

**CITY OF GONZALES  
CITY COUNCIL MEETING  
APRIL 11, 2019 MINUTES**

The City Council convened the Council meeting at 6:00 p.m., April 11, 2019, in the Council Chambers at the Gonzales Municipal Building, 820 St. Joseph Street, Gonzales, Texas.

The following members were present constituting a quorum: Mayor Connie L. Kacir, Councilmen Tommy Schurig, Dan Blakemore and Bobby O'Neal.

The following members were absent: Gary Schroeder

Others Present: City Manager- Tim Patek, City Secretary- Kristina Vega, City Attorney- T. Daniel Santee

Staff Present: Keith Schmidt, Laura Zella, William Ince, Barbara Friedrich, Genora Young, Clint Hille, Tim Crow

Mayor Connie Kacir called the meeting to order, gave the invocation, and cited the Pledge of Allegiance and the Texas Pledge.

**HEARING OF RESIDENTS**

No comments were made during Hearing of Residents

**PROCLAMATIONS**

- 1.1 The Mayor signed a Proclamation recognizing April as Fair Housing Month
- 1.2 The Mayor signed a Proclamation recognizing April as National Sexual Assault Awareness and Prevention Month.

**PRESENTATION**

- 2.1 Discuss, Consider & Possible Action on Resolution #2019-19 Acknowledging Receipt and Presentation of The Comprehensive Annual Financial Report for the Fiscal Year Ending September 30, 2018

Jon Watson of BrooksWatson & Co. PLLC., we recently completed the 9/30/18 audit for the City. What I am going to go over is some of the highlights of that report as well as the audit. There are three phases to a financial audit, the planning phase, the field work phase and then the conclusion/reporting phase. The planning phase we look at current year results and compare them to prior year. We try to get an expectation of where things ought to be going based on what trends. Then we focus in on those areas that aren't going as expected, so it really helps us hone in on areas that we feel are more susceptible to risk. We also do walk throughs with various departments in the City, interview employees and try to understand what is going on and where things can

go wrong. That is a risk based approach where we try to focus on those areas that are most susceptible to fraud and risk and theft as well. Mainly this is the field work phase where we test those underlying results that are dragged in the financial report. Confirmations, we test transactions to the supporting evidence and get a feel if it is materially accurate or not. Then the last phase is the conclusion reporting phase that is where the report is prepared and we also provide some letters to talk about the audit results. As far as different sections of the report, the first section is the Introductory Section. The main part of that is the letter of transmittal from management to Council. It talks about results for the year and projections moving forward. Next section is the Auditor's Opinion, that's from us your independent auditor. That is where the financials are consistent with US GAP or not. The section after that is Management's Discussion and Analysis and that compares current year results to prior year results. It really gives you a good idea where things went this year relative to last year. The next section is the Basic Financial Statements which is the heart of it; statement of net positions and statement of activity, so it is at a government wide level, and then also at a fund level so you can focus in on each activity and whether they are at a surplus or deficit position, the notes to the financial statements follow that and provides details to those notes. The back of your report are the Required Supplementary Section. That has your Budget to Actual Schedules. You can see how your budget compared to the actual results in those variances. It also has your Pension Schedule and it's going to be on a ten year comparison, I think we are at about four years now. You can see what your pension is doing year over year. Then the OPEB Schedule which is a new schedule that was added this year with a GASBY change, that relates to your supplemental death benefit for your TMRS fund. The very back has the Statistical Section which has some really great information; ten year trend analysis, all the information you could want about various parts of the City and how things have changed over ten years. One of the sections that I mentioned is the Independent Auditor's report. There are four different types of reports you could receive; Unmodified, Modified, Disclaimed and Adverse. The best is an Unmodified report and that was what was issued for the City. That is the highest level of assurance a CPA could provide and that is what the City received. Congratulations to the City and management, great job getting us the information we need, answering all of the questions, as always gets us everything we need and helps us get done quickly and really do a deeper audit than we can with other cities because of familiarity and the level of evidence we get. As far as results, this is as of 9/30/18. Total assets exceeded total liabilities at 9/30/18 by \$31,843,902. Governmental funds reported a combined ending fund balance of \$2,247,411 that is an increase of \$1,714,728 for the year. Unassigned fund balance in the general fund was \$1,010,784 or 14% of annual general fund expenditures; prior year was \$124,687 or 1.8%. What we look at is we want three months; basically that is what has been suggested to us by the Government Finance Officers Association. They say three to six months is an

