

JANUARY 14, 2013

A REGULAR MEETING OF THE CITY OF KINGSVILLE CITY COMMISSION WAS HELD ON MONDAY, JANUARY 14, 2013 IN THE HONORABLE ROBERT H. ALCORN COMMISSION CHAMBERS 200 EAST KLEBERG AVENUE AT 6:00 P.M.

CITY COMMISSION PRESENT:

Sam Fugate, Mayor
Al Garcia, Commissioner
Dianne Leubert, Commissioner
Noel Pena, Commissioner
Arturo Pecos, Commissioner

CITY STAFF PRESENT:

Vincent J. Capell, City Manager
Mary Valenzuela, City Secretary
Courtney Alvarez, City Attorney
David Mason, Purchasing Director
Mark Rushing, Finance Director
Mike Kellam, Director of Development Services
Diana Gonzales, Personnel Director
Diana Medina, Collections Manager
Bill Donnell, Asst. Public Works Director
Rick Torres, Chief of Police
Roel Carrion, Interim Fire Chief
Emilio Garcia, Health Director
Bob Trescott, Tourism Director
Naim Kahn, Public Works Director/City Engineer
Melissa Perez, Risk Manager
Willie Vera, Task Force Commander
Ruthie Valdez, Interim Library Director
Cynthia Martin, Downtown and Volunteer Manager
Tony Verdin, Computer Technician

I. Preliminary Proceedings.

OPEN MEETING

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

INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)

The invocation was delivered by Mark Rushing, Finance Director, 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 for regular meeting held on Monday, December 10, 2012 and special meeting on Wednesday, December 19, 2012. **Commissioner Leubert made a motion to accept the minutes as presented, second by Commissioner Pecos. The motion was passed and approved by the following vote: Garcia, Leubert, Pecos, Pena, Fugate voting “FOR”.**

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

1. None.

III. Reports from Commission & Staff.² (City Manager’s Staff Report Attached).

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

Mr. Vincent Capell, City Manager, announced that the new Fire Chief, Mr. Joey Reed will begin his official duties on Monday, January 21, 2013. Mr. Reed will begin his orientation sometime this week. Mr. Capell recognized and thanked Mr. Roel Carrion for his duties as Interim Fire Chief. Mr. Carrion has been in the position of Interim Fire Chief for the past 11 months.

Ms. Cynthia Martin, Downtown and Volunteer Manager stated that she would like to report that there were some highly qualified candidates that applied for appointment to Historic Development Board to fill the current vacancies. Ms. Martin introduced Candace Jefferson who is a native of Kingsville. Ms. Jefferson is a Human Resources Coordinator with Christus Spohn Memorial Hospital, Corpus Christi, TX. The second candidate is Erinn McComb, who has recently moved to the area. Ms. McComb has received her Ph.D. from Mississippi State University in 2012 and is a History Lecturer at Texas A&M University-Kingsville. The third candidate is Mr. Floyd Holder, who is a Lecturer in the Political Science Department at Texas A&M University-Kingsville. Mr. Holder has received his Master Degree in Political Science from Texas Tech University and a Masters in Public Administration with a Minor in Urban and Environmental Planning from Texas State University.

Mrs. Courtney Alvarez, City Attorney, announced that all agenda items for the next Commission meeting of January 28, 2013 are due Friday, January 18th. She further stated that Monday, January 21st is a City Holiday, Martin Luther King Day, therefore most City offices will be closed. Next Trash off Day is scheduled for Saturday, January 26th from 8:00 a.m. – 12:00 p.m. at 6th & E. Ave. B.

IV. Public Comment on Agenda Items ³

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

Mr. Larry Garcia, 103 W. Sage Road, stated that roads in this area are in bad condition. He stated that he has spoken to Mr. Naim Kahn, City Engineer/Public Works Director who stated back in 2011 that this road would be paved but nothing has been done to date. He stated that there is trash throughout the road and there are signs posted for No Dumping within this area. He further stated that police do not patrol around his neighborhood, and with the amount of taxes he pays and others who live in this area, he feels that this area should have a nice road with sidewalks as well as those benefits that all other citizens are receiving.

