

Minutes
Regular Council Meeting
February 20, 2018

On this 20th day of February 2018, at 6:00 p.m., the City Council of the City of Devine convened in a Regular Meeting; the same being opened to the public at their regular meeting place; thereof, at City Hall, 303 S. Teel Drive, Devine, Texas. Notice of said Meeting having been prescribed in Chapter 551, Government Code, and Vernon's Texas Codes, Annotated, and the following members being present:

Mayor William L. Herring
Alderman Kathy Wilkins
Alderman Steve A. Lopez
Alderman David Espinosa
Alderman Cory Thompson

Absent being Alderman David Valdez; thus, constituting a quorum.

Personnel present: Dora V. Rodriguez, Interim City Administrator/City Secretary; Denise Duffy, City Accountant; Mary Badillo, City Financial Advisor; Tom Cate, City Attorney; Christopher Andrews, Lieutenant, Devine Police Department; Ismael Carrillo, Director of Public Works; Rob Flores, Superintendent of Public Works; Vickie Pumphrey, Airport Manager; Debra DuBose, Head Librarian; Stacy Pyron, Library Aide; and Ofilia Pedroza, UB Clerk.

Others present: Marly Davis, Devine News; Stephen Horton, Auditor; Michael Jackson, Epic Fuels; Grayson Cox, KSA; Mario McGee, Barrio Aviation, Inc.; C.E. (Curly) Brehm; James Spurgers; Chris Yanta; Joe Munoz; David Ehlinger; Krista & Kandace Ehlinger; Maria De Los Santos; Rudy Moreno; William White; Eva Thompson; and Sandy Herrera of Devine, Texas.

Mayor Herring, presiding, declared the meeting open at 6:00 p.m.

Mayor Herring delivered the Invocation and Alderman Espinosa led the Pledge of Allegiance.

The first order of business was the Visitors/Citizens Forum.

Mr. William White addressed Council regarding his many years of experience in volunteering for animal care for City of San Antonio and Lytle, Texas. Interim City Administrator/City Secretary Dora V. Rodriguez told him to give her a call tomorrow and she would go over everything with him on Animal Control.

The second order of business was Recognition.

- Mayor Herring recognized Interim City Administrator/City Secretary Dora V. Rodriguez, City Accountant Denise Duffy, and City Financial Advisor Mary Badillo for working endless hours on getting ready for our audit.
- Sandy Herrera from the Friends of the Library presented Head Librarian Debra DuBose with a \$1,000 check to use for the Driscoll Public Library for their programs, books or for whatever they need to do. Debra DuBose, in turn, thanked the Friends of the Library for doing so much for the library.

Regular Meeting Minutes

February 20, 2018

Page 2

The third order of business was to discuss and consider Approval of Minutes: Regular Council Meeting Minutes, January 30, 2018; and Special Council Meeting Minutes, February 6, 2018.

Council reviewed minutes.

Motion by Alderman Lopez, seconded by Alderman Thompson to approve Minutes for Regular Council Meeting January 30, 2018; and Special Council Meeting February 6, 2018.

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|--------|----|-----------------------------|
| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

The fourth order of business was a Presentation on the Fuel Farm.

Mr. Grayson Cox, Project Manager with KSA Engineers, informed Council that he is actually working with TxDOT Aviation and the City of Devine right now to do some improvements at the airport. He also introduced Michael Jackson with Epic Fuels. He said he just wanted to discuss some aviation fueling systems at the airport and some things to consider since he is aware that there is a proposal from a tenant at the airport to have his own fueling system. He wanted to make the following three points:

