

JANUARY 10, 2011

A REGULAR MEETING OF THE CITY OF KINGSVILLE CITY COMMISSION WAS HELD ON MONDAY, JANUARY 10, 2011 IN THE HONORABLE ROBERT H. ALCORN COMMISSION CHAMBERS CITY HALL/200 EAST KLEBERG AVENUE AT 6:00 P.M.

CITY COMMISSION PRESENT:

Sam R Fugate, Mayor
Al Garcia, Commissioner
Charles Wilson, Commissioner
Stanley Laskowski, Commissioner
Arturo Pecos, Commissioner

CITY STAFF PRESENT:

Courtney Alvarez, Interim City Manager
Edna S Lopez, City Secretary
Naim Khan, City Engineer
Al Lopez, Fire Chief
Mark Rushing, Finance Director
Bill Donnell, Public Works Director
Robert Rodriguez, Library Director
Frank Garcia, Wastewater Supervisor
David Mason, Purchasing Director
Diana Gonzales, Human Resource Director
Gary Fuselier, Landfill Supervisor
Ricardo Torres, Police Chief
John Garcia, Risk Manager
Yolanda Cadena, Health Director
Joe Casillas, Water Production Supervisor
Robert Trescott, Downtown Manager
Marco Jimenez, Water Supervisor

I. Preliminary Proceedings.

OPEN MEETING

Mayor Fugate called the meeting to order in the City Commission Chambers at 6:00 P.M. and announced quorum as present.

INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)

The invocation was delivered by Mr. Mark Rushing, followed by the Pledge of Allegiance and the Texas Pledge.

MINUTES OF PREVIOUS MEETING(S) – Required by Law

Mayor Fugate called for consideration of the minutes of the regular meeting of Monday, December 13th, 2010. **Commissioner Pecos made a motion to approve the minutes, as presented, seconded by Commissioner Garcia. The motion was passed and approved by the following vote: Fugate, Wilson, Garcia, Pecos voting "FOR". Laskowski "ABSTAINED".**

II. Public Hearing - (Required by Law).¹

NONE

III. Reports from Commission & Staff²

"At this time, the City Commission and Staff will report/update on all committee assignments which may include, but is not limited to the following: Planning & Zoning Commission, Zoning Board of Adjustments, Historical Board, Housing Authority Board, Library Board, Health Board, Convention and Visitor's Bureau, Chamber of Commerce, Coastal Bend Council of Governments, Conner Museum, Keep Kingsville Beautiful, and Texas Municipal League. Staff reports include the following: Building & Development, Code Enforcement, Proposed Development Report; Accounting & Finance – Financial & Investment Information, Monthly Financial Reports; Police & Fire Department – Grant Update, Police & Fire Reports; Street Updates; Public Works- Building Maintenance, Construction Updates; Park Services - grant(s) update, miscellaneous park projects, Administration –Workshop Schedule, Interlocal Agreements, Public, Information, Hotel

Occupancy Report, Quiet Zone, Proclamations, Health Plan Update, Tax Increment Zone Presentation, Main Street Downtown, Chapter 59 project, Financial Advisor presentation. No formal action can be taken on these items at this time."

Mayor Fugate made the presentation honoring retiree Mr. Y.I. (Chito) Hinojosa for his 38 years of service with the City of Kingsville. Interim City Manager Alvarez reported on a free flu vaccination clinic on January 29th; provided information on street projects; on recycling of Christmas trees; and provided an update on the upcoming inclement weather. She announced that Ms Anne Burger Entrekin was present to make presentation regarding funding for the Certificates of Obligation.

