

JANUARY 18, 2011

A SPECIAL MEETING OF THE CITY OF KINGSVILLE CITY COMMISSION WAS HELD ON TUESDAY, JANUARY 18, 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
Stanley Laskowski, Commissioner
Arturo Pecos, Commissioner

CITY COMMISSION ABSENT:

Charles Wilson, Commissioner

CITY STAFF PRESENT:

Courtney Alvarez, Interim City Manager
Edna S Lopez, City Secretary
Mark Rushing, Finance Director
Al Lopez, Fire Chief
David Mason, Purchasing Director
Ricardo Torres, Police Chief
Yolanda Cadena, Health Director
Diana Gonzales, Human Resource Director
Robert Trescott, Downtown Manager
Bill Donnell, Public Work Director
Ken Clark, Director of Development Services
Gary Fuselier, Landfill Supervisor
Joe Casillas, Water Production Supervisor
John Garcia, Risk Manager

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, with Commissioner Charles Wilson absent.

Mayor Fugate called for passing on the preliminary proceedings, there were no objections. Mayor Fugate called for reports from Staff.

INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)

MINUTES OF PREVIOUS MEETING(S) – Required by Law

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.”

Interim City Manager Alvarez reported on TXDOT installing a center turn lane on General Cavazos from 6th Street to Brahma Blvd. She reported on the parks grant for lighting on the soccer fields being a success. She reported that the next Commission meeting on Monday, January 24th.

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.

V. Consent Agenda

None

REGULAR AGENDA

CONSIDERATION OF MOTIONS, RESOLUTIONS, AND ORDINANCES:

VI. Items for consideration by Commissioners.⁴

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

Ms Ann Burger Entrekin, from First Southwest addressed the Commission and stated one of the primary reasons for her being here is that there has been a dramatic change in the market which she felt was very important for her to provide an update to the Commission. She provided information from the 60 Minute Show regarding a woman's predictions on the bubble for the housing market and on the municipal markets. She stated from her personal humble opinion, this was irresponsible. She stated that last week the Market Update was at 508 and this week it's at 539, which is 31 basis points differential. This is an aggregation of 20 Municipal bonds. She stated what this Market update doesn't show is that the Non-Bank Qualified market rates went up significantly. There were days last week where 10-12 basis points were lost. The Bank Qualified market held its own. She stated there's a pretty big difference of what she talked about last week versus where it is now. She referred to the AAA Insured Municipal Yield Curve stating that instead of looking at this in years, this graph shows one week, two weeks, and three weeks. This shows how the Municipal Markets on the back end have increased. To summarize this, in working closely with the underwriter on this bond issue and their desk, they quantified that the differential between Bank Qualified and Non-Bank Qualified was about 75 basis points. She stated she has never seen this spread between BQ and Non-BQ before. Per Commission Garcia's request from the previous meeting, she provided information on all the bond issues supported by Ad Valorem Taxes. On the Comparative Analysis, she stated that one of the key reasons for being here is that when she was here on Monday the spread was about 30 basis points which were quantified to be about \$10,000 per year. She added that now the spread is about 2 ½ times 75 basis points, which now equates to about \$26,000 per year. She provided three scenarios for Commissions' consideration: (1) the Non-Bank Qualified which is the original scenario; (2) Bank Qualified with partial City Hall remodel which will cap the bond issue at \$10,000,000; and (3) basically excludes city hall remodel. The differential is approximately \$1,545,000 to \$1,548,000 versus \$1,672,000. In the original scenario, if all is funded there wouldn't be any future bond issue so there's no potential interest rate risk. In the partial City Hall remodel the City would be able to fund about \$1,110,000 of the remodel which there would be about \$930,000 left, but if this is done interest rates could increase. The interest rates on this bond issue could go up to 7.56% and the City would break even and have the exact same interest cost as if the City was doing all today. Ms Entrekin stated what she is really trying to show the Commission is that the concept of moving forward to go Bank Qualified makes an awful lot of economic sense.

