

**KERRVILLE CITY COUNCIL AGENDA**  
**REGULAR COUNCIL MEETING, FEBRUARY 27, 2018, 6:00 PM**  
**CITY HALL COUNCIL CHAMBERS**  
**701 MAIN STREET, KERRVILLE, TEXAS**

**CALL TO ORDER**

**INVOCATION OFFERED BY WARREN FERGUSON, COUNCILMEMBER PLACE FOUR.**

**PLEDGE OF ALLEGIANCE TO THE FLAG**

**1. ANNOUNCEMENTS OF COMMUNITY INTEREST:**

Announcement of items of community interest, including expressions of thanks, congratulations, or condolences; information regarding holiday schedules; honorary recognitions of city officials, employees, or other citizens; reminders about upcoming events sponsored by the city or other entity that is scheduled to be attended by city officials or employees; and announcements involving imminent threats to the public health and safety of the city. No action will be taken

**2. VISITORS/CITIZENS FORUM:**

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must fill out the speaker request form and give it to the City Secretary. City Council may not discuss or take any action on an item but may place the issue on a future agenda. The number of speakers will be limited to the first ten speakers and each speaker is limited to four minutes

**3. PRESENTATIONS**

3.A Report from Mayor's Youth Advisory Council.

**4. CONSENT AGENDA:**

These items are considered routine and can be approved in one motion unless a Councilmember asks for separate consideration of an item. It is recommended that the City Council approve the following items which will grant the Mayor or City Manager the authority to take all actions necessary for each approval:

4.A Approval of minutes for the regular city council meeting held January 23, 2018, and the special city council meeting held February 1, 2018.

[2018 0123.docx](#)

[2018 0201 Economic Summit.doc](#)

4.B Budget/Economic Update Ending January 31, 2018.

[AB Financial update 1-31-18.docx](#)

[Budget\\_and\\_economic\\_update\\_1-31-18.pdf](#)

4.C Authorize the execution of a construction contract with Huband-Mantor Construction, Inc. for the Sports Complex Reuse Pond & Pump Station project in an amount of \$300,000.00.

[Agenda\\_Bill\\_Pond\\_Construction\\_with\\_HMC - edited - 20180222.docx](#)

[Sports Complex Reuse Pond Re-Bid\\_Received Bids.pdf](#)

4.D Authorize the acceptance of 6.097 acre tract of land from the Cailloux Foundation Properties, LLC to be used for the city's construction of Sports Complex Reuse Pond & Pump Station project.

[Agenda\\_Bill\\_Cailloux\\_Foundation\\_Land.docx](#)

[Letter of Intent - Cailloux - KSC Pond land donation - 20170614.pdf](#)

[Sports Complex Reuse Pond\\_Land Survey and Metes and Bounds.pdf](#)

## **END OF CONSENT AGENDA**

### **5. ORDINANCES, FIRST READING:**

5.A Ordinance No. 2018-08, an Ordinance approving a tariff authorizing an Annual Rate Review Mechanism ("RRM") as a substitution for the Annual Interim Rate Adjustment Process defined by Section 104.301 of the Texas Utilities Code, and as negotiated between Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company") and the Steering Committee of Cities Served by Atmos; requiring the Company to reimburse Cities' reasonable ratemaking expenses; adopting a savings clause; determining that this Ordinance was passed in accordance with the requirements of the Open Meetings Act; declaring an effective date; and requiring delivery of this Ordinance to the Company and Legal Counsel for the Steering Committee.

[AB for Legal on 2-27-18.docx](#)

[Ordinance No. 2018-08.pdf](#)

5.B Ordinance No. 2018-09, an Ordinance amending Chapter 10, "Alcoholic Beverages" of the Code of Ordinances of the City of Kerrville, Texas; by amending Section 10-3 "Licensing Requirements; Fees"; by reducing the applicable fee for alcoholic beverage licenses; containing a cumulative clause; containing a savings and severability clause; providing for an effective date; ordering publication; and providing other matters relating to the subject..

[AB Ordinance No. 2018-09.docx](#)

[Ordinance 2018-09.pdf](#)

**6. ORDINANCES, SECOND AND FINAL READING:**

6.A Ordinance No. 2018-04, amending the "Zoning Code" for the City of Kerrville, Texas, by revising the definition of "home occupation" and adopting regulations for that use; containing a savings and severability clause; providing for a maximum penalty or fine of two thousand dollars (\$2000.00) ordering publication; and providing other matters relating to the subject.

[Agenda Bill Planning 02.27.2018.docx](#)

[Ordinance No. 2018-04.pdf](#)

[PZ PH staff report 10.05.17.docx](#)

**7. CONSIDERATION AND POSSIBLE ACTION:**

7.A Presentation and acceptance of the Fiscal Year 2017 City of Kerrville Comprehensive Annual Financial Report (CAFR).

[AB\\_FY2017\\_Comprehensive\\_Annual\\_Financial\\_Report\\_\\_CAFR\\_.docx](#)

[Audit Presentation FY17.pdf](#)

**8. CITY MANAGER'S REPORT**

**9. ITEMS FOR FUTURE AGENDAS**

**10. EXECUTIVE SESSION:**

City Council may, as permitted by law, adjourn into executive session at any time to discuss any matter listed above including if they meet the qualifications in Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel/officers), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic development negotiations) Chapter 551 of the Texas Government Code.

**11. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION, IF ANY**

**ADJOURNMENT.**

This meeting is recorded and can be viewed on the City's website at [www.kerrilletx.gov](http://www.kerrilletx.gov)

CITY COUNCIL MINUTES  
REGULAR MEETING

KERRVILLE, TEXAS  
JANUARY 23, 2018

On January 23, 2018, the Kerrville City Council meeting was called to order at 6:00 p.m. by Mayor Bonnie White in the City Hall Council Chambers at 701 Main Street. The invocation was offered by Mayor Pro Tem George Baroody, followed by the Pledge of Allegiance led by Police Chief David Knight.

COUNCILMEMBERS PRESENT:

Bonnie White	Mayor
George Baroody	Mayor Pro Tem
Mary Ellen Summerlin	Councilmember
Vincent Voelkel	Councilmember
C. Warren Ferguson	Councilmember

COUNCILMEMBERS ABSENT: None

CITY CORE STAFF PRESENT:

Mark McDaniel	City Manager
Mike Hayes	City Attorney
E.A. Hoppe	Deputy City Manager
Cheryl Brown	Deputy City Secretary
Sandra Yarbrough	Director of Finance
Kim Meismar	Director of General Operations
David Knight	Police Chief
Stuart Cunyus	Public Information Officer
Drew Paxton	Executive Director of Development Services
Dannie Smith	Fire Chief
Guillermo Garcia	Executive Director of Strategic Initiatives
Charvy Tork	Director of Information Technology

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

1. **ANNOUNCEMENTS OF COMMUNITY INTEREST** were given.
2. **VISITORS/CITIZENS FORUM:** No one spoke.
3. **PRESENTATIONS:**  
3A. Recognition of Josh Medovich and Tyler Stefek, Schreiner University students, for their contribution to the Upper Guadalupe River Authority's storm drain marking program in the City of Kerrville.

Tara Bushnoe gave a presentation showing the background and reasons for the program. She showed pictures of the way that the storm drains are marked.

Mayor White presented Certificates of Appreciation to Schreiner interns Josh Medovich, Tyler Stefk; as well as Ms. Bushnoe, Dr. Rector, and Mr. Buck, who were representing UGRA.

3B. Cow Chip Toss Champ Award to Councilmember Warren Ferguson.

Mayor White presented the Cow Chip Toss Champ Award to Mr. Ferguson, for winning the Cow Chip Toss at the Cowboy Breakfast.

*Mayor White moved item 7A at the request of Mr. McKenzie, Airport Manager.*

**7. BOARD APPOINTMENTS**

7A. Appointments to Kerrville/Kerr County Joint Airport Board

Ms. Summerlin moved to appoint Mr. Mans and Mr. Bolton to the Airport Board as presented, with Mr. Mans' term to begin immediately, and Mr. Bolton's term to begin June 1, 2018; both terms to expire June 1, 2020. Mr. Ferguson seconded the motion, and the motion carried 5-0

3C. Briefing on electronic agenda and meeting system.

Ms. Tork gave a presentation that showed how to access and watch Council meetings on the new Granicus agenda system.

**4. CONSENT AGENDA:**

Ms. Summerlin moved to approve the items 4A and 4B. Mr. Voelkel seconded the motion, and the motion carried 5-0

4A. Approval of minutes for the regular city council meeting held December 12, 2017.

4B. Budget/Economic Update Ending December 31, 2017.

**END OF CONSENT AGENDA**

**5. ORDINANCES, FIRST READING:**

5A. Ordinance No. 2018-05, amending Chapter 6 "Advertising", Article II "Signs" of the City of Kerrville Code of Ordinances, to add pole banner signs as an authorized sign and providing regulations therefore; containing a savings and severability clause; providing for penalties not to exceed \$2,000.00; ordering publication; providing an effective date; and providing other matters related to this subject.

Mr. Paxton noted the Planning and Zoning Commission recommended approval of the ordinance.

Council discussed the following:

- The language of some of the descriptions of pole banners vs. flag banners.
- The language describing the manner in which the poles were required to be anchored.
- The language was redundant.
- The language regarding the materials and condition of the banners.
- The distance of 1 pole banner per acre of commercial property.

Ms. Summerlin moved to approve Ordinance No. 2018-05 as presented on first reading; Mr. Ferguson seconded the motion, and the motion carried 3- 2; with Councilmembers Voelkel, Summerlin, and Ferguson voting in favor, and Mayor White and Councilmember Baroody voting against

**6. CONSIDERATION AND POSSIBLE ACTION:**

6A. Authorize the purchase of a Sutphen Monarch Pumper from Cullen Emergency Vehicles through Buyboard at a price not to exceed \$554,221.

Chief Smith spoke regarding the details of the proposed purchase.

Mr. Ferguson moved to direct staff to purchase a 2018 Sutphen Monarch Pumper through Buyboard at a price not to exceed \$554,221. Ms. Summerlin seconded the motion, and the motion carried 5-0.

6B. Authorization to submit a funding application to the City of Kerrville, Texas Economic Improvement Corporation for an aquatics feasibility study for the Olympic Pool.

Mr. Hoppe reviewed funding application, and the process of submitting an application to EIC.

Council discussed the following:

- This is a quality of life project.
- Funding for the improvements, and the process of submitting a funding application to EIC.

The following people spoke:

- David Bartels spoke in favor of the feasibility study, and pool improvements.
- Peggy McKay spoke in opposition to the feasibility study.

Mr. Baroody moved to authorize staff to submit funding application. Ms. Summerlin seconded the motion, and the motion carried 5-0.

6C. Amendment to Contract Agreement with Hewitt Engineering, Inc. for design of the Sports Complex Reuse Pond and Pump Station project.

Mr. Hoppe noted the initial bids for the project came in above the budgeted amount. He proposed changing the project scope and rebidding the project.

Council discussed the following:

- The change in housing for the pump.
- The bidding process and the number of bidders.

Ms. Summerlin moved to approve the amendment to the Contract Agreement with Hewitt Engineering, Inc.; Mayor White seconded the motion, and the motion carried 5-0

**7. BOARD APPOINTMENTS:**

7A. Appointments to the Kerrville-Kerr County Joint Airport Board:  
Moved to earlier in the meeting, after Item 3B.

**8. ITEMS FOR FUTURE AGENDAS:**

- Appointments to the Recovery Community Coalition.
- Discussion about zebra mussels, and potential harm to the river.

**9. EXECUTIVE SESSION:** None

**10. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION, IF ANY**

**ADJOURNMENT:**

The meeting adjourned at 7:18 p.m.

APPROVED: \_\_\_\_\_

ATTEST: \_\_\_\_\_

\_\_\_\_\_  
Bonnie White, Mayor

---

Cheryl Brown, Deputy City Secretary

This meeting is recorded and can be viewed on the city's website at  
[www.kerrvilletx.gov](http://www.kerrvilletx.gov).

CITY COUNCIL MINUTES  
ECONOMIC SUMMIT

KERRVILLE, TEXAS  
FEBRUARY 1, 2018

On Thursday, February 1, 2018, at 8:00 a.m., the Kerrville City Council attended the Economic Summit organized by the Kerrville Area Chamber of Commerce in the Hill Country Youth Event Center Exhibit Hall, 3785 Highway 27 East, Kerrville, Texas.

COUNCILMEMBERS PRESENT:

Bonnie White	Mayor
George Baroody	Mayor Pro Tem
Mary Ellen Summerlin	Councilmember
Vincent C. Voelkel	Councilmember
C. Warren Ferguson	Councilmember

COUNCILMEMBER ABSENT: None.

CITY STAFF PRESENT:

Mark McDaniel	City Manager
EA Hoppe	Deputy City Manager
Brenda Craig	City Secretary
Sandra Yarbrough	Director of Finance
Amy Dozier	Assistant Director of Finance
Stuart Cunyus	Public Information Officer

The following speakers spoke at the summit:

- Jennifer Latiolais, All Plastics
- Nathan Fox, Fox Tank Company
- Walt Koenig, Chamber President/CEO
- Charlie McIlvain, Convention and Visitors Bureau President/CEO
- Brian O'Connor, Kerr Economic Development Corporation CEO
- Mark McDaniel, Kerrville City Manager
- Mark Foust, Kerrville Independent School District Superintendent
- Glenn Hegar, Texas Comptroller
- Jim Gaines, Chief Economist at the Real Estate Center at Texas A&M University.