- There are a lot of rules & regulations related to how to design fueling systems on an airport. A lot of people make the mistake of thinking that a fueling system at an airport is just the airplane version of a gas station for cars, which is not the case – the amount of rules & regulations for fueling systems either double or triple for airports. He understands that the City of Devine has adopted the International Fire Code and said he hasn't reviewed it but told Council that the IFC makes reference to a number of codes and regulations that regulate fueling systems on airports. He said NFPA-407, the standard for aircraft fueling, is the one that's going to dictate a lot of how a fueling system can be designed and operated on an airport. Since the City has adopted the International Fire Code, he said that the NFPA-407 does apply to the City of Devine Airport. There's a list of 13 other regulations that apply that really need to be adhered to if the intent is to have a fueling system, whether it's a tenant or city-owned. TxDOT Aviation actually has a 313-page document called General Aviation Fuel System Standards, which can be very helpful when it comes to all the thought processes and details that go into designing fuel systems for airports. So, it's all about the design and the operation of the fuel system.
- There's another whole Umbrella of regulations related to the design of the airport and how the fueling system integrates with the airport itself which are mostly FAA regulations – when it comes to where things can be located, movement of aircraft, and separation of distances for aircraft movement. Mr. Cox told Council that these things need to be taken into account, because the last thing we want to do is to have a tenant or city-owned fuel system built in an area that then prevents issues down the line when the airport expands, or if you're seeking additional funding from the FAA or TxDOT Aviation to make improvements at the airport.

Mr. Cox said that he does have concerns, based on what he's heard, of where this fuel system is located versus where it likely should be located for future expansion and future growth of the airport. He explained that airport design is a very planning-intensive process; airports don't just appear overnight. It takes decades for an airport to be developed, so having a long-term vision of what our airport is going to look like is critical to actually being able to efficiently and effectively develop an airport environment. There are a lot of regulations to keep in mind and a lot of business considerations to keep in mind. He said the rules and regulations are not always changing but they're always evolving, so we need to keep in mind a long-term view to make sure that we're not going to run into issues down the line. Mr. Cox added that he thinks the City of Devine Airport is lacking when it comes to that long-term view. At least from his understanding, the City has largely periodically done rehab projects for the pavement and not much else. While that helps to maintain what is there, it doesn't provide a really good launching pad to maximize the benefits of having a municipal airport; not only to the airport users but to the City.

- Grayson Cox's third point was that TxDOT Aviation is always pushing all the cities, municipalities, counties, and whoever owns and operates a public airport. He told Council that he shares their goal in that generally aviation airports need to sustain themselves as much as possible. He said the majority of them don't; they end up getting subsidized by the City. He said that a lot of the residents probably wonder why since they don't use the airport and so they wonder why their tax dollars should be going to help fund paving improvements or whatever other projects at the airport.

Mr. Cox explained that as an individual who works in the general aviation community and as a consultant with TxDOT Aviation and the City of Devine, they are always looking for ways to help the airport sustain itself financially. A general aviation airport that sustains itself financially, is one that grows, and as it grows, it brings in more money and those benefits start to spread out to the City rather than the City having to put resources in. Fueling systems owned and operated by the airport itself, is really the number one revenue generator at airports.

Mr. Cox explained that usually it starts out with a very simple Avgas set-up and the money starts trickling in because fuel is absolutely required to fly airplanes. He explained that as you grow, those planes become larger, and planes will start buying thousands of gallons of fuel at a time. He compared this to ourselves fueling our regular vehicles at \$20 at a time, and multiplied that times 10, which he said would be a potential transient aircraft that's coming to Devine because we would have cheaper fuel than San Antonio does.

Mr. Cox explained they often work with smaller communities that have general aviation airports to identify ways that the airport can grow and sustain itself, and fuel is one of the first things that they look at – trying to get fuel on the airport and have that revenue stream going to the airport rather than having it managed by a third party.

Mr. Michael Jackson, of Epic Fuels, then addressed Council and informed them that neither one of them have seen any proposals and are not here to speak about any proposals; they are just here to present the facts. He said they are aware; however, that the City has one proposal by a tenant. Mr. Jackson said that the majority of his customers are municipalities and other county governments. That is generally who he sees own the fuel and operations.

Regular Meeting Minutes

February 20, 2018

Page 4

Grayson Cox confirmed that they haven't seen any proposals and they were just asked to come down to talk about fueling systems. He added they understand that there is one proposal by a tenant to have a fueling system. To a limited extent, he added that they can answer questions related to that but without actually studying and reviewing whatever proposals are out there, they can't actually make a whole lot of definitive comments about what that proposal is.

