



**AGENDA
CITY COUNCIL
TUESDAY, SEPTEMBER 10, 2019
1371 WEST FM 550 - MCLENDON-CHISHOLM, TEXAS 75032
6:30 PM**

Page

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| | 1. CALL TO ORDER |
| | 2. INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS |
| | 3. RULES OF DECORUM |
| | 4. PROCLAMATION |
| 4 | 4.1. Celebrating Constitution Week
Proclamation |
| | 5. CITIZEN COMMENTS |
| | 6. APPROVAL OF MINUTES |
| 5 - 14 | 6.1. August 13, 2019 City Council Regular Minutes
August 13, 2019 Draft City Council Meeting Minutes |
| 15 - 31 | 6.2. August 27, 2019 City Council Regular Meeting Minutes
August 27, 2019 Draft City Council Meeting Minutes |
| | 7. ITEMS FOR CONSIDERATION |
| 32 | 7.1. Hold a Public Hearing to receive comments regarding setting the Tax Rate to \$0.165000 per \$100 valuation on all taxable property for Fiscal Year starting October 1, 2019 and ending September 30, 2020.(Requested by Palomba)
Staff Report - Tax Rate Public Hearings |

- 33 7.2. Hold a Public Hearing to receive input regarding the proposed Annual Budget for Fiscal Year Starting October 1, 2019 and ending September 30, 2020. (Requested by Palomba)
[Staff Report - Budget Public Hearing](#)
- 34 - 47 7.3. Discussion and action regarding an Ordinance approving and adopting the Budget for the Fiscal Year starting October 1, 2019 and ending September 30, 2020. Council may adopt the Budget this evening or may postpone adoption until September 24, 2019. *(Requested by Palomba)*
[Staff Report - Proposed Budget](#)
[Proposed Ordinance Approving FY 2019-2020 Budget](#)
[FY 2019-2020 Proposed Budget](#)
- 48 - 71 7.4. Discussion and action regarding a Resolution updating the City's Investment Policy. *(Requested by Palomba)*
[Staff Report - Investment Policy Resolution](#)
[Resolution Investment Policy](#)
[Proposed Investment Policy Clean Copy](#)
[Proposed Investment Policy Redlined](#)
- 72 - 79 7.5. Discussion and action regarding a Resolution establishing the City's Fund Balance Policy. *(Requested by Palomba)*
[Staff Report - Fund Balance Resolution](#)
[Resolution Fund Balance Policy](#)
[Proposed Fund Balance Policy](#)
- 80 - 86 7.6. Discussion and action regarding an Ordinance approving an amendment to the existing Kingsbridge Planned Development Office 1 Zoning District to change the rear building setback to 15' and to allow a maximum lot coverage requirement of 40% as defined by the McLendon-Chisholm Zoning Ordinance. The property location is described as 1.065 acres, also described as 5763 South State Highway 205, McLendon-Chisholm, requested by Kevin Webb.
[Staff Report - Zoning Change](#)
[Ordinance 2019-11 Kingsbridge PD Zoning Amendment](#)
- 7.7. Discussion and action regarding a request from Council Member Kipphut to work with the City Administrator in drafting a letter to the Texas Department of Transportation (TxDOT) requesting installation of turn lanes into subdivisions as part of the State Highway 205 construction project and share such information at the next County Road Consortium meeting. *(Requested by Council Member Kipphut)*
- 87 - 88 7.8. City Council will receive a presentation, discuss and may provide direction to the applicant related to a future request to amend the Triple Creek Developer's Agreement to allow a Planned Development for approximately 145 acres of land surrounding City Hall to include 350 single-family homes. Request to be presented by Dean Cardwell with

Bohler Engineering on behalf of owner, Chiefton 2XL LTD Partnership, Rockwall Cad Property ID 11438 and 11477. *(Requested by Jon Kendall representing Bohler Engineering)*

[Staff Report - Concept Plan](#)

[Proposed Concept Plan](#)

8. UPDATES, DISCUSSION AND DIRECTION TO STAFF

9. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

- 9.1. Mayor Short's reports and announcements
- 9.2. Council Member Kipphut's reports and announcements
- 9.3. Council Member Hodges' reports and announcements
- 9.4. Council Member Woessner's reports and announcements
- 9.5. Mayor Pro Tem Bloom's reports and announcements
- 9.6. Council Member Dahl's reports and announcements

10. ADJOURN

As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session in order to seek 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 on or before 7:00 p.m., September 6, 2019 on the outside bulletin board at City Hall, a place convenient and readily accessible to the public at all times.



Constitution Week 2019

- WHEREAS,** the Constitution of the United States of America, the guardian of our liberties, embodies the principles of limited government in a Republic dedicated to rule by law; and
- WHEREAS,** September 17, 2019, marks the two hundred thirty-second anniversary of the framing of the Constitution of the United States of America by the Constitutional Convention; and
- WHEREAS,** it is fitting and proper to accord official recognition to this magnificent document and its memorial anniversary, and to the patriotic celebrations which will commemorate the occasion; and
- WHEREAS,** Public Law 915 guarantees the issuing of a proclamation each year by the President of the United States of America designating September 17 through 23 as Constitution Week.

NOW, THEREFORE, BE IT RESOLVED, that I, Keith Short, Mayor of the City of McLendon-Chisholm, Texas do hereby proclaim the week of September 17 through September 23, 2019 as

Constitution Week

and ask our citizens to reaffirm the ideals the Framers of the Constitution held in 1787 by vigilantly protecting the freedoms guaranteed to us through this guardian of our liberties

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of McLendon-Chisholm, Texas to be affixed this 10th day of September 2019.

Keith Short, Mayor



CITY COUNCIL MEETING
City of McLendon-Chisholm, Texas
Meeting Minutes
August 13, 2019

The City Council of the City of McLendon-Chisholm convened in Regular Session on Tuesday, August 13, 2019, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

ATTENDING:	Keith Short	Mayor
	Nathan Hodges	Council Member
	Lorna Kipphut	Council Member
	William Dahl	Council Member
	Trudy Woessner	Council Member
ABSENT:	Jim Bloom	Mayor Pro Tem
Staff Present:	Lisa Palomba	City Administrator/City Secretary
	Jim Simmons	Fire Chief
	Michael Halla	City Attorney

1. CALL TO ORDER

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

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

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

3. RULES OF DECORUM

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

4. CITIZEN COMMENTS

Charles Schwalje, 262 Meadowpark. I have previously sent out letters trying to get info out about what is happening in our neighborhood, voicing the displeasure I have with the way the previous mayor and his cronies jammed a winery down our throats with no regard for any of the McLendon Chisholm citizens.

I am sending this letter after having had the chance to speak to Greg Rosini personally. In our conversation I believe we enlightened each other as to how our previous non-elected mayor and his cronies not only deceived the citizens affected by the new

winery, but also the winery owners themselves were deceived into thinking that the city had thought and planned this out. The Rosinis came to the city with plans for economic development in McLendon-Chisholm with construction of a winery and presented several different property options they were considering purchasing. The City, at the time led by our previous non-elected mayor and his cronies, guided them to 411 S SH 205 as the best location, despite the existing city plans, specifically the only two-year old future land use plan, clearly showing this was NOT the desired location for commercial development. In fact, the City's own Planning and Zoning Commission further reiterated this to council in denying the re-zoning and land use change request, but like everything else the previous leaders did, they didn't listen to their constituents. Now the previous mayor is trying to blame the city planner for how this was handled, when ultimately, he and the city council had the final say. The list of mistakes the previous mayor and his cronies made on just this little part of city planning is appalling and we should all be glad that they are no longer making decisions and can only hope that the new council and mayor will follow the plan in place for the city or at least notify and listen to citizens because ultimately we're the ones that have to live here.

So, here we are a group of citizens and the owners of a winery forced to live together whether we want it or not, so let's make the best of it. In this situation, I feel best way to protect our properties is to communicate with our new neighbors, Greg and Carol Rosini.

Some of the things that I spoke to Greg about were the daily rentals, and how the issues of noise, lights, obscene language were unacceptable; but the most important thing to me is the unsafe feeling I have in my own back yard with little kids and not knowing who is over there every day. We also talked about how I would fight him if they tried to build anything but what is planned on the back half of the property. He was very receptive to my family's concerns.

The Rosinis have made some changes since I voiced my concerns. They have removed the outdoor speakers to reduce noise, they are working on cutting down the light pollution and have stressed no outside obscene language to their renters. He said to call them if any issues come up. As far as my concerns with the daily rental and the safety issues he asked that I give them a few weeks to wind down the already previously booked rentals.

He also mentioned that they had considered living in the house with the vineyard in the front yard before all the movement against them for the winery. I told him I thought it would go a long way to giving comfort to the neighbors if they choose to live there. So, I conclude that at this time that I am going to put some faith in my new neighbor as I do think he and his wife are more concerned about the neighborhood than the City has shown to the citizens to this point.

5. APPROVAL OF MINUTES

5.1. July 23, 2019 City Council Regular Meeting

MOTION: APPROVE MINUTES OF THE JULY 23, 2019 REGULAR CITY COUNCIL MEETING AS PRESENTED.

MADE BY: Council Member Woessner

SECONDED BY: Council Member Hodges

APPROVAL: Unanimously by members present

6. ITEMS FOR CONSIDERATION

6.1. Discussion and action regarding an Ordinance approving an amendment to the Annual Service and Assessment Plan Update for Sonoma Verde Improvement District

City Administrator Palomba explained this is an amendment to a previously filed service and assessment plan and our PID administrator, Mary Petty, is here to present the information to you.

Mary V. Petty, Founder and Managing Partner of P3Works, explained that the council had approved this plan associated with the sale of bonds. P3 was hired a couple of weeks prior to that. That bond transaction proceeded forward and we have since audited that service and assessment plan. This has been signed off by your bond council, your financial advisor, the developer's council, and the developer. We want to walk through these changes with you in detail, very short detail. Vanessa Stowe, a vice president in our firm, is going to give a presentation because I get to run to a public hearing on a really popular item just down the road. So, I'm going to let her walk you through that, but I wanted to go ahead and tell you that we've audited it and everything is fine. We just need to correct some details and have the developer sign off. The document in front of you has the developer's signature on the landowners' consent and that didn't come until this afternoon but we wanted to just make sure that we were tying all the pieces together. I'm going to let Vanessa walk you through those changes. She should be able to answer any questions. She actually performed the audit on your SAP so she's well versed in this.

Vanessa Stone presented the first thing she want to walk through with you is the removal of the major improvement area excluding Phase I assessment. This was levied in the original SAP in 2015. Assessments go stale after two years pursuant to the statute. There was nothing collected in 2016, nothing collected in 2017, nothing collected in 2018. However, it was lowered and we believe that has to do with the Phase II being levied. They took a portion of the major improvements and attributed it to that bond issue. So, it has officially been about four years. It was removed in the 2019 SAP update approved earlier this year and we just confirmed the removal of that. So, by statute that has been removed and going forward, if we levy any more bonds on the

remainder of the property, we will attribute their share of the major improvements to that.

The next one is a simple fix. The previous map, you see the circles, it had stated that Phase No. 1 C, the green on the right, was actually located within the Phase 1 boundaries which made it look like it was getting benefit from the Phase 1 assessments. It was not. Phase No. 1 C is actually in Phase No. 2. Improvement area No. 1 C / Phase One C is actually within phase two, so we've corrected the map to be a little clearer showing the blue is Phase 2, the red is Phase 1, and the green, they've included in Phase 2, but it is actually Improvement Area No. 1 C.

Next up we have the landowner consent to increased assessments. Mary mentioned this when she was talking about the SAPs. We did just get that earlier today so if you flip to the very back, it's Exhibit C. The landowner has signed between the 2018 SAP update to the 2019 SAP update. As you can see, there were two unit increases between Improvement Area No. 2. So, because of that, the assessment per equivalent unit was not altered. It was left the same. Therefore, it caused an under levy on the allocation for improvement area No. 1C and an over levy for improvement area No. 2. Usually we cannot over levy but because it's one landowner and they understood what happened, they signed the consent form stating that they consent to the \$36,000 over levy so we are completely okay there going forward.

Last, we have the inclusion of the assessment roles by parcel. The 2019 SAP update approved earlier this summer did not have an actual assessment role for a parcel by parcel. They had the annual installment schedule showing the life of project, but they didn't have each parcel within the district that needs to be billed and what their actual annual installment is for each year. Rockwall CAD actually needs the parcel number and the amount due to put on the tax bills so what we did is we went ahead and created a full parcel by parcel list of everybody in the PID so if they want to pull up that SAP that you have, they can look up their tax ID and see exactly what their assessment is due January 31, 2019 and then we also have that on our website as well for them to access if they want to look at that.

That's really all we have. We've fixed all of those and everything seems to be running smoothly so far and, if you have any questions, we can definitely answer them.

MOTION: APPROVE AN ORDINANCE APPROVING AN AMENDMENT TO THE ANNUAL SERVICE AND ASSESSMENT PLAN UPDATE FOR SONOMA PUBLIC IMPROVEMENT DISTRICT

MADE BY: Council Member Kipphut

SECONDED BY: Council Member Dahl

APPROVAL: Unanimously by members present

6.2. Discussion and direction to staff regarding all matters related to the proposed Budget for Fiscal Year starting October 1, 2019 and ending September 30, 2020 including but not limited to expected revenues and expected, debt obligations, Effective Tax Rate, Rollback Rate, and setting a public hearing date.

City Administrator Palomba explained that Council must set a maximum proposed tax rate tonight. Palomba must send the maximum tax rate notice to the paper by tomorrow morning. Palomba remarked that after discussion is concluded on the budget, Council may change anything Council wishes to change and staff will update the budget worksheet. Karl Crawley, City Planner is present to talk about the Comprehensive Plan and pricing for that as Council requested. Palomba reemphasized that at the end of the day, Council must decide on a maximum tax rate number for publication purposes. Once that's advertised, Council may back off of that tax rate, but will not be able to go higher than that tax rate. Also, dates must be set for public hearings on both the budget and the tax rate tonight.

Karl Crawley, Masterplan - For those of you who were here last night, we discussed just looking at the Comp Plan and see if we need an update, or don't need an update and if so, do we need a whole update or parts updated. I have put the hourly rates with a not to exceed rate.

Following are the proposed rates per item:

- Visioning/Overview/Direction
 - Hourly (@\$120/hr.) not to exceed \$7,500
- Individual Revisions to Existing Sections
 - Hourly not to exceed \$5,000
- New Commercial/Industrial Component
 - Hourly not to exceed \$10,000
- New Economic Development Component
 - Hourly not to exceed \$7,500
- Adoption of Plan and Community Meetings
 - Hourly not to exceed \$5,000
- Other considerations:
 - Update to Zoning ordinance from Comp Plan update
 - Facilities planning including Parks
 - Review of older/non-developed PD's

City Administrator Palomba stated the question now is whether Council wants to put a number in the budget for a complete or partial update for the Comp Plan. Council may decide to fund all, part or none for an update.

Council Member Hodges expressed his concern about the obvious changes with 205. We need to plan for that.

Mayor Short agreed. The city has to lead and decide what we are going to be and not let something else dictate what we are going to be.

Council Member Hodges asked Karl what his timeline would be if they do a refresh on the Comp Plan.

Crawley remarked that he believes the plan needs to be refreshed or updated. I think a Comp Plan needs to be updated probably every five years just to get you out further in advance.

Council Member Kipphut asked how appropriate it would be to charter the Economic Development Committee to determine the vision for the City. I thought that was what they are supposed to be doing. It seems like that would be a great place to start with the members of that Economic Development Committee and perhaps a member of Planning and Zoning and a member of Board of Adjustments to start looking at what the vision for the City is. I'm not sure that we need to have consultants to run the brainstorming sessions and come up with the plan. I would like to see if we could do it in-house with what we have in our existing resources. Then if we see we're not getting anywhere, then we hire outside, but I think it would be prudent for us to use existing resources.

Council Member Woessner stated she thinks they should at least ask them in case they have a plan that they have been working on.

City Administrator Palomba pointed out that a year or so ago Council did task the P&Z Commission with trying to recommend updates. P&Z got a little bit busy with developments and it was set aside. However, the Commission struggled on their own to try to pull it together. Even if you do a lot of the work on a committee level, Council may still want to bring in Karl's team for advice here and there or to tie it up into a nice end product.