The meeting adjourned at 1:28 p.m.

APPROVED: \_\_\_\_\_  
ATTEST: \_\_\_\_\_

\_\_\_\_\_  
Bonnie White, Mayor

\_\_\_\_\_  
Brenda G. Craig City Secretary



**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** Budget and economic update ending January 31, 2018

**AGENDA DATE OF:** 2/27/2018

**DATE SUBMITTED:** 2/15/2018

**SUBMITTED BY:** Sandra Yarbrough

**EXHIBITS:** Budget and Economic Report

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$0	\$0	\$0	N/A

**PAYMENT TO BE MADE TO:** N/A

---

**SUMMARY STATEMENT:**

General Fund revenue received as of January 31, 2018, was \$11,600,249 or 43.22% of budget, and expenses were \$8,852,749 or 32.99% of budget.

General Fund revenues in FY18 are less than FY17 due to a budget amendment of \$2,035,000 approved on second reading January 24, 2017 which increased the FY17 revenues.

Property tax collections were 75.53% of budget and -2.99% compared to FY17 property tax collections through the same period. The negative percent change is due timing of property tax collections received year-to-date from walk in tax collections paid January 29 – 31 and mail payments postmarked by January 31, 2018. These collections were forwarded to the City for week ending February 2 and recorded as February revenue. Property tax collections recorded as of January 31 are considered current while property tax payments received February 1 and later are delinquent with penalty and interest.

Sales tax collections are 33.59% of budget and .35% over same period in prior year. Sales tax received in January was collected for retail sales by local businesses in November 2017, reported and paid to the State Comptroller in December 2017, and received by the City in January 2018.

General Fund expense in FY18 are higher than FY17 due to more paving management accomplished earlier in budget year, seasonal electric and natural gas usage higher due to colder weather, and increased operating expense of the sports complex which was minimum in FY17.

Water and Sewer revenue received as of January 31, 2018, was \$4,295,674 or 35.02% of budget, and expenses were \$4,213,981 or 34.57% of budget. Water sales are at 32.07% of budget and 3.02% over same period in prior year. Sewer sales are 31.47% of budget and 2.30% less compared to same period in prior year.

Water sales increased due to account growth and landscape watering due to lack of normal winter time rain.

Sewer sales majority is residential which remains the same for one year and will change after the recalculation of residential winter averaging. Residential accounts are currently in the winter averaging period to determine recalculation of sewer billing to begin in April 2018.

Hotel Motel Fund revenue received as of January 31, 2018, was \$364,842 or 30.28% of budget, and expenses were \$272,050 or 23.15% of budget. Occupancy tax received in January was collected in December from persons visiting the Kerrville area. October and November collections reflected the occupancy tax exemption granted by Governor Abbott to the hurricane evacuees.

Community Investment Plan most active projects are shown with the project budget amount, invoices paid during current month, project to date expense, and remaining project budget balance. This report reflects financial activity only and does not reflect percentage or status of project completion.

Permits issued for new residential locations since October 2017 were 29. Value of new and remodel commercial permits issued in January was \$500,000. Commercial permits issued for new locations and major improvements are an estimated value of \$16,966,464 for fiscal year-to-date. Property values and increase in property value for new construction and improvements will be reflected on the property value roll in the tax year following completion of construction or improvements.

Real estate transactions remain steady with a moderate inventory.

Unemployment at national, state, and local levels remains at a low percentage.

Active water accounts billed in January served 10,960 residential units, 1,590 commercial units, and 517 irrigation meters.

Active sewer accounts billed in January served 10,644 residential units and 1,299 commercial units.

Active residential garbage accounts billed in January served 8,136 units. Residential unit complexes with 4 or more units contract dumpster service direct from a provider.

#### **RECOMMENDED ACTION**

Approve report.

## Budget and Economic Update

Month ending January 31, 2018

	Current Month	Y-T-D Total	Budget @ 33.33%	Prior Year To-Date	% change vs prior year
<b>General Fund</b>					
<b>Total Revenues</b>	<b>\$ 3,808,701</b>	<b>\$ 11,590,341</b>	<b>43.19%</b>	<b>\$ 12,724,745</b>	-8.91%
Property tax	\$ 2,494,020	\$ 6,793,419	75.53%	\$ 7,003,111	-2.99%
Sales tax	\$ 547,238	\$ 2,163,770	33.59%	\$ 2,156,253	0.35%
<b>Total Expenditures</b>	<b>\$ 1,866,126</b>	<b>\$ 8,852,749</b>	<b>32.99%</b>	<b>\$ 7,884,923</b>	12.27%
<b>Water and Sewer Fund</b>					
<b>Total Revenues</b>	<b>\$ 854,999</b>	<b>\$ 4,293,753</b>	<b>35.01%</b>	<b>\$ 3,806,498</b>	12.80%
Water Sales	\$ 375,415	\$ 1,844,431	32.07%	\$ 1,790,418	3.02%
Sewer Service	\$ 426,296	\$ 1,747,361	31.47%	\$ 1,788,528	-2.30%
<b>Total Expenditures</b>	<b>\$ 916,308</b>	<b>\$ 4,213,981</b>	<b>34.57%</b>	<b>\$ 3,800,976</b>	10.87%
<b>Hotel/Motel Fund</b>					
<b>Total Revenues</b>	<b>\$ 68,394</b>	<b>\$ 363,916</b>	<b>30.20%</b>	<b>\$ 364,785</b>	-0.24%
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 272,050</b>	<b>23.15%</b>	<b>\$ 268,950</b>	1.15%

Community Investment Plan	Project Budget	Current Month	P-T-D Expense	Project Budget Balance
Kerrville Sports Complex	\$ 10,500,000	\$ 166,368	\$ 10,437,732	\$ 62,268
Landfill Permitting	\$ 757,597	\$ 59,839	\$ 525,636	\$ 231,961
Legion Lift Station	\$ 750,000	\$ 18,277	\$ 154,383	\$ 595,617
Oxidation Ditch WWTP	\$ 1,487,745	\$ 13,202	\$ 54,994	\$ 1,432,751
Rehab Clarifier Water Treatment	\$ 683,750	\$ 3,522	\$ 32,484	\$ 651,266
Reuse System	\$ 23,003,000	\$ 849,971	\$ 13,301,401	\$ 9,701,599
River Trail	\$ 6,000,000	\$ -	\$ 5,251,653	\$ 748,347
Sports Complex Field House	\$ 2,196,000	\$ 18,728	\$ 1,758,891	\$ 437,109
TTHM/Tank Repaint	\$ 1,764,100	\$ 35,642	\$ 1,055,428	\$ 708,672

Development Activities:		Housing - January (Source: Kerrville Board of Realtors)	
<u>Residential</u>	<u>Commercial</u>	438 active residential listings; 37 residential sales January 2018	
Oct 7	\$ 8,883,507	\$9,836,857 total residential sales dollars January 2018	
Nov 6	\$ 1,217,122	\$9,836,857 total residential sales dollars Y-T-D 2018	
Dec 5	\$ 6,365,835		
Jan 11	\$ 500,000		
Feb		Unemployment - December (Source: Texas Workforce Commission)	
Mar		<u>2017</u>	<u>2016</u>
Apr		National	3.9%
May		Texas	3.7%
June		Local	3.0%
July		Utility Accounts Billed - January:	
Aug		Water - Residential units - 10,960; Commercial units - 1,590; Irrigation - 517	
Sept		Sewer- Residential units - 10,644; Commercial units - 1,299	
YTD 29	\$ 16,966,464	Garbage - Curbside - residential only - 8,136	



**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** Authorize the execution of a construction contract with Huband-Mantor Construction, Inc. for the Sports Complex Reuse Pond & Pump Station project in an amount of \$300,000.00.

**AGENDA DATE OF:** 2/27/2018

**DATE SUBMITTED:** 2/16/2018

**SUBMITTED BY:** Kyle Burow

**EXHIBITS:** Sports Complex Reuse Pond Re-Bid\_Received Bids

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$300,000.00	\$8,426,934.64	\$500,000.00	U08

**PAYMENT TO BE MADE TO:** Huband-Mantor Construction, Inc.

---

**SUMMARY STATEMENT:**

Following the January 23<sup>rd</sup> City Council meeting, City staff met with Hewitt Engineering to propose options to lower the cost of the Kerrville Sports Complex Pond and Pump Station project to meet the City's project budget of \$500,000.00. In the interest of attracting more bids, staff and Hewitt Engineering developed a revised scope to meet the needs of the project within the proposed budget. The scope was revised to remove the pump station components from the Sports Complex Reuse Pond bid and purchase these directly through Buyboard from Pump Mechanical Technical Services, LLC (PMTS) as authorized in the February 13, 2018 City Council meeting. In addition, staff is proposing a change order with QroMex, the current reuse distribution line contractor, for the small section of utility line installation for the KSC pond project as an addition to the Distribution Main contractor's scope. Electricity will be brought to the site by KPUB using overhead lines.

The pond construction documents were revised and advertised, with the bid opening being held on February 16, 2018. Five bids were received, with Huband-Mantor Construction, Inc. as the apparent qualified low bidder. Staff evaluated the bids received and recommends awarding the project to Huband-Mantor Construction, Inc. for the base bid amount of \$300,000.00.

If awarded, the construction contract will be finalized and executed by the City Manager upon the completion of the land donation and filing of the land deed where the project will be located. The land donation acceptance is also on the Council's consent agenda for February 27<sup>th</sup>.

The Sports Complex Reuse Pond and Pump Station has an individual project budget of \$500,000.00 and is being funded by the Reuse System project account with an overall project budget of \$23,003,000.00.

**RECOMMENDED ACTION:**

Authorize the City Manager to finalize and execute a construction contract with Huband-Mantor Construction, Inc.

# **Project Name : Sports Complex Reuse Pond**

**Engineering Number: PW#17-012**

## **Bid Opening: February 16, 2017**



**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** Authorize the acceptance of 6.097 acre tract of land from the Cailloux Foundation Properties, LLC to be used for the city's construction of Sports Complex Reuse Pond & Pump Station project.

**AGENDA DATE OF:** 2/27/2018

**DATE SUBMITTED:** 2/16/2018

**SUBMITTED BY:** Kyle Burow

**EXHIBITS:** Cailloux Land Donation Letter of Intent  
Sports Complex Reuse Pond\_Land Survey and Metes and Bounds

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$0	\$0	\$0	N/A

**PAYMENT TO BE MADE TO:** N/A

---

**SUMMARY STATEMENT:**

In late 2016, the City contracted the construction of the Reuse Pond and Pump Station Facility located near the existing Water Reclamation Facility to enhance the magnitude and reliability of the City's raw water supply, as well as to reduce potable water usage associated with golf courses, sports fields, and other large turf areas. Additionally, City Council approved the construction of distribution mains to convey reuse water to several customers' smaller onsite reuse storage facilities.

As the next phase of providing reuse water to the Sports Complex, the City entered into a Letter of Intent in June 2017 with Cailloux Foundation Properties, LLC for the donation of an approximate seven (7) acre tract of land to be used for the City's construction of an onsite storage facility for reuse irrigation water at the Kerrville Sports Complex. In addition, the City contracted Hewitt Engineering to design the onsite reuse storage facility and pump station to meet the irrigation needs of the Sports Complex. The proposed property is located on the south side of Holdsworth Drive and adjacent to the soccer side of the Sports Complex.

As part of the agreement with Cailloux Foundation Properties, LLC, the property to be used for the proposed reuse pond site will be conveyed to the City once the project is fully designed and a construction contract has been awarded. The design has been completed and the construction contract award has been recommended as part of tonight's consent agenda. Once the land deed is filed the construction contract will be fully executed by the City Manager and construction will commence.

**RECOMMENDED ACTION:**

Authorize the City Manager to finalize the acceptance of land from Cailloux Foundation Properties, LLC.



June 13, 2017

Cailloux Foundation Properties, LLC  
912 Guadalupe Street  
Kerrville, TX 78028

**RE: Letter of Intent for 7 acre site to be used for onsite storage of reuse water at the Kerrville Sports Complex**

Mr. Cailloux,

The City of Kerrville wants to take this opportunity to again thank you for the tremendous support in making the new Kerrville Sports Complex a reality for this community. As you likely know, construction is coming along nicely and we all look forward to the project opening later this year.

In 2013, the City of Kerrville initiated a feasibility analysis for a central reuse water storage facility and distribution system. The design sought to enhance the magnitude and reliability of the City's raw water supply, as well as to reduce potable water usage associated with irrigation of golf courses, sports fields, and other large turf areas. After a subsequent design process in 2015, the City contracted to construct this central reuse water storage facility and its pump system in late 2016, which is located adjacent to the existing water reclamation facility. The City Council subsequently approved the construction of distribution lines from this central reuse water storage facility to distribute the water to several customers. These customers in turn will build smaller onsite water storage facilities to better regulate their specific irrigation needs.

One of the major distribution lines currently under construction runs to the Kerrville Sports Complex. The use of reuse water for irrigation purposes at the Kerrville Sports Complex will save valuable potable water supply for personal consumption and other health and safety purposes, and will also provide a more cost effective option for City operations compared to paying for the cost of potable water.

The next phase in supplying reuse water to the Kerrville Sports Complex for irrigation purposes is to design/engineer an on-site reuse water holding facility (pond) and pump station specifically for the irrigation needs of the sports complex. The proposed water storage facility would be located on the south side of Holdsworth Dr. adjacent to the existing property, and is further illustrated in **Exhibit A**. The property where the sports

Cailloux Foundation Properties, LLC  
June 13, 2017  
Page 2

complex reuse pond is proposed to be located is not currently part of the City-owned sports complex property (previously donated by the Cailloux Foundation).

