

REGULAR CITY COUNCIL MEETING

FEBRUARY 6, 2018

5:30 P.M.

COUNCIL CHAMBER, 110 NORTH 8TH STREET

GATESVILLE, TEXAS 76528

AN OPEN MEETING WAS HELD CONCERNING THE FOLLOWING SUBJECTS:

1) CALL TO ORDER REGULAR CITY COUNCIL MEETING AT 5:31 P.M., THIS 6th DAY OF FEBRUARY, 2018

PRESENT: Mayor Gary Chumley, Council Members, David Mitchell, Dwight Suson, Jack Doyle, Randy Hitt, Meredith Rainer

REGRETS: Councilmember Ronnie Viss

OTHERS PRESENT: City Manager William H. Parry III, City Secretary Wendy Cole, Brenda Kiphen, Nathan Gohlke, Robert Rimlinger, Kate Edwards, Dane Legg

2) HEAR VISITORS/CITIZENS FORUM: AT THIS TIME, ANY PERSON WITH BUSINESS BEFORE THE COUNCIL NOT SCHEDULED ON THE AGENDA MAY SPEAK TO THE COUNCIL FOR A MAXIMUM OF THREE (3) MINUTES. NO FORMAL ACTION CAN BE TAKEN ON THESE ITEMS AT THIS MEETING.

Robert Rimlinger of 221 Clayton Drive spoke to the council alleging City Charter and Code of Ordinance violations at 107 A&B Petsik Lane.

City Charter: Preface, Section 1.01, Sec. 2.01, Sec. 5.08, Sec. 8.02.

Next, Mr. Rimlinger presented a list of the City of Gatesville Code of Ordinances: Chapter 5 Article II Section 5-61, Chapter 16 Article I Section 16-2, Chapter 16 Article I Section 16-4 & 16-10, Chapter 18 Article I Section 18-3(a) (3) (4) (6) (7) (9), Chapter 18 Article II Section 18-19 & Section 18-21, Chapter 22 Article I Section 22-1, Section 22-5 (a) (b) (1) (2), (c), Chapter 22 Article II Section 22-14 & Section 22-15, Chapter 22 Article III Section 22-16 in its entirety, Section 22-20 (a) (b).

Mr. Rimlinger wanted to know what action the City was going to take to correct the existing situation.

Mayor Chumley thanked Mr. Rimlinger for bringing this to the council's attention and that it would be looked into.

3) RESOLUTION 2018-15 APPROVAL OF MINUTES FROM REGULAR CITY COUNCIL MEETING JANUARY 23, 2018

Motion by Dwight Suson , seconded by Meredith Rainer to approve Resolution 2018-15, all five voting in favor, motion passed.

4) DISCUSSION AND POSSIBLE ACTION REGARDING RESOLUTION 2018-16 SUPPORTING A CENTRAL TEXAS COUNCIL OF GOVERNMENTS GRANT APPLICATION FOR A P25 RADIO UPGRADE FOR 2018/2019 FOR THE GATESVILLE POLICE DEPARTMENT

City Manager Parry said that the Police Department (PD) is asking the Council to approve Resolution 2018-16 which supports the Homeland Security Grant application the PD would like to submit to update the radio system at the Police Department.

Police Chief Nathan Gohlke said that the current system has been in place since 2010 and he has

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recently learned that the models that the PD stock will no longer be able to be maintained by the end of 2018. If this application is approved, it would aid the PD in upgrading the communication

system and relieve the council from a future decision to approve this funding from the City's budget.

Chief Gohlke said that this resolution must be approved by the City Council as part of the grant application and would also designate the City Manager as the authorized official appointed to negotiate on behalf of the Police Department.

Motion by Randy Hitt, seconded by David Mitchell, to approve Resolution 2018-16, all five voting in favor, motion passed.

5) RESOLUTION 2018-17 DISCUSSION AND POSSIBLE ACTION REGARDING THE FISCAL YEAR 2017 AUDIT

City Manager Parry explained that the Report to the City's Council from the auditors was included in the read ahead books and the additional book provided tonight is the Annual Financial Report for the City of Gatesville's Fiscal Year that ended September 30, 2017.

Dane Legg, representing Lott, Vernon & Company, P.C. was present at the meeting to summarize and highlight items in the audit and answer any questions that the council might have.

Mr. Legg reported that Lott, Vernon & Company's opinion of the City of Gatesville's financial statement is a modified and clean opinion.

Discussion & points made:

General Fund:

Total assets- up about 34% from last year.

Liabilities- up about up \$100,000 from last year.

Total Fund Balances - up 43% from last year.

Restricted –other unassigned balance equals approximately two months of expenses.

Revenues -Approximately the same revenue as last year.

Expenditures – Up 5.6% over last year with the biggest increase in Capital Outlay.

Total Other Financing sources – This positive amount is mostly transfers from the Water Fund.

Enterprise Fund (Proprietary Fund):

Total Assets- up about 1.3% from last year.

Total Capital Assets- are down approximately one million from last year because of depreciation expenses from the water and sewer fund.

Total Liabilities- up 4% from last year.

Total Net Position- down 3% from last year.

Total Operating Revenues- down about 2% from last year.

Total Operating Expenses- down about 2% from last year which was due to depreciation.

Non-Operating Revenues - Investment earnings

Non-Operating Expenses - Interest expense & Bond issuance administration cost due to refunding bonds

Change in Net Position- 3% increase from last year.

