adoption of Texas Food Establishment Rules

A. (Name of municipality) adopts by reference the provisions of the current rules or rules as amended by The Executive Commissioner of the Health and Human Services Commission found in 25 Texas Administrative Code, Chapter 228, regarding the regulation of food establishments in this jurisdiction.

B. Definitions

The words "authorized agent or employee" mean the employees of the regulatory authority.

The words "food establishment" means a food service establishment, a retail food store, a temporary food establishment, a mobile food unit, and/or a roadside food vendor.

The words "municipality of ____________" in this ordinance shall be understood to refer to the ____________ of ____________.

The words "state rules" mean the state rules found at 25 Texas Administrative Code, Chapter 228. These rules are also known as the Texas Food Establishment Rules.

The words "regulatory authority" means the (name of local enforcement body having jurisdiction over food establishments)

Section 2. Permits and Exemptions

A. A person may not operate a food establishment without a permit issued by the regulatory authority. Permits are not transferrable from one person to another or from one location to another location, except as otherwise permitted by this ordinance. A valid permit must be posted in or on every food establishment regulated by this ordinance.

B. A food establishment operated solely by a nonprofit organization is exempt from the permitting requirements of this ordinance, but is not exempt from compliance with state rules. The regulatory authority may require any information necessary to

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determine whether an organization is nonprofit for purposes of this exemption

Section 3. Application for Permit and Fees

A. Any person desiring to operate a food establishment must make a written application for a permit on forms provided by the regulatory authority. The application must contain the name and address of each applicant, the location and type of the proposed food establishment and the applicable fee. An incomplete application will not be accepted. Failure to provide all required information, or falsifying information required may result in denial or revocation of the permit. Renewals of permits are required on an annual basis and the same information is required for a renewal permit as for an initial permit.

B. Prior to the approval of an initial permit or the renewal of an existing permit, the regulatory authority shall inspect the proposed food establishment to determine compliance with state laws and rules. A food establishment that does not comply with state laws and rules will be denied a permit or the renewal of a permit.

C. The following fee schedule applies to permits issued under this ordinance:
   (Completed by the municipality)

Section 4. Review of Plans

A. Whenever a food establishment is constructed or extensively remodeled and whenever an existing structure is converted to use as a food establishment, properly prepared plans and specifications for such construction, remodeling or conversion shall be submitted to the regulatory authority for review before work is begun. Extensive remodeling means that 20% or greater of the area of the food establishment is to be remodeled. The plans and specifications shall indicate the proposed layout, equipment arrangement, mechanical plans and construction of materials of work areas, and the type and model of proposed fixed equipment and facilities. The plans and specifications will be approved by the regulatory authority if they meet the requirements of the rules adopted by this ordinance. The approved plans and specifications must be followed in construction, remodeling or conversion.

B. Failure to follow the approved plans and specifications will result in a permit denial, suspension, or revocation.

Section 5. Suspension of Permit

A. The regulatory authority may, without warning, notice, or hearing suspend any permit to operate a food establishment if the operation of the food establishment constitutes an imminent hazard to public health. Suspension is effective upon service of the notice required by Paragraph (5) (B) of this ordinance. When a permit is suspended, food operations shall immediately cease. Whenever a permit is

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suspended, the holder of the permit shall be afforded an opportunity for a hearing within 20 days of receipt of a request for a hearing.

B. Whenever a permit is suspended, the holder of the permit or the person in charge shall be notified in writing that the permit is, upon service of the notice, immediately suspended and that an opportunity for a hearing will be provided if a written request for a hearing is filed with the regulatory authority by the holder of the permit within ten days. If no written request for hearing is filed within ten days, the suspension is sustained. The regulatory authority may end the suspension at any time if reasons for suspension no longer exist.

Section 6. Revocation of Permit

A. The regulatory authority may, after providing opportunity for a hearing, revoke a permit for serious or repeated violations of any of the requirements of these rules or for interference with the regulatory authority in the performance of its duties. Prior to revocation, the regulatory authority shall notify the holder of the permit or the person in charge, in writing, of the reason for which the permit is subject to revocation and that the permit shall be revoked at the end of the ten days following service of such notice unless a written request for a hearing is filed with the regulatory authority by the holder of the permit within such ten day period.