Ms Entrekin addressed the Commission. She stated that tonight's presentation was regarding a brief update one change that has transpired since the last time she was before them. She added that the update was regarding as to where they are from the capacity prospective, and the latest information on the bond issue, and to give them a market update. She provided information on Qualified Tax Exempt Obligations (QTEO) or Bank Qualified (BQ) bonds which is a federal designation for qualifying bond issues. They looked at the par amount of bonds that sold within a calendar year. In 12/31/2008, the number was \$10,000,000 and then with the stimulus funding it was increased to 30,000,000. Through November, there were Legislative bills to extend it but at the end of December the decision was made not extend it. She explained the procedure of the QTEO, stating that banks that buy bonds get an additional tax credit which means a lower interest rate. The best that this could be quantified as of the end of last week was somewhere between 30 – 35 basis points. Ms Entrekin added she did not know if that means that they should change the particular bond issue, or the size of the bond issue. She added she felt this was important to bring it to the Commission. She stated if the potential bond issue was \$10.2 million or \$10.3 million she would absolutely suggest that maybe if there was some way to internally, through funds on hand come up with the extra monies. She stated that at the current size which is somewhere between \$11.2 million and \$11.3 million, she did not know that she necessarily recommends postponing a part of it at this time. Mayor Fugate asked Ms Entrekin what this will cost the City. She replied about 30-35 basis points but she could get actual numbers. Ms Entrekin stated one of the options or strategies is to hold off on this and do the extra \$1.3 million next year when the City may not be close to the cap. She added if the City was closer to 10,000,000 she could work with Mr. Rushing to see if there's some way in the budget to absorb the differential.

Upon a question from Commissioner Pecos, Ms Entrekin replied she was not saying to go with \$10,000,000. She explained if the projects list was \$10.3 million or \$10.4 million then she could say maybe the rest of the monies could be found within the budget. The last numbers being looked at are about \$11.2 million or \$11.3 million which is an awful lot to find within the City's budget or to potentially postpone for a year and have a lot of market risk. Ms Entrekin explained the numbers received from the Underwriter, and stated they had added about 15 basis points to the number in order to give them a bit of a cushion. These numbers incorporate the latest information received from Mr. Rushing. She stated the shorter the amortization, the less of the differential between QTEO and Non-QTEO. She stated in this particular issue there's a lot more bonds amortizing in the front end than on the back end. The differential on the QTEO would be significantly less. On the projective coverage analysis on the Utility system, she stated these numbers have not changed since November, and the interest rate is slightly different. When both issues are aggregated at least based on the Market data as of the end of last week, true interest cost which includes the base number from the Underwriter plus, is about 15 basis points would be approximately 4.75 or 4.80. Regarding the Market Update, she stated this was again one of the reasons why she would hesitate to ask the Commission to maybe pull a part of it and potentially put it off for a year. She stated there's been a dramatic interest rate change. Regarding the AAA Insured Municipal Yield Curve, she stated that relative to where the City was a year ago on the AAA side the rates are right in line and she does expect this will be insured. Ms Entrekin stated the difference of 15 basis points on approximately \$11.3 million equates to approximately \$9,673.57 per year or about \$10,000 per year.

Commissioner Pecos announced that the High School gym would be named after a former City Commissioner Mr. Rey Gomez and that Mr. Gomez will be inducted into the Hall of Fame of the Coastal Bend as one of the coaches of the surrounding areas by the School Board.

IV. Public Comment on Agenda Items³

1. Comments on all agenda and non-agenda items.

Mayor Fugate called for comments on all agenda and non-agenda items. There were no comments.

Mayor Fugate called for consideration of the items in the Consent Agenda, Items 1 & 2. Commissioner Laskowski made a motion to accept the Consent Agenda, as presented, seconded by Commissioner Pecos. The motion was passed and approved by the following vote: Fugate, Garcia, Wilson, Pecos, Laskowski voting "FOR".

V.

Consent Agenda

1. RESOLUTION NO. R2011-01 Motion to approve resolution authorizing the Police Chief to enter into a Mutual Aid Agreement between Naval Air Station Kingsville and the City of Kingsville Police Department relating to force protection. (Police Chief).
2. Motion to approve accepting donations for Keep Kingsville Beautiful for the Downtown Beautification Tree Project. (Finance Director).