Mr. Alfred Issasi, 213 W. Sage Road, commented on the roads within the same area as Mr. Garcia. He further stated that some areas are paved but would like to see the entire area paved.

Jackie Chapa Guerrero, 321 W. Sage Road, stated that citizens who reside on Sage Road tried to come as a community in their block to speak with regards to having a paved road in their area.

Lance Hamm, 912 South Creek, stated that he would like to comment on the 75 mph speed limit on Hwy 77, specifically near the South Creek Subdivision. Mr. Hamm stated that this is a conversation they have had for the past 6-8 months and is hoping that Texas Department of Transportation (TXDOT) comes around and considers the 65 mph that they are requesting. He further stated that there is a slight chance that TXDOT may not approve their request therefore he has come to address a couple of points regarding the speed limit. He stated the speed limit is 75 mph within a city intersection in which he feels that throughout the United States you would not find that high of a speed limit within an intersection. He further stated that there are no street lights or flashing yellow lights within this intersection. He has researched the accidents in this location

and history shows that there have been 31 fatalities on Hwy 77 in the past 31 years. He would like to see the speed lowered within this area.

Fred Bigelow, 916 South Creek, stated two months ago he witnessed a head on collision near Driscoll killing both drivers. He stated that it makes no sense that TXDOT would increase the speed limit to 75 mph for three tenths of a mile before entering the south city limits. He doesn't understand why TXDOT didn't handle the speed limit in the south location of the city limits as they did in the north location of the city limits. He stated that heavy traffic and fast speed is not a safe mix. He would like to see the speed limits lowered to 65 mph or lower.

V.

Consent Agenda

Notice to the Public

The following items are of a routine or administrative nature. The Commission has been furnished with background and support material on each item, and/or it has been discussed at a previous meeting. All items will be acted upon by one vote without being discussed separately unless requested by a Commission Member in which event the item or items will immediately be withdrawn for individual consideration in its normal sequence after the items not requiring separate discussion have been acted upon. The remaining items will be adopted by one vote.

CONSENT MOTIONS, RESOLUTIONS, ORDINANCES AND ORDINANCES FROM PREVIOUS MEETINGS:

(At this point the Commission will vote on all motions, resolutions and ordinances not removed for individual consideration)

Mayor Fugate asked for a motion to approve the consent agenda items as presented. Commissioner Leubert made a motion to approve the consent agenda as presented, second by Commissioner Pecos. The motion was passed and approved by the following vote: Leubert, Pecos, Pena, Garcia, Fugate voting "FOR".

1. Motion to approve out-of-state travel for City Commission and Staff to attend the National League of Cities Congress of Cities 2013 Congressional City Conference on March 9-13, 2013, in Washington, D.C. (City Manager).
2. Motion to approve out-of-state travel for Special Agent Mike Tamez to attend Drug Interdiction Assistance Program (DIAP) Commercial Motor Vehicle Criminal Interdiction Course on January 28-30, 2013 in Glendale, Arizona with DIAP paying for travel and per diem expenses. (Task Force Commander).
3. Motion to approve resolution authorizing the release of Chapter 59 funds of the Kingsville Specialized Crimes and Narcotics Task Force for donation to the Douglass Center. (Task Force Commander).
4. Motion to appoint Candace Jefferson for a 3 year term to the City Historic Preservation Commission. (Tourism Director).
5. Motion to appoint Floyd W. Holder, IV for a 3 year term to the City Historic Preservation Commission. (Tourism Director).
6. Motion to appoint Erinn Catherine McComb for a 3 year term to the City Historic Preservation Commission. (Tourism Director).
7. Motion to approve resolution to continue participation in the Texas Main Street Program, authorizing the Mayor to execute Texas Main Street Letter Agreement, and designating Downtown Manager Cynthia Martin as the Main Street Program Manager for the City of Kingsville to coordinate program activities. (Tourism Director).
8. Motion to approve resolution authorizing the Mayor to execute a Certification Agreement between the Texas Historical Commission and the City of Kingsville, Texas for participation in the Certified Local Government (CLG) program and designating Downtown Manager Cynthia Martin as the CLG Representative for the City to coordinate program activities. (Tourism Director).

9. Motion to approve resolution designating Downtown Manager Cynthia Martin as the City Historic Preservation Officer. (Tourism Director).