Mayor Short stated he liked the thought of having it there, budgeted for and if we don't use it, no harm no foul. If we come back in months and decide we should have done it, we've allocated for it and will not have to figure out how to make it happen. If we budget for it, it doesn't necessarily mean we have to use it.

Council Member Hodges asked the Planner what he would say is the maximum for the entire plan?

City Planner Crawley stated he thinks we could do it for probably \$50,000.

Council Member Kipphut stated she thinks she would prefer to hold off for a year and try to get our in-house team together to work it and if that doesn't meet with success, then next year we put it in there. I would recommend not budgeting for it this year.

City Administrator Palomba stated Ray couldn't make it tonight, he had another engagement. However, he is going to take the worksheet that Council worked on yesterday and he's going to update those numbers. You asked me to come back with a couple of changes. Public notices, if you deduct out what we put in for the PID, you can take out about \$1,800 for public notices. You asked me to look at postage. If you look at stamps and what we spent for postcards for the survey, it was between \$3,500 and \$4,000. The postcards would have come out of printed materials and the stamps may have its own line under postage. I think we could adjust the budget down maybe \$3,500 for those things if we don't do another survey. I think the Chief ended up taking about \$12,000 from his budget that ended up being duplicate entries and then we just have a few other things that don't really add up to large amounts. I think we can probably just clean this up. The budget itself has to be filed in my office by the end of the next week to stay on schedule. You can still adjust it after that. You won't be adopting it until September but I have to file something in my office for public inspection. So, based on anything that you give us tonight, we would clean that up and file it in my office for public review. Everyone needs to understand there will still be public hearings and discussions on it before it is adopted. I need to firm up the number as much as I can so at some point you may want to recess and talk about salaries and come out with an overall number for me to put in the budget.

Council recessed into Executive Session at 7:18 p.m.

9. EXECUTIVE SESSION

- 9.1. 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: City Administrator/City Secretary; Assistant to the City Secretary; Building Permit Technician; Fire Chief/Fire Marshall; Assistant Fire Chief and Firefighters.**

10. RECONVENE REGULAR MEETING

Council reconvened the regular meeting at 7:48 p.m.

11. EXECUTIVE SESSION ACTION

No Action

6.2 CONTINUED

MOTION: APPROVE A 7% INCREASE IN SALARIES FOR CITY HALL EMPLOYEES.

MADE BY: Council Member Hodges
SECONDED BY: Council Member Dahl
APPROVED: Unanimously by members present

MOTION: SET PUBLIC HEARING FOR SEPTEMBER 10, 2019 ON THE BUDGET FOR FISCAL YEAR STARTING OCTOBER 1, 2019 AND ENDING SEPTEMBER 30, 2020

MADE BY: Council Member Kipphut
SECONDED BY: Council Member Hodges
APPROVED: Unanimously by members present

6.3. Discussion and action regarding approving a proposed maximum Tax Rate for legal notice requirements, setting public hearing dates as appropriate and related matters.

Mayor Short explained the proposed tax rate will fund public safety, which is our fire department, as well as the cost of doing business, city personnel. The maximum tax rate allowed is based on numbers received from our CPA. I propose a motion that the proposed tax rate for the fiscal year 2019-2020 be set at \$0.165 per \$100 valuation and two public hearings to receive public input be set for August 27 and September 10.

MOTION: APPROVE THE PROPOSED MAXIMUM TAX RATE FOR FISCAL YEAR 2019-2020 BE SET AT \$0.165 PER \$100 VALUATION AND THAT TWO PUBLIC HEARINGS TO RECEIVE PUBLIC INPUT REGARDING THE TAX RATE BE SCHEDULED FOR AUGUST 27, 2019 AND SEPTEMBER 10, 2019.

MADE BY: Council Member Hodges
SECONDED BY: Council Member Kipphut

Council Member Kipphut explained she seconded the motion because she wanted to be sure there is time to get the notices in the newspaper on time. She is concerned because they don't have an accurate budget worksheet in front of them that they can actually look at to determine exactly what amount would be going into the reserve fund they are about ready to establish. But she also does not want to put the city in peril because they didn't set a high enough maximum tax rate.

Council Member Woessner ask for confirmation that they will be able to revisit the budget.

Mayor Short stated they would absolutely look at the budget. He also stressed that this is the maximum number and it can come down, but it cannot be raised.

City Administrator Palomba pointed out they will not be voting on the actual budget until September 24th.

Council Member Kipphut stated she just wants to iron out the reserve aspect component since this is the first time it is being done and understand what the impact is. I want to make sure we adequately fund the fire department and we set our city up for success in the future. I think the \$0.165 is a good place to start and we can always go down.

Council Member Hodges stated he feels this is a good starting point based on the numbers they have received from the CPA.

APPROVAL: Unanimously by members present

7. UPDATES, DISCUSSION AND DIRECTION TO STAFF

No Updates, Discussion or Direction to Staff

8. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

8.1. Mayor Short's Reports and announcements

Announced the Town Hall meeting with Senator Hall is this Saturday at 4:00 p.m.

Reminded everyone that school has started and they should be aware of the kids.

8.2. Council Member Kipphut's reports and announcements

The Brick Campaign is going well and about 50 bricks have been ordered. Reminded everyone that the deadline for the first order is September 13.

She also reported she attended the Road Consortium meeting last month with Lisa. They are trying to meet with the Rockwall County contractor to talk about adding turn bays for subdivisions off Hwy. 205.

8.3. Council Member Hodges' reports and announcements

None

8.4. Council Member Woessner's reports and announcements

MC50 Meeting this Friday. They are still in need of volunteers.

8.5. Mayor Pro Tem Bloom's reports and announcements

Absent

8.6. Council Member Dahl's reports and announcements

None

12. ADJOURN

There being no further business to discuss, Mayor Short adjourned the meeting at 8:04 p.m.

ATTEST:

APPROVED:

Lisa Palomba, City Secretary

Keith Short, Mayor



**CITY COUNCIL MEETING
City of McLendon-Chisholm, Texas
Meeting Minutes
August 27, 2019**

The City Council of the City of McLendon-Chisholm convened in Regular Session on Tuesday, August 27, 2019, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

ATTENDING:	Keith Short	Mayor
	Jim Bloom	Mayor Pro-Tem
	Nathan Hodges	Council Member
	Lorna Kipphut	Council Member
	William Dahl	Council Member
	Trudy Woessner	Council Member
Staff Present:	Lisa Palomba	City Administrator/City Secretary
	Jim Simmons	Fire Chief

1. CALL TO ORDER

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

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

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

3. RULES OF DECORUM

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

4. CITIZEN COMMENTS

No Citizen Comments

5. APPROVAL OF MINUTES

5.1. August 6, 2019 Special Work Session

MOTION: APPROVE MINUTES OF THE AUGUST 6, 2019 SPECIAL WORK SESSION AS CORRECTED.

MADE BY: Council Member Hodges
SECONDED BY: Council Member Kipphut
APPROVAL: Unanimous

5.1. August 12, 2019 Special Work Session

MOTION: APPROVE MINUTES OF THE AUGUST 12, 2019 SPECIAL WORK SESSION AS CORRECTED.

MADE BY: Council Member Kipphut
SECONDED BY: Council Member Bloom
APPROVAL: Unanimous

6. ITEMS FOR CONSIDERATION

- 6.1. Public Hearing, discussion and action considering the application of J.K. Webb Properties requesting an amendment to the existing Kingsbridge Planned Development Office 1 Zoning District to change the rear building setback to 15' and to allow a maximum lot coverage requirement of 80% for a purchasing office to be built. The property location is described as 1.065 acres, also described as 5763 South State Highway 205, as described in Exhibit D of the Kingsbridge Planned Development District, McLendon-Chisholm, requested by Kevin Webb.**

City Planner, Maxwell Fisher, presented the following report:

APPLICANT: J. K. Webb Properties
5763 South State Highway 205
Rockwall, Texas 75032

LOCATION: 5763 South State Highway 205

ZONING: PD (Kingsbridge)

REQUEST:

The applicant requests approval of an amendment to a portion of the existing Planned Development District for Office (PD-O1)

PROPERTY OWNER: J. K. Webb Properties
5763 South State Highway 205
Rockwall, Texas 75032

REPRESENTATIVE: Kevin Webb

PLANNING & ZONING COMMISSION RECOMMENDATION: The Planning and Zoning Commission, by a vote of 5 to 0, recommended approval of the proposed request per staff recommendation.

STAFF RECOMMENDATION: **APPROVAL** of a new 'subarea' within the PD-O1 portion of the Kingsbridge PD per the amending conditions contained in the docket.

BACKGROUND INFORMATION:

The request site is a portion of the larger PD for Kingsbridge which contains approximately 227 acres of land. Contained in the overall PD are separate Land Use Classifications which were established with defined areas in Exhibits attached to the PD. This site is located in the area designated as Office (PD-O1) and contains approximately 13.34 acres of land as described in Exhibit D in the PD.

The PD-O1 area is defined as permitting the development of low intensity office buildings and associated accessory uses. Land uses allowed in PD-O1 are those allowed in the City's O1 zoning district. The development standards are defined in the PD. The O1 area of this PD allows a maximum height of 35 feet and a maximum lot coverage of 50% of the lot area which includes buildings, parking spaces or other impervious materials.

The existing Zoning Ordinance for the City of McLendon Chisholm defines lot coverage as "the percentage of the total lot area of a lot occupied by the base (first story or floor) of buildings located on a lot." This definition differs from that contained in the existing PD. The proposed amendment would create a new tract within the PD-O1 portion of the larger Kingsbridge PD that would be regulated separately from the remainder of the existing PD-O1 tract.

The proposed subarea would allow lot coverage by the same standards as the O1 District in the remainder of McLendon Chisholm. The maximum lot coverage in the O1 District is 50% and would be defined as in the zoning ordinance, i.e. limited to area of the first floor of the building. The existing PD-O1 tract established development standards based on those in an O1 District with some exceptions which the existing development and proposed new building must currently follow. Included in your docket material is a Site Plan for illustrative purpose only. The PD requires a Site Plan to be reviewed by the P&Z and approved by the City Council prior to the issuance of a building permit. The attached Site Plan does not contain enough information to qualify as a Development Plan and one will be required prior to issuance of a building permit. The existing PD has its own development standards and therefore the commercial development standards contained in Section 4-13 do not apply in this instance.

The proposed development of an additional office building is appropriate at this location. The existing land use to the northwest is a commercial development, the Oasis Beach and Tennis Club; the other surrounding areas are undeveloped and either are contained in the same PD-O1 tract or outside the City limits. The scale of the proposed office building is of the same character as the existing building and will blend in with the

surroundings. The proposed change in development standards for lot coverage is in keeping with that allowed in the existing O1 district found in the Zoning Ordinance.

COMPREHENSIVE PLAN: The Future Land Use Map of the Comprehensive Plan (see attached) recommends Commercial uses for this Site. The requested Plans comply with the Comprehensive Plan.

STAFF RECOMMENDATION: APPROVAL.

The proposed new 'subarea' within the PD-O1 portion of the larger Kingsbridge PD is appropriate for this location and the proposed office building is of the scale of the existing building.

PROPOSED AMENDING CONDITIONS:

Amending conditions for PD-O1; Subarea 1 within the PD-O1 for the Kingsbridge PD will consist of Lot 1, Block A of Kingsbridge Phase 2A.

Existing Office (PD-O1) regulations:

Buildings, structure and land within the O1 Area shall be developed in accordance with area and dimensional regulations as provided in the O1 District, with the following exceptions:

- a. **Rear Setback:** 15 feet
- b. **Maximum lot coverage:** 50% of the lot area is the maximum area to be covered by buildings, parking spaces or other impervious materials, except that Subarea 1 within the O1 Area will have a maximum lot coverage of 40% as defined in the zoning ordinance of the City of McLendon-Chisholm.
- c. In Subarea 1, those provisions contained in the Zoning Ordinance, Section 4-13 Commercial Development Standards, E.1. Building Form for maximum single floor area and maximum length of any building wall do not apply.
- d. In Subarea 1, parking must comply with Section 6-7 Off-street parking and loading requirements, except for the use listed as Other Office or Professional Business must provide parking at a ratio of one space per 330 sq. ft. of floor area.

Council Member Bloom asked about ADA requirements.

City Planner Fisher stated those requirements would be addressed during the permit stage.

Mayor Short opened the public hearing at 6:39 p.m.

Bob Hermann - That particular area tends to be a little congested. I am wondering, with all the activity going on around there, what the City's plan is as far as safety, or the developer's plan for safety.

Mayor Short explained he cannot answer his questions, but TxDOT has certain formulas for determining how they put in signal lights, stop signs, and all those different kinds of things.

Bob Herman - I think the City should be engaged with TxDOT, especially with the additional development coming.

Mayor Short closed the public hearing at 6:42 p.m.

MOTION: **Approval of the application of J.K. Webb Properties requesting an amendment to the existing Kingsbridge Planned Development Office 1 Zoning District to change the rear building setback to 15' and to allow a maximum lot coverage requirement of 40% for a purchasing office to be built per the recommendation of the Planning and Zoning Commission and the proposed amending conditions contained in the docket material.**

MADE BY: **Council Member Dahl**
SECONDED BY: **Council Member Bloom**
APPROVAL: **Unanimous**

City Administrator Palomba pointed out that upon approval of this item, an ordinance will be presented at the next meeting.

6.2. Discussion and action regarding a Development Plan and Landscape Plan for property related to the application of J.K. Webb Properties requesting an amendment to the existing Kingsbridge Planned Development Office 1 Zoning District for a purchasing office to be built. The property location is described as 1.065 acres, also described as 5763 South State Highway 205, as described in Exhibit D of the Kingsbridge Planned Development "District, McLendon-Chisholm, requested by Kevin Webb.

City Planner, Maxwell Fisher, presented the following staff report:

APPLICANT: J.K. Webb Properties
 5736 South State Highway 205
 Rockwall, TX 75032

LOCATION: 5763 South State Highway 205

ZONING: PD (Kingsbridge)

REQUEST:

The applicant requests approval of a Development Plan and Landscape Plan for a portion of the existing Planned Development District for Office (PD-O1)

PROPERTY OWNER: J.K. Webb Properties
5763 South State Highway 205
Rockwall, TX 75032

REPRESENTATIVE: Kevin Webb

BACKGROUND INFORMATION:

The request site is a portion of the larger PD for Kingsbridge which contains approximately 227 acres of land. Contained in the overall PD are separate Land Use Classifications which were established with defined areas in Exhibits attached to the PD. This site is located in the area designated as Office (PD-O1) and contains approximately 13.34 acres of land as described in Exhibit D in the PD.

The PD-O1 area is defined as permitting the development of low intensity office buildings and associated accessory uses. Land uses allowed in PD-O1 are those allowed in the City's O1 zoning district. The existing PD (and amendment proposed by the applicant) requires approval of a Development Plan and Landscape Plan by the City Council after a recommendation by the Planning and Zoning Commission.

The proposed Development Plan calls for a new one-story office building with approximately 7200 square feet of floor area. The proposed Plan complies with the parking requirements in the existing Zoning Ordinance and the setbacks in both the existing Zoning Ordinance and as proposed in the amendment.

The proposed Landscape Plan delineates the existing landscaping/trees on the site and added landscaping in conjunction with the proposed building.

The proposed development of an additional office building is appropriate at this location. The existing land use to the northwest is a commercial development, the Oasis Beach and Tennis Club; the other surrounding areas are undeveloped and either are contained in the same PD-O1 tract or outside the City limits. The scale of the proposed office building is of the same character as the existing building and will blend in with the surroundings. The proposed change in development standards for lot coverage is in keeping with that allowed in the existing O1 district found in the Zoning Ordinance.

COMPREHENSIVE PLAN: The Future Land Use Map of the Comprehensive Plan (see attached) recommends Commercial uses for this Site. The requested amendment complies with the Comprehensive Plan.

STAFF RECOMMENDATION: APPROVAL.

The proposed new 'subarea' within the PD-O1 portion of the larger Kingsbridge PD is appropriate for this location and the proposed office building is of the scale of the existing building.

MOTION: APPROVE AN AMENDMENT TO THE EXISTING KINGSBRIDGE PLANNED DEVELOPMENT OFFICE 1 ZONING DISTRICT FOR A PURCHASING OFFICE TO BE BUILT PER THE RECOMMENDATION OF THE PLANNING AND ZONING COMMISSION.