REGULAR AGENDA

CONSIDERATION OF MOTIONS, RESOLUTIONS, AND ORDINANCES:

VI. Items for consideration by Commissioners.⁴

3. Consider introduction of an ordinance amending the City of Kingsville Code of Ordinances Chapter VII, Article 5, Traffic Schedules; Providing for a revised school zone for the Kingsville Independent School District's new Harvey Elementary School and the installation of school zone signs. (City Engineer).

Mr. Khan provided information on the location of the new signs and stated this is what the school district and TXDOT recommended.

INTRODUCTION ONLY

Mayor Fugate deviated from the Agenda and called for the Item #7 - Executive Session; there were no objections from the Commission. Mayor Fugate announced the subject on Executive Session. The Commission convened into Executive Session at 6:23 P.M.

The Commission reconvened into regular session at 6:56 P.M. Mayor Fugate announced no action would be taken on Agenda Item #8.

Mayor Fugate called for Item #4.

4. Consider waiving of fees and participation with the Kingsville Historic Downtown District Association-KHDDA and the Kingsville Auto Club in the Third Annual Texas Independence Day Rod Run on March 4th - 5th, 2011. (Interim City Manager).

Interim City Manager Alvarez stated a request was received seeking assistance for this event. Staff met and reviewed request and would like to move forward with items suggested.

Commissioner Garcia made a motion to waive fees, seconded by Commissioner Pecos. The motion was passed and approved by the following vote: Fugate, Wilson, Laskowski, Garcia, Pecos voting "FOR".

5. Consider introduction of an ordinance amending the Fiscal Year 2010-2011 Budget for the City of Kingsville to accept donations for Keep Kingsville Beautiful, for the software maintenance for the residential roll outs in the Solid Waste Department, for the Fire Department Grant match portion for breathing apparatus equipment and for generators, including installation, for the Wastewater Department. (Finance Director).

Mr. Rushing explained the information on the budget amendment. The donations are \$495; the software for the cart system \$15,750; and the grant match portion for the Fire Department at 10% is \$13,125. The second portion of the amendment is the generators at Wastewater, \$229,628.

INTRODUCTION ONLY

6. Consider projects and equipment list for Certificates of Obligation series 2011. (Interim City Manager).

Interim City Manager Alvarez stated the updated information is in the packets. A pare down version was passed out before the meeting. The only thing removed was the sandbagger. Upon a question from Mayor Fugate, Interim City Manager Alvarez replied there's only monies for the drain system for one year but there's money budgeted for the storm water study.

Mayor Fugate stated the City needs to look at a storm water fee because would help to offset any future debt for drainage. Interim City Manager Alvarez stated the Purchasing Director has a preliminary RFQ ready to go out.

Mayor Fugate called for questions or comments about the list.

Upon a question from Commissioner Laskowski, Mr. Rushing replied the total for general fund is \$6,520,000 there will be a deposit to construction fund in assets in the amount of \$6,265,103. The Utility fund deposit in the construction fund is \$4,569,750. The total par would be issued at \$11,315,000.

Mayor Fugate asked for Mr. Rushing's assessment of the interest rates. Mr. Rushing stated there's a lot of pressure in the market place for those interest rates to jump. He stated that going from bank qualified to not being bank qualified the net difference of 35 basis points is not a big spread compared to the market risk between now and issuing next January. He stated he thinks those interest rates will click up at 75 basis points, if not 100. He stated that this is something that Ms Entrekin really does not want to project. Upon a question from Commissioner Pecos, Mr. Rushing replied this is calculated at 4.75 to 4.80, and Ms Entrekin had added in 15 basis points to buffer for market putting the City to the point of pricing. Mayor Fugate voiced his concerns stating that the \$2,000,000 for the new City Hall will be used at the end of the project so this might be able to be put off until next year; second, he stated for the street materials this is being taken out of the City's budget which is something that is budgeted annually.