Mayor Herring wanted to know if we should have a long-range plan of the airport before we consider a fuel farm.

Mr. Grayson Cox commented that he thinks that would be a very good idea because planning an airport almost always has a financial and business component to it. So, understanding the financial impact to the airport and to the City of having your own fuel system versus having a third party operate fuel on the airport, is something that we would need in order to make an educated decision on whatever proposals come up now or in the future.

Mr. Cox said that the second thing that is very critical is the location of the fueling system. He said Devine Airport does not have a whole lot of property or real estate available. But, you don't want a fuel system to be located and then create issues further down the line in expanding our airport. Without a long-term vision of what the development at the airport can look like, we don't really have a good idea of where that fuel system should be located.

Interim City Administrator/City Secretary Dora V. Rodriguez commented that she talked to Grayson and TxDOT on Friday about something that we should've been looking at a long time ago which is having a planning document as well as rules and regulations. According to Mr. Cox, there are comprehensive plans that we can do through TxDOT Aviation and action plans which are an abbreviated version of a comprehensive plan. He offered to help the City with TxDOT in trying to get on the CIP (Capital Improvement Plan) and trying to get that on the pipeline of TxDOT funding. He explained that these are oftentimes 75/25 or 90/10 grants. He told Council that having a planning document will actually help us get future funding, and the planning document or the action plan would be through TxDOT Aviation. He explained that TxDOT has some capacity in-house to do planning but it's limited, and depending on what we want to do, for an action plan or a larger comprehensive plan, they would select a consultant with the City to determine who should do that. Interim City Administrator/City Secretary Dora V. Rodriguez commented that we are already in contact with TxDOT Aviation regarding the rules and regulations.

Mr. Grayson Cox commented that the Hondo Airport is unique because they inherited this massive Air Force Base. He thinks that Castroville is a good similarity if you think of Castroville in terms of the last ten years. They started out with very little and have had a lot of improvements over the last ten years. He told Council that as long as we show the intention and the desire to do something with TxDOT Aviation, we can get funded through TxDOT. He explained it does take a little while but it starts to build and we would end up getting runway extensions and terminal buildings, and things like that, which are mostly funded by block grants from the FAA and are administered through TxDOT.

Council held brief discussion about still needing to do a lot of research on this but felt that in the long run, this is a good thing to do – to get some type of planning document or action plan.

Regular Meeting Minutes

February 20, 2018

Page 5

Mr. Grayson Cox commented that some documents that are required to meet regulatory requirements do need to be signed by an engineer and added that you cannot have a fueling system at the airport without a professional engineer.

No action taken on the presentation.

The fifth order of business was to discuss and consider the Trends by the Financial Advisor.

City Financial Advisor Mary Badillo went over the Trends with Council and highlighted the following:

Page 1 – General Fund vs. Operating Expenses – In 2013, our operating income was at \$58,000 and it's increased to \$365,000 as of Fiscal Year Ending September 30, 2017, for the General Fund only.

Page 2 – This is a graph of our operating income for the General Fund only.

Page 3 – This graph shows a General Fund Comparison of the last three years of all the revenues under the General Fund only, showing Property Taxes, Sales Tax, Franchise Tax, Charges for Services, and Other. It was noted that 2015 was a good year for Sales Tax due to Walmart coming in. The Franchise Tax, according to City Financial Advisor Mary Badillo, stayed consistent over the last three years; the Charges for Services has pretty much stayed constant; and under Other (fees, fines, court, HOME Program, etc.), it did increase this past year.

Page 4 – General Fund Revenue by Source – This give you a picture of a pie graph from last year, 2016, to 2017 for General Fund. City Financial Advisor Badillo explained to Council that when you're looking at a pie graph, you want them to be very similar. She explained that the only reason they would be askew is if a program were added or if we lost a program. She said that these are pretty much the same.

Page5 – Property Tax Assessed Valuation – You can see the trend from 2013 to 2017, and it keeps going up each year.