This Letter of Intent provides for the stipulations for both the City and the Cailloux Foundation to accomplish the construction of the onsite water storage facility. This Letter of Intent outlines the general terms of a proposed real estate transaction. The City and Cailloux Foundation agree the only purpose of this Letter of Intent is to set forth the discussions of the parties. This Letter of Intent does not constitute an agreement between the parties and is not legally binding or enforceable on either party.

City agrees to:

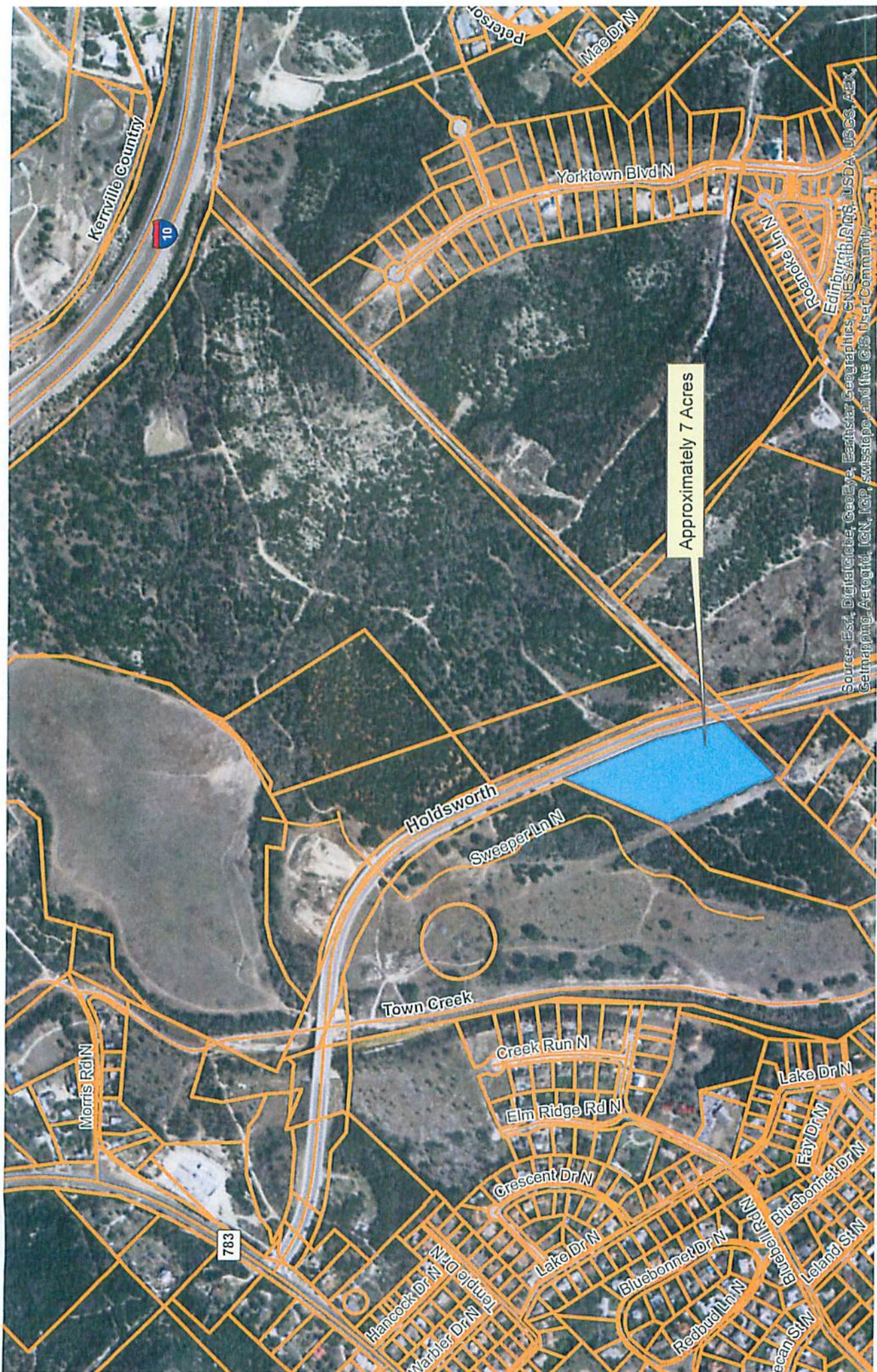
- Initiate and complete the design/engineering work for the pond and pump station facility
- Leave a natural landscape buffer that helps screen the facility from travelers on Holdsworth Drive
- Survey the necessary land for the facility
- Award a contract to construct the facility
- Understands that if the Land is not used for its purposes and/or the pond is not used for its stated purpose the title to the 7 acres would revert back and such conditions and reversions will be set forth in the deed.

Cailloux Foundation agrees to:

- Convey the proposed reuse pond site to the City (estimated to be approximately 7 acres or less), once the project is fully designed and a construction contract has been awarded.

  
Cailloux Foundation

  
City of Kerrville, TX



# MDS

**LAND SURVEYING COMPANY, INC.**

**BOUNDARY ♦ TOPOGRAPHIC ♦ CONSTRUCTION**

**8 SPENCER ROAD**

**BOERNE, TEXAS 78006**

**PHONE: 830-816-1818**

## **Field Notes for a 6.097 Acre Tract of Land**

**BEING** a 6.097 acre tract of land out of the Walter Fostgate Survey No. 120, Abstract No. 138, Kerr County, Texas, being out of the remaining portion of a called 70.65 acre tract of land recorded in Document No. 14-05748, Official Public Records of Kerr County, Texas, said 6.097 acre tract of land being more particularly described by metes and bounds as follows:

**BEGINNING** at a 1/2" rebar found in the west right of way line of Holdsworth Drive at the northeast corner of the remaining portion of the called 70.65 acre tract for the northeast corner of the tract herein described, said point being the easternmost corner of a called 54.75 acre tract recorded in Document No. 16-04624, Official Public Records of Kerr County, Texas;

**THENCE**, along the west right of way line of Holdsworth Drive, the east boundary line of the remaining portion of the called 70.65 acre tract , the following courses and distances:

**South 23° 20' 20" East, a distance of 314.80 feet**, to a 1/2" rebar found for angle point;

**South 20° 47' 09" East, a distance of 246.43 feet**, to a 1/2" rebar found for angle point;

**South 16° 01' 13" East, a distance of 233.58 feet**, to a 1/2"rebar found for angle point;

**South 11° 12' 13" East, a distance of 8.28 feet**, to a 1/2" rebar with MDS cap set for the southeast corner of the tract herein described, from which a 1/2" rebar found at the southeast corner of the remaining portion of the called 70.65 acre tract bears South 11° 12' 13" East, a distance of 72.29 feet;

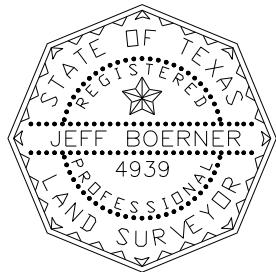
**THENCE**, departing the west right of way line of Holdsworth Drive, along the south boundary line of the tract herein described, **South 44° 54' 00" West, a distance of 387.52 feet**,, to a 1/2" rebar with MDS cap set for the southwest corner of the tract herein described;

**THENCE**, along the west boundary line of the tract herein described, **North 23° 27' 19" West, a distance of 569.87 feet**, to a 1/2" with MDS cap set for the northwest corner of the tract herein described, being in the north boundary line of the remaining portion of the called

70.65 acre tract, the south boundary line of the aforementioned 54.75 acre tract;

**THENCE**, along the north boundary line of the remaining portion of the called 70.65 tract, the north boundary line of the tract herein described, the south boundary line of the said 54.75 acre tract, **North 23° 47' 37" East, a distance of 550.59 feet**, to **PLACE OF BEGINNING** and containing 6.097 acres of land, more or less.

Note: This description is based on an on the ground survey performed on 10-31-2017. The basis of bearings was established from the City of Kerrville coordinate system. A survey plat with same date accompanies this description.



A handwritten signature in red ink that appears to read "Jeff Boerner".

---

Jeff Boerner  
Registered Professional Land Surveyor  
No. 4939  
Job # 18-005-00  
Date: 01-09-2018

NORTH

SCALE: 1" = 200'

CITY OF KERRVILLE  
54.75 ACRES  
DOC.#16-04624  
O.P.R.

NOTES

1. BASIS OF BEARING WAS ESTABLISHED FROM THE KERRVILLE COORDINATE SYSTEM.
2. FIELD SURVEY COMPLETED 10-31-2017.
3. EXCEPT AS SPECIFICALLY STATED OR SHOWN ON THIS PLAT, THIS SURVEY DOES NOT PURPORT TO REFLECT ANY OF THE FOLLOWING WHICH MAY BE APPLICABLE TO THE SUBJECT REAL ESTATE: EASEMENTS, OTHER THAN POSSIBLE EASEMENTS THAT WERE VISIBLE AT THE TIME OF THE MAKING OF THIS SURVEY; BUILDING SETBACK LINES; RESTRICTIVE COVENANTS; SUBDIVISION RESTRICTIONS; ZONING OR OTHER LAND USE REGULATIONS; AND ANY OTHER FACTS THAT AN ACCURATE AND CURRENT TITLE SEARCH MAY DISCLOSE.
4. A FIELD NOTE DESCRIPTION WITH SAME DATE ACCOMPANIES THIS SURVEY.
5. IMPROVEMENTS, UTILITIES AND FENCES NOT LOCATED BY THIS SURVEY.
6. ADJOINER INFORMATION IS SHOWN FOR INFORMATIONAL PURPOSES ONLY.

● = 1/2" REBAR FOUND  
○ = 1/2" REBAR W/MDS CAP SET

PLAT SHOWING: A 6.097 ACRE TRACT OF LAND OUT OF THE WALTER FOSTGATE SURVEY NO. 120, ABSTRACT NO. 138, KERR COUNTY, TEXAS, BEING OUT OF THE REMAINING PORTION OF A CALLED 70.65 ACRE TRACT OF LAND RECORDED IN DOCUMENT NO. 14-05748, OFFICIAL PUBLIC RECORDS OF KERR COUNTY, TEXAS,  
M.D.S. LAND SURVEYING CO., INC.  
8 SPENCER ROAD  
BOERNE, TEXAS 78006  
PHONE: (830) 816-1818  
TBPLS FIRM NO. 10019600

30'X100' DRAINAGE EAS'MT  
CITY OF KERRVILLE  
VOL. 1468, PG. 1  
O.P.R.

WALTER FOSTGATE  
SURVEY NO. 120  
ABSTRACT NO. 138

REMAINING PORTION OF  
70.65 ACRES  
CAILLOUX FOUNDATION  
PROPERTIES, LLC  
DOC.#14-05748  
O.P.R.

HOLDSWORTH DRIVE  
P.O.B.  
S 23°20'20" E 314.80'

S 23°47'37" W 550.59'

N 23°27'19" W 569.87'  
100' WIDE L.C.R.A. EASEMENT  
(APPROXIMATE LOCATION)  
VOL. 3, PG. 109  
E.R.

6.097 ACRES

TRACT 5

REMAINING PORTION OF  
304.09 ACRES  
CAILLOUX FOUNDATION  
PROPERTIES, LLC  
DOC.#14-05748  
O.P.R.

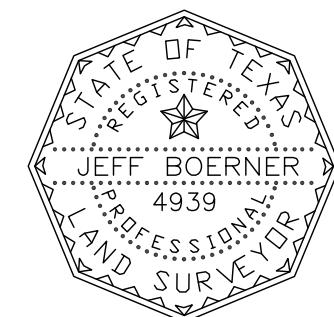
L.C.R.A.  
VOL. 122, PG. 536  
D.R.

C.C.S.D. & R.G.N.G. R.R.  
CO. SURVEY NO. 1330  
ABSTRACT NO. 1113

L.C.R.A.  
VOL. 122, PG. 536  
D.R.

C. SELF  
SURVEY NO. 626  
ABSTRACT NO. 325

JOB #: 18-005-00  
DATE: 01-09-2017





**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** An Ordinance approving a tariff authorizing an annual Rate Review Mechanism ("RRM") as a substitution for the annual Interim Rate Adjustment process defined by Section 104.301 of the Texas Utilities Code, and as negotiated between Atmos Energy Corp., Mid-Tex Division and the Steering Committee of Cities served by Atmos (see *Ordinance for full caption*)

**AGENDA DATE OF:** 2/27/2018

**DATE SUBMITTED:** 2/22/2018

**SUBMITTED BY:** Mike Hayes, City Attorney

**EXHIBITS:** Ordinance No. 2018-08 (incl. attachments)

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$0	\$0	\$0	N/A

**PAYMENT TO BE MADE TO:** N/A

---

**SUMMARY STATEMENT:**

The following is a report from the attorneys representing the Atmos Cities Steering Committee:

The City, along with 171 other Mid-Texas Cities served by Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Steering Committee of Cities Served by Atmos ("Cities"). In 2007, the Cities and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301 of the Texas Utilities Code for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability Infrastructure Program legislation). That settlement created a substitute rate review process, referred to as Rate Review Mechanism ("RRM"), as a substitute for future filings under the GRIP statute.

Since 2007, there have been several modifications to the original RRM Tariff. The Ordinance that resolved the Company's application under the RRM Tariff in 2017 also terminated the existing RRM Tariff and required a renegotiation of the terms of that tariff. Negotiations have taken place over the past several months, and have resulted in a revised RRM Tariff that has been agreed to by the Company. The Cities' Executive Committee has recommended acceptance of the revised RRM Tariff, which is attached to the Ordinance.