On the scenario excluding the City Hall remodeling, Ms Entrekin stated in the future a bond issuance of about \$2,080,000 would be needed. She stated that because it is a larger amount there's a breakeven of 5.64%.

Ms Entrekin explained the True Interest Costs for Non-Bank Qualified and Bank Qualified. She stated these are actual numbers from the Underwriter and they have no interest rate cushion in them, whatsoever. She recommended doing the Bank Qualified.

Mayor Fugate called for questions. Commissioner Laskowski asked about the difference between the Bank Qualified and the Non-Bank Qualified adjustment being made with regard to the amount of money being borrowed for the City Hall remodeling is \$930,000, Ms Entrekin replied she is showing two different options and is suggesting either one option, to sale \$10,000,00 which would provide about \$1,100,000 for the City Hall remodeling, or to exclude it completely which would fund everything else except that, but that would impact any future financing to fund that.

Mayor Fugate stated that his original thought was that the City would have to be under \$10,000,000 and be Bank Qualified. He stated initially he wanted to take the monies for City Hall but there really isn't that much difference.

Ms Entrekin stated now there being a 75 basis point between BQ and Non-BQ anything \$10,000,000 and less there's not much difference of what the cost will be but you do \$10,000,001 than there's a big difference.

Mayor Fugate called for further questions or comments. Ms Entrekin stated that the Underwriter will begin initiating the pricing process on Monday morning, so she needs to be prepared first thing Monday morning to give them a specific number to solve for. She suggested seeking guidance from the Commission. Ms Entrekin cautioned that with the volatility in the market, while there's an opportunity to delay and postpone, the City would be accepting interest rate risk in doing that.

Upon a question from Commissioner Laskowski, Ms Entrekin replied that the federal laws regarding arbitrage monies states, when bonds are issued you want to have reasonable expectations that 85% of the bond proceeds will be spent in three years.

There was lengthy discussion on the City Hall remodeling project.

Per Commissioner Garcia's request, Interim City Manager Alvarez explained the motions needed. Ms Entrekin requested some flexibility be given because premiums and discounts will change. She stated the motion could be as direct as, to fund the City Hall as much as possible but not to exceed the QTEO; another scenario could be to exclude the City Hall or give her any guidance of any number in between. Mayor Fugate requested she repeat the first option. Ms Entrekin stated that we size the scenario so that they just don't go over the \$10,000,000. Mayor Fugate stated the City Hall will be funded as much as possible. Ms Entrekin stated that the City Hall will be funded as much as possible, that we just go right up as high as they can as much as possible but not to exceed or cross over what would cause to be Non-Bank Qualified.

Mayor Fugate made a motion to approve the comments as stated by Ms Entrekin, "that we size the scenario so that they just don't go over the \$10,000,000 and that the City Hall will be funded as much as possible, that we just go right up as high as they can as much as possible but not to exceed or cross over what would cause to be Non-Bank Qualified", seconded by Commissioner Garcia. The motion was passed and approved by the following vote: Fugate, Laskowski, Pecos, Garcia voting "FOR". Wilson "ABSENT".

2. Consider resolution authorizing the City Manager to enter into a Cooperative Purchasing Agreement between the City of Kingsville and the City of Ft. Worth. (Purchasing Director).

Mr. Mason stated this agreement is similar to Buyboard, HGAC, and any other governmental cooperation purchasing agreements. This is another purchasing tool.

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

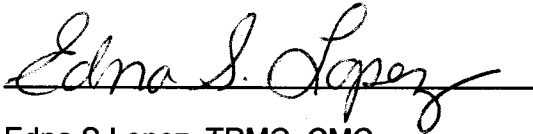
VII. Adjournment.

There being no further business to come before the City Commission the meeting was adjourned at 6:37 P.M.



Sam R Fugate, Mayor

ATTEST:



Edna S Lopez, TRMC, CMC

City Secretary