REGULAR AGENDA

CONSIDERATION OF MOTIONS, RESOLUTIONS, AND ORDINANCES:

VI. Items for consideration by Commissioners.⁴

10. Consideration and approval of an ordinance authorizing the issuance of "City of Kingsville, Texas Certificates of Obligations, Series 2013" and approving all other matters related to the issuance of the certificates of obligations. (Finance Director).

Mr. Mark Rushing, Finance Director, stated that staff has distributed to the Commission handouts one being for the new money for 2013 and the other for refunding. He stated that a competitive bid was done today and it came in very favorable. We received 7 bids on the new money and 4 bids for the refunding. Mr. Rushing stated that Anne Entrekin, Managing Director of First Southwest has come in to explain to the Commission about the bid process.

Ms. Anne Entrekin, Managing Director of First Southwest, presented to the Commission a handout explaining the Limited Tax Refunding Bonds, Series 2013 and Certificates of Obligation, Series 2013. She stated that she would like to give the Commission a market update. We have had volatility in the market since she last addressed the Commission a few months ago. In the Bond Buyers Index of 20 Municipal Bonds which comes out every Thursday shows the lowest rate which was December 6, 2012 when rates dipped down to a 3.27%. The current rate is at 3.60% and so there is a 33 bases point differential but there is a couple of things to mention. Part of why we saw the market dislocation was that the market was great through the first week in December and then it really fell apart which a lot of people believed it had to do with what was going on from the perspective of the Fiscal Cliff. The good news is that the market has really gotten its footing back and this is a number from last week as she suspects that the number from this week, especially based on the rate the City of Kingsville received. We are going to see the rates for this week have gone down again. We are seeing some underwrites and others that are making recommendations that you need to have your bond sale prior or at least no later than the week of February 4th. There is a concern that all of this is going to happen again especially when we start talking about the debt ceiling. When going back and looking at this before, there was great increase in interest rates and again additional volatility, so this is a very good timing in being in this particular window of time. We missed the December issue were in now and hopefully we'll be ahead on what may happen in the February time frame. She further stated that the spread or differential rates have been compressed since 2008, but are significantly wider than past years. Ms. Entrekin stated that she would like to compliment city staff for their hard work and good financial practices and policies. She further stated that when we talk about the results that were received on the bid, that we would come back to the A+ rating because it turned out to be very important in the bids that were received. The bid results were done a little different this time. Their recommendation to the City was to utilize the competitive sale method verses the negotiated method. She stated that it has been very interesting in the years that she has had the honors to work with Kingsville. All the sales that have been done have been on a negotiated bases. But really over the last year, the market has changed dramatically and there has not been a supply in the market. And so, she has seen extremely aggressive bids and a lot of firms that normally don't do business in Texas, are making very aggressive bids in Texas now. There is a two-fold reason for this, one being that Texas is a larger market, so our debt issuance is higher than we see in a lot of other states. Secondly, the economic condition in Texas is much stronger than it is in a lot of other parts so there is a confidence in the Texas Issues. So we have two issues for the Commissioners consideration this evening, the Certificates of Obligations and the Refunding Bonds, which were intentionally bid separately because we didn't know if the different duration, we might end up with two different underwriters. There were seven bidders on the \$5.2 million. The winning bid was SAMCO Capital Markets, Dallas, TX. One of the things that was very interesting