Cities strongly opposed the GRIP process because it constitutes piecemeal ratemaking by ignoring declining expenses and increasing revenues and rewarding the Company for increasing capital investment. The GRIP process does not allow any

review of the reasonableness of capital investment and does not allow cities to participate in the Railroad Commission's review of annual GRIP filings or recover their rate case expenses. The Railroad Commission undertakes a mere administrative review of GRIP filings (instead of a full hearing) and rate increases go into effect without any material adjustments. In the Steering Committee's view, the GRIP process unfairly raises customers' rates without any regulatory oversight. In contrast, the RRM process has allowed for a more comprehensive rate review and annual evaluation of expenses and revenues, as well as capital investment.

The RRM Tariff on which the 2017 rates were based allowed a rate of return on equity of 10.50%. The revised RRM Tariff reduces that to 9.8%. The revised RRM Tariff also captures the reduction in federal income tax rates from 35% to 21%, and should result in a rate reduction effective by mid-March,, 2018. Prior RRM tariffs allowed Cities only three months to review the Company's filing. The new revised Tariff expands that time period by two months. New applications by the Company should be made on or about April 1 of each year, with new rates effective October 1. A rate order from the Railroad Commission in an Atmos Texas Pipeline rate case adopted the position of Cities with regard to incentive compensation related to Atmos' Shared Services Unit that reduced allowed expenses, and that reduced level of expenses will be applicable under the new RRM Tariff.

**Explanation of “Be It Ordained” Sections:**

1. This section approves all findings in the Ordinance.
2. This section adopts the attached RRM Tariff and finds the adoption of the Tariff to be just, reasonable, and in the public interest. The prior tariff expired by its own terms.
3. This section requires the Company to reimburse the City for expenses associated with adoption of the Ordinance and RRM Tariff and in processing future applications pursuant to the Ordinance.
4. This section repeals any resolution or ordinance that is inconsistent with this Ordinance.
5. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.
6. This section is a savings clause, which provides that if any section is later found to be unconstitutional or invalid, that finding shall not affect, impair, or invalidate the remaining provisions of this Ordinance. This section further directs that the remaining provisions of the Ordinance are to be interpreted as if the offending section or clause never existed.
7. This section provides for an effective date upon passage.

8. This section directs that a copy of the signed Ordinance be sent to a representative of the Company and legal counsel for the Steering Committee.

**RECOMMENDED ACTION:**

Adoption of Ordinance on 1<sup>st</sup> reading.

**CITY OF KERRVILLE, TEXAS**  
**ORDINANCE NO. 2018-08**

**AN ORDINANCE APPROVING A TARIFF AUTHORIZING  
AN ANNUAL RATE REVIEW MECHANISM (“RRM”) AS A  
SUBSTITUTION FOR THE ANNUAL INTERIM RATE  
ADJUSTMENT PROCESS DEFINED BY SECTION 104.301  
OF THE TEXAS UTILITIES CODE, AND AS NEGOTIATED  
BETWEEN ATMOS ENERGY CORP., MID-TEX DIVISION  
 (“ATMOS MID-TEX” OR “COMPANY”) AND THE  
STEERING COMMITTEE OF CITIES SERVED BY ATMOS;  
REQUIRING THE COMPANY TO REIMBURSE CITIES’  
REASONABLE RATEMAKING EXPENSES; ADOPTING A  
SAVINGS CLAUSE; DETERMINING THAT THIS  
ORDINANCE WAS PASSED IN ACCORDANCE WITH THE  
REQUIREMENTS OF THE OPEN MEETINGS ACT;  
DECLARING AN EFFECTIVE DATE; AND REQUIRING  
DELIVERY OF THIS ORDINANCE TO THE COMPANY  
AND LEGAL COUNSEL FOR THE STEERING  
COMMITTEE**

**WHEREAS**, the City of Kerrville, Texas (“City”) is a gas utility customer of Atmos Energy Corp., Mid-Tex Division (“Atmos Mid-Tex” or “Company”), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

**WHEREAS**, the City and similarly-situated Mid-Tex municipalities created the Steering Committee of Cities Served by Atmos to efficiently address all rate and service matters associated with delivery of natural gas; and

**WHEREAS**, the Steering Committee formed an Executive Committee to direct legal counsel and to recommend certain specific actions to all aligned Mid-Tex Cities through resolution or ordinance; and

**WHEREAS**, pursuant to the terms of a November 2007 agreement between the Steering Committee and Atmos Mid-Tex that settled the Company’s interim rate filing under Section 104.301 of the Texas Utilities Code (a “GRIP” rate case), the Steering Committee and the Company collaboratively developed a Rate Review Mechanism (“RRM”) Tariff, ultimately authorized by the City in 2008, that allows for an expedited rate review process as a substitute for the GRIP process; and

**WHEREAS**, the City has kept some form of a RRM Tariff in place until 2017 when it adopted an ordinance approving an RRM Tariff filing settlement and specifically calling for termination of the existing RRM Tariff and negotiation of a

replacement RRM Tariff following the Railroad Commission's decision in a then-pending Atmos Texas Pipeline case (GUD No. 10580); and

**WHEREAS**, the Steering Committee's Executive Committee has recently approved a settlement with the Company on the attached RRM Tariff that contains certain notable improvements, from a consumer perspective, over the prior RRM Tariff, including a reduced rate of return on equity, acceptance of certain expense adjustments made by the Railroad Commission in the Order in GUD No. 10580, and the addition of two months to the time for processing a RRM Tariff application; and

**WHEREAS**, the RRM Tariff contemplates reimbursement of Cities' reasonable expenses associated with RRM Tariff applications; and

**WHEREAS**, the Steering Committee's Executive Committee recommends that all Steering Committee member cities adopt this ordinance and the attached RRM Tariff; and

**WHEREAS**, the attached RRM Tariff is just, reasonable and in the public interest;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, TEXAS:**

**SECTION ONE.** The findings set forth in this Ordinance are hereby in all things approved.

**SECTION TWO.** The attached RRM Tariff re-establishing a form of Rate Review Mechanism is just and reasonable and in the public interest, and is hereby adopted.

**SECTION THREE.** Atmos Mid-Tex shall reimburse the Cities' reasonable expenses associated with adoption of this Ordinance and the attached RRM Tariff and in processing future RRM Tariff applications filed pursuant to the attached tariff.

**SECTION FOUR.** That to the extent any resolution or ordinance previously adopted by the City is inconsistent with this Ordinance, it is hereby repealed.

**SECTION FIVE.** The meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**SECTION SIX.** If any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance , and the remaining provisions

of this Ordinance shall be interpreted as if the offending section or clause never existed.

**SECTION SEVEN.** This Ordinance shall become effective from and after its passage.

**SECTION EIGHT.** A copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs, Atmos Energy Corporation, Mid-Tex Division, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to Mid-Tex Cities, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

**PASSED AND APPROVED ON FIRST READING, this the \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2017.**

**PASSED AND APPROVED ON SECOND AND FINAL READING, this the \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2017.**

---

\_\_\_\_\_  
Bonnie White, Mayor

ATTEST:

---

\_\_\_\_\_  
Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



---

\_\_\_\_\_  
Michael C. Hayes, City Attorney

**ATMOS ENERGY CORPORATION**  
**MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 04/01/2018</b>	<b>PAGE: 1</b>

**I.       Applicability**

Applicable to Residential, Commercial, Industrial, and Transportation tariff customers within the city limits of cities identified in Exhibit A that receive service from the Mid-Tex Division of Atmos Energy Corporation (“Company”). This Rate Review Mechanism (“RRM”) provides for an annual adjustment to the Company’s Rate Schedules R, C, I and T (“Applicable Rate Schedules”). Rate calculations and adjustments required by this tariff shall be determined on a System-Wide cost basis.

**II.      Definitions**

“Test Period” is defined as the twelve months ending December 31 of each preceding calendar year.

The “Effective Date” is the date that adjustments required by this tariff are applied to customer bills. The annual Effective Date is October 1.

Unless otherwise provided in this tariff the term Final Order refers to the final order issued by the Railroad Commission of Texas in GUD No. 10170 and elements of GUD No. 10580 as specified in Section III below.

The term “System-Wide” means all incorporated and unincorporated areas served by the Company.

“Review Period” is defined as the period from the Filing Date until the Effective Date.

The “Filing Date” is as early as practicable, but no later than April 1 of each year.

**III.     Calculation**

The RRM shall calculate an annual, System-Wide cost of service (“COS”) that will be used to adjust applicable rate schedules prospectively as of the Effective Date. The Company may request recovery of its total cost of service but will include schedules showing the computation of any adjustments. The annual cost of service will be calculated according to the following formula:

$$\text{COS} = \text{OM} + \text{DEP} + \text{RI} + \text{TAX} + \text{CD}$$

Where:

OM = all reasonable and necessary operation and maintenance expenses from the Test Period adjusted for known and measurable items and prepared

**ATMOS ENERGY CORPORATION****MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 04/01/2018</b>	<b>PAGE: 2</b>

consistent with the rate making treatments approved in the Final Order. Incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) related to Atmos' Shared Services Unit will be applied consistent with treatment approved in GUD 10580. Additionally, O&M adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date. OM may be adjusted for atypical and non-recurring items. Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Test Period, but the methodology used will be that approved in the Final Order in GUD 10580.

**DEP** = depreciation expense calculated at depreciation rates approved by the Final Order. Additionally, if depreciation rates are approved in a subsequent final order, not subject to appeal, issued by the Railroad Commission of Texas for the Mid-Tex division those rates would be applicable for subsequent RRM filings.

**RI** = return on prudently incurred investment calculated as the Company's pretax return multiplied by rate base at Test Period end. Rate base is prepared consistent with the rate making treatments approved in the Final Order, and as in GUD 10580 as specifically related to capitalized incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) for Atmos' Shared Services Unit. However, no post Test Period adjustments will be permitted. Additionally, adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Pretax return is the Company's weighted average cost of capital before income taxes. The Company's weighted average cost of capital is calculated using the methodology from the Final Order including the Company's actual capital structure and long term cost of debt as of the Test Period end (adjusted for any known and measurable changes that have occurred prior to the filing date) and the return on equity of 9.8%. However, in no event will the percentage of equity exceed 58%. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. Cash working capital will be calculated using the lead/lag days approved in the Final Order. With respect to pension and other postemployment benefits, the Company will record a regulatory asset or liability for these costs until the amounts are included in the next annual rate adjustment implemented under this tariff. Each year, the Company's filing under this Rider RRM will clearly state the level of pension

**ATMOS ENERGY CORPORATION**  
**MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 04/01/2018</b>	<b>PAGE: 3</b>

and other postemployment benefits recovered in rates.

**TAX** = income tax and taxes other than income tax from the Test Period adjusted for known and measurable changes occurring after the Test Period and before the Filing Date, and prepared consistent with the rate making treatments approved in the Final Order. Atmos Energy shall comprehensively account for, including establishing a regulatory liability to account for, any statutory change in tax expense that is applicable to months during the Test Period in the calculation to ensure recovery of tax expense under new and old income tax rates.

**CD** = interest on customer deposits.

#### **IV. Annual Rate Adjustment**

The Company shall provide schedules and work papers supporting the Filing's revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. The result shall be reflected in the proposed new rates to be established for the effective period. The Revenue Requirement will be apportioned to customer classes in the same manner that Company's Revenue Requirement was apportioned in the Final Order. For the Residential Class, 50% of the increase may be recovered in the customer charge. However, the increase to the Residential customer charge shall not exceed \$0.60 per month in the initial filing and \$0.70 per month in any subsequent year. The remainder of the Residential Class increase not collected in the customer charge will be recovered in the usage charge. For all other classes, the change in rates will be apportioned between the customer charge and the usage charge, consistent with the Final Order. Test Period billing determinants shall be adjusted and normalized according to the methodology utilized in the Final Order.

#### **V. Filing**

The Company shall file schedules annually with the regulatory authority having original jurisdiction over the Company's rates on or before the Filing Date that support the proposed rate adjustments. The schedules shall be in the same general format as the cost of service model and relied-upon files upon which the Final Order was based. A proof of rates and a copy of current and proposed tariffs shall also be included with the filing. The filing shall be made in electronic form where practical. The Company's filing shall conform to Minimum Filing Requirements (to be agreed upon by the parties), which will contain a minimum amount of information that will assist the regulatory authority in its review and analysis of the filing. The Company and regulatory authority will endeavor to hold a technical conference regarding the filing within twenty (20) calendar days after the Filing Date.

**ATMOS ENERGY CORPORATION**  
**MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 04/01/2018</b>	<b>PAGE: 4</b>

A sworn statement shall be filed by an Officer of the Company affirming that the filed schedules are in compliance with the provisions of this Rate Review Mechanism and are true and correct to the best of his/her knowledge, information, and belief. No testimony shall be filed, but a brief narrative explanation shall be provided of any changes to corporate structure, accounting methodologies, allocation of common costs, or atypical or non-recurring items included in the filing.

## **VI. Evaluation Procedures**

The regulatory authority having original jurisdiction over the Company's rates shall review and render a decision on the Company's proposed rate adjustment prior to the Effective Date. The Company shall provide all supplemental information requested to ensure an opportunity for adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within seven (7) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the proposed rate adjustment into compliance with the provisions of this tariff.