Following the discussion, Mr. Legg said there were no significant audit findings and he also discussed the summary of audit adjustments including the new Energy Project column.

Motion by Jack Doyle, seconded by Dwight Suson, to approve Resolution 2018-17, approve the Fiscal Year 2017 audit, all five voting in favor, motion passed.

6) RESOLUTION 2018-18 DISCUSSION AND POSSIBLE ACTION REGARDING THE ADOPTION OF A FUND BALANCE POLICY FOR THE CITY OF GATESVILLE

City Manager Parry reminded the Council that at the last two Council meetings the principles

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behind a fund balance policy (which the city does not have) were discussed. If the council approves a fund balance policy an appropriate amount to maintain would have to be determined and approved. During the last workshop it was recommended to have two months operating expenses which would be 16.7% of expenses.

Parry discussed the fund balance policy included in the read ahead books and pointed out the different fund balance classifications listed in the policy. The City's Fund Balance Policy would need to be compatible with how the auditors audit the financial statements so they would be consistent with each other. The City would need to maintain adequate levels of fund balance to cover unforeseen revenue fluctuations for any unanticipated circumstance. There was a lengthy discussion regarding the different restrictions, categories and distinctions between the portions of the fund balance that are spendable and non-spendable. The policy can be revised every few years if needed. A fund balance policy is a protection to the city so funds won't be spent unwisely as it relates to the budget.

Motion by Randy Hitt, seconded by Dwight Suson, to approve Resolution 2018-18, all five voting in favor, motion passed.

7) BRIEFING/DISCUSSION OF WATER AND SEWER RATE ANALYSIS

City Manager Parry said that he has been looking at the water and sewer rates and indicators signal that perhaps the rates are not exactly correct because the city cannot seem to generate funds in water and sewer revenues needed to capitalize replacement of water and sewer lines.

Mr. Parry discussed the City's water rates in comparison with other cities with population about Gatesville's size which showed Gatesville's water rates could be a little high on the retail side and significantly lower on the wholesale side. Gatesville only has one class of water customers where most cities have at least two classes of customers: residential class and a business/commercial class. The commercial class is usually a heavier user which drives the cost of service up that is needed to treat the water.

In comparing the sewer rates with other cities it showed the City of Gatesville sewer rates being low. The WaterCARE initiative that the city participated in for a water/sewer rate analysis came up with the same conclusion.

City Manager Parry explained that water and sewer rates should cover fixed costs: debt service, recapitalization, operation & maintenance and also cover variable costs: chemicals & utilities.

Currently, the city is making money on the water and losing money on the sewer; and although it balances out in the end; the rates aren't correct. Mr. Parry reviewed the base rate and volumetric charges and pointed out that a residential household pays the same \$5 base rate for sewer and \$20 base rate for water as a Texas Department of Criminal Justice (TDCJ) unit. The TDCJ rates were set low years ago as an incentive for the prisons to be built in Gatesville. That is why the City has been subsidizing the rates all these years. The City last raised sewer rates in 2015 (to reduce the TDCJ subsidy), the base rate was established in 2003 but the last volumetric rate increase was in 1999. While the combination of the wholesale water production, retail water distribution & sales, and wastewater treatment balance, expenses exceed revenues in the wholesale water and wastewater functions. This has created concerns for the credit rating agencies, and inhibits the City's ability to designate funds to recapitalize the City's aging water and sewer infrastructure.

Parry said that he will be meeting with Public Utilities representative, Gary Smith, on March 12, 2018 to assist in the water and sewer analysis.

Mr. Parry said this briefing with the Council is just a first of several discussions for the Council to consider the establishment of appropriate rates and also to establish a system for more frequent rate reviews.

Councilmember Rainer asked about a drainage fee and Mr. Parry indicated that it could be a future agenda topic but drainage criteria needed to be developed first.

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8) CITY MANAGER'S REPORT: COMPREHENSIVE PLAN UPDATE; CAPITAL PROJECTS UPDATE; FINANCIAL REPORT; LEON RIVER BRIDGE SLOPE PROTECTION UPDATE; FUTURE MEETING TOPICS

CITY MANAGER'S REPORT

1. INITIATIVES:

• City of Gatesville Comprehensive Plan: Met with Vagn Hansen from Benchmark Planning last week. Goals and objectives were discussed which included focus groups and a Town Hall meeting.

- Capital Projects

• CDBG Community Enhancement Fund Grant for Leon WWTP Solar Array: Requests for Qualifications for Engineering services was issued on January 30, 2018 with a due date of February 12, 2018.

2. Leon River Bridge: The Texas Department of Emergency Management which works with FEMA will be in Gatesville February 20th to inspect the footings on the slope protection project on the bridge and then close out the financial accounting for this project.

3. Future Council Meeting Agenda Topics. Discussed a few upcoming agenda topics that are tentatively scheduled for March 13, 2018. The drainage fee/criteria that was briefly discussed during the water & sewer analysis could be considered for a future agenda topic.

Parry reported that Recreation Director Seth Phillips said that as of today, 558 children have registered for youth soccer which is up about 100 from last year. Seth said they are fine with fields this year but he is concerned about the future if this sport continues to grow.

9) ADJOURN CITY COUNCIL MEETING AT 6:23P.M. THIS 6th DAY OF FEBRUARY, 2018

ATTEST:

APPROVED:

Wendy Cole
City Secretary

Gary M. Chumley
Mayor