

REGULAR CITY COUNCIL MEETING  
MAY 11, 2021 AT 5:30 P.M.  
COUNCIL CHAMBER, 110 NORTH 8TH STREET  
GATESVILLE, TEXAS 76528

In accordance with guidelines of the Office of the Governor regarding the public health disaster declaration, the City Council of the City of Gatesville conducted an in-person meeting. In order to provide a safe and healthy environment for the public and councilmembers attending the meeting, social distance regulations and guidelines were followed.

AN OPEN MEETING WAS HELD CONCERNING THE FOLLOWING SUBJECTS:

1) MAYOR CHUMLEY CALLED THE REGULAR CITY COUNCIL MEETING TO ORDER AT 5:30 P.M. THIS 11TH DAY OF MAY, 2021

PRESENT: Mayor Gary Chumley, Councilmembers Meredith Rainer, Greg Casey, Barbara Burrow, Claude Williams, and Billy Sinyard

REGRETS: Councilmember Jack Doyle

OTHERS PRESENT: City Manager William H. Parry III, City Secretary Wendy Cole, Rene Ochoa, Mike Halsema, Dane Legg, Nathan Gohlke, and David Scott

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.

Visitors present were only concerned with an agenda item.

3) DISCUSSION AND POSSIBLE ACTION REGARDING APPROVAL OF MINUTES FROM THE REGULAR CITY COUNCIL MEETING APRIL 27, 2021

RESOLUTION 2021-28: Motion by Meredith Rainer, seconded by Greg Casey, to approve the Minutes from the Regular City Council Meeting April 27, 2021; all four voting "Aye", motion passed.

Councilmember Claude Williams arrived at the meeting at 5:33 p.m.

4) DISCUSSION AND POSSIBLE ACTION REGARDING THE FISCAL YEAR 2020 AUDIT

City Manager Parry reminded the Council that this is an annual requirement for the City's auditor to brief the City Council on the City's financial statements for the previous fiscal year. Mr. Parry introduced Dane Legg of Lott Vernon & Company P.C. and noted that this company has performed the financial audit for the City of Gatesville for ten years. All councilmembers were provided a copy of the City's annual Financial Report for the year ended September 30, 2020.

Dane Legg highlighted and analyzed various financials included in the Report:

- Total General Fund assets for the City of Gatesville are at \$2.9 million which are up \$320,000 over last year with all of the noted increase being cash. Breakdown of the increase: Operations brought in about \$1.2 million; \$500,000 was spent on debt payments; \$600,000 on Capital Outlay; and an influx of approximately \$200,000 transfer in from the water & sewer accounts.
- Liabilities are about the same as last year.
- Total Fund Balances are up 15% from last year.
- Unassigned Fund Balance in the General Fund is at 3.6 months of reserve and is associated with operating expenditures. This year's reserve is a very strong Fund Balance compared to where it was

- Total Revenues for all Funds are up 8% from last year.
- Charges for services had a significant decrease over last year at \$80,000 but was due to COVID-19.
- Property tax is up \$100,000 from last year.
- Intergovernmental is up \$250,000 from last year and this fund is where the City's COVID money is recorded: \$177,000 in COVID dollars and \$62,000 in Federal Emergency Management Agency Funds.
- Miscellaneous Revenue is up \$160,000 from last year with \$158,000 of this being reimbursement from the Gatesville Independent School District.
- Total Expenditures are up 9% from last year.
- Salary & benefits over all departments are up approximately \$200,000 over last year.
- Debt payments are up \$120,000 due to the new debt that has been added in the last few years.
- Capital Outlay is up \$100,000 from last year.

The Net Change in the Fund Balances shows \$266,315 which is a 15% increase.

- Total Assets for the Enterprise Fund (Water/ Sewer & Airport) are up \$1.6 million over last year.
- Operations brought in approximately \$2.2 million.
- \$500,000 was spent on Capital Assets.
- Debt payments and transfers totaled approximately \$4.4 million.
- New Bond issue provided an influx of cash totaling \$4.9 million
- \$100,000 in investment income which resulted in a \$2.3 million increase in cash.
- Total Liabilities are up \$700,000 over last year.
- The only Non-current Liability that is down compared to last year is Net Pension Liability which went down \$460,000.
- The overall bonded debt between revenue refunding and issuance of certificates of obligation is up \$1.4 million over last year.

The Total Net Position is \$12.7 million which is up \$560,000 or 4.6% over last year.