was there were this number of bidders but we had 50 base points spread between the high bid and the low bid. This is very significant when you think how compressed the market is when you see there is a 4 base point differential between the winning bid and the cover which is pretty narrow spread. She stated that the total insurance premium is zero for this bid. The City of Kingsville qualified for insurance with its strong financial and A+ Rating, and what they did was allow it to be the bidder's option as to whether they wanted to utilize insurance or not utilize insurance. We were very pleased to see that because of what they have seen in the market and the city's very strong A+ Rating, the bidder made the decision not to use insurance and go on the city's rating. She stated that this is a real compliment to the City and believes that the City received a better bid by them not utilizing the insurance then if they had. This is a great indication of an upgrade that the city received a couple of years ago and how valuable that is to the market right now. We also had the Limited Tax Refund Bonds and this is a shorter maturity that only went out to the year 2023. Coincidentally the winning bid on this one was also SAMCO Capital Markets, Dallas, TX. There were only four bidders on this bond issue verses seven. Given the final maturity and the structure there were certain firms that didn't feel that their customer base wanted the shorter maturity. The low bid is a 1.499099, the high bid is 1.980113. Again you see a 49 base point differential between the high and the low bid for a shorter transaction. The insurance premium is zero as well. Ms. Entrekin stated that one of the things that was more compelling was we went back and pulled what the results were from 2011 to compare them. In 2011 we received a 3.903% and today it is a 2.484% interest. In 2013 insurance wasn't used and the A+ Rating was strong and that's what the market wanted to go with just on the city's rating. In 2011 the 3.903% was with municipal bond insurance. From a cash flow perspective, we break out the debt service. On the new money we had two components, a drainage component as well as a street component. Drainage is going to be paid for on self supporting bases by a drainage fee that the city has put in place. What they have done with the street is put in a wrap structure pushing the first principal payment out past when we start having a drop off for the debt service for the city. We have interest only and targeted the savings in these first couple of years to give the city an additional capacity. Debt service shows \$965,000 principal on the streets and has a higher deposit on the project fund. This is the way the bidder came in which has a pretty significant premium. Now in the Sources of Funds, it shows \$4,265,000 for the Par Amount which the city gets a deposit to the project fund of \$4,325,000 and on the streets \$965,000 Par Amount related to that portion but the city does receive a full \$975,136 deposit to the streets. Regarding the Refunding, the original coupon range from 4.100% to 4.650% with a call date on 2/20/2013 is about \$1,245,000. On the refunding Par Amount, it is \$1,260,000 with gross savings of \$125,778. The projected gross savings back on November 26, 2012 was \$100,289 so we have \$25,000 more than projected an on a net present value basis is \$120,000. When we talked about it before, we thought that the net present value savings were only going to be about 7.719% and in reality it's a 9.643%. Refunding actually saved significantly more than what was anticipated which was helpful in giving the city capacity to fund the street. The calculation shows that the city can be assured that for 2014 fiscal year the INS Tax Rate will be exactly the same that it was in 2012 which was the challenge that city staff gave them to make sure, that they would be able to meet the objective from the Commission to be able to do that. Ms. Entrekin stated that after working with Mr. Rushing, they will be using what they have determined to be a reasonable and improvement of the INS Fund Balance to offset the differential so the tax rate may stay the same for the first three years. Ms. Entrekin stated that they would recommend the City approve the bid from the Underwriter for the new money as well as the refund. She further stated that they would like to extend their appreciation to the City Staff, especially Mr. Rushing, Mr. Capell and Mrs. Alvarez for all their assistance in making this a successful process and transaction. She further thanked the Bond Counsel, Winstead, and Underwriter SAMCO Capital Markets, Inc., for their efforts. She also thanked her colleagues who have assisted her in this process.

Mayor Fugate stated that through the years the City looks at refunding and this was the last thing that needed to be done to get us where we need to be.

Ms. Entrekin stated that there were two bonds that were looked at which were 2002 and 2007. The problem is that we are a little bit away from a call date, so it had a lot of what is called negative arbitrage. She believes that if the market stays relatively in the same range, the City will have another refinancing opportunity as we get closer to the call date. She further stated that what was set up today for the competitive sale is that they have electronic access and set up a webinar that several city staff members were able to see the bids coming in and how it worked.

Commissioner Garcia stated that after looking at the report, the overall net burden is what we consider a moderate \$2,428.00 per capita and moderately high 9.2%. He asked Ms. Entrekin that within her dealings with other municipalities, what she has seen as a debt per capita.

Ms. Enterkin stated that they look at cities that are growing and looked at cities that are matured. A growing city whether they have a population of 1,000, 10,000 or 100,000 has a whole different set of challenges than a city that has matured. When replacing infrastructure and investing back in the community, sometimes they do see it higher but a lot of times it's just until you get where you are caught up with making sure that infrastructure is in place and accommodating some of the growth the city has had verses other communities that may be low. But maybe they don't have the growth and not necessarily keeping up with their infrastructure.

Mayor Fugate asked Mrs. Alvarez for her opinion on this issue.