adequate reserve for unassigned. At 14% and the way it is trending, you are getting really close, so three months would be 25%. Last year it was low and I mentioned in the same meeting it was low, we all had some discussion about it, so really positive change that was needed and a good change for the City. The City had an overall increase in net position for the year of \$3,875,504. Digging a little deeper in the results Governmental Revenues for the year were \$7,273,999; prior year was \$4,902,403, so significant increase. Sales taxes were 24%, \$1,780,877; property taxes 16%, \$1,171,717; charges for services were 14%, \$992,000; and then other revenues were 16%, \$1,164,297. Looking at the expenses; total Governmental Expenses were \$8,880,230; prior year was \$9,214,108. The largest expense was Public Safety at 39%; \$3,483,984 which is pretty common for Public Safety every city I go to is always the largest; General Government is at 31%; \$2,770,042; Parks & Rec. at 18%; \$1,565,511; Streets at 9%; \$777,485. That is government wide for the governmental activities. Here you have a drill down at a closer detailed level at your funds and how well they are operating. General Fund as has been the case for some time is operating at a deficit revenues less than expenditures of \$3,385,481 and the other financing sources primarily transfers from proprietary funds \$4,429,488 so that led to that positive surplus for the year of \$1,044,077 which drove into that unassigned fund balance I mentioned earlier. You can see there your fund balance on 9/30/17 was \$277,015 and on 9/30/18 was \$1,321,022. JB Wells Fund negative \$189,093, generally want to keep fund balances positive. I know everyone's aware of the operations of that fund but it is in a deficit position, the city will need to address that in the future and whether that is going to be funded or if it is going to continue to run in that deficit position. The debt service fund that was created for the first time this year, so a good change to have funds set aside to service those bonds that are now being serviced out of governmental activities, it has a surplus balance of \$214,716. Look at General Fund budget to actual your final amended budget was a deficit of \$172,373, so you can see that relative to actual \$1,044,007 which led to positive overall variance of \$1,216,380. What is going into that is revenues were over budget by \$415,578. Largest piece of that was sales tax about \$320k over budget with a positive surplus. Expenditures, every department was under budget, so across the board no one was over budget. Some were under more than others but overall that led to a pretty significant surplus in budget of \$997,339. That led to your overall positive budget variance of \$1,216,380. Proprietary Funds are Electric, Water, Wastewater, Solid Waste. You can see each one is a basically operating at a surplus. Electric \$4,379,071, you can see the net transfer \$3,065,140 so a lot of that was seen on the previous general fund transfer. Water also operating at a surplus of \$3,492,193, so what happened this year was some bonds that were transferred over from proprietary funds over to governmental activities. A part of governmental accounting, the bonds are going to go where it is going to be serviced. So it shows as a positive for the Water fund because basically they are getting rid of debt. Overall

positive operating income of \$5,475,124, net transfers were \$825,859 that's the cash out flow to the general fund, net of that bond service fee moved over. The comparison of the Pension year over year shows the total pension liability which is a projection of outflows, payments on the pension and the assets that is servicing those outflows and the net pension liability, and it is a comparison of that estimated payment to the actual asset. You were in a net pension liability \$2,739,670 at year end so that is a funded ratio of 85%. So basically the asset is 85% of that estimated liability. Just to give you an understanding if that is good or bad, the average funding level in 2016 was 72%. TMRS generally does a good job. Last year was 78% and this year is 85%. It was a great year for the stock market. There are also two letters which are standard letters you should get for any audit. The first letter it goes over some standard communications, if we identified theft, fraud things of that nature would be in there. We did not identify anything of that nature, so there is nothing in there like that. Also, in there are the audit adjustments. Those are listed in there, I know that Laura is always working hard on the books and I expect every year there is going to be less of those. In the second letter some notes about internal controls, so part of those walk throughs we are always find weaknesses and things of that nature that can be approved upon. That letter just provides some things that we identified and some suggestions for improvements. Overall, nothing alarming.

### **CONSENT AGENDA ITEMS**

The Consent Agenda is considered self-explanatory and will be enacted by the Council with one motion. There will be no separate discussion of these items unless they are removed from the Consent Agenda upon the request of the Mayor or Councilmember.