The 4.6% increase was due to:

- Rate increases that were incurred resulted in an increase of \$760,000 (9%) over last year.
- Total operating expenses were \$7.9 million were \$370,000 (5%) over last year.
- Repairs & Maintenance were about \$220,000 over last year.
- Cost of Sales & Services at \$1.7 million and is up about \$165,000 which goes in conjunction with the increase in revenue.
- Non-Operating Revenues/Expenses is \$688,000 which is primarily the interest expense on the debt.
- Transfers In/Out which is the opposite side of the General Fund is at \$200,000 and is an outflow to the Governmental side.
- The 4.6% increase is shown on the Change in Net Position at \$562,000.

Savings from the Energy Savings contract that the City entered into is included in this report. Mr. Legg said that this audit was positive with no issues with management or consultation during this engagement. The only minor correction still needed is that Capital Fixed Asset information should be entered into the module available through the computer software to create an accurate list of capital assets. Suggested maybe enter information quarterly instead of once a year. New Finance Director Mike Halsema said that he is familiar with this InCode program and will be working to resolve this issue. Mr. Parry said that reconciling fixed assets are important so depreciation can be tracked.

RESOLUTION 2021-29: Motion by Barbara Burrow, seconded by Meredith Rainer, to approve the Fiscal Year 2020 Audit; all five voting "Aye", motion passed.

5) MID-YEAR BUDGET REVIEW- FY 2022 BUDGET PROCESS AND TIMELINE- CITY MANAGER WILLIAM PARRY

City Manager Parry provided the Council an information packet before the start of the Budget Power Point Presentation.

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Parry said that this is the beginning of the next Fiscal Year's budget process where reconciled financial statements are reviewed through the end of March which is the mid-point of the City's Fiscal Year.

Parry pointed out the columns on the financial sheets that highlighted 2020-2021 Year-to Date through March vs. 2020-2021 Budget for both the General Fund and Enterprise Fund.

Parry discussed the two funds that the City utilizes:

The General Fund: Is the chief operating fund for the City and derives its revenue from three main sources: Property taxes, Sales Tax allocations, and Franchise Fees. The General Fund expenses are the Police Department, Fire Department, Street Department, City Administration, Building & Grounds, Library, Municipal Court, Recreation, Planning & Community Development, Civic Center, and Outdoor Swimming Pool.

The Enterprise Fund: Is the account for the City's "business activities" that receive a major portion of their funding from charges and receives revenues from Retail Water sales, Wholesale Water sales, and Sewer charges. The Enterprise Fund expenses are Water Distribution, Sewer Department, Water Production, Solid Waste Collection (pass-through), Fitness Center, and the Airport. Because the Fitness Center and the Airport are not generating revenue, it is planned in Fiscal Year 2022 to move these two accounts out of the Enterprise Fund.

General Fund Revenues were discussed and compared regarding Budgeted Revenue, Actual Revenue To-Date, % budgeted and differences between the two as of March 31, 2021. The impact of COVID-19 has affected recreation fees, Civic Center rentals, and fines & forfeitures for Municipal Court since court was postponed.

Overall, General Fund expenses with the various departments are at or below the 50% mark at mid-year point.

Enterprise Fund Revenues were discussed and compared regarding Budgeted Revenue, Actual Revenue To-Date, and % budgeted as of March 31, 2021. Although the weather has been unusually cool, the long range prediction weather outlook for Central Texas calls for above normal temperatures during July to September which should increase customer's water usage and should allow budgeted amounts to be met for water and sewer sales. New water and sewer rates have gone into effect and the water meter replacement project is substantially complete. The replacement of underperforming water meters should slightly increase revenues.

Enterprise Fund expense revenues are mostly at 47.08% at the mid-year mark except for the Water account. A budget amendment will have to be approved because this overage is reflective of the water meter project and what the City has paid for the project so far. The principal and interest were budgeted but not the expenses so the budget will have to be amended. The funds are there as the project was bonded but it should have been captured as a Capital Expense.

In conclusion, City Manager Parry said that there is a sufficiently strong cash-on-hand position which will meet projected expenses through the end of Fiscal Year 2021. Tax allocations are up 4%. Capital spending will be closely scrutinized with expenditures approved by the City Manager. Staff is currently projecting an end-of-Fiscal Year surplus in both the General and Enterprise Funds.

The American Rescue Act Plan passed by Congress that will allocate funds to municipalities is still pending. A feature of the plan is that it can be used to reimburse cities for lost revenue that was a result of COVID-19. City staff is still waiting on guidance to see the full scope of what it can be used for and how to file for reimbursement.