Mrs. Alvarez stated that the sales process was very interesting to watch since it was the first time it had been done this particular way. She stated that staff has been working with bond counsel at Winstead for several months with preliminary offering statement and ordinances for both of these documents. The red line version of the ordinances shows how the sales numbers have impacted the last draft. This is one of the few areas that under our City Charter we don't have to declare an emergency in order to introduce and approve an ordinance in the same night. There is a provision in the Local Government Code that the Legislature has carved out for cities to be able to do that regardless of what their Charter says.

Mr. Dan Martinez of First Southwest, stated that the city had a great pricing based on the numbers he has seen. He stated that he will be going in front of the Attorney General to get the two transactions approved for the city.

Mr. Capell thanked Ms. Entrekin and city staff for all their great work on this issue.

Motion made by Commissioner Pena to approve the ordinance authorizing the issuance of "City of Kingsville, Texas Certificates of Obligations Series 2013", second by Commissioner Pecos. The motion was passed and approved by the following vote: Pecos, Pena, Garcia, Leubert, Fugate voting "FOR".

11. Consideration and approval of an ordinance authorizing the issuance of "City of Kingsville, Texas Limited Tax Refunding Bonds, Series 2013"; a purchase contract; a paying agent/registrar agreement; and approving all other matters related thereto. (Finance Director).

Motion made by Commissioner Garcia to approve the ordinance authorizing the issuance of "City of Kingsville, Texas Limited Tax Refunding Bonds, Series 2013", second by Commissioner Pecos & Pena. The motion was passed and approved by the following vote: Pena, Garcia, Leubert, Pecos, Fugate voting "FOR".

12. Discuss speed limit on US Highway 77 through city limits. (Commissioner Garcia).

Mr. Ismael Soto, Director of Transportation Operations for the Corpus Christi District stated that the state legislature has approved the increase of speed limit to 75 – 80 mph on designated highways.

Mayor Fugate stated that while driving to Corpus Christi he drives through Robstown's expressway which has feeder roads and the speed limit drops down

to 55 mph. He further stated that in Kingsville we have a highway that doesn't have any feeder roads and not only having a subdivision that feeds into the highway but also an RV Park.

Mr. Soto stated that the speed limit in the area that the Mayor is talking about has been raised.

Mr. Fugate stated that as Mayor of this City he would like to have the speed limit on Hwy 77 near the South Creek Subdivision and RV Park looked into and possibly lowered.

Mr. Soto stated that everyone has an opinion as to what the speed limit should be in their area. He further stated that legislature has asked for more realistic speed limits throughout Texas Highways. Mr. Soto stated that there has to be a method and the universal method is to go out there and measure how fast people are traveling. He further stated that the lowest they could drop the speed limit would probably be 70 mph which is the speed limit it was before being changed.

Commissioner Leubert asked if what Mr. Soto was saying that the lowest speed he could drop it to is 70 mph. Mr. Soto stated yes. Commissioner Leubert asked if all his decisions are based on studies verses people who live in the area.

Mr. Soto stated that they would also go in and do crash analysis.

Commissioner Pena asked if Mr. Soto didn't have a crash analysis right now.

Mr. Soto stated that they have done a crash analysis. He stated that the existent crash rate is lower than the state average.

Mayor Fugate stated that if there is anyway Mr. Soto could help the citizens of the South Creek Subdivision and RV Park he would greatly appreciate it. He further stated that it's not if it's going to happen but when it's going to happen that we have a major accident near this area. We definitely don't want to wait for this to happen in order for us to do something about it.

Mr. Soto stated that he doesn't feel that the speed limit can drop to 65 mph in this location.

Commissioner Leubert asked if he could find out why it wouldn't be possible. She further stated that all they are asking for is a reasonable and safe speed limit. She stated that she would like for the engineers who perform this study to visit the subdivision and RV Park and see how dangerous that highway is with the speed limit being so high.

Discussion item only.

13. Consider awarding bid for 16" emergency water line extension along General Cavazos Blvd. as per staff recommendation. (Bid #13-04). (Director of Purchasing & IT).