Commissioner Laskowski stated he had a previous conversation with Mr. Rushing that there's still some money that will be used from the Unrestricted Undesignated fund balance for additional paving materials in future years. Mr. Rushing stated that in the number of months in fund balance, yes there would be a couple of hundred thousand in the model that he built for pulling from the fund balance to be able to fund streets and still keep the City above the 3.5 months operating which is the City's goal. Mayor Fugate stated he would like to think that the City can still budget money out of the annual budget for street repair materials. Commissioner Laskowski voiced his concern about not putting monies in streets.

Commissioner Laskowski stated he was concerned that the City was going to quit funding materials entirely from the City's general fund budget and that all money spent on streets was going to come from borrowed money. He stated every time there's an opportunity for the city's debt service to drop down; Staff comes with an additional issuance for pickups, equipment, etc. He stated the City needs to work towards budgeting on an annual basis some capital outlay.

Commissioner Pecos stated the City inherited a lot of old equipment which had to be replaced, there was no monies in the budget so monies had to be borrowed. He stated the economy hasn't been that strong and the citizens have been taxed in order to come up with money in the general fund. If budget doesn't increase, as far as revenue is concerned then where will monies come from to be able to fix the equipment needed to be fixed. He stated he doesn't want to borrow money but if things are needed then you have to borrow money.

Commissioner Laskowski stated that his hat is off to the Chief of Police because he has bought all the department's new vehicles. He added that the City has to establish a goal to work on that direction.

Commissioner Garcia stated he would like to see a comparison on when today's debt service will be satisfied. Commissioner Laskowski stated it is in the report from Ms Entrekin. He stated there are numerous years of issuance. He stated the City has done a good job, and the water & sewer rates so that the City now has excess reserves that can be used to cash fund some of the City's utility fund projects. His concern is that the Commission continues to raise taxes and is still not in the position that the City can cash fund any money this year for streets.

Commissioner Garcia stated you can run priorities to the ground. If the City had enough money to satisfy all our needs there would be no problem.

Mayor Fugate stated the City's capital outlay is being funded by debt and the City is not being able to fund some of those out of our budget. He stated that the City gets good remarks for being prudent financial managers from Ms Entrekin.

Upon a question from Commissioner Pecos, Mr. Rushing replied the Undesignated Unrestricted Utility Fund is a little over nine (9) months operating and General Fund is below four (4) months operating. He stated that the general fund is pulling down.

Commissioner Laskowski stated that in the Utility Fund side the City will have to raise water & sewer rates \$4 per household per month to pay for the debt service.

In the City Commissions' defense, Mayor Fugate stated that if they look and compare the City of Kingsville to other cities that are comparable to the City's size, the City is in the middle of the mix.

Mayor Fugate stated there's a list of items that Staff has put before them and it is up to the Commission if they want to approve it or not. He then called for a motion.

Commissioner Pecos made a motion to approve the list, seconded by Mayor Fugate. The motion was passed and approved by the following vote: Fugate, Garcia, Pecos voting "FOR". Wilson, Laskowski "AGAINST".

7. Executive Session pursuant to Section 551.074, Texas Open Meetings Act, the City Commission shall convene in Executive Session to deliberate the appointment, employment of the position of City Manager. (Mayor Fugate).

8. Consider action on applicants for the position of City Manager, to include but not be limited to the selection of candidates for interview. (Mayor Fugate).

NO ACTION TAKEN

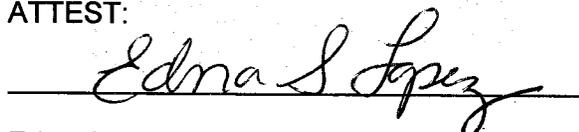
VI. Adjournment.

There being no further business to come before the City Commission, the meeting was adjourned at 7:27 P.M.



Sam R Fugate, Mayor

ATTEST:



Edna S Lopez, TRMC, CMC

City Secretary