There was a brief discussion regarding the availability and cost of chlorine that is utilized at the Water Treatment Plant. Finance Director, Mike Halsema said that he saw today that the cost could possibly rise to \$10,000 or \$20,000 per year.

Next, Mr. Parry discussed the Fiscal Year 2022 Budget Process and possible timeline:

The City is dealing with a high degree of uncertainty concerning what timeline to use in regards to the tax rate adoption process. There are many assumptions right now and more information is needed to determine which timeline to take.

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The Chief Appraiser provided the 2021 Taxable Value Estimate on April 28<sup>th</sup> which showed that the “Net Taxable Value” increased 4.69%. Anticipate many protests due to the property increase and the deadline to file an appraisal protest is May 15<sup>th</sup>. The protest appointments will not be in-person due to COVID restrictions and will only be held by phone or virtual meeting which will make the process go much longer. Following the protests it is possible that the “Net Taxable Value” could increase significantly but the City won’t know until all the protest cases are resolved.

Additionally, a few years ago, Senate Bill 2 capped cities Maintenance & Operations (M & O) annual increase at 3.5% from the previous increase ability of 8%. There is an “opt in” to use a COVID-19 disaster exemption which would allow the City to increase the M & O rate by 8% and the council must direct the budget officer to calculate that rate. There is also another option the City qualifies for because Gatesville’s population is under 30,000 which is the De Minimis tax rate (which would generate +\$500,000 in ad valorem tax revenue), or the “unused increment” from 2021 which can then be used in the next few years. Under Senate Bill 2, it is likely that if the net taxable value stays the same as the preliminary estimate (or increases) the No-New-Revenue and Voter-Approval tax rates for the FY 2022 budget will be less than the current \$0.56/\$100 valuation tax rate. More definitive information will need to be attained before a decision needs to be made.

Parry discussed the two possible timelines and the tax adoption process of each scenario:

1. If the adopted tax rate is greater than the voter approval rate the whole process of adopting the budget and tax rate would need to be completed by August 24, 2021. The certified tax role is not expected to be provided to city staff not later than July 26, 2021 so this timeline would be extremely short.
2. If the adopted tax rate is less than or equal to the voter approval rate the whole process of adopting the budget and tax rate would need to be completed by September 28, 2021 which is the traditional timeline.

Initial FY 2022 Budget Goals were discussed but no action was taken:

- Maintain current operations with a balanced budget
- Execute Council-approved Capital Improvement Plan
- Determine an effective and efficient way to reorganize City Parks structure and begin the creation of a consolidated Parks and Recreation Department
- Maximize grant funding to improve City Infrastructure and Community Resources.
- Implement the May 2020 Comprehensive Plan short term strategies
- Fund a thorough engineering assessment of the 1904 Leon River Bridge and decide its future
- Restructure the City’s financial processes to align with Government Finance Officers Association

City Manager Parry provided the Council with the press release regarding the Brownfields Grant that was announced at 3:30 p.m. this afternoon. The Environmental Protection Agency selected the City of Gatesville for a Brownfields Cleanup Grant that will be used to clean up the former Rotunda Nursing Home property located at 2525 Osage Road in Gatesville. It is a grant that is 80% federal funded with a 20% local match. This will be a long process since it is a federal grant and there will be a lot more work to accomplish. More information to follow.

6) DISCUSSION AND POSSIBLE ACTION REGARDING A RESOLUTION BY THE CITY OF GATESVILLE, TEXAS (“CITY”) DENYING THE DISTRIBUTION COST RECOVERY FACTOR RATE REQUEST OF ONCOR ELECTRIC DELIVERY COMPANY LLC MADE ON OR ABOUT APRIL 8, 2021; AUTHORIZING PARTICIPATION IN A COALITION OF SIMILARLY SITUATED CITIES; AUTHORIZING PARTICIPATION IN RELATED RATE PROCEEDINGS; REQUIRING THE REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES; AUTHORIZING THE RETENTION OF SPECIAL COUNSEL; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE

City Manager Parry said that Oncor Electric has filed an application with the Public Utility Commission requesting an increase its annual revenues which would raise their customer rates so new infrastructure such as power lines and power poles could be installed. The City is a regulatory authority under the Public Utility Regulatory Act and has original jurisdiction over Oncor's requested change in rates so

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that is why this request must be brought to the City Council. The fresh water intake at Belton Lake is the only city function that uses Oncor Electric Delivery Company. Staff recommends denying Oncor's application to increase its rates.