MADE BY: Council Member Hodges
SECONDED BY: Council Member Kipphut
APPROVAL: Unanimous

- 6.3. Discussion and direction to staff regarding all matters related to the proposed Budget for Fiscal Year starting October 1, 2019 and ending September 30, 2020 including but not limited to expected revenues and expenditures, debt obligations, fund balance policy, effective and rollback tax rates and future public hearings.**

Mayor Short made the following statement prior to opening discussion of this item:

Folks, we will be opening the public hearing on the tax rate momentarily and everyone will have an opportunity to speak. Before we do that, I want to say a few words, and provide Council an opportunity to say a few words, about the proposed budget and the tax rate that supports the budget and staff is requesting direction from Council regarding the proposed Fund Balance Policy.

First - No one enters office wanting to raise taxes. However, when Council reviewed the first draft budget based on the rollback rate of 0.119743 per \$100 valuation, it was abundantly clear that adopting the rollback rate would not generate the tax revenue needed to continue current service levels and plan appropriately for the future.

Council looked for items to cut but the truth is the City operates on a very lean budget. There is no fluff, no frivolous items.

I want to mention a few reasons why Council has proposed a Budget generating revenue in the amount of 1.3 million dollars with a tax increase from 0.150000 (15 cents) to 0.165000 (16.5 cents) to support the Budget. This proposed increase will cost the average McLendon-Chisholm homeowner approximately \$65 per year.

- The rollback rate for FY 2019-2020 is lower than the effective rate this year due to extra debt payments that were applied the last two years. The extra debt payments “pushed” the rollback rate to a much higher number as debt service may rise as high as necessary to cover debt expenses including scheduled debt payments and any extra debt payments.
- This Council has indicated a preference to move funds from the debt side to the operating and maintenance side of the budget where funds are needed most to maintain and enhance services. This causes the rollback rate to decrease. This explains why the rollback rate is lower than the effective rate this year.
- In a past election, citizens voted for a portion of sales tax to be dedicated to property tax relief. This also causes the rollback rate to shrink by approximately a penny.
- The City also provides a 65 and older tax exemption. While great for our older population it does cause a loss of revenue.
- Currently the City has surplus funds but those funds are not dedicated for a particular purpose. This could cause confusion for the public as it may appear funds are available for general operating expenses and could suggest that a tax rate increase is unnecessary. Most cities maintain some level of fund balance and/or plan for future major purchases by establishing a Capital Improvement Fund. Fund balance amounts vary from city to city as priorities are determined by Council. Smaller cities generally maintain a higher level of fund balance as a percentage of the budget as compared to larger cities due to smaller cities having fewer revenue sources. A fund balance policy allows a city to consider fund balance needs when budgeting and setting a Tax Rate.
- A fund balance policy allows the City to dedicate funds for assigned or unassigned uses. The proposed 0.165000 Rate will provide a surplus of funds for 2019-2020 that may be applied to various fund balances including a Fire Capital Replacement Fund. A Fire Capital Replacement Fund will allow for the city to accumulate funds over time to replace outdated or worn equipment for the purpose of purchasing a new fire engine or other apparatus as considered necessary. A new fire engine could cost as much as \$800,000. Rather than issuing new debt when the replacement engine is required, adequate fund balance would allow the City to purchase the needed equipment without acquiring any new debt. Additionally, the City’s financial advisors suggest a fund balance policy for other uses such as revenue shortfalls or emergencies.

- If the City only adopts the rollback Tax Rate, the City will consume existing surplus in FY 2020-2021 when the SAFER Grant funds dwindle and the City must fund an additional \$218,000. Further, fire department operations will be unable to continue at the same service level when the SAFER Grant expires in FY 2021-2022 when the City must fund an additional \$252,000. Adopting only the rollback rate will not allow the City to adequately plan for unforeseen events or replacement of capital equipment.
- TxDOT is proposing a payment of 4.5 million dollars for a replacement fire station (See Item 6.7). This station will serve the City for many years and will not cost taxpayers anything to build. However, the station will not have adequate personnel for 24/7 fire operations without an increase in revenue when SAFER Grant funds expire.
- The proposed 0.165000 also allows for funds for code enforcement services allowing the City to enforce current ordinances related to health, safety welfare and protection of property values. Presently, the City does not have a Code Officer on staff.
- The proposed 0.165000 allows for modest raises for some staff to be determined by Council and allows for the hiring of additional City Hall staff should the need arise during the year. No additional staff will be hired without Council approval.

Council? Comments regarding the proposed budget?

Is there direction to staff to move forward with the Fund Balance Policy for consideration on the next agenda? Any changes from the draft that was provided in the packet?

Council Member Kipphut - I think establishing a fund balance policy is really a smart way to go. It seems to me like it's a savings account that's for specific things such the equipment replacement, the sewer maintenance fund, the Sonoma Verde road bonds. Having all that money identified as certain pots, will be fiscally responsible. I would like to suggest that we do adopt that fund balance policy. We've got to be fiscally responsible.

Council Member Bloom - I would just like to add that I agree with Council Member Kipphut. Just like any household living paycheck to paycheck, you're always at the risk of some unforeseen situation creating dire consequences. I don't want that for the City. The budget we're talking about later doesn't even include any raises for the firemen, so they'll actually be making less next year than they are this year just based on inflation. We still have other things, we have roads that are almost third-world. I've talked to

people from all over the state about the importance of owning our own water. Right now, we're kind of a hostage to RCH and that's nothing to be on the agenda anytime soon but it is something that's going to be addressed someday. It feels good to say keep taxes super low, but we're having to pay for some of those decisions made previously and it's time to make the tough decisions, in my opinion, to do the right thing for the city moving forward.

Mayor Short asked the council for direction to the staff to move forward with the fund balance policy for consideration on the next agenda or on the next city council meeting agenda

Council Member Kipphut asked the City Administrator if she recommend going 50/50 or did she recommend less with the \$60,000 surplus they will have.

City Administrator Palomba stated it was up to the Council. She reminded them that it can be amended as needed.

Council Member Kipphut stated she would also like to think that we would put the funds we are going to be getting from MCVFD directly into the capital projects fund.

Mayor Short stated that he would like to see a recommendation from Lisa and Ray based on talking to Chief and his needs so that we can look at maybe we need a little more over here, not necessarily 50/50, maybe 60/40, 70/30. I think we see what the recommendation is. We may come right back to Council saying 50/50, but I would like to have the resident experts in those areas give us their recommendation and then we'll move from there.

City Administrator Palomba stated she will get with Ray for a formal recommendation to present at the next meeting, or by the 24th.

Mayor Short thanked the Council and stated that from his perspective the proposed Budget and Tax Rate is reasonable and fiscally responsible

6.4. A Public Hearing will be held to receive comments regarding setting the Tax Rate to \$0.165000 per \$100 valuation on all taxable property for Fiscal Year starting October 1, 2019 and ending September 30, 2020.

Mayor Short opened the public hearing at 6:59 p.m.

Jody Wright, 1513 Barrolo Dr. - First of all, I want to acknowledge this council for hosting authentically led town halls. I think that is really important to acknowledge where our city is growing and how this council is truly requesting feedback. Having said that, as you prepare for the next public hearing on September 10th about the proposed tax rate, as a citizen first, there are a lot of questions as to why this tax rate is necessary.

Mayor Short, I thought you did a really nice job of providing the overview a short while ago. So, thank you for that. I certainly understand having been present for a number of council meetings over the last few years that you are not left with a surplus budget. This council, in particular, came in having to make up quite a bit of deficit based on some predecessors' decisions. What I would ask though, as you prepare for the next public hearing, is more transparency. There is a lot of emotionally charged inaccurate information being relayed through different forums, primarily through social media. We are emotionally charged and when you connect with somebody emotional, people react emotionally. Anybody objective understands that. What I would ask, and there are certain members of the council that I definitely thank for all of the transparency you've provided. But as a whole, I think it could be increased and I think providing real factual objective information to the public at large will be necessary for us to get over what I perceive as a little bit of this apathetic mentality that many of the voters of McLendon-Chisholm have right now. They're tired, they're tired and so you know to get some objective facts, non-emotional, but based off of historically where we're at, where we are going and why you need this city support behind you. I think that would be really powerful. So that would be my ask and I thank you for the time and I thank you for the information provided tonight.

Council Member Hodges. You want more transparency, how do we do that?

Jody Wright. I think you have it with social media Council Member Hodges. That is where the bulk of the emotionally charged information is coming and is a forum that a select few have chosen to connect with citizens. I don't know that they have a huge audience, but the point is you fight fire with fire. I mean that's what we do.

Council Member Hodges. I posted on my Facebook page that we were having a work session and encouraged people to come and there were two people here that night. I don't know what else we as a Council can do.

Mayor Short. Social media is a very dangerous tool. Something that was taught to us who have been through the newly elected officials training is, we are accountable for anything we put on those pages. Even though we may convey it the right way, they can twist that and it against us. That's a very dangerous tool and the way people are using it, I don't need a city government have battles on social media. We are more than happy to be transparent and put things on our city's website. But as far as social media, I don't agree with the Council doing that.

Jody Wright. As a true fiscal conservative, my reaction is always cut expenses before we raise taxes. What are our expenses and Mayor I heard you say that we run incredibly slim? I don't doubt that, but I'm here to hear that. Does the general public know that? Do they understand that?

Mayor Short. For anyone who has questions, we are accessible and we will answer those questions as long as it doesn't violate any law. There are some things that we can't give you an answer for. We are trying to be transparent and we are trying to get the information out there.

Terrell Miller, 35 Windsor Dr. I just want to thank you for your service to the community and to the city. I elected you to come up here and make these hard decisions, go through these things, get into the nuts and bolts of that, to make the decision. I view y'all as having no personal agendas, looking out for the city as a whole and I want to thank you for doing that.

David Black, 1419 Siena Lane. I agree that about transparency, but I could quantify the transparency a little bit. How did you determine 16.5 was the number? Is there a budget for these funds? Is there a target for these separate funds you are setting up, which I agree it's good to set up reserve funds? But what's the plan for the money. Which money goes into which fund and that's not transparent so that does breed a lot of questions I suspect. Don't use social media, use the city's website. The funds are dwindling so it is good to have this reserve fund. It's good to see the numbers and how you came up with the money.

Council Member Dahl. Our CPA recommended that tax rate specifically as a break-even number for when the SAFER grant sunsets.

Mark Kipphut, 15 Fireside. In reviewing the recommended tax rate, I would challenge the council to do a little better job as has been heard tonight to validate that 0.165. I want to applaud the council for it's hard work and work it's doing for the city. I know each of you work hard. You're also taking on some very important issues that need to be addressed. These are questions that were created by Mayor Steinhagen and the prior two city councils that delivered unfulfilled requirements relative to unfunded requirements relative to ordinance enforcement, animal control, and ultimately fire. I fully support the need to, at a minimum, sustain the 15-cent tax rate and can be convinced it goes to 16 and a half. But you haven't convinced me yet. I believe the Chief has done a good job of scrubbing the numbers as you have gone through the work sessions. There were a lot of unnecessary and hasty decisions that were made first by Mayor Steinhagen and then by the prior council that forced through a creation of the city fire department against the recommendation of Chief Simmons. I think during that transition period he began to understand the need to have a more measured transition involving the MCVFD into the MCFR. I remind my fellow citizens that while we worry about this tax rate moving forward, the tax rate moving forward is a result of the tax rate or the budget excesses that occurred in the past. I know the city staff works hard and I encourage a relook at the city staff positions to make sure each job is positioned properly for success. As far as reserves, I am the strongest supporter there is that I know to create a discipline set of city reserves. Regarding future city services, we have to start planning now.

Bob Hermann, 1248 Wales Dr. I see that city planning is very important and city taxation is very important. I'm not opposed to a tax increase, but at the same time I don't know all the relative issues as to why. We are due for a major recession, and I'm sure you all know that. It's due for about 2021 from all the strategic planning. I think there are issues out there that this city is going to have to address relative to income and taxation. One thing you might look at is refinancing your bonds at a lower rate. Finally, with all the development going on around here, I think we need a liaison to deal with TxDOT.

Mayor Short closed the public hearing at 7:36 p.m.

Council took a recess at 7:36 p.m. and returned at 7:45 p.m.

6.5. Discuss the proposed Tax Rate and announce the second Tax Rate Public Hearing will be held September 10, 2019.

Council Member Bloom pointed out that the \$0.165 is the maximum tax rate and they haven't set that officially. I think all the input we have received tonight is helpful and we take it very seriously. We are working towards a fiscally responsible budget that makes sense and is completely transparent.

Council Member Woessner stated there are few cities that say they are uniquely served and that Rockwall County is proud to have us in their county. We are fighting every day to stay one and a half acres or larger to minimize changes and to keep taxes low. It's unfortunate that we have previous council members not have the vision of the 2019-2020 council who is having to mend their premature decisions. Yes, times are changing and McLendon Chisholm will have to grow with the times. But we don't have to lose who we are. If we go back to the rollback at \$0.12, I consider that we are saying that we are willing to file bankruptcy. To me, we will no longer have a fire department, period, end of discussion. I feel like we would have to go into the unincorporated area which would end up making us go into Rockwall and end up paying their taxes. Eventually that is what we would have to do if we go back to the twelve-cent rollback. If we stay at the fifteen cents, we will only be paying \$130 more than the rollback and to me it's almost like living check-to-check. You are taking a gamble and rolling the dice that businesses will come in and try to relieve us of any type of taxes being raised. But we can actually stay with the fire department that we have now, but just barely making it – check to check. If we go to the sixteen and a half, to me that is the better way to go. It's almost like a business investment. You would be paying \$195 a year more. We would be able to fund the fire department. We would actually have security of a solid plan for McLendon-Chisholm. It's kind of like planning for your retirement and that's just what makes sense to me. I think people tend to forget that we're not doing this to you, because we live here too. We're the ones who are being affected just like everyone else. Also, you should know that we volunteer up here, we all have families and jobs. If

anybody has a better idea, or any ideas, that you think that we're not hitting on, there's a website, Lisa has an e-mail, we each have e-mails, don't be shy. Come to us with something that is solid. If you can prove it and be transparent, bring it.

Council Member Kipphut asked if it would be beneficial to have a town hall.

Council Member Hodges pointed out they have already had two work sessions that nobody showed up at. If we knew fifty people would show up and we would get feedback, I'd be all for it. If the Council is willing to do that, I'm open to it. I'm all for being transparent, but transparency is a two-way street.

Council Member Woessner pointed out they cannot do it for them. They have to bring their questions to us.

Council Member Kipphut stated the transparency upsets her because there are so many different sources for getting information.

Bob Hermann suggested they put in writing why we're in this position.

6.6. Discussion and action regarding consideration of a Letter of Engagement with Wildan Financial Services to prepare a wastewater long-term financial plan including a wastewater rate analysis for an amount not to exceed \$9,000.

City Administrator Palomba gave background information regarding this item. She explained that Sonoma Verde subdivision is the only subdivision in McLendon-Chisholm receiving off-site sanitary services at this time. The City of Rockwall is a customer of North Texas Municipal Water District (NTMWD). The City of Rockwall invoices the City of McLendon-Chisholm for wastewater treatment. Any increase in fees from NTMWD is passed through to Rockwall and then passed through to McLendon-Chisholm. Residents of Sonoma Verde receive a monthly \$55 invoice for sewer services.

A sewer rate study was conducted in 2013 which indicated a suggested rate of \$69 per month. This study stated the recommended fee may need to be adjusted as conditions change. In 2016, the City Council reduced the rate to \$55. This current rate is inadequate to cover expenses and the rate for treatment increased in 2018 and is projected to increase again this year and each year thereafter for the unforeseeable future.

At the August 12, 2019 City Council Work Session, Dan Jackson, representative for Wildan Financial, provided information to Council related to conducting a rate study. The proposal includes a rate comparison of the City's current and proposed rates to the state average and surrounding communities; acquisition of data for analysis; updating

the rate model and preparation of alternative rate plans. When completed, Mr. Jackson will present his findings and recommendations to Council.

Wildan Financial has proposed a fee not to exceed \$9,000 for the study. This fee can be paid with funds in the utility fund in the current budget. The study will take approximately two months after the information has been gathered.

Council Member Hodges pointed out that this would take the politics out of the decision for the establishment of this rate.