B. If no request for hearing is filed within the ten day period, the revocation of the permit becomes final.

Section 7. Administrative Process

A. A notice as required in these rules is properly served when it is delivered to the holder of the permit or the person in charge, or when it is sent by registered or certified mail, return receipt requested, to the last known address of the holder of the permit. A copy of the notice shall be filed in the records of the regulatory authority.

B. The hearings provided for in these rules shall be conducted by the regulatory authority at a time and place designated by it. Based upon the recorded evidence of such hearing, the regulatory authority shall make final findings, and shall sustain, modify or rescind any notice or order considered in the hearing. A written report of the hearing decision shall be furnished to the holder of the permit by the regulatory authority.

Section 8. Remedies

A. Any person who violates a provision of these rules and any person who is the permit holder of or otherwise operates a food service establishment that does not comply with the requirements of these rules and any responsible officer of that permit holder or those persons shall be fined not more than ____________ dollars.

B. The regulatory authority may seek to enjoin violations of these rules.
Section 9. Severability

If any section, subsection, sentence, clause, phrase, or portion of this ordinance is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portions of this ordinance.

Section 10. Effective Date

The provisions of this ordinance shall take effect on: (put in date or the number of days from adoption by the municipality).

INTRODUCED, READ AND PASSED BY AN AFFIRMATIVE VOTE BY THE (_________ CITY COUNCIL) ON THIS _____________DAY OF __________,

(SIGNATURES OF COUNCIL MEMBERS/MAYOR)
10.1. McLendon-Chisholm Fire Rescue Report
Chief Simmons will deliver a status report at Council’s Request.

10.2. Subdivision and Zoning Regulations and City Maps
Public hearings for proposed revisions to the Subdivision and Zoning Regulations, Zoning Map and official City Limit/ETJ Map have been scheduled for the February 28 P&Z Meeting and March 12 City Council Meeting. P&Z must make a recommendation prior to any Council action.

10.3. iCompass Streaming Implementation
Staff continues to fine tune formatting issues with iCompass but the agenda software is functioning as it should. The portal to view agenda packets is linked to the City website although staff has not drawn attention to this feature yet as documents such as minutes, resolutions and ordinances are being loaded into the system. My Computer Guy and Axios are working with iCompass to prepare installation of hardware necessary to stream Council Meetings. At this time, they are waiting for the encoder to be delivered.

10.4. Request for Proposals
1) As requested by Council, Request for Qualifications for City Engineer, City Accountant, City Planner and Information Technology Services have been issued and advertised in various media. The submittal date is February 18 and Council will have proposals to review for the February 26 Council Meeting. Staff suggests narrowing the field of potential vendors at the February 26 Meeting and inviting selected vendors for interviews during the March 12 Council Meeting.

3) Last year Council indicated an interest in issuing an RFQ for a Municipal Judge. At that time, the term for the Judge was not expired. The term expires March 10, 2019. The Texas Government Code Section 29.005 provides a 91 day window to reappoint or terminate the judge. The 91 day window will expire on or about June 11, 2019. If a new appointment is not made within the 91 day window, the Judge is deemed reappointed for another two year term. Staff requests direction regarding Council's preference to seek qualifications for a Municipal Judge.

10.5. Future Agenda Items
The next Council Meeting is scheduled for February 26. The agenda is expected to include the following items:
- Approval of Minutes for January 22 and February 12 City Council Meeting
- Discussion and Action Regarding Review of City Planner Proposals
- Discussion and Action Regarding Review of City Accounting Services Proposals
- Discussion and Action Regarding Review of Engineering Services Proposals
- Discussion and Action Regarding Review of Information Technology Services
- Code of Ordinance Review for Chapters 5-6 (Fire Prevention and Protection and Health and Sanitation)
- CWD Amended Contract
- County Recycle, LLC Limited Services Contract
- Options for Animal Control Discussion
- Options for Code Enforcement Discussion
- Reports