The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall constitute a finding that such net plant investment was prudently incurred. Such finding of prudence shall not be subject to further review in a subsequent RRM or Statement of Intent filing.

During the Review Period, the Company and the regulatory authority will work collaboratively and seek agreement on the level of rate adjustments. If, at the end of the Review Period, the Company and the regulatory authority have not reached agreement, the regulatory authority shall take action to modify or deny the proposed rate adjustments. The Company shall have the right to appeal the regulatory authority's action to the Railroad Commission of Texas. Upon the filing of an appeal of the regulatory authority's order relating to an annual RRM filing with the Railroad Commission of Texas, the regulatory authority having original jurisdiction over the Company's rates shall not oppose the implementation of the Company's proposed rates subject to refund, nor will the regulatory authority advocate for the imposition of a third party surety bond by the Company. Any refund shall be limited to and determined based on the resolution of the disputed adjustment(s) in a final, non-appealable order issued in the appeal filed by the Company at the Railroad Commission of Texas.

ATMOS ENERGY CORPORATION  
MID-TEX DIVISION

<b>RATE SCHEDULE:</b>	RRM – Rate Review Mechanism	
<b>APPLICABLE TO:</b>	ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE	
<b>EFFECTIVE DATE:</b>	Bills Rendered on and after 04/01/2018	PAGE: 5

In the event that the regulatory authority and Company agree to a rate adjustment(s) that is different from the adjustment(s) requested in the Company's filing, the Company shall file compliance tariffs consistent with the agreement. No action on the part of the regulatory authority shall be required to allow the rate adjustment(s) to become effective on October 1. To the extent that the regulatory authority does not take action on the Company's RRM filing by September 30, the rates proposed in the Company's filing shall be deemed approved effective October 1. Notwithstanding the preceding sentence, a regulatory authority may choose to take affirmative action to approve a rate adjustment under this tariff. In those instances where such approval cannot reasonably occur by September 30, the rates finally approved by the regulatory authority shall be deemed effective as of October 1.

To defray the cost, if any, of regulatory authorities conducting a review of the Company's annual RRM filing, the Company shall reimburse the regulatory authorities on a monthly basis for their reasonable expenses incurred upon submission of invoices for such review. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made. A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company no later than December 1 of the year in which the RRM filing is made and the Company shall reimburse regulatory authorities in accordance with this provision on or before December 31 of the year the RRM filing is made.

To the extent possible, the provisions of the Final Order shall be applied by the regulatory authority in determining whether to approve or disapprove of Company's proposed rate adjustment.

This Rider RRM does not limit the legal rights and duties of a regulatory authority. Nothing herein shall abrogate the jurisdiction of the regulatory authority to initiate a rate proceeding at any time to review whether rates charged are just and reasonable. Similarly, the Company retains its right to utilize the provisions of Texas Utilities Code, Chapter 104, Subchapter C to request a change in rates. The provisions of this Rider RRM are implemented in harmony with the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101-105).

The annual rate adjustment process set forth in this tariff shall remain in effect during the pendency of any Statement of Intent rate filing.

**ATMOS ENERGY CORPORATION**

**MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 04/01/2018</b>	<b>PAGE: 6</b>

**VII. Reconsideration, Appeal and Unresolved Items**

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

**VIII. Notice**

Notice of each annual RRM filing shall be provided by including the notice, in conspicuous form, in the bill of each directly affected customer no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;
- c) the service area or areas in which the proposed rates would apply;
- d) the date the annual RRM filing was made with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment can be obtained.

ATMOS ENERGY CORPORATION  
MID-TEX DIVISION

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>		
<b>APPLICABLE TO:</b>	<b>ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE</b>		
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 04/01/2018</b>		<b>PAGE: 7</b>

## Exhibit A

### ACSC Cities

Abilene	Cleburne	Frost	Lincoln Park
Addison	Clyde	Gainesville	Little Elm
Albany	College Station	Garland	Lorena
Allen	Colleyville	Garrett	Madisonville
Alvarado	Colorado City	Grand Prairie	Malakoff
Angus	Comanche	Grapevine	Mansfield
Anna	Commerce	Groesbeck	Mckinney
Argyle	Coolidge	Gunter	Melissa
Arlington	Coppell	Haltom City	Mesquite
Aubrey	Copperas Cove	Harker Heights	Midlothian
Azle	Corinth	Haskell	Murphy
Bedford	Crandall	Haslet	Newark
Bellmead	Crowley	Hewitt	Nocona
Benbrook	Dalworthington Gardens	Highland Park	North Richland Hills
Beverly Hills	Denison	Highland Village	Northlake
Blossom	Denton	Honey Grove	Oak Leaf
Blue Ridge	Desoto	Hurst	Ovilla
Bowie	Draper	Hutto	Palestine
Boyd	Duncanville	Iowa Park	Pantego
Bridgeport	Eastland	Irving	Paris
Brownwood	Edgecliff Village	Justin	Parker
Buffalo	Emory	Kaufman	Pecan Hill
Burkburnett	Ennis	Keene	Petrolia
Burleson	Euless	Keller	Plano
Caddo Mills	Everman	Kemp	Ponder
Canton	Fairview	Kennedale	Pottsboro
Carrollton	Farmers Branch	Kerens	Prosper
Cedar Hill	Farmersville	Kerrville	Quitman
Celeste	Fate	Killeen	Red Oak
Celina	Flower Mound	Krum	Reno (Parker County)
Centerville	Forest Hill	Lake Worth	Rhome
Cisco	Forney	Lakeside	Richardson
Clarksville	Fort Worth	Lancaster	Richland
	Frisco	Lewisville	Richland Hills

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after 04/01/2018</b>	<b>PAGE: 8</b>

River Oaks	Temple
Roanoke	Terrell
Robinson	The Colony
Rockwall	Trophy Club
Roscoe	Tyler
Rowlett	University Park
Royse City	Venus
Sachse	Vernon
Saginaw	Waco
Sansom Park	Watauga
Seagoville	Waxahachie
Sherman	Westlake
Snyder	Westover Hills
Southlake	Westworth Village
Springtown	White Settlement
Stamford	Whitesboro
Stephenville	Wichita Falls
Sulphur Springs	Woodway
Sweetwater	Wylie



**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** Ordinance No. 2018-09, an Ordinance amending Chapter 10, "Alcoholic Beverages" of the Code of Ordinances of the City of Kerrville, Texas; by amending Section 10-3 "Licensing Requirements; Fees"; by reducing the applicable fee for alcoholic beverage licenses; containing a cumulative clause; containing a savings and severability clause; providing for an effective date; ordering publication; and providing other matters relating to the subject.

**AGENDA DATE OF:** 2/27/2018

**DATE SUBMITTED:** 2/16/2018

**SUBMITTED BY:** Sandra Yarbrough

**EXHIBITS:** Ordinance No. 2018-09

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$0	\$0	\$0	N/A

---

**PAYMENT TO BE MADE TO:** N/A

---

**SUMMARY STATEMENT:**

During a recent review of Chapter 10, "Alcoholic Beverages" of the Code of Ordinances of the City of Kerrville it was proposed to change the current ordinance language from "one-half of permit or license fee paid to the state" to "one-half of permit or license fee paid to the state or \$200.00, whichever amount is lower". The attached ordinance reflects the proposed language change.

**RECOMMENDED ACTION:**

Approve Ordinance No. 2018-09.

**CITY OF KERRVILLE, TEXAS**  
**ORDINANCE NO. 2018-09**

**AN ORDINANCE AMENDING CHAPTER 10, "ALCOHOLIC BEVERAGES" OF THE CODE OF ORDINANCES OF THE CITY OF KERRVILLE, TEXAS; BY AMENDING SECTION 10-3 "LICENSING REQUIREMENTS; FEES"; BY REDUCING THE APPLICABLE FEE FOR ALCOHOLIC BEVERAGE LICENSES; CONTAINING A CUMULATIVE CLAUSE; CONTAINING A SAVINGS AND SEVERABILITY CLAUSE; PROVIDING FOR AN EFFECTIVE DATE; ORDERING PUBLICATION; AND PROVIDING OTHER MATTERS RELATING TO THE SUBJECT**

**WHEREAS**, pursuant to the authority found within Sections 11.38 and 61.36 of the Texas Alcoholic Beverage Code, the City, per Section 10-3 of its Code of Ordinances, levies and collects fees for each license or permit it issues for premises engaged in the sale of alcoholic beverages within the City; and

**WHEREAS**, the City Council of the City of Kerrville, Texas, finds it to be in the public interest to amend Chapter 10, "Alcoholic Beverages" by amending the fee for alcoholic beverage licenses;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

**SECTION ONE.** Section 10-3, subsection (a) of Chapter 10 "Alcoholic Beverages," of the Code of Ordinances of the City of Kerrville, Texas, is amended by adding the language that is underlined (added) and deleting the language that is bracketed and stricken (~~deleted~~) as follows:

**"Sec. 10-3. Licensing Requirements; fees.**

**(a) *Generally.*** Before any permit or license required by this chapter shall be issued, the applicant shall be required to show a valid permit or license issued by the state, authorizing him to engage in such manufacture, sale, distribution, barter or sale of the class, or classes, of alcoholic beverage included in such application for such city license within the corporate limits of the city, and shall pay to the city, for the use and benefit of the general fund of the city, the applicable permit or license fees, as follows: One-half of permit or license fee paid to the state or \$200.00, whichever amount is lower [~~, except for a brewer's permit, brewpub license, or license issued for a similar business, in which case the City shall charge the fee applicable for an on-premises retailer~~]."

**SECTION TWO.** The City Secretary is authorized and directed to submit this amendment to the publisher of the City's Code of Ordinances and the publisher is authorized to amend said Code to reflect the amendment adopted herein and to correct typographical errors and to index, format, and number and letter paragraphs to the existing Code as appropriate.

**SECTION THREE.** The provisions of this Ordinance are to be cumulative of all other ordinances or parts of ordinances governing or regulating the same subject matter as that covered herein; provided, however, that all prior ordinances or parts of ordinances inconsistent with or in conflict with any of the provisions of this Ordinance are hereby expressly repealed to the extent of any such inconsistency or conflict.

**SECTION FOUR.** If any section, subsection, sentence, clause, or phrase of this Ordinance is, for any reason, held to be unconstitutional or invalid, such holding shall not affect the validity of the remaining portions of this Ordinance. The Council of the City of Kerrville, Texas hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, or phrase hereof irrespective of the fact that one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

**SECTION FIVE.** In accordance with Section 3.07 of the City Charter and Texas Local Government Code §52.013(a), the City Clerk is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

**PASSED AND APPROVED ON FIRST READING, this the \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2018.**

**PASSED AND APPROVED ON SECOND AND FINAL READING, this the \_\_\_\_\_ day of \_\_\_\_\_, A.D., 2018.**

---

\_\_\_\_\_  
Bonnie White, Mayor

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Michael C. Hayes, City Attorney

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary



**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** Ordinance No. 2018-04, amending the "Zoning Code" for the City of Kerrville, Texas, by revising the definition of "home occupation" and adopting regulations for that use; containing a savings and severability clause; providing for a maximum penalty or fine of two thousand dollars (\$2000.00) ordering publication; and providing other matters relating to the subject.

**AGENDA DATE OF:** 2/27/2018

**DATE SUBMITTED:** 2/22/2018

**SUBMITTED BY:** Sabine Kuenzel

**EXHIBITS:** Ordinance No. 2018-04; Planning and Zoning Commission staff report

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$0	\$0	\$0	N/A

---

**PAYMENT TO BE MADE TO:** N/A

---

**SUMMARY STATEMENT:**

In the Spring of 2017, the Planning and Zoning Commission began discussions regarding creation of more effective tools to address home occupations. The current draft ordinance is the result of several iterations. The City Council had a workshop on the issues involved with regulating home occupations in November 2017. That draft was brought forward for the Council's public hearing and consideration on February 13, 2018. Council approved the first reading of the ordinance with changes that are included in the attached final version. These include:

- 1) Allowing one non-resident employee of the home occupation on site at any one time
- 2) Allowing home sales, limited to a maximum of four times per year

**RECOMMENDED ACTION:**

Approval of Ordinance No. 2018-04

**CITY OF KERRVILLE, TEXAS**  
**ORDINANCE NO. 2018-04**

**AN ORDINANCE AMENDING THE “ZONING CODE” FOR THE CITY OF KERRVILLE, TEXAS, BY REVISING THE DEFINITION OF “HOME OCCUPATION” AND ADOPTING REGULATIONS FOR THAT USE; CONTAINING A SAVINGS AND SEVERABILITY CLAUSE; PROVIDING FOR A MAXIMUM PENALTY OR FINE OF TWO THOUSAND DOLLARS (\$2000.00); ORDERING PUBLICATION; AND PROVIDING OTHER MATTERS RELATING TO THE SUBJECT**

**WHEREAS**, pursuant to Texas Local Government Code Sections 211.006 and 211.007, notice has been given to all parties in interest and citizens by publication in the official newspaper and otherwise of a hearing held before City Council on February 13, 2018, which considered a report of the City of Kerrville Planning and Zoning Commission regarding its recommendations on an ordinance, the adoption of which will result in revisions to the City’s Zoning Code with respect to the use of property as a “home occupation”; and

**WHEREAS**, City Council recognizes the balance between different uses within the same zoning district and oftentimes in close proximity to each other, especially in relation to protecting residential uses; and

**WHEREAS**, a public hearing was held in the Council Chambers beginning at approximately 6:00 p.m. on February 13, 2018, as advertised; and

**WHEREAS**, after a full hearing, at which all parties in interest and citizens were given an opportunity to be heard; and after receiving and considering the recommendations of the Planning and Zoning Commission and City staff; and after considering among other things, the character of the various areas of the City and the suitability of particular uses in each area; and with a view to conserving the value of buildings and encouraging the most appropriate use of land throughout the City, Council finds it to be in the best interest of the health, safety, morals, and general welfare of the City of Kerrville, Texas, to amend the City’s Zoning Code as provided herein;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

**SECTION ONE.** Article 11-I-3 “Definitions and Interpretation of Words and Phrases”, of the City’s Zoning Code is amended by replacing the definition for “home occupation” in its entirety indicated by the language that is underlined (added) as follows:

“(57) **Home Occupation:** Any activity carried out for gain by a resident which results in the provision or manufacturing of services and/or goods and is conducted as an accessory use in a dwelling unit.”

