

CITY COUNCIL MINUTES
REGULAR MEETING

KERRVILLE, TEXAS
October 27, 2015

On October 27, 2015, the Kerrville City Council meeting was called to order at 6:00 p.m. by Mayor Pratt in the city hall council chambers at 701 Main Street. The invocation was offered by Gavin Rogers, Executive Director of St. Peter's Episcopal Church, followed by the Pledge of Allegiance led by Fire Chief Dannie Smith.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Gary F. Stork	Mayor Pro Tem
Stephen P. Fine	Councilmember
Bonnie White	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT: None

CITY CORE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Day	Deputy City Manager
Brenda Craig	City Secretary
Sandra Yarbrough	Director of Finance
Ashlea Boyle	Special Projects Manager
Kim Meisner	Director of General Operations
David Knight	Police Chief
Dannie Smith	Fire Chief
Stuart Barron	Public Works Director
Trent Robertson	City Planner

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

1. VISITORS/CITIZENS FORUM:

1A. George Baroody opined the city was "playing loose" with accounting principles, noting at the end of 2015 council approved a budget amendment that booked revenue from KPUB against expenses for police body cameras in 2017. One councilmember voted for the 2016 budget and against funding for the budget; this was inconsistent, and spending was out of control. Council approved an amendment for a mistake by KCAD that took money from other entities, and he questioned how those entities voted? The organizational chart had citizens at the top; this was not real as the council continued to hold executive sessions excluding citizens. There was contention among city council against one councilmember when asking questions; citizens do not know the business of the city unless someone asks questions. He questioned if the city was paying for the construction work currently in progress on Holdsworth Drive for the athletics project; noting the

work in progress had not gone through a public bid process and the land had not been transferred from the Cailloux Foundation to the city; or had the Cailloux Foundation donated more money to the project.

2. CONSENT AGENDA:

Mr. Stork moved to approve consent agenda item 2A as presented; Mr. Fine seconded, and the motion passed 5-0:

2A. Minutes of the city council regular meeting held September 22, 2015, and city council special meeting held October 8, 2015.

END OF CONSENT AGENDA

3. PUBLIC HEARINGS AND ORDINANCE FIRST READINGS:

3A. Ordinance No. 2015-22 amending the comprehensive plan for the City of Kerrville, Texas, pursuant to Chapter 213 of the Texas Local Government Code; by revising the future land use plan for an approximate 1.94 acres and 1.39 acres tracts of land located adjacent to and south of Bandera Highway (SH 173) and between the highway's intersections with Riverhill Boulevard East to the west and Oak Hollow Drive East to the east; and changing the future land use of this area from low-density residential to general commercial. Mayor Pratt read the ordinance by title only.

Mr. Robertson stated that 19 notices had been mailed to property owners within 200 feet; no one responded in favor or in opposition. He reviewed surrounding properties and noted the proposed use was consistent with other properties fronting Hwy. 173, and the proposed zoning (Item 3B) would be a buffer between residential and commercial properties. Approval of this comprehensive plan amendment would allow the applicant to request a zone change. PZC voted to approve the request 5-0, and staff recommended approval.

Mayor Pratt declared the public hearing open at 6:12 p.m.; no one spoke, and Mayor Pratt closed the public hearing at 6:12 p.m.

Ms. White moved for approval of Ordinance No. 2015-22 on first reading; Mr. Stork seconded the motion and it passed 5-0.

3B. Ordinance No. 2015-23 amending the City's "Zoning Code" by changing the zoning district for an approximate 1.94 acres and 1.39 acres tracts of land located adjacent to and south of Bandera Highway (SH173) and between the highway's intersections with Riverhill Boulevard East to the west and Oak Hollow Drive East to the east, otherwise known as 2180 Bandera Highway; by removing the combined 3.33 acre property, more or less, from the residential cluster (RC) zoning district and placing it within the 36-S zoning district; containing a cumulative clause; 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. Mayor Pratt read the ordinance by title only.

Mr. Robertson noted this was the same property discussed in Item 3A. The subject property was suitable for 36-S zoning and could allow more intense uses

than was permitted in the R-C zone and could result in increased traffic in the area.

Mayor Pratt declared the public hearing open at 6:16 p.m.; no one spoke, and Mayor Pratt closed the public hearing at 6:16 p.m.

Mr. Allen moved for approval of Ordinance No. 2015-23 on first reading; Mr. Fine seconded the motion and it passed 5-0.

4. ORDINANCE FIRST READING:

4A. Ordinance No. 2015-24 granting to Atmos Energy Corporation, a Texas and Virginia corporation, its successors and assigns, a franchise to furnish, transport and supply gas to the general public in the City of Kerrville, Kerr County, Texas, for the transporting, delivery, sale, and distribution of gas in, out of, and through said municipality for all purposes; providing for the payment of a fee or charge for the use of the streets, alleys, and public ways; repealing all predecessor ordinances; providing that it shall be in lieu of other fees and charges, excepting ad valorem taxes; prescribing the terms, conditions, obligations and limitations under which such franchise shall be exercised; providing a savings clause; a most favored nations clause, and a severability clause; and providing an effective date.