Page 6 – Sales Tax Revenue – Again, from 2013 to 2017. City Financial Advisor Badillo pointed out a big 35% increase in 2015 (due to Walmart); it came back down -6% in 2016; and back up again +3% in 2017.

Page 7 – Franchise Tax Revenue – You can see where it's peaked every year except for the last year in 2017, it dropped to \$176,000.

Page 8 – Municipal Court Revenue – City Financial Advisor Badillo pointed out that in 2016 we had an increase of +38% but from 2016 to 2017, it increased by +77%. This is due to more tickets being issued, more warrant roundups being done, and also the City purchased a Ticket Writer which helps the officers to write tickets faster.

Page 9 – General Fund Operating Expenses – This is the trend for Admin, Streets, Police and Health & Sanitation Departments. City Financial Advisor Mary Badillo pointed out that the Admin Department peaked in 2015 and in 2016, it came right back down into line.

Regular Meeting Minutes

February 20, 2018

Page 6

Page 10 – General Fund Operating Expenses for the other funds that we have – Parks & Recreation/Airport, Library/Community Center, Code Enforcement, Municipal Court and Animal Control. City Financial Advisor Mary Badillo reported to Council that Parks & Recreation and the Airport are very minimal so she combined those two together, and their expenses are pretty low on the graph. She also grouped the Library and the Community Center together. Council noticed that Code Enforcement has dropped a lot. Interim City Administrator/City Secretary Dora V. Rodriguez pointed out that Code Compliance Officer Eddie Diaz is trying to be very cautious of how he spends our money. She also pointed out that back in 2014, it was really high when Darrell was here, and he was using the mapping system which cost us a lot.

Page 11 – Water & Sewer Fund Revenue vs. Operating Expenses – City Financial Advisor Mary Badillo explained that these are all the projects dealing with water and sewer. This is the trend over the last five years.

Page 12 – Five-Year Summary of Operating Results – At the top of this graph is the General Fund and at the bottom is the Sewer & Water Fund. She explained that all the picture graphs that she went over were based off of these numbers shown here.

Motion by Alderman Espinosa, seconded by Alderman Thompson to approve the Trends as presented by Financial Advisor, Mary Badillo.

Trends attached as Exhibit A.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

The sixth order of business was to discuss and consider Audit Report/Management Letter by the Auditor.

Mr. Stephen Horton addressed Council. He told Council it's always a pleasure to come to the City of Devine and assist with our financial audit each year. He commended Interim City Administrator/City Secretary Dora V. Rodriguez, City Accountant Denise Duffy and City Financial Advisor Mary Badillo for doing an excellent job in preparing the finances, all the documents and the requests that they make ahead of time, and for being very organized; he said it's a very efficient process. He told Council that when they walk into the door, everything is ready for them. He then proceeded with the Audit from October 1, 2016 and ending September 30, 2017, and pointed out the following highlights:

Pages 2-3-4 – The Auditors Report Letter talks about the responsibilities of Management during the audit process and the responsibilities of the auditor, the independent auditor's results of their examination. He explained that the bottom line is that they gave us an unqualified opinion, which is the highest level opinion which we can receive under the audit process. He stated that this is one we should be very proud of from the Council standpoint as well as the city staff.

Regular Meeting Minutes
February 20, 2018
Page 7

Pages 5-12 – Management’s Discussion and Analysis – Mr. Horton explained that this gives us a narrative discussion of different financial statements or funds that the City operates under. It gives us some comparative information as far as revenues and expenditures for both the general operations and the utilities of Water and Sewer for the 2017 year as compared to the 2016 year. Mr. Horton pointed out to Council that these are in dollars and cents; whereas, in Ms. Badillo’s presentation, it was in graph form.

Page 13 – Exhibit A-1, Statement of Net Position – This is a balance sheet of the City as of year ending September 30, 2017. He explained this is in three columns of numbers: Governmental Activities is the first column which is everything except the Water & Sewer; those are under the second column for Business Type Activities. The third column is the two columns combined, added across. Mr. Horton explained that top half of the page are the assets which is everything that the City owned or had possession of and belongs to the City as of that date. Total assets are over \$11 Million. The Liabilities are in the middle section which is everything that the City is liable for. We are at \$4.7 Million. According to Mr. Horton, at the bottom of the page is the Net Position, the difference between Assets and Liabilities, is at \$6.9 Million. Mr. Horton said the City is in a pretty healthy financial position.