**SECTION TWO.** Article 11-I-19 “Supplementary Development Requirements”, of the City’s Zoning Code is amended by including a new subsection “I” to add the language that is underlined (added) as follows, which will provide regulations with respect to the use of property for “home occupation”:

**I. Home Occupation:** the purpose of this section is to ensure protection and the continuance of residential character within the City’s Residential Districts by permitting only low-intensity home occupations that are clearly incidental and secondary to the primary residential use of the property, create little exterior indication of such activities, and which do not create a nuisance or otherwise adversely impact the health, safety, or welfare of the neighborhood.

1. *General provisions.*

- a. These regulations found within this subsection apply within a residential zoning district, as listed in Article 11-I-10, “Residential Zoning Districts” of this Zoning Code.
- b. These regulations do not apply to:
  - i. A boarding home facility, as that term is defined within Chapter 30, Article I of the Code of Ordinances; or
  - ii. Cottage food production that meets the qualifications imposed under Texas Local Government Code and the City of Kerrville building and operations regulations.

2. *Standards of operation.* A home occupation shall comply with the following:

- a. Only one employee other than the occupants of the residence may be present on the premises at any one time. A person who receives a wage, salary, or percentage of profits directly related to the home occupation is considered an employee. This definition does not include the coordination or supervision of an employee(s) who does not regularly visit the residence for purposes related to the business.
- b. The outdoor storage of materials, goods, supplies, or equipment relating to the home occupation is prohibited.
- c. Any alteration to the exterior of a dwelling, which changes its residential appearance or character, is prohibited.
- d. The installation, storage, or use of any equipment or machinery not normally found as part of a household or general office is prohibited.
- e. The outdoor display of merchandise for sale is prohibited.

- f. The creation of any offensive noise, odor, vibration, glare, smoke, fumes, or electrical interference, which is detectable outside the structure and not normally found within a residential area, is prohibited.
    - g. The storage or use of toxic, explosive, flammable, combustible, corrosive, radioactive, or other hazardous materials not normally found within a residential area is prohibited.
    - h. Sales to customers who visit the residence may occur but not more than four (4) times per calendar year.
    - i. Deliveries related to the home occupation by a vehicle of more than two (2) axles is prohibited.
    - j. A home occupation may not increase the traffic volume on the street on which the business is located above what is normally found within a residential area.
    - k. A home occupation may not use more than one (1) non-illuminated, on-site sign, which must either be: (1) flush-mounted to the primary residential structure and not exceed one square foot in size; or, (2) freestanding and placed in the front yard but no closer than 20 feet to any property line and not exceed six (6) square feet in size and three (3) feet in height. Any such sign may indicate only the name of the occupant and the home occupation and shall comply with the City's Sign Code.
3. *Uses prohibited as a home occupation.* The following uses are prohibited as a home occupation:

  - a. Vehicle repair and service of any type, to include boats, recreational vehicles, and internal combustion engines.
  - b. Uses involving the breeding, boarding, or kenneling of animals.
  - c. Repair services for large appliances or equipment.
  - d. Uses involving manufacturing and/or assembling.
  - e. Uses involving the sale of fire arms, ammunition, or explosives.
  - f. Medical offices and/or clinics.
  - g. Barber and/or beauty shops including nail salons.
4. *Administration.* The City Manager or designee ("City") shall make all determinations as to whether any aspect of a proposed home occupation

complies with the requirements of this subsection. If the City determines that a proposed or existing home occupation does not comply with this subsection, a person engaged in the home occupation may submit an application for a conditional use permit in accordance with the Zoning Code, to include the payment of fees.

5. *Existing home occupation. A home occupation legally in existence as of the effective date of this subsection but that does not fully comply with this subsection is deemed a legal nonconforming use and may continue in accordance with Article 11-I-16 (Non-Conforming Uses) of the Zoning Code. However, this exception does not include the following uses: vehicle repair and service of any type; repair services for large appliances and equipment; and uses involving the sale/repair of firearms, ammunition, and/or explosives. The burden of proof of such a legal non-conforming status for a home occupation is on the occupant.”*

**SECTION THREE.** The provisions of this Ordinance are cumulative of all other ordinances or parts of ordinances governing or regulating the same subject matter as that covered herein; provided, however, that all prior ordinances or parts of ordinances inconsistent with or in conflict with any of the provisions of this Ordinance are expressly repealed to the extent of any such inconsistency or conflict.

**SECTION FOUR.** If any section, subsection, sentence, clause or phrase of this Ordinance is, for any reason, held to be unconstitutional or invalid, such holding shall not affect the validity of the remaining portions of this Ordinance. The Council of the City of Kerrville, Texas, declares that it would have passed this ordinance and each section, subsection, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

**SECTION FIVE.** The penalty for violation of this Ordinance shall be in accordance with the general penalty provisions contained in Section 1-9, Chapter 1 of the Code of Ordinances of the City of Kerrville, Texas, which provides for a fine not exceeding TWO THOUSAND DOLLARS (\$2,000.00).

**SECTION SIX.** Pursuant to Texas Local Government Code §52.013(a) and Section 3.07 of the City's Charter, the City Secretary is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

**SECTION SEVEN.** This Ordinance shall become effective immediately upon the expiration of ten days following publication, as provided for by Section 3.07b. of the City Charter.

**PASSED AND APPROVED ON FIRST READING, this the 13<sup>th</sup> day of February  
A.D., 2018.**

PASSED AND APPROVED ON SECOND AND FINAL READING, this the \_\_\_\_ day  
of \_\_\_\_\_, A.D., 2018.

---

Bonnie White, Mayor

ATTEST:

---

Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



---

Michael C. Hayes, City Attorney



# City of Kerrville Planning Department Report

To: Planning & Zoning Commission  
Agenda Item: 3A  
Action: Public Hearing; Consideration and Action on Recommendation to City Council  
Planning File #: 2017-027  
Representative: City of Kerrville

## Proposal

A text amendment adding home occupation regulations, to Chapter 1, Article 11-1-19, "Home Occupation Regulations".

## Procedural Requirements

This public hearing date was published in The Hill Country Community Journal, the FY2017 City of Kerrville official newspaper of general circulation. Additionally, notice of this meeting was posted at city hall and on the city's internet website in accordance with Section 551.043(a) of the Texas Government Code.

## Staff Recommendation:

Approval

## Staff Analysis and Recommendation: Approval

Home Occupations in Kerrville are currently administered and regulated by a definition in Article 11-1-3, Definitions and Interpretations of Words and Phases of the Zoning Code. The definition does not place any restrictions on the type of dwelling unit in which a home occupation can operate, single-family, duplex, apartment, etc., or restrict the use to any zoning district. It does not provide for any type of registration or monitoring and according to the City Attorney, it does not allow for the prosecution of violations, which does not give the Code Enforcement staff firm ground to respond to complaints, nor to take proactive action to assist with averting neighborhood decline.

On April 6, 2017, the Commission discussed moving forward with an ordinance amendment to define and regulate home occupations. On May 4, the Commission received researched background information and further discussed options. On June 16, 2017, the Commission reviewed a draft ordinance and discussed several changes.

On July 6, 2017, the Planning and Zoning Commission reviewed the attached ordinance language. That version came before the Commission for public hearing, and recommendation to

the City Council on September 7, 2017. One citizen spoke and raised questions regarding the percentage limitation of business use relative to residential use of a home, and raised the question regarding performance criteria, pointing out that violations could occur with purely residential uses as well.

The Commission tabled the item pending further review by Planning and Legal staff. Accordingly, the revised draft that is coming before the Commission is simplified from the one that had been sent to the Commission in September, and it removes the percentage use restriction. Due to the fact that the latest draft has changed, the staff advertised another public hearing before the Commission.



**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** Presentation and acceptance of the FY2017 City of Kerrville Comprehensive Annual Financial Report (CAFR)

**AGENDA DATE OF:** 2/27/2018

**DATE SUBMITTED:** 2/16/2018

**SUBMITTED BY:** Sandra Yarbrough

**EXHIBITS:** Fiscal Year 2017 Audit Presentation

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$0	\$0	\$0	N/A

---

**PAYMENT TO BE MADE TO:** N/A

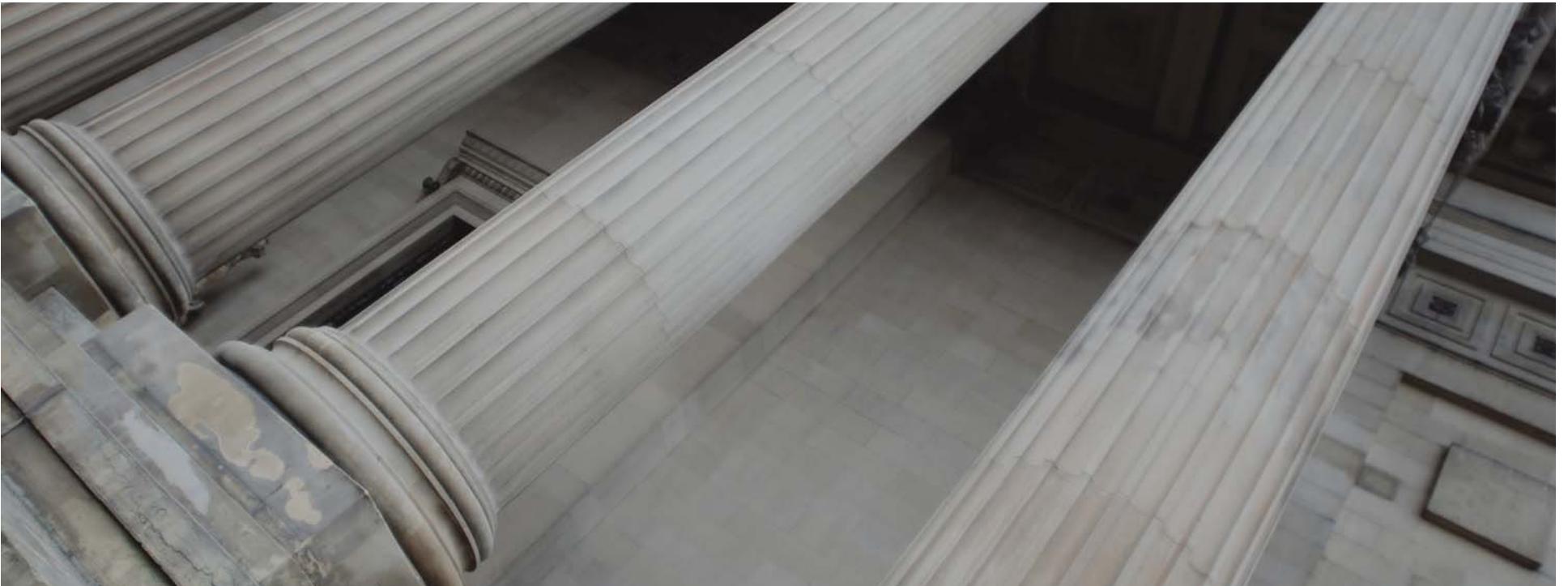
**SUMMARY STATEMENT:**

The City of Kerrville engaged BKD,LLC to perform the annual independent financial audit as required by local government code and to prepare the FY2017 City of Kerrville Comprehensive Annual Financial Report (CAFR) for fiscal year ending September 30, 2017. BKD staff was on site in November 2017 reviewing financial records, city council minutes, bond covenants, contracts, agreements, and internal control policies and procedures as part of the FY2017 annual independent audit process. The FY2017 CAFR includes component units from Kerrville Public Utility Board (KPUB) and Kerrville Economic Improvement Corporation (EIC). The CAFR also includes the annual financial report for the Kerrville/Kerr County Airport Board.

Karen Kurtin, Senior Manager, for BKD,LLC, will present the highlights of the FY2017 CAFR to City Council at the February 27, 2018 city council meeting.

**RECOMMENDED ACTION:**

Accept the FY2017 City of Kerrville Comprehensive Annual Financial Report (CAFR).