Mayor Pratt read the ordinance by title only.

This matter was pulled from the agenda.

5. CITY COUNCIL RECESS

The Kerrville City Council recessed the regular city council meeting to convene a meeting of the City of Kerrville Health Facilities Development Corporation at 6:17 p.m. Following the City of Kerrville Health Facilities Development Corporation meeting, the Kerrville City Council reconvened into regular session at 6:20 p.m.

6. CONSIDERATION AND POSSIBLE ACTION:

6A. Resolution No. 34-2015 approving a bond resolution by City of Kerrville, Texas Health Facilities Development Corporation providing for the issuance of bonds for Sid Peterson Memorial Hospital.

Mayor Pratt noted that approval of the resolution would not incur any debt for the City of Kerrville; Sid Peterson Memorial Hospital would pay the debt. The Kerrville City Council served as the Board of Directors for the Health Facilities Development Corporation.

Mr. Stork moved for approval of Resolution No. 34-2015; Mr. Fine seconded the motion and it passed 5-0.

7. INFORMATION AND DISCUSSION:

7A. Quarterly Report from Kerr Economic Development Corporation.

Jonas Titas, Executive Director of KEDC, reported on the following projects:

- James Avery Craftsman, assist in recouping state sales tax.
- Mooney International, working on new production line.
- Vention, assist with energy audit that might provide a cost savings.

- New oil and gas prospect wanted to establish a regional office in this area to consolidate operations in south and west Texas.
- Avionics firm desired to relocate to the Kerrville Airport from Hondo, Texas.
- Hotel prospect doing due diligence on models and financing.
- New manufacturing prospect from California potentially establishing operations in this area; would create up to 40 new primary jobs.
- Working on several local expansion projects.
- Update KEDC strategic plan in January.

Mr. Parton noted that KEDC received an award from the Texas Economic Development Council in October.

7B. Update on the effluent reuse project and provide direction to city staff to initiate the bond issuance process to fund its construction.

Mr. Parton noted the city's plant currently produced 2.1 million gallons a day (mgd) of effluent, resulting in a conservative figure of 360 MG of treated effluent that was unused and returned to the river each year; once the effluent is placed in the river, it belongs to the state. GBRA was currently active in Austin seeking legislation that would require the city to continue to put effluent into the river.

Mr. Parton described the effluent reuse project that would capture, retain, and use treated effluent to serve future housing growth and industrial and commercial customers. The effluent reuse project was a multi-phased project. The initial phase would construct a pond and distribution system for non-potable/irrigation uses. The water reuse feasibility report completed by Freese and Nichols, Inc. (FNI) in June 2014 verified the feasibility of the effluent reuse water reclamation project. The study evaluated: the environmental site investigation, geotechnical and landfill investigation, floodplain analysis, water reuse regulatory requirements, water reuse infrastructure requirements, and provided an opinion and estimate of construction cost. On Nov. 13, 2014, the city entered into a contract with FNI to: design a project to capture treated effluent, provide a connection to the treatment plant, and a connection to the distribution system; the cost of the project was estimated at \$2 million from the utility fund. The design and bid documents should be completed by the end of 2015.

The Phase I south pond was proposed to be a 105 MG pond; 30 surface acres or 322 acre feet of water. In comparison, Nimitz Lake was 804 AF and 90 surface acres. The berm for the pond would be 25-26 ft. high on the inside and 15-18 ft. outside and would capture 1/3 – 1/5 of the effluent produced at the plant; this phase did not include the distribution system. The next phase would be to design the pipeline and distribution system from the existing facility to the customers. Potential new customers included: Riverhill Golf Course, Schreiner University, HEB Tennis Center, and Peterson Middle School athletics facilities. Riverhill Golf Course currently used river water; these other entities were currently on potable water, and during droughts water had to be trucked in for irrigation. Schreiner University hired an engineer to study what would be necessary for them to connect, what would be their capacity, and how would it connect to their irrigation

system. In addition the city's proposed athletic complex on Holdsworth Drive would also need water for irrigation.

Mr. Parton noted the city had very limited water resources: river, groundwater wells, and aquifer storage recovery wells. The state permits would only allow the city to take water from the river when it was available; therefore, the city can only inject into ASR about 100-110 days annually. The state water master can curtail water from Kerrville's permits to make water available for downstream users. The city currently had stored enough volume in the ASR system to pump continuously from the ASR wells for 18 months based on the existing pumping capacity of about 2 million gallons daily. During stage 2 and 3 drought conditions, the city was pumping about 3 mgd. The city could purchase additional rights, if someone was willing to sell; however, transfer of ownership was problematic. The city recently accepted the gift of a permit but gave it back to the state because TCEQ would not transfer the right of ownership without agreement from GBRA; the city was paying an annual fee to keep the permit, but could not get ownership of the right or transfer of ownership.