RESOLUTION 2021-30: Motion by Barbara Burrow, seconded by Greg Casey, to approve Resolution 2021- 30 denying Oncor Electric Delivery Company LLC's application to increase its Distribution Cost Recovery Factor rates, retaining the firm of Herrera Law and Associates to represent the City's interests in this matter, advising the City on what actions to take in the future, and directing Oncor to reimburse the Alliance of Oncor Cities' reasonable rate case expenses; all five voting "Aye", motion passed.

7) DISCUSSION AND POSSIBLE ACTION REGARDING A RESOLUTION BY THE CITY OF GATESVILLE, TEXAS ("CITY") DENYING THE DISTRIBUTION COST RECOVERY FACTOR RATE REQUEST OF TEXAS-NEW MEXICO POWER COMPANY MADE ON OR ABOUT APRIL 5, 2021; AUTHORIZING PARTICIPATION IN A COALITION OF SIMILARLY SITUATED CITIES; AUTHORIZING PARTICIPATION IN RELATED RATE PROCEEDINGS; REQUIRING THE REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES; AUTHORIZING THE RETENTION OF SPECIAL COUNSEL; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE

City Manager Parry said that Texas New-Mexico Power has submitted an application to the Public Utility Commission for approval to amend its Distribution Cost Recovery Factor with the City that will increase rates effective September 1, 2021 and which would then affect many Gatesville resident's rates. Staff recommends denying Texas New- Mexico Power Company's application to increase its rates.

RESOLUTION 2021-31: Motion by Meredith Rainer, seconded by Claude Williams, to approve Resolution 2021- 31 denying Texas New-Mexico Power Power Company's application to increase its Distribution Cost Recovery Factor rates, retaining the firm of Herrera Law and Associates to represent the City's interests in this matter, advising the City on what actions to take in the future, and directing Texas New-Mexico Power to reimburse the Alliance of Texas New-Mexico Power Municipalities reasonable rate case expenses; all five voting "Aye", motion passed.

8) CITY MANAGER'S REPORT:

TEXAS WATER DEVELOPMENT BOARD GRANT REQUEST (Update): Anticipating that the City's drainage study grant will possibly be on the Texas Water Development Board's May 20th agenda for funding. The Board contacted Parry last week to certify the information on the application so hopefully all requirements have been met.

COVID -19/ CARES ACT FUNDING UPDATE: Finance Director, Mike Halsema, said that the Texas Department of Emergency Management reimbursement for the CARES ACT funding in the amount of \$575,491.38 was direct deposited in the City's account today. Parry said that this will cover expenses accrued during the COVID-19 crisis which included First Responders salary.

FUTURE COUNCIL MEETING AGENDA TOPICS:

The Finance Director has issued a Request for Proposals for Professional Auditing Services for the City of Gatesville with a deadline of next Monday, May 17th. Lott Vernon has declined to submit a proposal as the auditor that has conducted the audit for the City for the last ten years is retiring. Staff will ask to award the audit contract at the next Council meeting.

Dates to yet be determined for following Topics:

Gatesville Municipal Airport- currently working through renegotiation of hangar agreements/contracts.

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Staff is considering obtaining a Fixed Based Operator to manage hangar rentals and fuel. Also Council might be asked to consider entering into an agreement regarding the construction of a new hangar for a Gatesville resident.

Civic Center: Consider change of rules regarding alcohol and parties/events honoring minors.

COVID-19 VACCINATION IN TEXAS: Parry provided the Council a Texas Department of State Health Services COVID-19 Vaccination Rates Chart for Coryell County and surrounding counties with information as of May 5, 2021. Coryell County is in the bottom 20 of 254 counties that have been vaccinated in Texas.

CITY POOL: Parry highlighted the Gatesville City Swimming Pool schedule that was included in the read ahead book. As of last Friday there are 16 certified lifeguards that have passed the training. 19 to 20 certified lifeguards will be needed to utilize this schedule or else the pool hours will have to be reduced. There will be another training session this weekend so hopefully there will be more lifeguards certified after this class.

9) ADJOURN MEETING AT 7:06 P.M., THIS 11TH DAY OF MAY, 2021

ATTEST:

APPROVED:

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Wendy Cole  
City Secretary

\_\_\_\_\_  
Gary M. Chumley  
Mayor