City Administrator Palomba stated it would provide justification for the rate.

MOTION: APPROVE THE EXECUTION OF A LETTER OF ENGAGEMENT WITH WILDAN FINANCIAL SERVICES TO PREPARE A WASTEWATER LONG-TERM FINANCIAL PLAN INCLUDING A WASTEWATER RATE ANALYSIS FOR AN AMOUNT NOT TO EXCEED \$9,000.

MADE BY: Council Member Bloom
SECONDED BY: Council Member Hodges
APPROVED: Unanimous

6.7. Discussion and action regarding a Resolution accepting and approving the Texas Department of Transportation (TxDOT) Technical Report estimating a cost of \$4,538,718 to construct a new fire station to replace the existing McLendon-Chisholm Fire Rescue Station currently located on 1250 S. State Highway 205 as a result of proposed acquisition of the property by TxDOT for the purpose of widening State Hwy. 205

City Administrator Palomba explained that TxDOT, through an independent evaluator, has determined the estimated cost to construct a new fire station that meets all requirements for the McLendon-Chisholm Fire Rescue Station to replace the existing fire station is \$4,538,718. At this time, TxDOT is requesting the City provide a gesture of approval regarding the Technical Report including the replacement amount in order to move forward with a formal offer for fire station replacement costs.

Staff feels this is a fair amount to cover the cost of construction of a new fire station.

Council Member Hodges asked what will happen if the cost is over this amount.

City Administrator Palomba stated the City will have to cover the difference. However, Chief Simmons feels like this will be more than adequate.

Council Member Woessner asked what would happen to any money left over.

Chief Simmons stated it would stay in the department and have to be used for the facility.

Council Member Dahl asked about the money the City will receive from TxDOT for the acquisition of the property.

City Administrator Palomba stated they have not received an amount yet.

MOTION: APPROVE A RESOLUTION ACCEPTING AND APPROVING THE TEXAS DEPARTMENT OF TRANSPORTATION (TxDOT) TECHNICAL REPORT ESTIMATING A COST OF \$4,538,718 TO CONSTRUCT A NEW FIRE STATION TO REPLACE THE EXISTING McLENDON-CHISHOLM FIRE RESCUE STATION CURRENTLY LOCATED ON 1250 S. STATE HIGHWAY 205 AS A RESULT OF PROPOSED ACQUISITION OF THE PROPERTY BY TxDOT FOR THE PURPOSE OF WIDENING STATE HWY. 205.

MADE BY: Council Member Hodges
SECONDED BY: Council Member Bloom
APPROVED: Unanimously

7. REPORTS

- 7.1. Budget Report July 2019
- 7.2. Building Official Report July 2019
- 7.3. Sheriff's Report July 2019
- 7.4. McLendon-Chisholm Fire Rescue Report July 2019

No Reports

8. UPDATES, DISCUSSION AND DIRECTION TO STAFF

No Updates, Discussion or Direction to Staff

9. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

- 9.1. Mayor Short's Reports and announcements

Reminded everyone that Labor Day is coming up and we should be aware of extra traffic.

Reminded everyone that school has started and they should be aware of the kids.

Reported the Town Hall meeting with Senator Hall was a success and urged everyone to attend this type meeting in the future.

8.2. Council Member Kipphut's reports and announcements

The Brick Campaign is going well and about 60 bricks have been ordered. Reminded everyone that the deadline for the first order is September 13. They will be sending out an agenda for the Veteran's Day ceremony on September 11th.

She and Lisa have completed the initial scrub of the website and will continue to work on it as time allows.

8.3. Council Member Hodges' reports and announcements

None

8.4. Council Member Woessner's reports and announcements

Plans for MC50 celebration are proceeding to be held on October 19, 2019.

8.5. Mayor Pro Tem Bloom's reports and announcements

Encouraged citizens to submit applications to serve on the Economic Development Advisory Council.

8.6. Council Member Dahl's reports and announcements

None

12. ADJOURN

There being no further business to discuss, Mayor Short adjourned the meeting at 8:20 p.m.

ATTEST:

APPROVED:

Lisa Palomba, City Secretary

Keith Short, Mayor



City of McLendon-Chisholm

Staff Report

A Public Hearing will be held to receive comments regarding setting the Tax Rate to \$0.165000 per \$100 valuation on all taxable property for Fiscal Year starting October 1, 2019 and ending September 30, 2020.

DATE:

September 10, 2019

BACKGROUND OF ISSUE:

The City provided notice of the proposed Tax Rate in the Rockwall Herald Banner and posted notice on the City website as required by law. This is the second of two public hearings. The Tax Rate may not be adopted tonight. The last regular meeting to adopt the tax levy is September 24.

RECOMMENDATION:

No action is required following tonight's public hearing other than to announce that a vote on adopting the tax rate is scheduled for September 24, 2019 and the meeting will be held at City Hall, 1371 W. FM 550, McLendon-Chisholm.

Lisa Palomba, City Administrator



City of McLendon-Chisholm

Staff Report

Hold a Public Hearing to receive input regarding the proposed Annual Budget for Fiscal Year starting October 1, 2019 and ending September 30, 2020.

DATE:

September 10, 2019

BACKGROUND OF ISSUE:

The City provided notice of the proposed budget and public hearing date in the Rockwall Herald Banner and posted notice on the City website as required by law. Only one Public Hearing is required prior to adoption of the budget. The last regular meeting to timely adopt the budget is September 24, 2019.

Lisa Palomba, City Administrator



City of McLendon-Chisholm Staff Report

Discussion and action regarding an Ordinance approving and adopting the Budget for the Fiscal Year starting October 1, 2019 and ending September 30, 2020. Council may adopt the Budget this evening or may postpone adoption until September 24, 2019.

Date:

September 10, 2019

BACKGROUND OF ISSUE:

The annual budget for FY 2019-20 was created in accordance with Chapter 102 of the Texas Local Government Code. This budget was filed in the Office of The City Secretary, posted to the City's website and has been available for public inspection since August 23, 2019. A public hearing was held, following due publication of notice, on September 10, 2019 to receive public input regarding the budget.

The adoption of this budget also ratifies all budget amendments and transfers of appropriations budgeted from one account or activity to another for Fiscal Year 2018-2019 and amended to the extent of such transfers and amendments for all purposes.

ADDITIONAL INFORMATION:

City Council held a Special Work Session on August 6. During the meeting, the City Accountant reviewed the overall budget based on the rollback rate of 0.119743/\$100 valuation. Council provided feedback to staff and a second Special Work Session was scheduled for August 12.

At the August 12 Work Session, several tax rate scenarios were explored. Staff recommended a tax rate of 0.165000 to support existing operating and maintenance expenses similar to the current year but also providing for funds that will support the Fire Department as the SAFER Grant funds dwindle in FY 20-21 and expire in FY 21-22. Budgeting funds now ensures that grant funds in use now will be replaced by City funds when needed. Additionally, it provides an opportunity to establish a fund balance policy to set aside funds for fire capital equipment replacement as well as funds for unforeseen circumstances and revenue shortfalls. A sample fund balance policy is attached for discussion purposes. If Council desires to establish a fund balance policy, it should be adopted prior to the end of the fiscal year. The last regular meeting to timely adopt the policy is September 24, 2019 and the policy should be reviewed annually thereafter.

Staff has identified several reasons for the necessity of the proposed budget and tax rate:

- The rollback rate for FY 2019-2020 is lower than the effective rate this year due to extra debt payments that were applied the last two years. The extra debt payments “pushed” the rollback rate to a much higher number as debt service may rise as high as necessary to cover debt expenses including scheduled debt payments and any extra debt payments.
- This Council has indicated a preference to move funds from the debt side to the operating and maintenance side of the budget where funds are needed most to maintain and enhance services. This causes the rollback rate to decrease. This explains why the rollback rate is lower than the effective rate this year.
- In a past election, citizens voted for a portion of sales tax to be dedicated to property tax relief. This also causes the rollback rate to shrink by approximately a penny.
- The City also provides a 65 and older tax exemption which causes a loss of revenue.
- Currently the City has surplus funds but those funds are not dedicated for a particular purpose. This could cause confusion for the public as it may appear funds are available for general operating expenses and could suggest that a tax rate increase is unnecessary. Most cities maintain some level of fund balance and/or plan for future major purchases by establishing a Capital Improvement Fund. Fund balance amounts vary from city to city as priorities are determined by Council. Smaller cities generally maintain a higher level of fund balance as a percentage of the budget as compared to larger cities due to smaller cities having fewer revenue sources. A fund balance policy allows a city to consider fund balance needs when budgeting and setting a Tax Rate.
- A fund balance policy allows the City to dedicate funds for assigned or unassigned uses. The proposed 0.165000 Rate will provide a surplus of funds for 2019-2020 that may be applied to various fund balances including a Fire Capital Replacement Fund. A Fire Capital Replacement Fund will allow for the city to accumulate funds over time to replace outdated or worn equipment for the purpose of purchasing a new fire engine or other apparatus as considered necessary. A new fire engine could cost as much as \$800,000. Rather than issuing new debt when the replacement engine is required, adequate fund balance would allow the City to purchase the needed equipment without acquiring any new debt. Additionally, the City’s financial advisors suggest a fund balance policy for other uses such as revenue shortfalls or emergencies.
- If the City only adopts the rollback Tax Rate, the City will consume existing surplus in FY 2020-2021 when the SAFER Grant funds dwindle and the City must fund an additional \$218,000. Further, fire department operations will be unable to continue at the same service level when the SAFER Grant expires in FY 2021-2022 when the City must fund an additional \$252,000. Further, adopting only the rollback rate will not allow the City to adequately plan for unforeseen events or replacement of capital equipment.

- Council may want to consider that TxDOT is proposing a payment of 4.5 million dollars for a replacement fire station (See Item 6.7). This station will serve the City for many years and will not cost taxpayers anything to build. However, the station will not have adequate personnel for 24/7 fire operations without an increase in revenue when SAFER Grant funds expire.
- The proposed 0.165000 also allows for funds for code enforcement services allowing the City to enforce current ordinances related to health, safety welfare and protection of property values. Presently, the City does not have a Code Officer on staff.
- The proposed budget allows for a full animal control services contract. The current contract for animal control services will expire during the middle of the fiscal year. The current animal control services provider has indicated that the company will not renew any per call animal control contracts.
- The proposed 0.165000 allows for modest raises for some staff to be determined by Council and allows for the hiring of additional City Hall staff should the need arise during the year. No additional staff will be hired without Council approval.

FINANCIAL IMPACT:

Staff concludes that adopting a budget with a supporting Tax Rate of 0.165000 puts the City in a healthy financial position. This rate meets all operational and maintenance needs, ensures fire department operations continue at current service levels, provides for code enforcement services, contracted animal control services, modest raises for some staff and the hiring of one additional person should the need arise during the year. The proposed Tax Rate also allows for the establishment of a much needed fund balance policy to ensure the City can continue orderly operations in the event of an emergency or period of economic uncertainty and allows for the establishment of a Fire Capital Replacement Fund allowing the City to purchase needed items without incurring additional debt.

RECOMMENDATION:

Council must act on the budget following the public hearing. Council may adopt the budget tonight or may announce postponement until September 24, 2019. Staff recommends approval.

RECOMMENDED MOTION: I move to approve the Budget as presented for Fiscal Year starting October 1, 2019 and ending September 30, 2019.

Or

ALTERNATE MOTION: I move to postpone adoption of the Budget until the September 24, 2019 Regular City Council Meeting.

A roll call vote is required for budget action.

Lisa Palomba, City Administrator

ORDINANCE NO. 2019-

AN ORDINANCE OF THE CITY OF McLENDON-CHISHOLM, TEXAS APPROVING AND ADOPTING A BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2019 AND ENDING SEPTEMBER 30, 2020; PROVIDING THAT EXPENDITURES FOR SAID FISCAL YEAR SHALL BE MADE IN ACCORDANCE WITH SAID BUDGET; APPROPRIATING AND SETTING ASIDE THE NECESSARY FUNDS OUT OF THE GENERAL AND OTHER REVENUES FOR SAID FISCAL YEAR FOR THE MAINTENANCE AND OPERATION OF THE VARIOUS DEPARTMENTS AND FOR VARIOUS ACTIVITIES AND IMPROVEMENTS OF THE CITY; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, an annual budget for the fiscal year beginning October 1, 2019 and ending September 30, 2020 has been duly created by the budget officer of the City of McLendon-Chisholm, Texas, in accordance with Chapter 102 of the Texas Local Government Code; and

WHEREAS, the budget officer for the City has filed the proposed budget in the office of the City Secretary and the proposed budget was made available for public inspection and posted to the City's internet website in accordance with Chapter 102 of the Local Government Code; and

WHEREAS, a public hearing was held by the City in accordance with Chapter 102 of the Local Government Code, following due publication of notice thereof, at which time all citizens and parties in interest were given the opportunity to be heard regarding the proposed budget; and

WHEREAS, after full and final consideration, it is the opinion of the City Council that the 2019 - 2020 fiscal year budget as hereinafter set forth should be approved and adopted; and

WHEREAS, the adoption of said budget will require raising more revenue from property taxes than in the previous year.

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

SECTION 1. The above and foregoing recitals are true and correct and are incorporated into this Ordinance and made a part hereof for all purposes.

SECTION 2. That the budget of the revenue and expenditures necessary for conducting the affairs of the City of McLendon-Chisholm, Texas for the fiscal year beginning October 1, 2019, and ending September 30, 2020, a true and correct copy of which is attached hereto as Exhibit “A”, be and the same is hereby adopted and approved as the budget of the City of McLendon-Chisholm, Texas for the fiscal year beginning October 1, 2019, and ending September 30, 2020.

SECTION 3. That the expenditures during the fiscal year beginning October 1, 2019, and ending September 30, 2020, shall be made in accordance with the budget by departmental allocation approved by this Ordinance unless otherwise authorized by a duly enacted ordinance of the City of McLendon-Chisholm, Texas.

SECTION 4. That all budget amendments and transfers of appropriations budgeted from one account or activity to another within any individual activity for the fiscal year 2018-2019 are hereby ratified, and the budget Ordinance for fiscal year 2018-2019, heretofore enacted by the City Council, be and the same is hereby amended to the extent of such transfers and amendments for all purposes.

SECTION 5. Upon approval of the budget, the budget officer shall file the budget with the City Secretary, take action to ensure that a copy of the budget is posted to the City’s internet website and file a true and certified copy thereof with the County Clerk of Rockwall County, Texas.

SECTION 6. That all provisions of the Ordinances of the City of McLendon-Chisholm, Texas in conflict with the provisions of this Ordinance be and the same are hereby repealed, and all other provisions of the Ordinances of the City of McLendon-

Chisholm, Texas not in conflict with the provisions of this Ordinance shall remain in full force and effect.

SECTION 7. That should any word, sentence, paragraph, subdivision, clause, phrase or section of this Ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this Ordinance as a whole, or any part or provision hereof other than the part so decided to be invalid, illegal or unconstitutional.

SECTION 8. That this Ordinance shall take effect immediately from and after its passage as the law in such cases provides.

DULY PASSED by the City Council of the City of McLendon-Chisholm, Texas, on the 10th day of September 2019.

APPROVED:

Keith Short, Mayor

ATTEST:

Lisa Palomba, City Secretary

*Ordinance 2019 – 10
Approved 09/10/2019*



City of McLendon Chisholm

Fiscal Year 2019-2020

Proposed Budget

(Filed in the Office of the City Secretary August 23, 2019)

This budget will raise more revenue from property taxes than last year's budget by an amount of \$129,870 which is a 22.41% percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$53,296.

The members of the governing body voted on the budget at follows:

For:

Against:

Present and Not Voting:

Absent:

Property Tax Rate Comparison

	<u>2019-2020</u>	<u>2018-2019</u>
Property Tax Rate:	\$0.165000	\$0.150000
Effective Tax Rate:	\$0.142383	\$0.143801
Effective Maintenance & Operations Tax Rate:	\$0.140440	\$0.093335
Rollback Tax Rate:	\$0.119744	\$0.150000
Debt Rate:	\$0.024560	\$0.059265

Total debt obligation for City of McLendon-Chisholm secured by property taxes: \$2,128131.