Future phases could establish direct potable reuse (DPR) by treating effluent to drinking water standards and storing it in an aquifer storage recovery (ASR) well. Indications were that TCEQ will allow the city to inject directly into ASR without blending, based on current water sampling; however, water would have to be retreated when it is taken out of ASR. Headwaters Groundwater District has agreed that the city can take out every gallon put into ASR without counting that amount against the city's groundwater permit.

Council also discussed the following:

- The city can only put water in ASR from the river when it is available, about 110 days a year.
- Does the city receive credit from the state for water returned to the river? Mr. Barron noted the city did not receive credit from the state; however, the city had a subordination agreement with Guadalupe Blanco River Authority (GBRA) that required the city to pay if a certain allowance was not returned to the river, and the city has not had to exercise that agreement in the past.
- Would the bond issuance and debt service schedule proposed, put the city's bond rating at risk? Mr. Parton noted that according to the city's financial advisor, First Southwest, the city was solidly solvent and in a strong financial position. According to the city's bond counsel the city could support bond issuances of \$10 million in 2016 and \$8.5 million in 2017 under the current utility rate structure. He noted the city's financial policies were more stringent than the amount the financial advisor recommended be set aside for annual debt service payments. The debt service model indicated peak annual debt service at \$715,000 a year; staff proposed that the debt be "laddered" to allow some of the debt to fall off before reaching capacity; the city's financial policies established the debt service ratio at 35% of revenue. The city had about \$2.9 million annualized in the budget for capital projects and \$2 million was still available annually. He anticipated a

rate adjustment would be necessary in 3-6 years. No ad valorem tax would be used to fund utility fund debt.

- The sale of effluent would not cover the cost of providing effluent to irrigation customers.
- City should construct only Pond 1 and not construct Pond 2. Mr. Parton noted with consistent flow, the dam would overflow and effluent would be returned to the river, losing a valuable resource; a second pond was necessary.
- City should require effluent irrigation customers to provide their own holding ponds.
- 15 years ago the city identified the same problems--storage and distribution; the city continues to treat the water and return it to the river.
- The initial use of the treated effluent would be for irrigation; currently those customers relied on potable water.
- In the future the city may have to treat effluent to drinking standards as a potable water source.
- The city will require additional water supply for future growth and economic development.
- The language of the certificates of obligation should be broad to allow more flexibility and not be so specific it would restrict the project, for example, to later expand to direct potable reuse.

Mayor Pratt stated the consensus of council was for staff to initiate the funding process for the effluent reuse facility to include the issuance of \$10 million in 2016 and \$8.5 million in 2017. Further, that the bond sale process for the first \$10 million issuance to be initiated in November 2015. The notice of intent would come back to city council for approval.

7C. Budget and economic update.

Ms. Yarborough gave the financial report year to date for the period ending September 30, 2015: general fund revenues totaled \$24,599,185 and expenditures \$23,535,468; water and sewer fund revenues totaled \$9,281,693 and expenditures \$11,351,871; hotel/motel fund revenues totaled \$1,081,305 and expenditures \$937,537; 63 permits for new residential construction and 26 for new commercial construction year-to-date.

8. APPOINTMENTS TO CITY BOARDS AND COMMISSIONS:

8A. Golf Course Advisory Board. Mr. Fine moved to appoint Mickey Ray Bailey, with term to expire July 1, 2017; Ms. White seconded the motion and it passed 5-0.

9. ITEMS FOR FUTURE AGENDAS:

- Discuss regulation of drones.

10. ANNOUNCEMENTS OF COMMUNITY INTEREST:

- Police department was testing various types of body cameras on a trial basis; a recommendation would be made to the city council soon.
- Staff was nearing completion of the crime mapping information that will be posted on the city's website.

- Red ribbon week, respect ourselves and others and be drug free.
- Halloween, parks and recreation department holding family fright night at Kerrville Schreiner Park, event is free to the public and a Halloween movie appropriate for all ages will be shown.
- A workshop sponsored by the City, Texas Parks and Wildlife, and Upper Guadalupe River Authority detailing public interaction with wildlife and best wildlife management practices would be held Tuesday, November 10 at 5:30 p.m., at the UGRA office, 125 Lehmann, Ste. 100; event was free to the public.

11. **EXECUTIVE SESSION**: None.

ADJOURNMENT. The meeting adjourned at 7:24 p.m.

APPROVED: 11/08/15

ATTEST:

/s/

Jack Pratt, Jr., Mayor

/s/

Brenda G. Craig, City Secretary