# CITY OF KERRVILLE, TEXAS

## FY2017 AUDIT PRESENTATION

PRESENTED BY: KAREN KURTIN, CPA, SENIOR MANAGER





# AUDIT RESULTS

**BKD**  
CPAs & Advisors

# AUDIT RESULTS – UNMODIFIED “CLEAN” OPINION



- » Independent Auditor’s Report on Basic Financial Statements
- » Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

# AUDIT SCOPE AND RESULTS

## ► Significant Accounting Policies

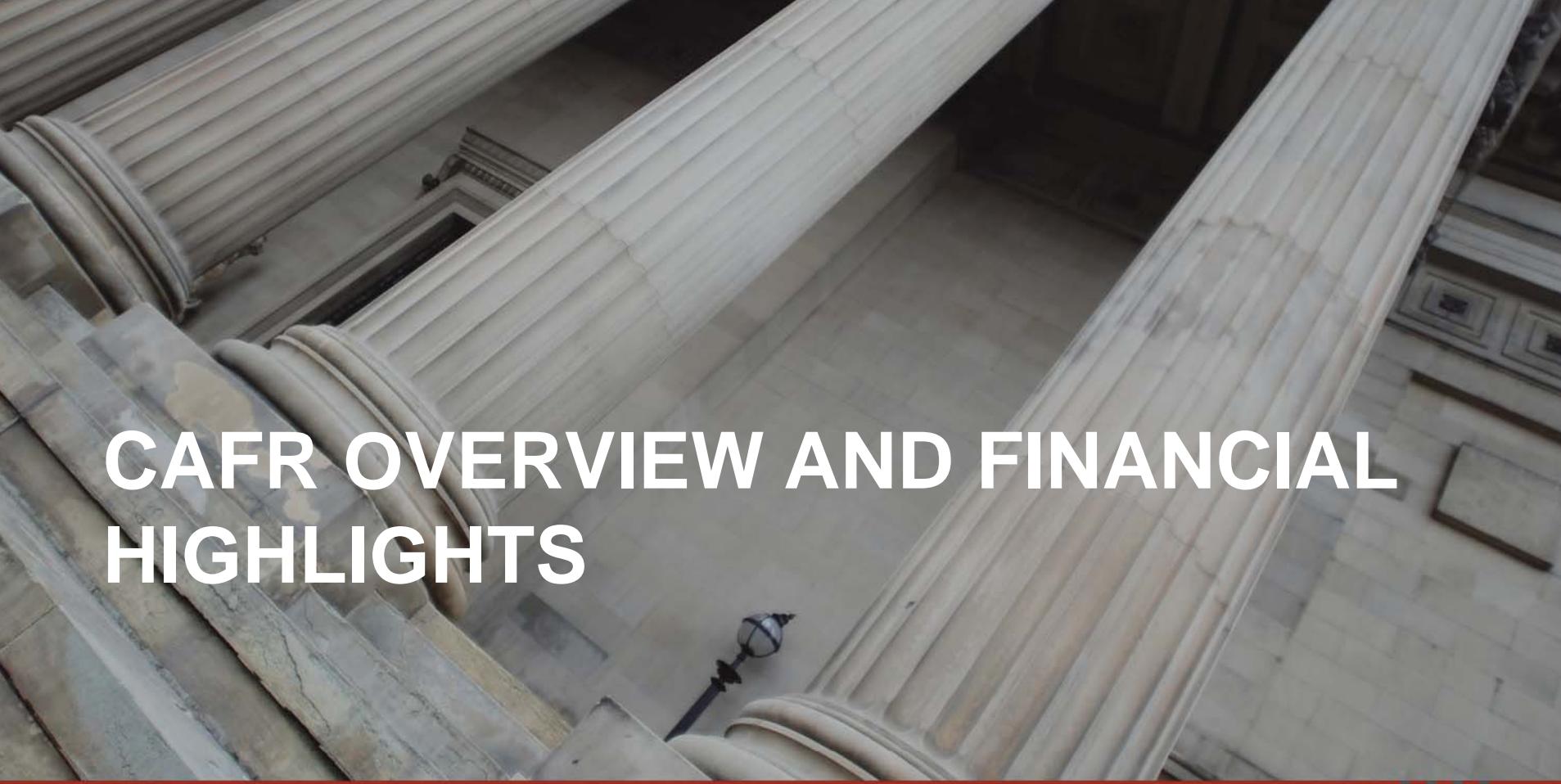
- The City's significant accounting policies are described in *Note 1* of the audited financial statements.

## ► Management Judgments and Accounting Estimates

- Pension obligation
- Self-insured claims and judgments liabilities
- Allowance for doubtful accounts receivable
- Landfill closure and post-closure care liabilities

## ► No audit adjustments are reportable





# CAFR OVERVIEW AND FINANCIAL HIGHLIGHTS

# CAFR OVERVIEW



- Introductory Section (Unaudited)
  - Letter of Transmittal
  - Certificate of Achievement in Financial Reporting
- Financial Section
  - Independent Auditor's Report
  - Management's Discussion and Analysis
  - Basic Financial Statements
    - Government-Wide Financial Statements
    - Fund Financial Statements
  - Notes to Basic Financial Statements
  - Required Supplementary Information
  - Combining Fund Statement and Schedules
- Statistical Section (Unaudited)

# REPORTING ENTITY

## Audited by BKD

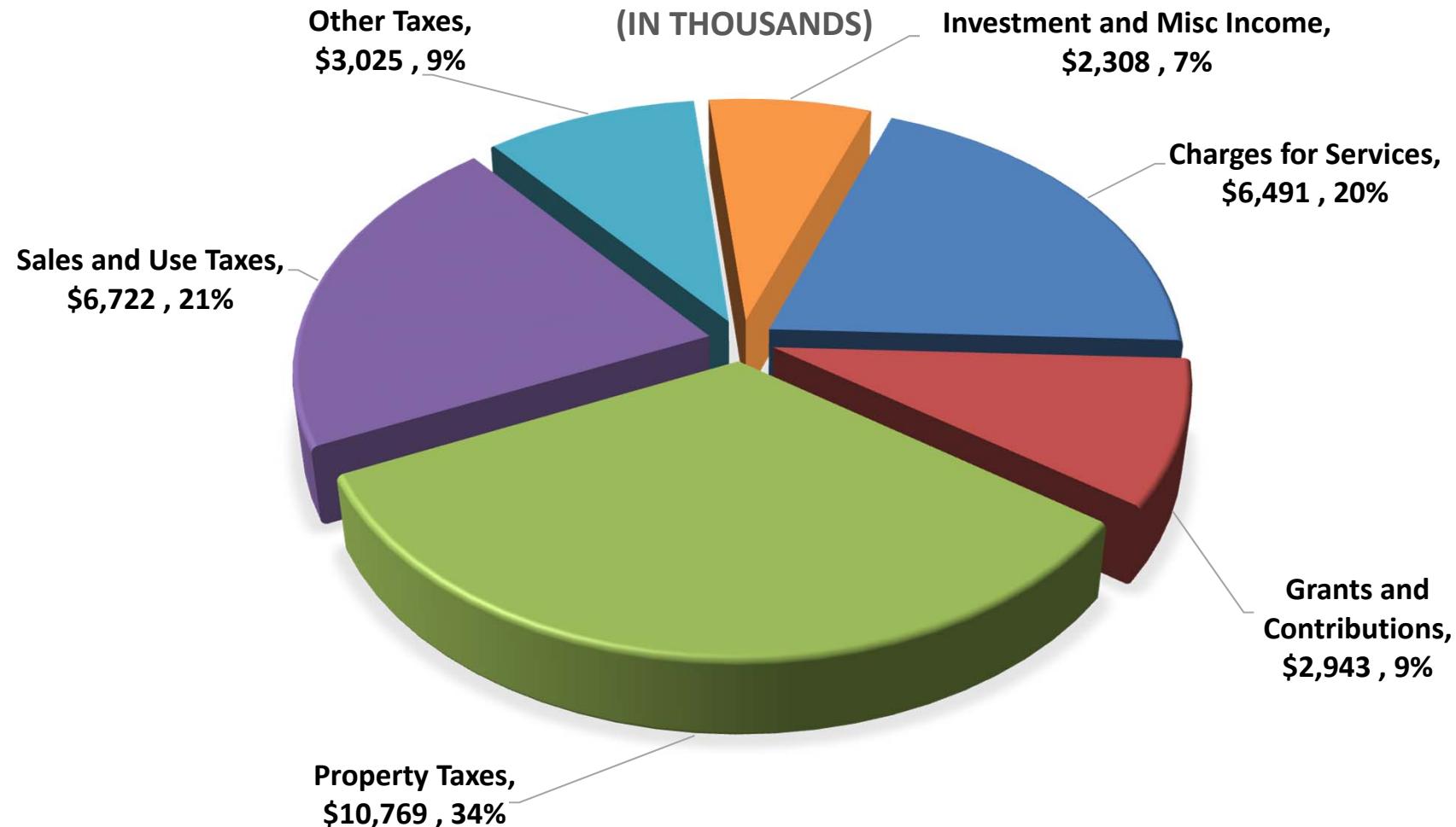
- ▶ City of Kerrville
- ▶ Discretely Presented Component Units
  - Economic Improvement Corporation
  - Kerrville Public Utility Board