Page 18-19 – Exhibit C-3, Statement of Revenues, Expenditures, and Changes in Fund Balance. These are the City’s Governmental Funds which are the General Operating and Debt Service Funds with some other smaller funds. The Revenues are at the top section at \$3.4 Million; Expenditures are in the middle section at \$3.1 Million; so we have \$250,000 in excess revenues over expenditures. He said this increases our Fund Balance, at the bottom of the sheet, to \$2.3 Million. Mr. Horton pointed out that under the General Fund, the Fund Balance is at \$2.2 Million. He explained that from a good financial statistic, you can compare that to your Total Expenditure in the General Fund of \$3,028,405; he said this equates to the City having nine months of operating reserves. He told Council that for many governmental municipalities, their target is three months so we are doing extremely well at three times the target. This is a financial strength of the City to be prepared for any unforeseen items that might come up and for things that weren’t planned, and be able to pay cash instead of doing bonds.

Page 21 – Exhibit D-2, Proprietary Funds – These are the Revenues and Expenses for the Water & Sewer Operations. Revenues are at \$1.7 Million and Expenditures are at a little over \$2 Million. Included in this \$2 Million is \$490,132 in Depreciation which is a non-cash expenditure for accounting purposes. He explained that when you take that off, on a cash basis, the Water & Sewer has around \$100,000 in profit, and we still end up with a \$5.3 Million Total Net Position at the end of the year.

Pages 23-40 – Notes for Financial Statements. These include a lot of detailed required disclosure items that are all required by accounting and governmental standards to let the reader of the financial statements be aware of all the minute details and supporting figures to back up the numbers at the front of the report.

Regular Meeting Minutes

February 20, 2018

Page 8

Page 41 – Exhibit E-1. This is a Budget comparison to the General Fund. He explained that we adopt the Budget at the beginning of the year; this is the first column of numbers under the Original column. He explained that throughout the year, we may have amendments to the budget for things that come up during the year, revenue expectations change, expenditures fluctuate and we may need adjustments – this is the second column. The third column is the Actual numbers. He said this is how we actually wind up the year. And, then we do a comparison of the final amended budget to the actual numbers, which is shown in the last column; it shows if we're over-budget or under-budget. In Total Revenues, we were at \$44,422 (more than budgeted); Expenditures were at right under \$6,000. Mr. Horton explained that there were three categories that exceeded the budgeted amounts; one being in Administration which was due to a reclassification that was needed at the year-end for the matching money that the City put in for the Home Program.

According to Mr. Horton, overall, we have good management of the budget for what's actually going on, on a day-to-day basis. Mr. Horton told Council that to start off the year with anticipated expenditures of \$3,072,000 and actual expenditures of \$3,028,000 (with \$3 Million in and out of money), to be within \$50,000 of where our target was as the beginning of the year, is pretty good and it says a lot for living with what we say we are going to do, from a budget standpoint.

The rest of the report is other additional requirement disclosures.

Mayor Herring and Council thanked Mr. Horton for his report.

Motion by Alderman Thompson, seconded by Alderman Lopez to approve the Audit Report/Management Letter by Auditor, Stephen Horton.

Audit Report attached at Exhibit B.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

The seventh order of business was to discuss and consider accepting Contract with Coleman, Horton & Company, LLP for the September 30, 2018 Audit.

Motion by Alderman Lopez, seconded by Alderwoman Wilkins to accept Contract with Coleman, Horton & Company, LLP for the September 30, 2018 Audit.

Contract attached as Exhibit C.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

Regular Meeting Minutes

February 20, 2018

Page 9

The eighth order of business was to discuss and consider request from Adelina Valenzuela and Maria A. De Los Santos Pena for property to be annexed into Devine city limits with property having a legal description of R6272, A0656 D. Lewis Survey 14, and 1.962 Acres.