City of McLendon-Chisholm
General Fund Proposed Budget
For the year to end September 30, 2020

	FY 2018 Actual	FY 2019 Projected	FY 2019 Budget	FY 2020 Proposed Budget
Revenue				
302 - Franchise Income	\$ 159,914	\$ 187,015	\$ 154,830	\$ 187,000
303 - Development Income	96,764	15,830	29,000	15,000
304 - Building Permit Income	570,038	331,845	492,419	330,000
305 - Municipal Court Income	2,118	1,859	300	1,800
306 - Interest Income	10,445	18,491	-	18,500
307 - Sign Permit Income	-	100	-	100
308 - Septic Fees	19,900	7,800	17,885	7,800
309 - Food Enforcement	900	1,050	600	1,250
310 - Sales Tax Revenue	206,341	205,514	154,603	205,750
311 - PID Admin Expense Reimbursement	150	43,190	4,750	-
313 - Donations	210	589	500	600
314 - Copies Public Inf. Income	203	133	-	130
315 - Miscellaneous Income	69,928	-	-	-
317 - Ad Valorem Tax	346,822	386,786	350,579	602,007
318 - Tax Certifications	8	71	-	75
320 - NSF Fee Revenue	8	-	-	-
321 - Credit Card Fee Revenue	1,529	553	1,501	550
Total Revenue	\$ 1,485,277	\$ 1,200,826	\$ 1,206,967	\$ 1,370,562
Expenditures				
Operating Expenditures				
401 - Municipal Court	\$ 1,515	\$ 7	\$ 1,515	\$ 50
402 - Election Expense	8,580	12,069	10,000	12,250
410 - Building Inspections	117,752	118,400	155,818	117,742
411 - Environment Regulation Expense	9,905	6,255	10,465	6,255
414 - Animal Control	-	-	-	18,000
415 - Section 380 Grant Program	1,931	3,764	-	3,800
416 - Bad Debt	20,620	-	-	-
418 - Membership Fees	3,840	1,556	3,000	1,575
422 - Public Notice Expense	3,463	10,946	2,243	9,150
423 - Community Functions	1,781	156	5,464	500
426 - Appraisal District Collection	5,883	4,798	5,883	5,000
430 - Public Safety	116,417	285,659	375,211	306,555
Total 400 Operating Expenditures	291,687	443,610	569,599	480,877

City of McLendon-Chisholm
General Fund Proposed Budget
For the year to end September 30, 2020

	FY 2018 Actual	FY 2019 Projected	FY 2019 Budget	FY 2020 Proposed Budget
Occupancy Expenditures				
502 · Electricity	\$ 3,712	\$ 2,665	\$ 3,915	\$ 2,700
506 · Water	8,892	3,390	8,952	4,000
510 · Propane Gas	-	-	788	788
512 · Trash Pickup		444		1,344
514 · Building Maint/Improvements	6,145	12,192	5,356	12,200
516 · Lawn Maintenance	8,829	8,220	8,144	8,500
518 · Janitorial	4,281	-	4,181	-
520 · Telephone & Internet	7,444	5,418	7,593	6,900
522 · Website Expense	1,826	778	1,202	1,000
Total 500 Occupancy Expenditures	\$ 41,130	\$ 33,107	\$ 40,131	\$ 37,432
General & Administrative Expenditures				
603 · Citizen Recognition	-	-	500	-
604 · Municipal Manuals, Books & Maps	1,022	70	12,803	250
606 · Employee Costs	247,144	171,510	199,218	222,455
618 · Liability Insurance	9,896	5,872	9,227	7,517
619 · Software Subscriptions	7,757	18,646	15,000	19,000
621 · IT Support	2,880	5,225	5,000	5,500
622 · Office Supplies - City Hall	3,195	2,942	3,124	3,000
623 · Office Equipment	2,654	2,562	2,655	2,600
624 · Office Equip Maintenance	5,614	1,243	2,798	1,500
625 · Printed Materials	2,192	1,660	1,502	1,700
626 · Postage-City Hall	3,485	3,253	3,491	1,410
627 · County Play Expense	150	-	-	-
628 · Bank Fees	1,600	1,468	1,010	1,500
630 · Legal & Professional				
63001-Accounting & Payroll services	64,129	56,130	50,000	52,514
63002 - Financial Audit	8,800	9,500	15,000	15,000
63003 - Legal	116,007	35,030	124,000	40,000
63005 - City Planner	41,157	46,747	26,376	45,000
63008 - Financial Consulting	-	25,555	-	26,000
63009 - Engineering				15,000
633 · Penalties & Fees	0	32	-	-
645 · Transcription Services	1,238	3,104	-	-
646 · Mileage Expense	950	484	1,052	500

City of McLendon-Chisholm
General Fund Proposed Budget
For the year to end September 30, 2020

	FY 2018 Actual	FY 2019 Projected	FY 2019 Budget	FY 2020 Proposed Budget
647 · Council Meetings & Development	1,369	591	3,996	650
648 · Training	6,377	6,602	5,000	6,750
649 · Expense Account - City Administrator	-	-	126	-
650 · Expense Account - Mayor	-	-	105	-
652 · Staff Appreciation	29	760	200	850
655 · Code of Ordinance	1,375	1,000	8,000	3,500
699 · Miscellaneous Expense	98	246	150	
Total G & A Expenditures	\$ 529,118	400,232	\$ 490,333	\$ 472,196
700 · Capital Expenditures - Public Safety	\$ 250,341	\$ 80,038	\$ 60,000	\$ 15,000
700 · Capital Expenditures - Operating	\$ 17,166	\$ 19,400	\$ 32,000	\$ 35,000
Total Capital Expenditures	\$ 267,507	\$ 99,438	\$ 92,000	\$ 50,000
Total Expenditures	\$ 1,129,442	\$ 976,387	\$ 1,192,063	\$ 1,040,505
Surplus (Deficit)	\$ 355,835	\$ 224,439	\$ 14,904	\$ 330,057

City of McLendon-Chisholm
Utility Fund Proposed Budget
For the year to end September 30, 2020

	FY 2018 Actual	FY 2019 Projected	FY 2019 Budget	FY 2020 Proposed Budget
Revenue				
306 · Interest Income	\$ 5,522	\$ 9,237	\$ 5,206	\$ 9,750
Sewer Utility Revenue				
32200 · Sewer Usage Fees	159,079	212,116	159,653	228,360
32201 · Sewer Tap Fees	219,000	129,000	189,000	72,000
32204 · Sewer Deposit Refunds	(1,720)	(1,063)	(1,540)	(1,100)
Transfer from Surplus		-	-	49,554
Total Revenue	\$ 381,881	\$ 349,290	\$ 352,319	\$ 358,564
Expenditures				
Operation & Maintenance Expenditures				
Sewer Operation & Maintenance				
41304 · O&M Agreement	48,892	32,456	\$ 47,136	\$ 33,570
41305 · O&M Maintenance		34,945	\$ -	\$ 36,000
41310 · Sewer Treatment	93,886	203,328	78,000	231,794
41312 · Tap Fee Developer Rebate	131,400	77,400	113,400	43,200
Total Operations Expenditures	\$ 274,178	\$ 348,129	\$ 238,536	\$ 344,564
600 · General & Administrative Exp	\$ 16,733	\$ 9,359	\$ 13,260	\$ 14,000
Total Expenditures	\$ 290,911	\$ 357,488	\$ 251,796	\$ 358,564
Surplus (Deficit)	\$ 90,970	\$ (8,198)	\$ 100,523	\$ -

City of McLendon-Chisholm
Interest and Sinking Fund Proposed Budget
For the year to end September 30, 2020

	FY 2018 Actual	FY 2019 Projected	FY 2019 Budget	FY 2020 Proposed Budget
Revenue				
Ad Valorem Tax				
317 · Ad Valorem Tax	\$ 236,763	252,330	\$ 228,985	\$ 107,427
306 · Interest Income	1,898	6,795	-	\$ 3,250
Transfer from Excess Bond Proceeds	62,532	-	-	
Transfer From Surplus	33,714	-	-	\$ 30,968
Total Revenue and Transfers In	\$ 334,907	\$ 259,125	\$ 228,985	\$ 141,645
Expenditures				
628 · Bank Fees Expense		6,850		
660 · Bond Interest Expense	\$ 61,344	59,868	\$ 59,862	\$ 58,113
802 · Bond Cost Amortization	2,912	2,916	-	\$ 2,912
803 · Bond Premium Amortization	(10,107)	(9,936)	-	\$ (9,381)
Transfer To Bond Principal	85,000	85,000	85,000	\$ 90,000
Transfer to Early Redemption Sinking Fund	189,934	78,512	78,512	\$ -
Total Expenditures and Transfers Out	\$ 329,083	\$ 223,210	\$ 223,374	\$ 141,644
Surplus (Deficit)	\$ 5,824	\$ 35,915	\$ 5,611	\$ 0

City of McLendon-Chisholm
Public Safety Supporting Detail
General Fund Budget Line Item 430



Revenue

313 · Donations	
315 · County Contract	\$ 67,500
319 · Grants	252,000
Total Revenue	\$ 319,500

Expenditures

Operating Expenditures

43001 · Liability Insurance	\$ 21,211
43002 · Fuel	10,000
43003 · Maintenance & Repair - Vehicles	8,000
43004 · Station Maintenance and Operations	12,000
43005 · Gear and Supplies	23,000
43006 · Compliance	6,000
43008 · Dispatch	10,000
43009 · Training	10,000
43011 · Radio Maintenance	12,000
43030 · EMS	3,000
43035 · Street Lights	2,900

Total 400 Operating Expenditures	118,111
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General & Administrative Expenditures

60601 · Staff Salaries	425,769
60609 · Payroll Tax Expense	32,571
60612 · Retirement Plan Contributions	11,306
60613 · Health Insurance Expense	38,298

Total G & A Expenditures	\$ 507,944
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Total Expenditures	\$ 626,055
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Surplus (Deficit)	\$ (306,555)
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City of McLendon-Chisholm

Staff Report

Discussion and action regarding a Resolution updating the City's Investment Policy.

DATE:

September 10, 2019

BACKGROUND OF ISSUE:

The City adopted Ordinance 2017-17 approving an Investment Policy. The Investment Policy must be reviewed each year by Council as part of the budget process. A resolution must be adopted confirming any changes or must contain a statement that the policy has been reviewed and no changes were made. Resolution 2018-27 confirmed Council reviewed the policy in 2018 and did not make any changes.

Staff recently reviewed the current Investment Policy and has recommended minor language changes for policy clarification, but is not suggesting any changes to investment strategies other than clarification of objectives and further defining that investment officers must disclose business relationships as suggested by the City Attorney. Recommended changes are redlined. A clean copy is also provided.

RECOMMENDATION:

Staff recommends approval of the Resolution.

SUGGESTED MOTION:

I move to approve the Resolution approving the Investment Policy as presented.

Or

I move to approve the Resolution approving the Investment Policy with the following changes:

Lisa Palomba, City Administrator

**CITY OF McLENDON-CHISHOLM
RESOLUTION NO. 2019-**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF McLENDON-CHISHOLM, TEXAS DECLARING THAT THE CITY COUNCIL COMPLETED ITS REVIEW OF THE INVESTMENT POLICY, PROVIDING POLICY UPDATES AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of McLendon-Chisholm, Texas (the “City”), in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, adopted Ordinance 2017-17 approving and adopting an Investment Policy which is set forth in Division 2 of Article 1.04 of the City’s Code of Ordinances; and

WHEREAS, the Public Funds Investment Act requires the governing body of the City to annually review its Investment Policy regarding the investment of City funds and funds under its control and adopt a Resolution stating it has reviewed the Investment Policy and investment strategies and recorded any changes; and

WHEREAS, the City Council has completed its review of the Investment Policy and investment strategies required by the Public Funds Investment Act, is making minor language change to the Investment Policy and minor changes to investment strategies adding further clarification of objectives and required disclosures and desires to adopt this Resolution memorializing this action.

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 and are incorporated herein.

*Resolution No. 2019-
Approved 09/10/2019*

SECTION 2: That the City Council has completed its review of the Investment Policy and investment strategies and is making minor policy updates as set forth in the 2019-2020 Investment Policy.

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

DULY PASSED AND APPROVED THIS THE 10th DAY OF SEPTEMBER 2019.

Keith Short, MAYOR

ATTEST:

Lisa Palomba, CITY SECRETARY

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City of McLendon-Chisholm

2019-2020 Investment Policy

Purpose

It is the objective of the City of McLendon-Chisholm to invest public funds in a manner which will provide maximum security and the best commensurate yield while meeting the daily cash flow demands of the City and conforming to all federal, state, and local statutes, rules and regulations governing the investment of public funds. This Policy serves to satisfy the statutory requirements of defining and adopting a formal investment policy. The Policy and investment strategies may be reviewed annually by the Audit/Finance Committee and will be reviewed annually by the City Council who will formally approve any modifications. This Investment Policy, as approved, is in compliance with the provisions of the Public Funds Investment Act, Texas Government Code Chapter 2256.

Scope

This Investment Policy applies to the investment activities of the City of McLendon-Chisholm, Texas. All financial assets of all funds, including the General Fund and any other accounts, unless explicitly excluded by this policy's guidelines, are included. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR). These funds, as well, as others that may be created from time to time, shall be administered in accordance with the provisions of this policy.

In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) shall be governed and controlled by their governing ordinance and by the provisions of the Tax Reform Act of 1986, including all regulations and rulings promulgated there under applicable to the issuance of tax-exempt obligations.

- 1) Funds covered by this Policy which may be managed as a pooled fund group:
 - a) General Reserve Fund
 - b) Utility Revenue Fund
 - c) Debt Service Fund
 - d) Capital Project Fund
 - e) Any new fund created by the City unless specifically exempted from this policy by the City or by law.

This Investment Policy shall apply to all transactions involving the financial assets and related activity of all the foregoing funds.

- 2) Funds covered by this Policy and managed as separately invested assets:
 - a) Bond Funds – funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the pooled funds portfolio will result in maximum interest earning retention on the provisions of the Tax Reform Act of 1986.
 - b) Endowment Funds – funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.

- 3) This Policy shall not govern funds, which are managed under separate investment programs in accordance with the Texas Government Code Section 2256.004. Such programs currently include all funds related to employee retirement programs, other funds established by the City for deferred employee compensation, and certain private donations. The City shall and will maintain responsibility for these funds to the extent required by federal and state law and donor stipulations.
- 4) This Policy does not apply to the monies held in escrow to retire bonds which are subject to defeasance requirements stated under their respective bond ordinances.

Review and Amendment

The City Council is required by state statute and by this Investment Policy to review this Investment Policy and investment strategies not less than annually and to adopt a resolution or an ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements.

Public Trust

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and Local Law.

Investment Strategy

Preservation of capital is the foremost objective of the City. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of a security or from erosion of market value. The City will maintain portfolios which utilize investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios. Preservation and safety of principal shall be the foremost investment objective in each of the portfolios. Liquidity is the second objective. Liquidity's importance to each fund group is emphasized in the following paragraphs. Yield and diversification shall also be a consideration and shall be in compliance with the guidelines set forth in the Investment Policy.

- A. **Operating Funds** – Investment strategies for these funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short-to-medium term securities which will complement each other in a laddered or barbell maturity structure.
- B. **Debt Service Funds** – Investment strategies for these funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. If the annual debt service obligation is covered, the securities may be purchased that have a stated final maturity date which exceeds the debt service payment date.
- C. **Reserve Funds** – Investment strategies for these funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate fund from securities with a low to moderate degree of volatility. Securities should be of high

quality and, except as may be required by any bond ordinance specific to an individual issue, of intermediate to longer-term maturities.

- D. **Capital Project Funds** – Investment strategies for these fund portfolios shall have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays.

Objectives

The City shall manage and invest its cash with the objectives listed in priority order: Safety; Liquidity; Marketability; Diversification; Yield and Public Trust. Safety of principal invested is always the primary objective.

- A. **Safety** – The primary objective of the City's investment activity is preservation of capital. Each investment transaction shall be conducted in a manner to avoid loss of capital.
- B. **Liquidity** – The City's investment portfolio shall remain sufficiently liquid to enable the City to meet operating requirements that may be reasonably anticipated. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from the date of purchase.
- C. **Marketability** – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and ask prices of a particular security type of less than a quarter of a percentage point shall define an efficient secondary market.
- D. **Diversification** – Investment maturities shall be staggered to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure will reduce market cycle risk.
- E. **Yield** – The investment portfolio shall be designed with the objective of regularly exceeding the average rate of return on a six-month U.S. Treasury Bill. The City's investment risk constraints and cash flow needs shall be taken into consideration.