Mr. David Mason, Purchasing Director stated that the city advertised for seal bids on December 2nd and December 9th, 2012 and proposals were originally to be accepted until 1:30 P.M. on December 21st, 2012. One Bid Addendum was issued on December 18th, 2012 and bid opening was extended until 1:30 p.m. on December 27th, 2012. Several bidders showed interest but only two bids were received on that date. One was Hubert Construction for \$246, 000.00 and the other from Etech Construction for \$188,686.25. The recommendation from the Purchasing Department is to award the bid to Etech Construction, Inc., 1115 Cedar Park, San Antonio, TX for \$188,686.25.

Commissioner Leubert made a motion to award the bid to Etech Construction, Inc., second by Commissioner Pecos.

Commissioner Pecos asked what the dollar difference was between both companies.

Mr. Mason stated that the dollar amount difference is \$50,000 to \$60,000. He further stated that Etech Construction, Inc. has done work in Odem and Hondo and has not received any negative comments with regards to his work.

Motion was passed approved by the following vote: Garcia, Leubert, Pecos, Pena, Fugate voting "FOR".

Mayor Fugate asked Commission if anyone would have an objection to move up agenda item #21 before item #14. No objection was made by the Commission.

14. Consider a resolution authorizing the City Manager to enter into a second revised Water Utility Supply Contract (GOV. Contract #N69450-12-C-0011) between the City of Kingsville and the Federal Government for Naval Air Station-Kingsville for an emergency water line connection. (City Engineer/Public Works Director).

Mr. Naim Kahn, Engineer/Public Works Director stated that currently the city is providing portable water to NAS Kingsville. They have changed their water system and redesigned it and as for the new design they need a 16 inch water line on General Cavazos.

Motion made by Commissioner Garcia to approve the resolution authorizing the City Manager to enter into a second revised water utility supply contract with the Federal Government for Naval Air Station Kingsville, second by Commissioner Pecos. The motion was passed and approve by the following vote: Leubert, Pecos, Pena, Garcia, Fugate voting "FOR".

15. Consider introduction of an ordinance vacating, abandoning, and closing Block 11, Lots 1-15, including a 20' alley, and a utility easement in Young Terrace Addition Subdivision. (City Engineer/Public Works Director).

Mr. Kahn stated that the plat of Young Terrace Addition was accepted by the Kingsville Commission on the 19th day of October 1958 and on January 25, 1999 with Ordinance No. 99005, all undeveloped land was abandoned except for a 10' x 118' utility easement and Block 11, lots 1-15, including an alley. Staff has verified with AEP, AT&T, CMA, Center Point and the City's Water and Sanitary Sewer Department that there are no active lines detected within the easement or land depicted in the plat referenced above.

Introduction item only.

16. Consider introduction of an ordinance amending the Fiscal Year 2012-2013 budget for the General Fund for the Street Department to receive funding for street improvements and repairs for work done in front of the Santa Gertrudis Independent School District Administration and School building. (City Engineer/Public Works Director).

Mr. Kahn stated that there was a verbal agreement between SGISD and the City to make a \$10,000 contribution to the city for the project. They have informed the City that they are ready to pay as was initially promised.

Introduction item only.

17. Consider introduction of an ordinance amending the Fiscal Year 2012-2013 budget for the Police Department to purchase an ID Card System from Fiscal Year 2012 surplus. (Chief of Police).

Ricardo Torres, Police Chief stated that they are asking to purchase a new ID Card System. The old printer ribbon for the printer used by our current ID Card System is no longer being manufactured. We found that the new printers do not work with the old software or with the old system that we currently have in house. This will be purchased under DIR Contract. The cost for the equipment is \$4,307.00.

Introduction item only.

18. Consider waiving interest on weed liens for property owned by Lionel H. Alarcon, Lots 11-12, Block 37, Original Town. (Finance Director).

Mr. Rushing stated that Mr. Lionel H. Alarcon has made a request to the City asking to waive the interest on weed liens for property located 323 E. Henrietta. There are five liens filed against the property. If Commission were to approve the waiver of interest the dollar amount waived would be \$787.60. Mr. Lionel H. Alcorn would be required to pay the principal amount of \$2,576.42 plus \$10.55 in interest for the lien filed August 15, 2012 for a total amount due of \$2,586.97. This amount would need to be paid within 30 days after the Commission approval date for the waiver of interest to be effective.