## Audited by Other Auditors

- ▶ Joint Venture

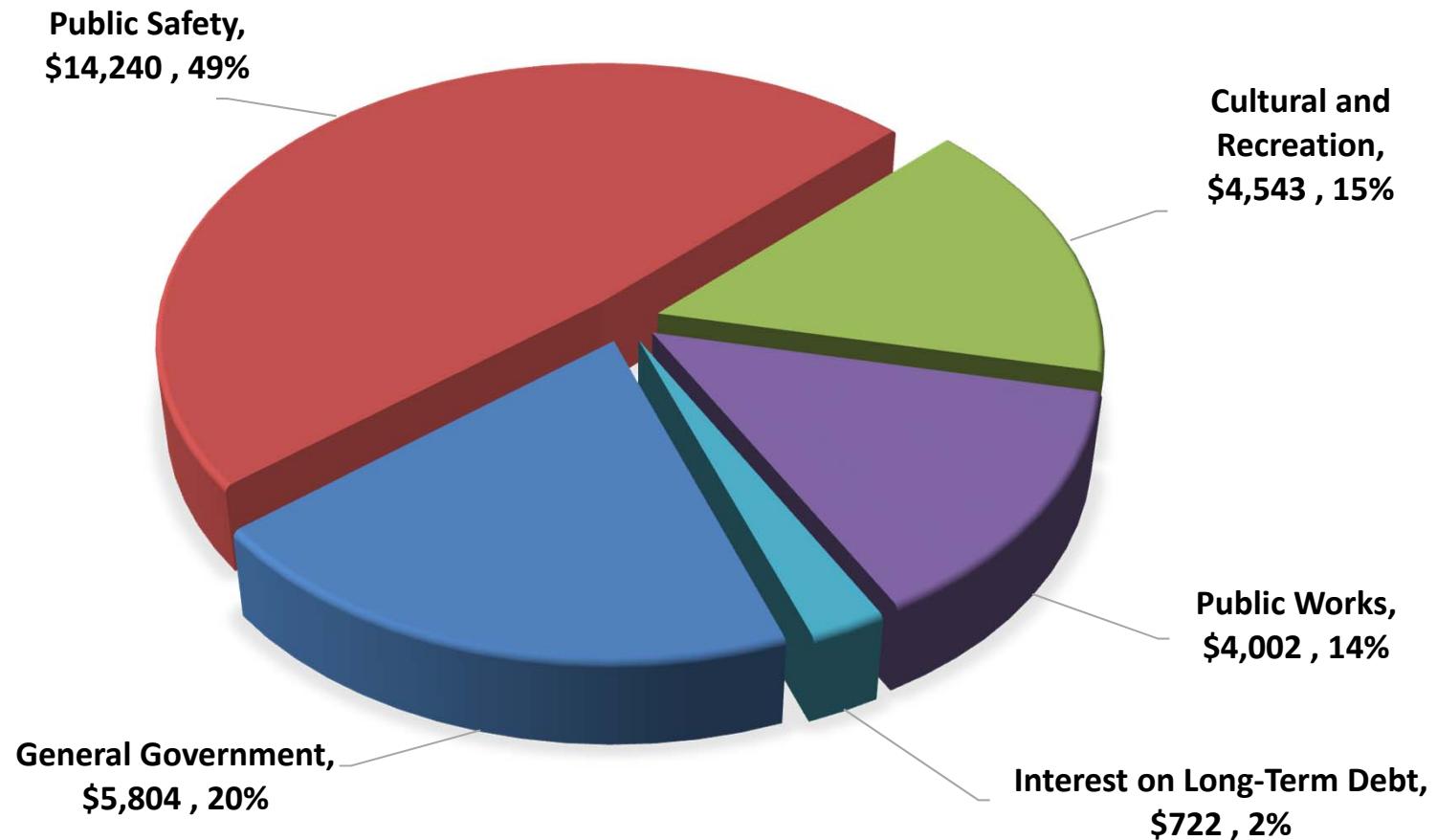
- Kerrville-Kerr County Airport Board

# GOVERNMENTAL ACTIVITIES – REVENUES

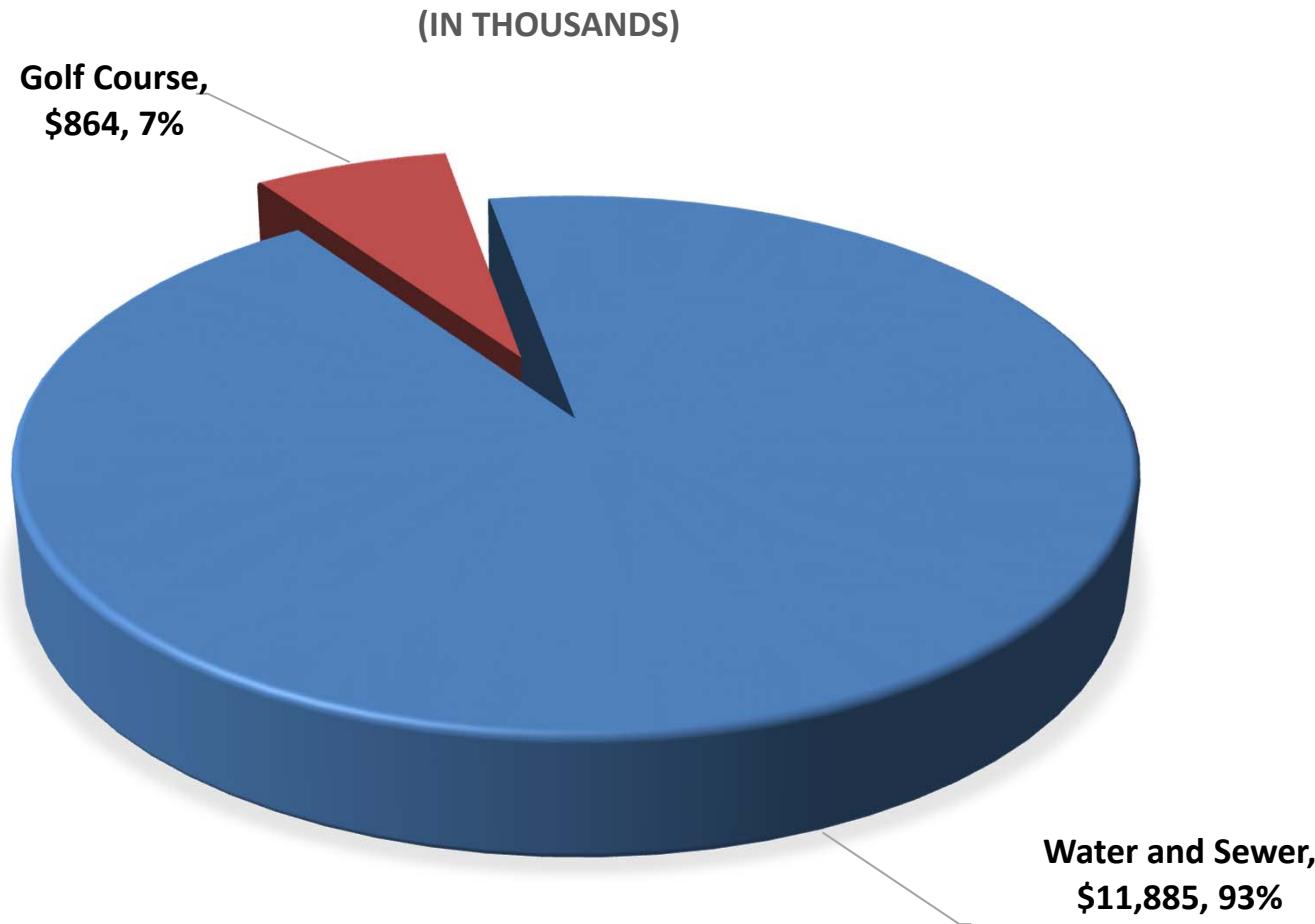


# GOVERNMENTAL ACTIVITIES – PROGRAM EXPENSES BY FUNCTION

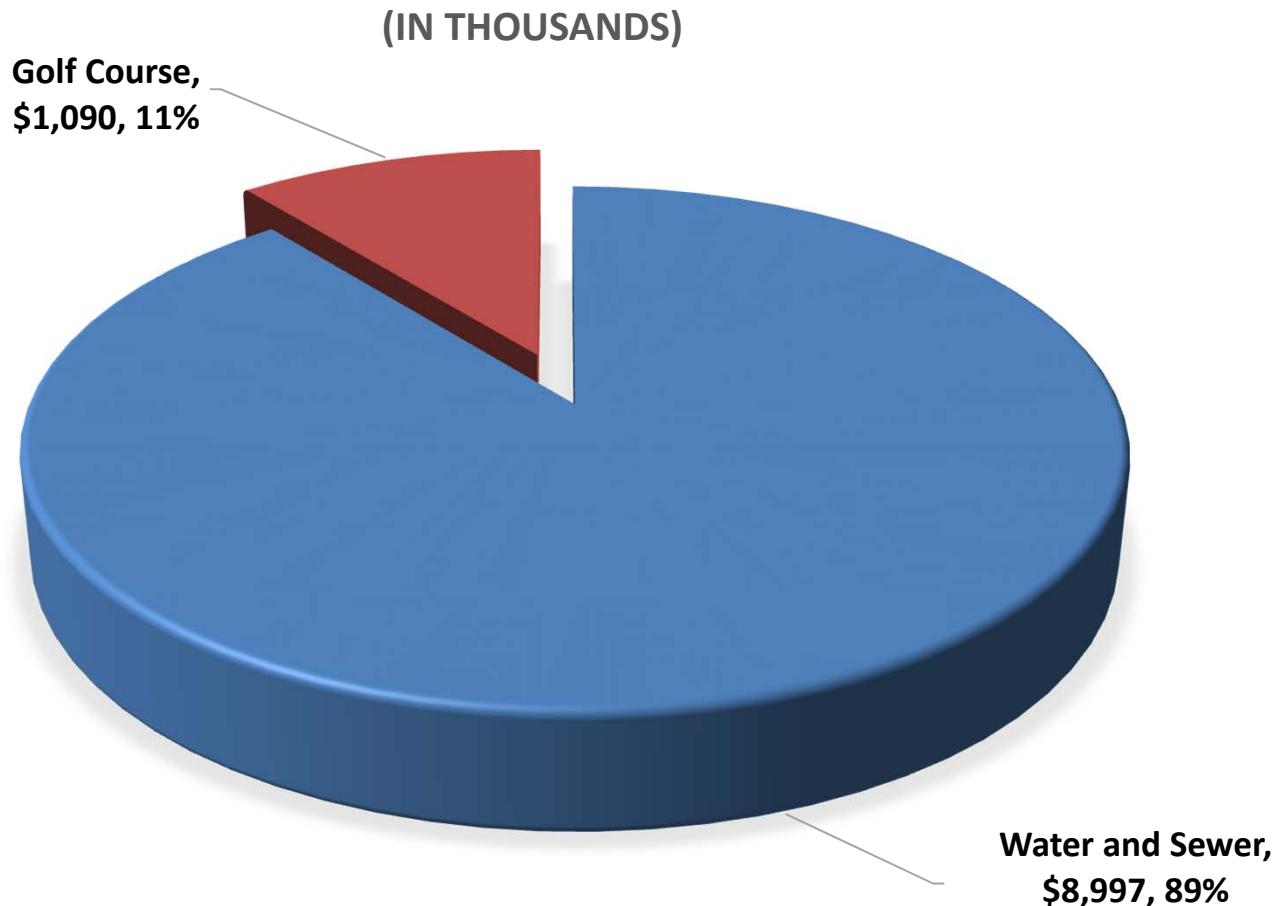
(IN THOUSANDS)



# BUSINESS-TYPE ACTIVITIES – CHARGES FOR SERVICES



# BUSINESS-TYPE ACTIVITIES – PROGRAM EXPENSES BY FUNCTION

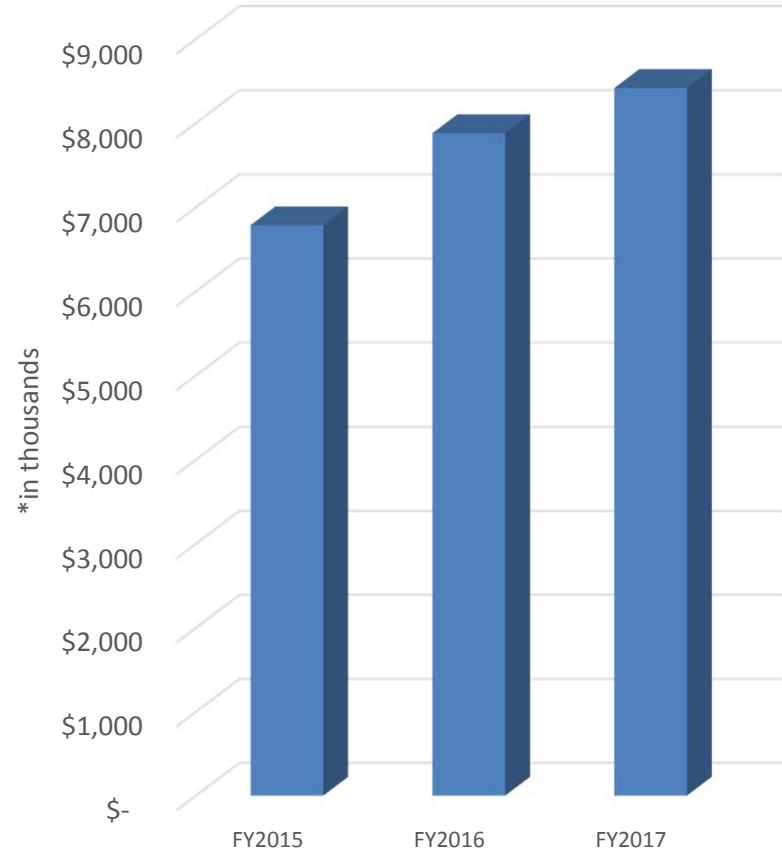


# PRIMARY GOVERNMENT DEBT PER CAPITA

Fiscal Year	Total Primary Government Debt	Population	Total Primary Government Debt per Capita
2017	\$ 67,252,650	24,292	\$ 2,769
2016	\$ 72,061,269	24,111	\$ 2,989
2015	\$ 59,130,126	23,808	\$ 2,484

# GENERAL FUND – FUND BALANCE

## Unassigned Fund Balance

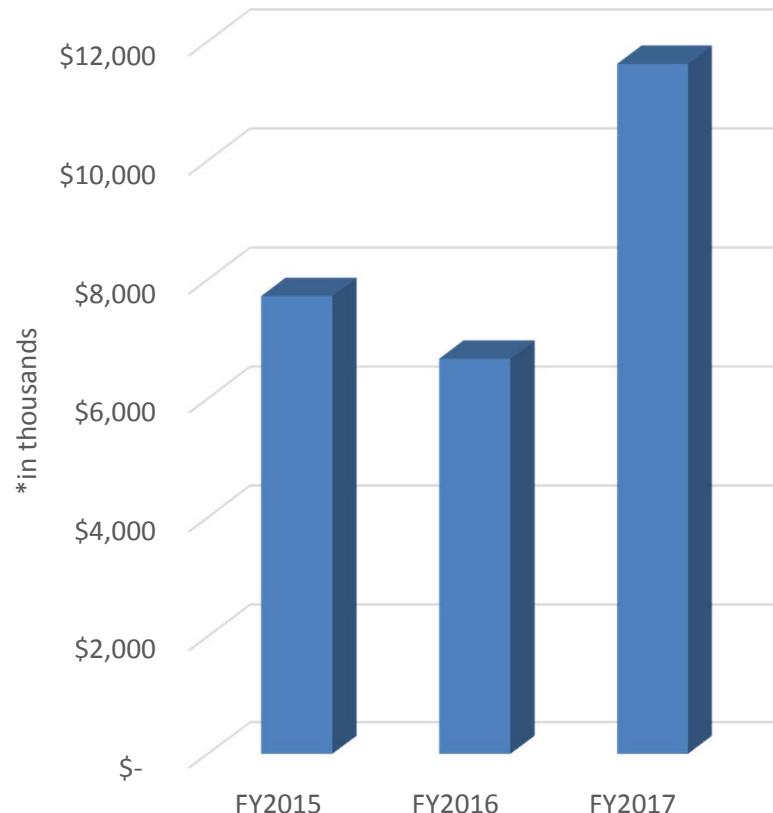


## General Fund

- ▶ Ending unassigned fund balance for the General Fund was \$8.4M
- ▶ Increase of \$537K or 6.8% from FY2016
- ▶ 32% of budgeted FY2018 General Fund expenditures, including transfers out

# WATER & SEWER FUND – NET POSITION

## Unrestricted Net Position



## Water & Sewer Fund

- ▶ Ending unrestricted fund balance for the Water & Sewer Fund was \$11.6M
- ▶ 100% of budgeted FY2018 Water and Sewer Fund expenses, including transfers out

# PENSION - TEXAS MUNICIPAL RETIREMENT SYSTEM – PRIMARY GOVERNMENT

	FY 2016	FY 2017
Net Pension Liability (NPL)	\$6.95M	\$8.01M
Plan fiduciary net position as a % of the total pension liability	90.2%	89.3%

Sensitivity of NPL – FY 2017		
1% Decrease (5.75%)	Current Assumption (6.75%)	1% Increase (7.75%)
\$18.4M	\$8.1M	\$(0.5)M



# FUTURE GASB STANDARDS

# ACCOUNTING UPDATES - GASB STATEMENT 87, LEASES

## Summary

- GASB 87 provides a new framework for accounting for leases under the principle that leases are financings.
- No longer will leases be classified between capital and operating.
- GASB 87 is effective for the City's 2021 fiscal year. Earlier application is encouraged.

## Potential Impact

- Lessees will recognize an intangible asset and a corresponding liability.
- Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset.
- Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

# ACCOUNTING UPDATES - GASB PROPOSES CHANGES TO CAPITALIZED INTEREST REQUIREMENTS

## Current Standards

- Governments currently are required to capitalize interest cost incurred during the period of construction in business-type activities and enterprise funds.
- Governments are not allowed to capitalize interest cost in governmental activities.

## Proposed Changes

- Recognition all interest cost as an expense or expenditure in the period incurred.
- Proposed effective date is for periods beginning after December 15, 2018 (City FY 2020). No requirement to revalue assets to which interest was capitalized in the past.
- GASB expects to issue a final standard in the summer of 2018.

# QUESTIONS?



Karen Kurtin, CPA // Senior Manager  
kkurtin@bkd.com // 972.702.8262

# THANK YOU!