Management and Internal Controls

Controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or investment Officers of the City.

Controls and managerial emphasis deemed most important that shall be employed include the following:

Imperative Controls

1. ACH & Wire transfer controls
 - a. ACH & Wire transfer are only allowed between Financial Institutions listed on Exhibit A of this document.
 - b. Any addition of new Financial Institutions for ACH & Wire transfers must be approved by updating the Investment Policy by resolution/ordinance of City Council.

- c. Dispersal of City Funds to entities not listed on Exhibit A must be made by counter signed checks drawn on the City's operating account.
- d. Institutions listed on Exhibit A will acknowledge in writing their receipt, understanding and willingness to comply with the City's controls.
- 2. Custodian safekeeping confirmation notices records management
- 3. Documentation of investment bidding events
- 4. Written confirmation of telephone transactions
- 5. Reconcilements and comparisons of security confirmation notices with the investment records
- 6. Verification of all interest income and security purchase and sell computations

Investment Committee

Members – The Investment Committee will consist of one Council Member; City Administrator City Secretary-Treasurer and an outside investment advisor if needed. The City Attorney will act as a legal advisor to the Investment Committee. In the event of a vacancy, the remaining officers will confer and forward recommendations to Council for approval.

Scope – The Investment Committee shall meet at least annually to determine general strategies, investment guidelines and to monitor results. Included in its deliberations will be such topics as: economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized broker/dealers (if applicable) and depository institutions, as well as the target rate of return on the investment portfolio

Procedures – The Investment Committee shall provide meeting summations to all members. Any two members of the Investment Committee may request a meeting. Three members must ordinarily be present to meet. Only two members must be present to meet if the City Administrator and City Secretary positions remain one combined position. Investment Committee member may confer by electronic media or by phone if unavailable to physically meet. The investment Committee may establish its own rules of procedures. The Committee shall make recommendations to the City Council for any proposed changes to policy.

Delegation of Authority and Training

Authority to manage the City's investment program is derived from a resolution of the City Council. The resolution designates the City Administrator and the City Secretary-Treasurer as Co-Investment Officers (C-IOs) for the City. Day to day activities may be delegated to a responsible individual(s) who has received the appropriate training required by state statute. The C-IOs shall be responsible for all transactions undertaken and shall establish a system of controls and compliance audit to regulate the activities of persons authorized to execute investment transactions.

The investment officers and persons authorized to execute investment transactions shall attend training sessions of at least 10 hours in compliance with Section 2256.008 of the Act within 12 months after taking office or assuming duties and at least 8 hours every two years thereafter. The training must include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act. The investment training shall be sponsored, accredited or endorsed by the Government Treasurers Organization of Texas

(GTOT), Center for Public Management at the University of North Texas (UNT), Government Finance Officers Association of Texas (GFOAT), Texas Municipal League (TML), North Central Texas Council of Governments(NCTCOG) Association of Public Treasurers United States & Canada (APT US & C), and Government Finance Officers' Association (GFOA).

Safekeeping and Custody

The C-IOs shall establish written procedures for the operation of the investment program, consistent with this Investment Policy. Procedures shall include reference to safekeeping and reporting of the portfolio market value for securities held in safekeeping, banking service contracts and collateral. Securities and collateral will be held by a third-party custodian designated by the City or by the Federal Reserve Bank and held in the City's name as evidenced by safekeeping receipts of the institution with which the securities are deposited. The Market value of the securities and collateral shall be reported at least monthly by the custodians. Any substitutions and / or releases of collateral must be approved by a C-IO or another person qualified to execute investment transactions designated by the C-IOs. All collateral must have a market value of 103% of the original purchase price of the investment (less FDIC or NCUSIF insurance) plus accrued interest.

Prudent Investor Rule

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule which states: ***"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."***

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- A. The investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- B. Whether the investment decision was consistent with the written investment policy of the entity.

Investment staff shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust. Nevertheless, the City recognizes that in a marketable, diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment rate of return.

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City staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. An investment officer of the City, who has a personal business relationship and/or a relationship by blood or marriage within the second degree, as defined in the PFIA Section 2256.005, with a financial organization seeking to sell an investment

to the City shall file a disclosure statement with the Texas Ethics Commission, the City Council, and the City Administrator.

An investment officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship with the Texas Ethics Commission and the City Council. For purposes of this section, an investment officer has a personal business relationship with a business organization if: (1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization; (2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or (3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer. Investment officials of the City shall refrain from personal and business activities involving any of the City's custodians, depositories, broker/dealers or investment advisors which may influence the officer's ability to conduct his duties in an unbiased manner. Investment officials will not utilize investment advice concerning specific securities or classes of securities obtained in the transaction of the City's business for personal investment decisions, will in all respects subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchase and sales and will keep all investment advice obtained on behalf of the City and all transactions contemplated and completed by the City confidential, except when disclosure is required by law.

Liability

Investment and management staff acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of the securities are carried out in accordance with the terms of this policy.

Investment Safeguards

Cash Flow – Investment staff of the City will maintain a cash flow analysis which identifies the present and future cash requirements. The investment portfolio (utilizing cash flow analysis) will be structured such that the selling of securities prior to maturity for the purpose of meeting daily cash needs would be on an exception basis only.

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The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification which shall be achieved by the following general guidelines:

- A. Risk of issuer default is controlled by limiting investments to those instruments allowed by the Act, which are described herein;
- B. Risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, limitation of the weighted average maturity of operating funds investments to less than 18 months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities, and U.S. Agency Obligations or Securities and authorized investment pools.
- C. Risk of illiquidity due to technical complications shall be controlled by the selection of securities dealers as described herein.
- D. Concentration of credit risk is controlled by limiting the amount of investment with a single issuer to no more than 35% of the total portfolio with the exception of State approved investment pools and U.S. Government Securities and Agency Obligation.
- E. Custodial credit risk is minimized by requiring pledged securities to be in the name of the City.

Authorized Investments

Assets of the City may be invested in the following instruments if deemed an authorized investment pursuant to the Act, Chapter 2256 Texas Government code, as amended:

- A. Obligations of the United States of America, its agencies and instrumentalities;
- B. Direct obligations of the State of Texas or its agencies and instrumentalities;
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or the respective agencies and instrumentalities, including obligations that are fully insured or guaranteed by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- D. Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- E. Certificates of deposit issued by a depository institution that has its main office or a branch office in Texas, to include certificates of deposit purchased through the Certificate of Deposit Account Registry Service (CDARS) program from a Texas Bank. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor or the National Credit Union Share Insurance Fund (NCUSIF) or its successor and secured by acceptable collateral securities in the name of or benefit of the City and have a market value of at least 103% of the original purchase price (less FDIC or NCUSIF insurance) plus accrued interest.
- F. Public Funds Investment pools in the State of Texas which follow practices allowed by the current law and whose investments may consist of CD's, U.S. Treasuries, U.S. Government Agency Securities, U.S. Government Sponsored Corporation's Instruments, Commercial Paper or other investment instruments permitted by law.

- G. Commercial Paper and Banker's Acceptances that have met all requirements of state law, including ratings, term and security.
- H. The City is not required to liquidate investments that were an authorized investment at the time of purchase.
- I. If an authorized investment in the City's portfolio is rated in a way that causes it to become an unauthorized investment, the investment committee shall review the investment to determine whether it would be more prudent to hold the investment until its maturity, or to redeem the investment. The committee shall consider the time remaining until maturity of the investment, the quality of the investment, and the quality and amounts of collateral which may be securing the investment in determining the appropriate steps to take.
- J. The City requires that all City depository accounts have sufficient pledged collateral, valued at market, held by a third-party custodian designated by the City in the City's name, and secured at 103% of the City balances less the amount of FDIC or NCUSIF insurance at all times.

The following is the maximum goal for various types of authorized deposits (shown as a percentage of total investments) for each type of investment. The percentages are based mainly on the safety and liquidity of the investment and to obtain the overall highest rate of return with appropriate risk for the City.

1. Collateralized Certificates of Deposits (CD's):	50%
2. U.S. Treasury Obligations:	100%
3. Municipal Investment Pool (MIP)	100%
4. Commercial Bank Savings Accounts:	15%
5. U.S. Government Agency Securities – non-callable:	100%
6. U.S. Government Agency Securities – callable:	50%
7. U.S Government Sponsored Corporation's Instruments – non-callable:	75%
8. U.S Government Sponsored Corporation's Instruments – callable:	50%
9. State or Local Governmental Obligations:	30%
10. Local Government Investment Pools (LGIP)	100%

Term of Investments

The maximum term of any investment may not exceed three (3) years. Purchases of securities with stated maturities greater than the maximum authorized term require prior City Council approval.

Prohibited Investments

This Investment Policy specifically prohibits investment in the types of securities listed below:

- 1. Obligations, whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- 2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears on interest.

3. All Collateralized mortgage obligations excluding those purchased by state authorized investment pools.
4. Reverse repurchase agreements.

Transaction Bids

Transaction bids may be obtained orally, in writing, electronically, or in any combination of these methods. At least three competitive bids for individual security purchases are required, however this provision excludes transactions involving money market mutual funds, local government investment pools, securities issued and deemed to be made at prevailing market rates, or a reinvestment of funds from a called security with the original broker.

Transaction Settlements

The settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Reporting

The C-IOs shall submit a signed quarterly investment report to the City Council that contains the information required by the Public Funds Investment Act including but not limited to:

1. Describing in detail the investment position of the entity on the date of the report;
2. Stating the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
3. Stating the maturity date of each separately invested asset that has a maturity date; and
4. Stating the compliance of the investment portfolio of the city as it relates to the investment strategy stated in the City's Investment Policy

Document Retention

As recommended by the Texas State Library and Archives Commission, the guidelines of retaining records for five years from the applicable fiscal year end should be followed for investment funds other than bond proceeds. The C-IOs shall oversee the filing and/or storing of investment records.

Selection of Banks, Brokers and Security Dealers

Depository – City Council shall, by ordinance, “select and designate one or more banking institutions as the depository for the monies and funds of the City” in accordance with the requirement of Texas Local Government Code Chapter 105. At least every three (3) years a depository shall be selected through the City's banking services procurement process as defined by the Investment Committee. This process shall include but is not limited to the following criteria:

1. Qualified as a depository for public funds in accordance with state and local laws.
2. Offered lowest net banking service cost, consistent with the ability to provide an appropriate level of service.

3. Met credit worthiness and financial standards.

For brokers and dealers of government securities the City may select only those dealers reporting to the Market Reports Division of the Federal Reserve Board of New York also known as the "Primary government Security Dealers." Investment officials shall not knowingly conduct business with any firm with whom public entities have sustained losses on investments. All securities dealers shall provide the City with references from public entities which they are currently serving. The city shall review the list of brokers on an annual basis pursuant to Section 2256.025 of the Public Funds Investment Act.

All Financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

1. Audited financial statements
2. Proof of National Association of Securities Dealers (NASD) certification
3. Proof of state registration
4. Certification of having read the City's Investment Policy signed by a qualified representative of the organization
5. Acknowledgement that the organization has implemented reasonable procedures and control in an effort to preclude investment activities not authorized by this policy arising out of investment transactions conducted between the City and the organization.
6. The list of brokers/dealers, financial institutions, banks and investment pools contained in exhibit A are authorized to conduct investment business with the City.

Investment Policy Adoption

The City of McLendon-Chisholm Investment Policy shall be adopted by ordinance of the City Council. The City Council shall review this Investment Policy and investment strategies annually and any modifications made thereto must be approved by the City Council.

EXHIBIT A

Financial institutions, Banks and Investment Pools Authorized to Conduct Investment Business with the City

Alliance Bank, 6130, South FM 549, Rockwall, TX 75032

TexPool, 1001 Texas Avenue, Houston, TX 77002

LOGIC, 1201 Elm Street, Suite 3500, Dallas, TX 75070

Wilmington Trust, 15950 N. Dallas Parkway, Suite 550, Dallas, TX 75248

City of McLendon-Chisholm

2019-2020 Investment Policy

Purpose

It is the objective of the City of McLendon-Chisholm to invest public funds in a manner which will provide maximum security and the best commensurate yield while meeting the daily cash flow demands of the City and conforming to all federal, state, and local statutes, rules and regulations governing the investment of public funds. This Policy serves to satisfy the statutory requirements of defining and adopting a formal investment policy. The Policy and investment strategies ~~may~~ shall be reviewed annually by the Audit/Finance Committee and will be reviewed annually by the City Council who will formally approve any modifications. This Investment Policy, as approved, is in compliance with the provisions of the Public Funds Investment Act, Texas Government Code Chapter 2256.

Scope

This Investment Policy applies to the investment activities of the City of McLendon-Chisholm, Texas. All financial assets of all funds, including the General Fund and any other accounts, unless explicitly excluded by this policy's guidelines, are included. These funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR). These funds, as well, as others that may be created from time to time, shall be administered in accordance with the provisions of this policy.

In addition to this Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) shall be governed and controlled by their governing ordinance and by the provisions of the Tax Reform Act of 1986, including all regulations and rulings promulgated there under applicable to the issuance of tax-exempt obligations.

- 1) Funds covered by this Policy which may be managed as a pooled fund group:
 - a) General Reserve Fund
 - b) Utility Revenue Fund
 - c) Debt Service Fund
 - d) Capital Project Fund
 - e) Any new fund created by the City unless specifically exempted from this policy by the City or by law.

This Investment Policy shall apply to all transactions involving the financial assets and related activity of all the foregoing funds.

- 2) Funds covered by this Policy and managed as separately invested assets:
 - a) Bond Funds – funds established with the proceeds from specific bond issues when it is determined that segregating these funds from the pooled funds portfolio will result in maximum interest earning retention un the provisions of the Tax Reform Act of 1986.
 - b) Endowment Funds – funds given to the City with the instructions that the principal is to remain intact, unless otherwise agreed to, and the income generated by the investments will be used for specified purposes.

3) This Policy shall not govern funds, which are managed under separate investment programs in accordance with the Texas Government Code Section 2256.004. Such programs currently include all funds related to employee retirement programs, other funds established by the City for deferred employee compensation, and certain private donations. The City shall and will maintain responsibility for these funds to the extent required by federal and state law and donor stipulations.

3)
4) This Policy does not apply to the monies held in escrow to retire bonds which are subject to defeasance requirements stated under their respective bond ordinances.

Review and Amendment

The City Council is required by state statute and by this Investment Policy to review this Investment Policy and investment strategies not less than annually and to adopt a resolution or an ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements.

Public Trust

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and Local Law.

Investment Strategy

[Preservation of capital is the foremost objective of the City. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of a security or from erosion of market value.](#) The City will maintain portfolios which utilize investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios. Preservation and safety of principal shall be the foremost investment objective in each of the portfolios. Liquidity is the second objective. Liquidity's importance to each fund group is emphasized in the following paragraphs. Yield and diversification shall also be a consideration and shall be in compliance with the guidelines set forth in the Investment Policy.

- A. **Operating Funds** – Investment strategies for these funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short-to-medium term securities which will complement each other in a laddered or barbell maturity structure.
- B. **Debt Service Funds** – Investment strategies for these funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. If the annual debt service obligation is covered, the securities may be purchased that have a stated final maturity date which exceeds the debt service payment date.
- C. **Reserve Funds** – Investment strategies for these funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate fund from securities with a low to moderate degree of volatility. Securities should be of high quality

and, except as may be required by any bond ordinance specific to an individual issue, of intermediate to longer-term maturities.

- D. **Capital Project Funds** – Investment strategies for these fund portfolios shall have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays.

Objectives

The City shall manage and invest its cash with the objectives listed in priority order: Safety; Liquidity; Marketability; Diversification; Yield and Public Trust. Safety of principal invested is always the primary objective.