3.1, **Minutes** - Approval of the minutes for the Regular Meeting of March 14, 2019 & Special Called Meeting of March 25, 2019

3.2, Discuss, Consider & Possible Action on **Resolution #2019-20** Authorizing the City Manager to Enter into a Five (5) Year Substation Inspection, Maintenance and Testing Agreement with LCRA

3.3, Discuss, Consider & Possible Action on **Resolution #2019-21** Approving the 2019-2020 Fiscal Year Budget Calendar

3.4, Discuss, Consider & Possible Action on **Resolution #2019-22** Appointing a board member to the Gonzales Economic Development Corporation

The Mayor asked for a motion to approve the consent agenda item. Councilman O'Neal made a motion to approve the consent items. Councilman Blakemore seconded the motion. The Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

## **RESOLUTIONS**

4.1, Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Resolution #2019-23** Authorizing the Release of Postponed Funding of Certain Expenditures in the General Fund. Council we have in our packet items that we had postponed funding until we had economic certainty on the tax rate, with the tax rate being approved. We will now place those items back into the budget, and those items include Edwards Association in the amount of \$7,500, the Senior Citizen Association at \$7,500, the Mental Health Advisory Board in the amount of \$2,640. We also approved a 3% merit increase for all fulltime employees that were budgeted totaled \$160,249.90. Also, putting back into the budget the Summer Youth Program approved at \$17,622.54. There was a street project to be done on Fair Street, St. Andrew and St. Louis. The Mayor asked for a motion. Councilman Schurig made a motion to approve **Resolution #2019-23** Authorizing the Release of Postponed Funding of Certain Expenditures in the General Fund. Councilman O'Neal seconded the motion. The Mayor called for discussion. There being none, the Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

4.2, Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Resolution #2019-24** Authorizing the City Manager to enter into an agreement for Grant Writing Services. Council we have in our packet a narrative also discuss the different applicants and the different scoring system. On March 22<sup>nd</sup> staff met and evaluated the proposals and based on that criteria, the RFP that was ranked at the top was Jet Development LLC at 87 points out of 100. The Mayor asked for a motion. Councilman O'Neal made a motion to approve **Resolution #2019-24** Authorizing the City Manager to enter into an agreement for Grant Writing Services. Councilman Schurig seconded the motion. The Mayor called for discussion. There being none, the Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

4.3 Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Resolution #2019-25** Authorizing the City Manager to Execute an Extension to the Lease Agreement with AV-TECH Oil & Gas, LLC. now known as Nobel Petroleum, LLC. Tom Evans of Nobel Petroleum, LLC stated they would like to request and extension to the lease, they have had some problems with the first well but seem to arrested the issues but they are now looking to progress with the lease extension on the next two wells and would like to hopefully start those this summer. The Mayor asked for a motion. Councilman Schurig made a motion to approve **Resolution #2019-25** Authorizing the City Manager to Execute an Extension to the Lease Agreement with AV-TECH Oil & Gas, LLC. now known as Nobel Petroleum, LLC. Councilman O'Neal seconded the motion. The Mayor called for discussion. There being none, the Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

4.4, Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Resolution #2019-26** Approving a GEDC Board approved grant application from TXGN Short Line Rail, a TNW Corporation, in the amount of \$200,000.00 for rail improvements. At this time we will ask for a motion, this is covering the TXGN rail expansion that would meet the immediate needs and the potential growth of existing businesses and industries and assist the community with future business and industry recruitment. It does add value to the community. It means jobs for the community and adds to the tax base. Funding from GEDC would be in the grant amount of \$200,000 and would be allocated towards materials and construction for the improvement of 2,850 feet of rail track located in the TXGN right-of-way. The TXGN would fund the balance of this project \$548,350.55. The Mayor asked for a motion. Councilman Schurig made a motion to approve **Resolution #2019-26** Approving a GEDC Board approved grant application from TXGN Short Line Rail, a TNW Corporation, in the amount of \$200,000.00 for rail improvements. Councilman Blakemore seconded the motion. The Mayor called for discussion. There being none, the Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