Mayor Fugate asked if Mr. Alarcon is planning on developing this property.

Mr. Capell stated that he has spoken with Mr. Alarcon and doesn't think he has any plans on developing this property.

Commissioner Leubert asked if Mr. Alarcon is going to be paying the interest for the lien filed in 2012. Mr. Rushing stated that yes he would be paying that interest.

Commissioner Garcia stated that this particular property was a tax sale.

Motion made by Commissioner Pecos to waive the interest for the property owned by Mr. Lionel H. Alarcon as per staff recommendation, second by Commissioner Leubert. The motion was passed and approved by the following vote: Pecos, Pena, Garcia, Leubert, Fugate voting "FOR".

19. Consider resolution authorizing the Mayor to execute a Professional Services Contract for the position of City Manager with Vincent J. Capell. (Mayor Fugate).

Mayor Fugate asked Mrs. Alvarez if there was a need to discuss this contract publicly.

Mrs. Alvarez stated that the document is a public record.

Motion made by Commissioner Garcia to accept this resolution, second by Commissioner Pecos. The motion was passed and approved by the following vote: Pena, Garcia, Leubert, Pecos, Fugate voting "FOR".

20. Consider introduction of an ordinance amending the Fiscal Year 2012-2013 budget for the General Fund's City Administration Dept. for an increase in compensation as a result of the City Manager's new Professional Services Contract. (Finance Director).

Mr. Rushing stated that with the City Manager's annual base salary being increased \$15,000, the following method of funding the increase would be as follows. The FY 2013 Budget Amendment is to increase the expected Garbage Fee Revenue by \$5,371.00 and decrease the Appraisal District Collection Fee by \$5,049.00. The garbage fees were conservatively budgeted in FY 2013 and the Appraisal District finalized budget for the City's portion of the Appraisal District budgeted amount came in less than the amount initially anticipate.

Mayor Fugate asked for clarification so that the citizens would not think that the overall fees are being increased. This is money already built in the existing fee.

Mr. Rushing stated that the estimated revenue for garbage fees appear to be enough to fund this amount.

Introduction item only.

21. Discuss potential revision to Employee Health Benefit Plan for retirees who are no longer eligible for coverage. (Commissioner Pecos).

Agenda item #21 was moved up before item #14 with no objections from Commission.

Commissioner Pecos stated that this started out by Mr. Chito Hinojosa who is a City Retiree after 40 years of service with the City. He stated that Mr. Hinojosa started on the retiree insurance with the City but then started working with Kleberg County. Mr. Hinojosa received insurance benefits from Kleberg County but then decided to quit his job and tried to come back to City insurance. Commissioner Pecos stated that Mr. Hinojosa was forbidden to receive the City retiree insurance.

Mr. Capell stated that the state statute states that once a retiree becomes eligible to participate in a plan of another employer, you lose your eligibility to participate in the city's insurance. Research has been done by staff and has looked as to what other cities around the state are doing in situations like this and found a couple of cities that allow retirees to come back to the city's plan. He stated that by law, once you become eligible from another employer you lose your eligibility to keep your retiree benefits. It's difficult if not impossible to bring one retired employee back without inviting others back.

Mrs. Alvarez commented that you can have a plan of classifications of persons but you can't single out one person at the exclusion of others that fall into that same eligibility.

Mr. Capell stated that there is no right or wrong answer providing additional opportunity to become eligible but it would come out expensive by doing so.

Commissioner Pecos commented that with regards to Mr. Hinojosa, was he receiving regular health insurance or was he under Cobra.

Mr. Capell stated that he was participating in the city's group health plan.

Commissioner Pecos asked, not in the Cobra.

Ms. Diana Gonzales, Human Resources Director, responded no. The retirees are eligible to continue with the city's plan as long as they make their premium payment and there isn't an end date for them.

Commissioner Pecos asked if there is a policy that stated the retiree can come back to the city's health plan.

Mrs. Alvarez stated that it doesn't say, unless it allows them to do it, they can't. It is silent to allowing them back on, so we couldn't allow them back on unless there was a provision that states that they could whatever the circumstance is at that time.

Commissioner Pecos asked if we had anything stating that they can't come back on to the city's plan.