- A. **Safety** – The primary objective of the City's investment activity is preservation of capital. Each investment transaction shall be conducted in a manner to avoid loss of capital.
- B. **Liquidity** – The City's investment portfolio shall remain sufficiently liquid to enable the City to meet operating requirements that may be reasonably anticipated. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from the date of purchase.
- C. **Marketability** – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and ask prices of a particular security type of less than a quarter of a percentage point shall define an efficient secondary market.
- D. **Diversification** – Investment maturities shall be staggered to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure will reduce market cycle risk.
- E. **Yield** – The investment portfolio shall be designed with the objective of regularly exceeding the average rate of return on a six-month U.S. Treasury Bill. The City's investment risk constraints and cash flow needs shall be taken into consideration.

Management and Internal Controls

Controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or investment Officers of the City.

Controls and managerial emphasis deemed most important that shall be employed include the following:

Imperative Controls

- 1. ACH & Wire transfer controls
 - a. ACH & Wire transfer are only allowed between Financial Institutions listed on Exhibit A of this document.
 - b. Any addition of new Financial Institutions for ACH & Wire transfers must be approved by updating the Investment Policy by resolution/ordinance of City Council.

- c. Dispersal of City Funds to entities not listed on Exhibit A must be made by counter signed checks drawn on the City's operating account.
- d. Institutions listed on Exhibit A will acknowledge in writing their receipt, understanding and willingness to comply with the City's controls.
- 2. Custodian safekeeping confirmation notices records management
- 3. Documentation of investment bidding events
- 4. Written confirmation of telephone transactions
- 5. Reconcilements and comparisons of security confirmation notices with the investment records
- 6. Verification of all interest income and security purchase and sell computations

Investment Committee

Members – The Investment Committee will consist of one Council Member; City Administrator; City Secretary-Treasurer and an outside investment advisor if needed. ~~The investment advisor is a non-voting member. When needed, the City Attorney will act as a legal advisor to the Investment Committee. In the event of a vacancy, the remaining officers will confer and forward recommendations to Council for approval.~~

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- B. Direct obligations of the State of Texas or its agencies and instrumentalities;
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or the respective agencies and instrumentalities, including obligations that are fully insured or guaranteed by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- D. Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- E. Certificates of deposit issued by a depository institution that has its main office or a branch office in Texas, to include certificates of deposit purchased through the Certificate of Deposit Account Registry Service (CDARS) program from a Texas Bank. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor or the National Credit Union Share Insurance Fund (NCUSIF) or its successor and secured by acceptable collateral securities in the name of or benefit of the City and have a market value of at least 103% of the original purchase price (less FDIC or NCUSIF insurance) plus accrued interest.
- F. Public Funds Investment pools in the State of Texas which follow practices allowed by the current law and whose investments may consist of CD's, U.S. Treasuries, U.S. Government Agency Securities, U.S. Government Sponsored Corporation's Instruments, Commercial Paper or other investment instruments permitted by law.

- G. Commercial Paper and Banker's Acceptances that have met all requirements of state law, including ratings, term and security.
- H. The City is not required to liquidate investments that were an authorized investment at the time of purchase.
- I. If an authorized investment in the City's portfolio is rated in a way that causes it to become an unauthorized investment, the investment committee shall review the investment to determine whether it would be more prudent to hold the investment until its maturity, or to redeem the investment. The committee shall consider the time remaining until maturity of the investment, the quality of the investment, and the quality and amounts of collateral which may be securing the investment in determining the appropriate steps to take.
- J. The City requires that all City depository accounts have sufficient pledged collateral, valued at market, held by a third-party custodian designated by the City in the City's name, and secured at 103% of the City balances less the amount of FDIC or NCUSIF insurance at all times.

The following is the maximum goal for various types of authorized deposits (shown as a percentage of total investments) for each type of investment. The percentages are based mainly on the safety and liquidity of the investment and to obtain the overall highest rate of return with appropriate risk for the City.

1. Collateralized Certificates of Deposits (CD's):	50%
2. U.S. Treasury Obligations:	100%
3. Municipal Investment Pool (MIP)	100%
4. Commercial Bank Savings Accounts:	15%
5. U.S. Government Agency Securities – non-callable:	100%
6. U.S. Government Agency Securities – callable:	50%
7. U.S Government Sponsored Corporation's Instruments – non-callable:	75%
8. U.S Government Sponsored Corporation's Instruments – callable:	50%
9. State or Local Governmental Obligations:	30%
10. Local Government Investment Pools (LGIP)	100%

Term of Investments

The maximum term of any investment may not exceed three (3) years. Purchases of securities with stated maturities greater than the maximum authorized term require prior City Council approval.

Prohibited Investments

This Investment Policy specifically prohibits investment in the types of securities listed below:

- 1. Obligations, whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- 2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears on interest.
- 3. All Collateralized mortgage obligations excluding those purchased by state authorized investment pools.

4. Reverse repurchase agreements.

Transaction Bids

Transaction bids may be obtained orally, in writing, electronically, or in any combination of these methods. At least three competitive bids for individual security purchases are required, however this provision excludes transactions involving money market mutual funds, local government investment pools, securities issued and deemed to be made at prevailing market rates, or a reinvestment of funds from a called security with the original broker.

Transaction Settlements

The settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Reporting

The C-IOs shall submit a signed quarterly investment report to the City Council that contains the information required by the Public Funds Investment Act including but not limited to:

1. Describing in detail the investment position of the entity on the date of the report;
2. Stating the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
3. Stating the maturity date of each separately invested asset that has a maturity date; and
4. Stating the compliance of the investment portfolio of the city as it relates to the investment strategy stated in the City's Investment Policy

Document Retention

As recommended by the Texas State Library and Archives Commission, the guidelines of retaining records for five years from the applicable fiscal year end should be followed for investment funds other than bond proceeds. The C-IOs shall oversee the filing and/or storing of investment records.

Selection of Banks, Brokers and Security Dealers

Depository – City Council shall, by ordinance, “select and designate one or more banking institutions as the depository for the monies and funds of the City” in accordance with the requirement of Texas Local Government Code Chapter 105. At least every three (3) years a depository shall be selected through the City's banking services procurement process as defined by the Investment Committee. This process shall include but is not limited to the following criteria:

1. Qualified as a depository for public funds in accordance with state and local laws.
2. Offered lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
3. Met credit worthiness and financial standards.

For brokers and dealers of government securities the City may select only those dealers reporting to the Market Reports Division of the Federal Reserve Board of New York also known as the "Primary government Security Dealers." Investment officials shall not knowingly conduct business with any firm with whom public entities have sustained losses on investments. All securities dealers shall provide the City with references from public entities which they are currently serving. The city shall review the list of brokers on an annual basis pursuant to Section 2256.025 of the Public Funds Investment Act.

All Financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

1. Audited financial statements
2. Proof of National Association of Securities Dealers (NASD) certification
3. Proof of state registration
4. Certification of having read the City's Investment Policy signed by a qualified representative of the organization
5. Acknowledgement that the organization has implemented reasonable procedures and control in an effort to preclude investment activities not authorized by this policy arising out of investment transactions conducted between the City and the organization.
6. The list of brokers/dealers, financial institutions, banks and investment pools contained in exhibit A are authorized to conduct investment business with the City.

Investment Policy Adoption

The City of ~~McLendon~~McLendon-Chisholm Investment Policy shall be adopted by ordinance of the City Council. The City Council shall review this Investment Policy and investment strategies annually and any modifications made thereto must be approved by the City Council.

•

EXHIBIT A

Financial institutions, Banks and Investment Pools Authorized to Conduct Investment Business with the City

Alliance Bank, 6130, South FM 549, Rockwall, TX 75032

TexPool, 1001 Texas Avenue, Houston, TX 77002

LOGIC, 1201 Elm Street, Suite 3500, Dallas, TX 75070

Wilmington Trust, 15950 N. Dallas Parkway, Suite 550, Dallas, TX 75248



City of McLendon-Chisholm

Staff Report

Discussion and action regarding a Resolution establishing the City's Fund Balance Policy.

DATE:

September 10, 2019

BACKGROUND OF ISSUE:

A Fund Balance Policy is a key element of financial stability and the maintenance of a fund balance policy is essential to the preservation of the financial integrity of the City. Currently the City has surplus funds that may be applied to Fund Balance but those funds are not currently dedicated for a particular purpose. This could cause confusion for the public as it may appear funds are available for general operating expenses and could suggest that a tax rate increase is unnecessary. Most cities maintain some level of fund balance and/or plan for future major purchases by establishing a Capital Improvement Fund. Fund balance amounts vary from city to city as priorities are determined by Council. Smaller cities generally maintain a higher level of fund balance as a percentage of the budget as compared to larger cities due to smaller cities having fewer revenue sources. A fund balance policy allows a city to consider fund balance needs when budgeting and setting a tax rate.

A fund balance policy allows the City to dedicate funds for assigned or unassigned uses. The proposed 0.165000 Rate will provide a surplus of funds for 2019-2020 that may be applied to various fund balances including a Fire Capital Replacement Fund. A Fire Capital Replacement Fund will allow for the city to accumulate funds over time to replace outdated or worn equipment for the purpose of purchasing a new fire engine or other apparatus as considered necessary. A new fire engine could cost as much as \$800,000. Rather than issuing new debt when the replacement engine is required, adequate fund balance would allow the City to purchase the needed equipment without acquiring any new debt. Additionally, the City's financial advisors suggest a fund balance policy for other uses such as revenue shortfalls or emergencies and support the suggested Fund Balance Policy goals.

Staff recommends that current available surplus, approximately \$665,000 be applied to the unassigned Fund Balance Reserve and Capital Fleet Replacement Reserve as follows:

- Unassigned Fund Balance \$395,200
- Fire Capital Fleet Replacement \$269,800 plus any funds transferred from McLendon-Chisholm Volunteer Fire Department (MCVFD) as that organization terminates.

As the budget is considered for FY 2020-2021 any remaining surplus from FY 2019-2020 may be applied to these funds as Council determines appropriate.

The proposed Fund Balance Policy is modeled from best practice guidelines provided by the Government Finance Officers Association (GFOA). The proposed Fund Balance Policy has been reviewed by staff including the City Accountant and the City's Financial Advisors with Hilltop Securities. Hilltop securities concurs that it is more important to establish a Fund Balance Policy than to pay down debt in advance of the amortization schedule. Once the City's Fund Balance goals are met, the City will have more flexibility as to how funds are spent.

RECOMMENDATION:

Staff recommends approval of the Resolution.

SUGGESTED MOTION:

I move to approve an Ordinance establishing the City's Fund Balance Policy as presented and to apply current available surplus to the unassigned Fund Balance reserve in an approximate amount of \$395,200 and Fire Capital Fleet Replacement Fund Balance reserve in an approximate amount of \$269,800 with the understanding that all monies transferred from MCVFD to the City will also be applied to the Fire Capital Fleet Replacement Fund.

Lisa Palomba, City Administrator

CITY OF MCLENDON-CHISHOLM

RESOLUTION NO: 2019 –

A RESOLUTION ESTABLISHING A FUND BALANCE POLICY FOR THE CITY OF MCLENDON-CHISHOLM AND PROVIDING AND EFFECTIVE DATE.

WHEREAS, a Fund Balance Policy is a key element of financial stability; and

WHEREAS, the maintenance of a fund balance is essential to the preservation of the financial integrity of the City; and

WHEREAS, adequate levels of unassigned fund balance will mitigate financial risk from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances; and

WHEREAS, unassigned fund balance is an important measure of economic stability, provides savings for capital replacement and avoids issuance of future debt; and

WHEREAS, the City Council desires to establish a Fund Balance Policy.

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

SECTION 1

The City Council has reviewed the attached (Exhibit A) Fund Balance Policy; and

SECTION 2

The City Council hereby adopts the attached Fund Balance Policy.

SECTION 3

The City Council will annually review the Fund Balance Policy and determine appropriate amounts for reserve.

SECTION 4

All resolutions, or parts of resolutions in force with provisions related to this resolution are inconsistent or in conflict with the terms or provisions contained herein, are hereby repealed to the extent of any such conflict only. The non-conflicting sections, sentences, paragraphs, and phrases shall remain in full force and effect.

SECTION 5

This resolution shall become effective immediately upon its passage and approval.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS ON THIS 10TH DAY OF SEPTEMBER 2019.

*Resolution No. 2019-
Approved 09/10/2019*

Keith Short, Mayor

ATTEST:

Lisa Palomba, City Secretary

City of McLendon-Chisholm

Fund Balance Policy

Purpose

A Fund Balance Policy establishes a key element of financial stability for the City of McLendon-Chisholm. The purpose of the City's Fund Balance Policy is to enable the City of McLendon-Chisholm to provide for a prompt response to unforeseen economic uncertainty, unexpected situations such as natural disaster and establish certain capital and operating reserves to provide sufficient cash flow to sustain operability. The policy establishes the appropriate level of reserves which the City will strive to maintain in its fund balance; how the target fund balances will be funded; and the conditions under which fund balances may be utilized.

Definitions:

Fund Equity – A fund's equity is generally the difference between its assets and its liabilities.

Reserves - For the purposes of this policy, the definition of "reserves" is limited to the portion of Fund Balance that is unreserved.

Unreserved – Funds not set aside for existing legal obligations of the City.

Fund Balance – The fund equity of governmental fund for which an accounting distinction is made between the portions that are spendable and non-spendable. Fund balance is classified into five categories:

Non Spendable Fund Balance (inherently not spendable) Includes amounts that are not in a spendable form or are required to be maintained intact. Examples include inventory and permanent funds.

Restricted Fund Balance - (externally enforceable limitations on use) Includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments. Amounts may be spent only for the specific purposes stipulated by external resource providers or as allowed by laws through constitutional provisions or enabling legislation. Examples include grant awards child safety fees.

Committed Fund Balance – (self-imposed limitation set in place prior to the end of each fiscal year) Includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes

determined by a formal action of City Council. Commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint.

Assigned fund balance – (Limitation resulting from management's intended use)

Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance – (Residual net resources) This is the excess total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

Policy

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Restricted Fund Balance

All monies from Texas Department of Transportation (TxDOT) for Fire Station Replacement. The City is expected to receive funds from Texas Department of Transportation in an amount equal to or greater than \$4,538,718 for the purpose of building a replacement fire station. Once received, these funds are restricted to use for fire station replacement and related costs. Funds may be utilized as needed for this specific purpose without further Council consent.

Assigned Fund Balance Goals/Amounts Held in Reserve

The City will strive to hold the amounts listed below in General Fund Balance, expressed as a dollar amount, general goal or a percentage of the city's annual operating expenditures of the General Fund. These amounts are expressed as a range to recognize that fund balance levels can fluctuate from year to year due to the normal course of city government operations.

\$300,000 - \$500,000 Utility Fund Balance

The Utility Fund Balance is funded through sewer/utility fees. Funds will be utilized for repair and replacement of water, sewer infrastructure and storm drain infrastructure as needed and as approved by Council. Minimum amount may be reconsidered by Council pending results of a sewer rate analysis.

\$100,000 - \$500,000 Sonoma Verde Road Fund Balance

Sonoma Road Fund Balance is funded each year through Public Improvement District Assessments. This fund is exclusively for maintenance of public roads in the Sonoma Verde subdivision which are beyond the initial warranty period. The Sonoma Verde Service and Assessment Plan may be adjusted to increase the balance as needed.

Capital Fleet Replacement Fund Balance

The City's goal is to grow an amount equivalent to an amount required to replace Fire Department apparatus and equipment as needed and pay cash for needed capital rather than increasing or issuing new debt. The City anticipates budgeting an initial amount from current surplus. Council will determine an appropriate amount each budget year to grow the fund.

Unassigned Fund Balance Goals/Amounts Held in Reserve

The City desires to maintain a budget stabilization reserve for economic uncertainty, revenue shortfalls, working capital and related needs and for unforeseen natural disaster or catastrophic events.

The City's goal is to achieve and maintain unassigned fund balance in the general fund, excluding Capital Fleet replacement Fund Balance equal to 40-60% of annual budget expenditures. The City considers a balance of less than 40% to be cause for concern, barring unusual or deliberate circumstances. In the event that the assigned or unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

Replenishment of Minimum Fund Balance Reserves

If the general fund balance falls below a total of 40% or if it is anticipated that at the completion of any fiscal year the projected fund balance will be less than the minimum requirement, the City staff, shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such.

These steps may include, but are not limited to, identifying new, nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year-end surpluses; and/or enacting cost saving measures such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce. The replenishment of fund balance to the minimum level shall be accomplished within a two-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the City, then the Council shall establish an extended timeline for attaining the minimum balance.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Appropriation of Assigned Fund Balance

Appropriation from the assigned fund balance shall require the approval of the Council and shall be utilized only for purposes described and shall not be utilized for ongoing expenditures unless a viable revenue plan designed to sustain the expenditure is simultaneously adopted.