4.5, Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Resolution #2019-27** Authorizing the City Manager to Enter into a Municipal Maintenance Agreement with Texas Department of Transportation. Council in our packet we have an updated contract. It looks like the last contract was done in 1997, they normally update these every two years. The Mayor asked for a motion. Councilman O'Neal made a motion to approve **Resolution #2019-27** Authorizing the City Manager to Enter into a Municipal Maintenance Agreement with Texas Department of Transportation. Councilman Blakemore seconded the motion. The Mayor called for discussion. There being none, the Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

4.6, Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Resolution #2019-28** Requesting City Council Direction to the City Manager for an additional mowing for Texas Department of Transportation Right of Way. Council I believe last month I had asked the City Manager to make an inquiry for an additional mowing the right of ways to benefit the city and the beautification. He did so and the contract cost for a third mowing would be \$4,433 by the contract company. We are not amending the budget at this time, simply giving staff direction should that third mowing be a necessity; we empower the City Manager to move forward. The Mayor asked for a motion. Councilman O'Neal made a motion to approve **Resolution #2019-28** Requesting City Council Direction to the City Manager for an additional mowing for Texas Department of Transportation Right of Way. Councilman Schurig seconded the motion. Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

## **ORDINANCES**

5.1, Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Ordinance #2019-6** Authorizing a Budget Amendment in the amount of \$35,000 from vehicles/equipment to capital improvements within the JB Wells Fund to purchase crushed limestone. The JB Wells Budget is asking again that they take the \$35k out of the budget they had budgeted for the new sound system and spend that for the new fill that they need for the RV's to have everything ready for the rodeo coming up next month. The Mayor asked for a motion. Councilman O'Neal made a motion to approve **Ordinance #2019-6** Authorizing a Budget Amendment in the amount of \$35,000 from vehicles/equipment to capital improvements within the JB Wells Fund to purchase crushed limestone. Councilman Blakemore seconded the motion. The Mayor called for discussion. There being none, the Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

5.2, Mayor, Connie Kacir read Discuss, Consider & Possible Action on **Ordinance #2019-7** Authorizing a Budget Amendment in the amount of \$54,640 for the Purchase of Watch Guard in Car Video Cameras, Software, Setup and Training. We simply have the Police Department reallocating funds within their budget. The Mayor asked for a motion. Councilman Schurig made a motion to approve **Ordinance #2019-7** Authorizing a Budget Amendment in the amount of \$54,640 for the Purchase of Watch Guard in Car Video Cameras, Software, Setup and Training. Councilman O'Neal seconded the motion. The Mayor called for discussion. There being none, the Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

## **STAFF/BOARD REPORTS**

6.1, Mayor Kacir stated the Financial Report for the Month of March 2019 was included in the packet.

6.2, City Manager, Tim Patek gave a status report to the City Council on Texas Independence Relay held on March 30, 2019, LCRA Steps Forward that was held on Friday, April 5, 2019, City Wide Clean-up on April 27, 2019, Request for proposal for the Truck Mounted Slinger Spreader for the Wastewater Department, status on the City owned billboard and property behind Victoria College, 6 month status report on GVEC Electric Utility Operations Contract, Current number of employees and number of positions posted for hire, and a status report on solid waste collection in the downtown area.

## **CLOSED SESSION**

At 6:53 p.m. the City Council moved into Closed Session.

7.1, (1) Pursuant to Section 551.071 of the Texas Government Code, the City of Gonzales will consult in closed session with its attorney to receive legal advice

regarding pending or contemplated litigation, a settlement offer, or matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter", to include the following matters:

a. In Re Estate of J. B. Wells litigation

(2) Pursuant to Section 551.072 of the Texas Government Code, the City of Gonzales will consult in closed session to deliberate the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person:

a. unopened City Streets

### RETURN TO OPEN SESSION

At 7:18 p.m. the Council returned to Open Session

8.1, Discuss and Consider any action resulting from Closed Session as Necessary.

The Mayor asked for a motion. Councilman O'Neal made a motion to authorize the City Manager to enter into a contract for unopened city streets with Earline Vana for .25 acres at \$1,000. Councilman Blakemore seconded the motion. The Mayor asked for a roll call vote. Councilman Schurig, O'Neal, Blakemore and the Mayor all voted "aye".

### ADJOURN

The Mayor asked for a motion to adjourn. Councilman O'Neal made a motion to adjourn and Councilman Schurig seconded the motion and the meeting adjourned at 7:19 p.m.



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Kristina Vega, City Secretary

APPROVED:



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