Mrs. Alvarez stated that the fact that it says they can't get back on does not allow them to get back on. She further stated that it somewhat like a statutory construction issue. You would have to look at the four corners of the document and if it's not addressed in there, then it's not allowed.

Commissioner Pecos asked if Mr. Hinojosa was paying as an employee.

Mrs. Alvarez stated that her presumption is that Mr. Hinojosa was paying whatever the retiree rate would be.

Commissioner Pecos asked if the retirement rate is the same as an employee or is it at a higher rate.

Ms. Gonzales stated that the retiree pays the same amount that the city pays for an employee only. So if you have a retiree under the age of 65, they will pay everything that the city pays for an employee only which is less than \$500.00 a month. If the retiree is under the age of 65, then the city contributes half of that premium payment to the retiree only. If the retiree would like add their dependants, they pay 100% for them.

Commissioner Pecos asked if once Mr. Hinojosa reaches 65 years of age he is eligible for Medicare, therefore he would use the city's plan as a secondary.

Ms. Gonzales stated that would depend on the medical situation whether the city's plan would be considered primary or Medicare as primary. She further stated that as a retiree they lose the city's contribution when they reach 65 years of age. After 65, they can continue but they would have to pay 100%.

Commissioner Garcia stated that Mr. Hinojosa can continue to pay the city's insurance and have Medicare at the same time.

Ms. Gonzales answered that he could pay 100% of the premium after reaching Medicare eligibility.

Commissioner Garcia stated that the only difference is because Mr. Hinojosa is retired, Medicare becomes his primary and the city's insurance would be his secondary.

Mayor Fugate asked Mr. Rick Medrano of Entrust how this would affect our plan.

Mr. Medrano stated that the plan could be amended but amendments could never be retroactive. It would require for the city to give employees a 60 day advance notice if it's done outside open enrollment. Written notification would need to be provided to those who eligible and have retired after April 1st and would not be able to look at those prior. The plan, when the retiree retired it did not state that it allows them to continue. Anytime an amendment is made or any

change to the plan document it becomes a risk and then it becomes a stop loss carries financial liability. If claims are being paid on an individual that does not meet eligibility requirements, the city would be responsible for those dollars. Any changes made must go to the stop loss carrier and get their approval and in the absence of that approval, the city is at risk for all those dollars spend on anyone one individual that doesn't meet the definition.

Commissioner Pena asked if he didn't realize that retirees had insurance once they retired from the city.

Mrs. Alvarez stated that the retiree has an option to be on the plan. The way statute reads and the plan document reads, it isn't the fact that their employed, they can be employed part-time and not have health care benefits through that employer. If you are employed at a place where you have another health insurance benefit plan that you are covered under, you lose you eligibility under the state statute and under the plan document. The state statute gives the parameters that your eligible for insurance once you leave your employment and if you lose one of the conditions of eligibility.

Mayor Fugate stated that by doing this, it may cause the city to raise the rates on the employees in order to make this work.

Ms. Gonzales stated that the city can place some special rules and say that all those who have retired from 2005, but the stop loss carrier would have to have this information stating how many people it would effect. Would it only be the retirees or retiree with its families? The Local Government Code indicates that by state law any city with a population of over 25,000 must offer the retiree benefits.

Commissioner Pecos asked if it would be up to the age of 65.

Ms. Gonzales stated no. The city can step in and state that these are our rules to allow someone to come in, the city is going to say it's 65 and the city will contribute half of the cost. The city can say that we are not going to contribute half of the cost any longer, therefore it being the retiree's responsibility. There are so many different rules that can be set, but the stop loss carrier would have to have some kind of parameters so that they can give us an estimate.

Mayor Fugate stated that whatever the stop loss carrier estimates which would be additional cost to the city.

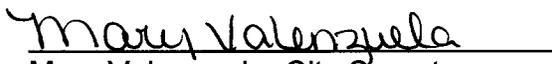
Commissioner Pecos stated that after having this discussion today, he would like to see some type brochure given to the retiree where the retiree can understand the benefits.

VII. Adjournment.

There being no further business to come before the City Commission, the meeting was adjourned at 7:50 p.m.


Sam R. Fugate, Mayor

ATTEST:


Mary Valenzuela, City Secretary