The Council may appropriate fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum.

Monitoring and Reporting

The City staff shall be responsible for monitoring and reporting the City's various reserve balances and is directed to make recommendations to the Council on the use of reserve funds both as an element of the annual operating budget submission and from time to time throughout the fiscal year as needs may arise.

Compliance with the provisions of the policy shall be reviewed as a part of the annual operating budget adoption process and subsequent review will be included in the annual audit and financial statement preparation procedures.



City of McLendon-Chisholm

Staff Report

Discussion and action regarding an Ordinance approving an amendment to the existing Kingsbridge Planned Development Office 1 Zoning District to change the rear building setback to 15' and to allow a maximum lot coverage requirement of 40% as defined by the McLendon-Chisholm Zoning Ordinance. The property location is described as 1.065 acres, also described as 5763 South State Highway 205, McLendon-Chisholm, TX.

DATE:

September 10, 2019

BACKGROUND OF ISSUE:

This ordinance is the formal ordinance for approval of the zoning change which amends the existing Kingsbridge Planned Development Office 1 Zoning District to change the rear building setback to 15' and to allow a maximum lot coverage requirement of 40% as defined by the McLendon-Chisholm Zoning Ordinance. The applicant intends to construct a purchasing office. The Planning and Zoning Commission recommended approval of the request during the August 15, 2019 Meeting. Council approved the application for the zoning change during the August 27, 2019 Council Meeting. Two public hearings were previously held. Notices were published and neighboring property owners were notified as required.

RECOMMENDATION:

Staff recommends approval of the ordinance.

SUGGESTED MOTION:

I move to adopt an Ordinance approving an amendment to the existing Kingsbridge Planned Development Office 1 Zoning District to change the rear building setback to 15' and to allow a maximum lot coverage requirement of 40% as defined by the McLendon-Chisholm Zoning Ordinance for 1.065 acres, also described as 5763 South State Highway 205, McLendon-Chisholm.

Lisa Palomba, City Administrator

ORDINANCE NO. 2019-11

AN ORDINANCE OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, AMENDING THE COMPREHENSIVE ZONING ORDINANCE AND MAP, AS HERETOFORE AMENDED, BY AMENDING ORDINANCE NO. 2005-11, GRANTING PLANNED DEVELOPMENT DISTRICT FOR APPROXIMATELY 227.311 ACRES OF LAND SITUATED ON THE NORTHEAST SIDE OF HIGHWAY 205 AND SOUTH OF THE NORTHERN CITY LIMIT LINE, GENERALLY DESCRIBED AS THREE TRACTS OF LAND OUT OF THE W.W. FORD SURVEY, ABSTRACT NOS. 80 AND A-80, IN THE CITY OF MCLENDON-CHISHOLM, ROCKWALL COUNTY, TEXAS, AS DESCRIBED IN SAID ORDINANCE (THE "PROPERTY"), BY AMENDING THE "REGULATIONS FOR PLANNED DEVELOPMENT ZONING DISTRICT" FOR SAID PLANNED DEVELOPMENT DISTRICT AS PROVIDED HEREIN WITH RESPECT TO THE REMAINING 108.544 ACRES IN THE DISTRICT WHICH IS DESCRIBED IN EXHIBIT A ATTACHED HERETO; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING FOR A PENALTY OF FINE NOT TO EXCEED THE SUM OF TWO THOUSAND DOLLARS (\$2,000.00) FOR EACH OFFENSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of McLendon-Chisholm is of the opinion and finds that the changes in governing regulations for said Planned Development District, which are set forth herein, are minor amendments as provided in Section 6.1 of said regulations and should be granted and that the Comprehensive Zoning Ordinance and Map should be amended; also the City Council decided to have the Planning and Zoning Commission of the City of McLendon-Chisholm and the City Council, of the City of McLendon-Chisholm, in compliance with the laws of the State of Texas with reference to the granting of zoning classifications and changes, also give the requisite notices by publication and otherwise, and have held due hearings and afforded a full and fair hearing to all property owners generally and to all persons interested and situated in the affected area and in the vicinity thereof, and the City Council of the City of McLendon-Chisholm is of the opinion

and finds that said changes in governing regulations for said Planned Development District, which are set forth herein should be granted and that the Comprehensive Zoning Ordinance and Map should be amended.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS:

SECTION 1. That Ordinance No. 2005-11 granting Planned Development District for approximately 227.311 acres of land situated on the northeast side of Highway 205 and south of the northern city limit line, as described in such ordinance, be and is hereby amended by amending the regulations for said Planned Development District as provided herein with respect to the approximately 13.34 acres of land which is described in Exhibit B attached hereto (the "O1 Area").

SECTION 2. That the property shall only be used and developed in accordance with the Comprehensive Zoning Ordinance of the City, and the Regulations for the Planned Development District as set forth in Ordinance No. 2205-11, and as amended herein, and which amendments are as follows:

1. The existing O1 Area is amended to create a Subarea 1 (legal description attached which will be governed by Ordinance No. 2005-11, and as amended herein, and which amendments are as follows:
 - Rear Setback: 15 feet
 - Maximum lot coverage: 40% as defined in the zoning ordinance of the City of McLendon Chisholm.
 - Provisions contained in the Zoning Ordinance, Section 4-13 Commercial Development Standards, E.1. Building Form for maximum single floor area and the maximum length of any building wall do not apply.
 - Parking must comply with Section 106-7 Off-street parking and loading requirements, except for the use listed as Other Office or Professional Business must provide parking at a ratio of one space per 330 sq. ft. of floor area.

SECTION 3. That all ordinances of the City of McLendon-Chisholm in conflict with the provisions of this ordinance are hereby repealed and all other provisions of the Ordinances of the City of McLendon-Chisholm, Texas not in conflict with the provision of this Ordinance shall remain in full force and effect.

SECTION 4. That an offense committed before the effective date of this ordinance is governed by the prior law and the provisions of the Ordinances of the City of McLendon-Chisholm, Texas, as amended, in effect when the offense was committed and the form law is continued in effect for this purpose.

SECTION 5. That should any sentence, paragraph, subdivision, clause, phrase or section of this ordinance be adjudged or held to be unconstitutional, and shall not affect the validity of the Comprehensive Zoning Ordinance and Map as a whole.

SECTION 6. That any person, firm or corporation violating any of the provisions of this ordinance, Ordinance No. 2005-11 or the Comprehensive Zoning Ordinance, as amended hereby, shall be deemed guilty of a misdemeanor and, upon conviction in the municipal court of the City of McLendon-Chisholm, Texas, shall be punished by a fine not to exceed the sum of two thousand dollars (\$2,000.00) for each offense, and each and every day any such violation shall continue shall be deemed to constitute a separate offense.

SECTION 7. That this ordinance shall take effect immediately from and after its passage and the publication of the caption, as the law in such cases provide.

DULY PASSED by the City Council of the City of McLendon-Chisholm, Texas, on the 11th day of September 2019.

Ordinance No. 2019-11
Approved 09/10/2019

APPROVED:

Keith Short, Mayor

ATTEST:

Lisa Palomba, City Secretary

EXHIBIT A

EXHIBIT D

PD-O1 13.34 ACRE LEGAL

PART of the W.W. Ford Survey, Abstract No. 80, situated in the City of McLendon-Chisholm, in Rockwall County Texas, embracing a portion of a tract of land described in the deed to Kingsbridge Investors II, L.P. recorded in Volume 4592, Page 3 of the Deed Records of Rockwall County, Texas, and being more particularly described as follows:

BEGINNING at a 5/8 inch iron rod with cap stamped "5430" set in the northeast line of State Highway 205, a 100 feet wide right of way, from which a 112 inch iron rod found for the south corner of a tract of land described in the deed to Lakeshore Assembly of God, Inc. recorded in Volume 2432, Page 19 of said Deed Records and the most northerly west corner of said Kingsbridge Investors II, L.P. tract bears North 44 degrees 58 minutes 20 seconds West, 869.00 feet;

THENCE North 44 degrees 58 minutes 02 seconds East leaving said State Highway 205, a distance of 1253.00 feet to a 5/8 inch iron rod with cap stamped "5430" set for corner;

THENCE South 44 degrees 58 minutes 20 seconds East, a distance of 260.00 feet to a point for corner;

THENCE South 12 degrees 38 minutes 49 seconds West, a distance of 448.89 feet to a point for corner;

THENCE South 44 degrees 58 minutes 02 seconds West, a distance of 875.80 feet to a point for corner lying on the northeast line of said State Highway 205;

THENCE North 44 degrees 23 minutes 47 seconds West along the northeast line of said State Highway 205, a distance of 89.09 feet to a 3/8 inch iron rod found for corner;

THENCE North 43 degrees 59 minutes 44 seconds West continuing along the northeast line of said State Highway 205, a distance of 58.64 feet to a 1/2 inch iron rod found for corner;

THENCE North 44 degrees 58 minutes 20 seconds West continuing along the northeast line of said State Highway 205, a distance of 352.29 feet to the POINT OF BEGINNING and containing 581,167 square feet or 13.340 acres of land, more or less.

*Ordinance No. 2019-11
Approved 09/10/2019*

EXHIBIT B

SUBAREA 1

LEGAL DESCRIPTION

Lot 1, Block A, Kingsbridge, Phase 2A; also known as 5763 South State Highway
205.



City of McLendon-Chisholm

Staff Report

City Council will receive a presentation, discuss and may provide direction to the applicant related to a future request to amend the Triple Creek Developer's Agreement to allow a Planned Development for approximately 145 acres of land surrounding City Hall to include 350 single-family homes. Request to be presented by Dean Cardwell with Bohler Engineering on behalf of owner, Chiefton 2XL LTD Partnership, Rockwall CAD Property ID 11438 and 11477.

DATE:

September 10, 2019

BACKGROUND OF ISSUE:

Dean Cardwell with Bohler Engineering will present a concept plan related to a future request to amend the Triple Creek Developer's Agreement. The applicant is seeking input from Council as to whether he should move forward with the request, amend the request or consider input from Council in regard to preparing his application for a future request.

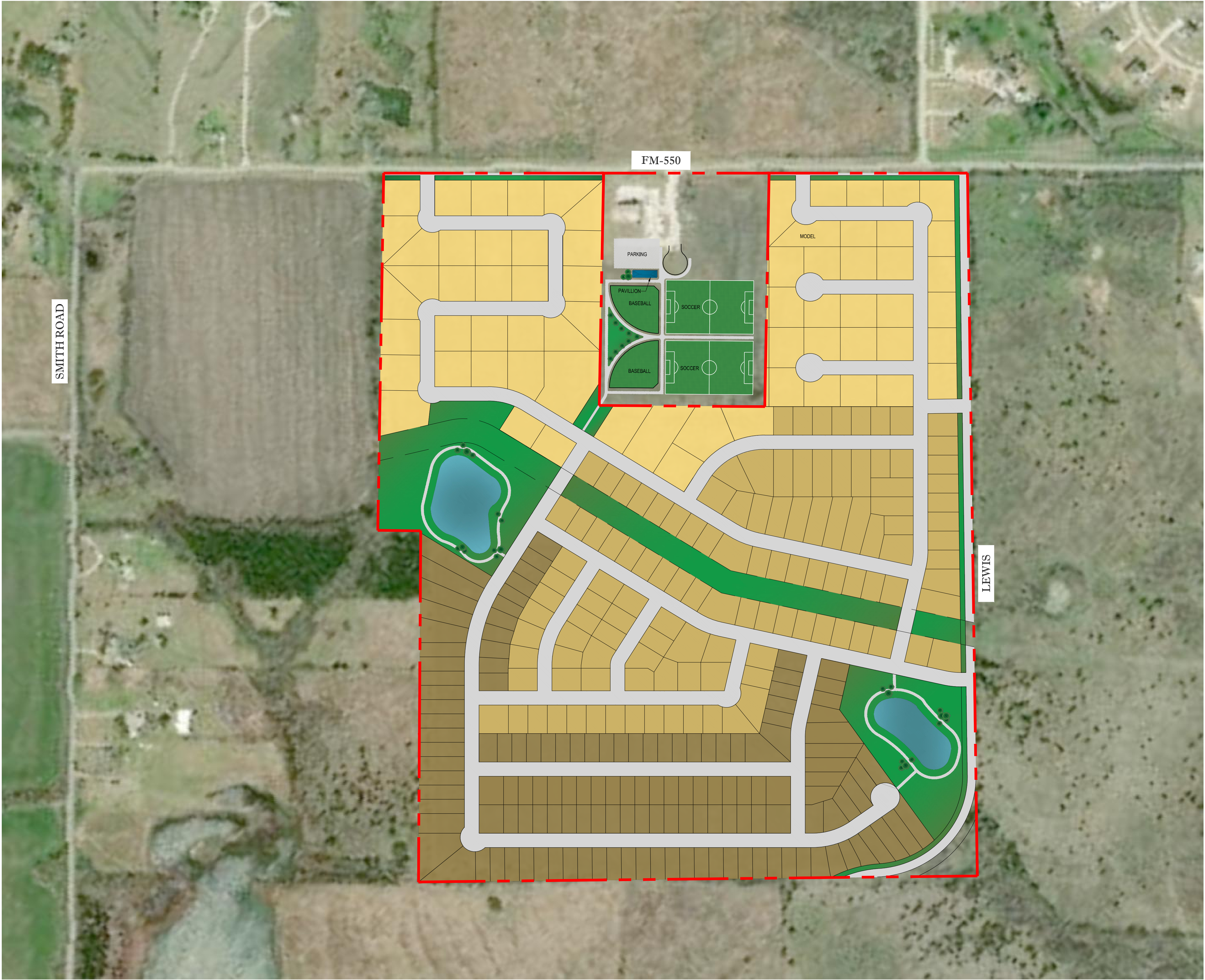
Council is not considering approval of the concept plan. Council is only providing input related to the proposed concept plan. The applicant is aware that any comments tonight from Council are not considered binding and the applicant must seek formal approval. The applicant is expected to consider any remarks from Council prior to formal submission of his proposal.

Amending the Triple Creek Planned Development would require amending the Developer's Agreement and amending the Zoning District.

RECOMMENDATION:

Council is encouraged to provide feedback to the applicant regarding the proposed concept plan. No formal action is required.

Lisa Palomba, City Administrator





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REVISIONS			
REV	DATE	COMMENT	BY



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CONSTRUCTION

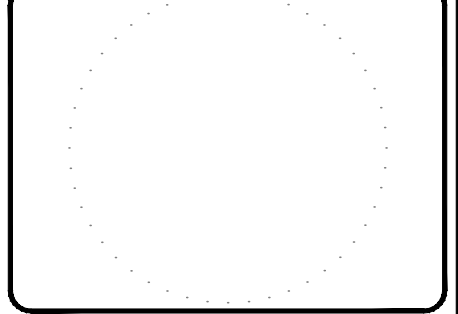
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DRAWN BY: DOC	
CHECKED BY: DOC	
DATE: 8/1/19	
SCALE: 1"=200'	
CAD ID: CAD	

PROJECT:
McLENDON-CHISHOLM
CITY HALL
DEVELOPMENT
FOR
ALTURA HOMES
LOCATION OF SITE
SEC OF FM RD 550 AND LEWIS
McLENDON-CHISHOLM
ROCKWALL COUNTY



BOHLERTM
ENGINEERING

6017 MAIN STREET
FRISCO, TX 75034
Phone: (469) 458-7300
TX@BohlerEng.com
TEPPLS No. 10184419



SHEET TITLE:
CONCEPTUAL
SITE PLAN

SHEET NUMBER:
01

LEGEND

150'x110'

66 UNITS

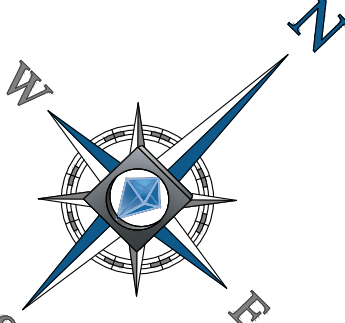
80'x120'

127 UNITS

60'x120'

142 UNITS

350/151 AC = 2.32 DUA



200 100 50 0 200
1"=200'