Maria De Los Santos addressed Council and introduced herself and her mother, Adelina Valenzuela. She gave Council a brief summary about herself and stated her goal was always to buy her mother a house and, now that she's done that and bought some property, she wants to have the property annexed into the Devine city limits.

Council held discussion on this property being on Renfro Drive, as they reviewed a map.

Interim City Administrator/City Secretary Dora V. Rodriguez asked City Attorney what steps need to be taken.

City Attorney Tom Cate advised that we would need the following steps:

- He told Ms. De Los Santos that we need for them to sign a petition requesting to be annexed.
- We need to perform a service plan and then come back to Council to take action on that.
- We need to have a public hearing on the voluntary annexation.

City Attorney Tom Cate added that if they are asking to be annexed voluntarily, he doesn't see a problem with anything. He then asked them to turn in their contact information to City Administrator/City Secretary Dora V. Rodriguez or give it to him so he can contact them to give them the information.

City Attorney Tom Cate advised Council that they do not need to go through Planning & Zoning since this is a subdivision and this is just an annexation. He advised that if the annexation goes through, the property would come in at Class A. Residential. He also advised that Council can't take any action at this point; this is mostly for informational purposes only to get us back on track on this.

Motion by Alderman Espinosa, seconded by Alderman Lopez to postpone any action taken on the property to be annexed until all the items that City Attorney Tom Cate mentioned are fulfilled.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

Discussion was held after the motion. City Attorney Tom Cate informed Mayor Herring that he already got their contact information and he told Ms. De Los Santos that he will be giving them a phone call.

The ninth order of business was to discuss and consider request from David Ehlinger to allow Aviation Fuels, Inc. to sell fuel at the Devine Airport.

Regular Meeting Minutes

February 20, 2018

Page 10

Council first heard from Mr. Mario McGee who spoke of his affiliation with the Devine Airport for 13-14 years and his history with the Ehlinger's and Pumphrey's who were instrumental in his mechanic endeavors in aviation. He spoke of his experiences and affiliation with the Stinson Airport and Castroville Airport. He feels it is imperative for Devine to have fuel at the airport if we want to grow. He shared with Council that he's found out that most of the revenue that comes in to the airports is from having tenants in place. When the fuel flowage fees come in, the City makes that much more income because they're selling that much more fuel. He spoke of no liability issues, no employees to take care of, no training because private corporations handle all that. So, if it doesn't work, it's not on you; it's on the corporations that handle that. He's seen some very successful privately-owned fuel systems and he's seen some very successful city-owned fuel systems. Mr. McGee told Council he wanted to advocate putting fuel at the Devine Airport in whatever way we see fit. However, he told Council that he has seen and been part of putting fuel systems in place on the private side that have been very successful.

Alderman Espinosa asked Mr. McGee if he was saying that the liability risk is less for privately owned fueling systems. Mr. McGee said he didn't say it was less, but they are more capable of handling it as opposed to the City.

City Attorney Tom Cate advised that the City would be covered by the Torch Claims Act so our liability would be limited. Mr. Cate stated that he would anticipate that if anything happened out there, that everyone involved in it would get sued.

Mr. Michael Jackson commented that he, himself with Epic Fuels, and a number of other fuel providers actually provide up to \$50 Million in product liability coverage; he said all providers do that as long as it is a branded FBO location, and it doesn't matter if Mr. Ehlinger owns it or the City owns it. He told Council that they're not going to come after us, they're going to come after them. Mr. Jackson said he disagreed respectfully with Mr. McGee in that there would be more liability for the City. He explained he has many clients, including private clients, but he's never lost a municipal fuel client to going out of business, when he has lost private FBO's that have gone out of business. So, he disagreed with Mr. McGee on the liability part of it but felt that everything else Mr. McGee said was fair.

David Ehlinger addressed Council and said he agreed that it's going to take time. He then gave a timeline of events beginning with the meeting on November 14, 2016, when the Airport Advisory Board unanimously voted and recommended to the City Council to allow AFI, Aviation Fuels, Inc., to sell fuel at the Devine Municipal Airport. On November 15, 2016, Council approved to authorize the Interim City Administrator/City Secretary to enter into negotiations with AFI to sell fuel, with a contract. Mr. Ehlinger discussed meetings up to April 7, 2017.

Mr. Ehlinger then read a memo from Megan McLellan with TxDOT Aviation which stated all the regulations and gave all the TxDOT websites. He said he read them all but never saw where it's required for an engineer's stamp to set the fuel in place. He said it all comes down to a couple of issues.

Regular Meeting Minutes

February 20, 2018

Page 11

Mayor Herring inquired if we had held a meeting, after the meeting David is talking about, in which we asked him to meet with our city attorney, and Mr. Cate gave David a list of things that he needed to turn in. David Ehlinger responded that, yes, they did meet, and explained that it's not a list of things that he needs to turn in. He said it's a handwritten list of items which identified several things, one of them being rules and regulations and another item being to do an environmental survey of the dirt. According to Mr. Ehlinger, the Airport Advisory Board actually recommended to him to do the environmental survey before they even engage in asking for permission. He said he disagreed with them and told them, no, that they had it backwards. He said he asked them, "Why would I want to do the environmental surface survey and not know that I'm going to get permission to sell fuel?" He said nobody would want to pour money into another location and not have the opportunity to get revenue out of that. He said there is no common sense in that.

Mayor Herring asked David Ehlinger, again, if he's done everything that City Attorney Tom Cate asked him to do. Mr. Ehlinger responded that it's not required to be done before you get permission and spend lots of money in order to do that. Mr. Ehlinger then asked, regarding the environmental survey, "Are you requiring that survey before you give me permission? Or, are you requiring that and hinged upon the results of that study if it clears, do I have permission to proceed forward?" He told Council that if that's the case, he's all for it, but he's not going out there and spend \$10,000 and not get anything in return on his investment.

City Attorney Tom Cate told Mayor Herring that the items they talked about were: the need to demonstrate satisfactory arrangement through a reputable aviation petroleum supplier/distributor; spill prevention contingency & control plan; training plan, fuel quality assurance procedures, record keeping and emergency response procedures for fuel spills and fires. He said these are things they talked about for independent contractors – no business association with the City of Devine. He said that for non-transferable's, meaning this business would not be transferable without the City's written consent, all facilities would have to meet all applicable codes and be inspected by building inspectors. They discussed the terms of the agreement and annual inspections.

David Ehlinger agreed that this is what they talked about, but told Council, "You can't put the horse before the cart, and that's what you're asking." He told Council that they already voted unanimously on this at the November 15, 2016 meeting, to authorize Interim City Administrator/City Secretary Dora V. Rodriguez to enter into negotiations with Aviation Fuels, Inc. to sell fuel at the Devine Airport and to return to Council with the proposed contract. It passed 5-0. He told Council that should be a reminder to you.

David Ehlinger asked, "Where are we at now?" A year later and we're nowhere. He said that basically we're at \$.06 of aviation fuel flowage fees per gallon that comes to the City without doing anything but collecting it. He added that all the requirements that he has to satisfy are in the documents that we've already spoken about. As far as credentials, he said that if he can fuel aviation fighter aircraft on five decks of aircraft carriers with nuclear weapons and nuclear ships; he knows what he's doing and he's been there! He added that fuel is the life blood of our community and is our connection to the outside world. He said another means of connection is when people come in here to grow Devine. Mr. Ehlinger then talked about the Hondo and Castroville airports on the sale of fuel. He told Council that he's offering the City of Devine \$.06 on the gallon and putting a tank and taking a risk and satisfying all the fire marshal and national fire protection codes. He stated, "I can do it."

Mayor Herring inquired about exclusive rights. City Attorney Tom Cate advised that he is not asking for exclusive rights. If someone else comes in to sell fuel, they can do that.

Council heard from Mr. C.E. (Curly) Brehm. He said we have a contract with the FAA not to discriminate and that would be considered discrimination. He told Council that we cannot stop somebody else from coming in. He then gave Council a brief history of Aviation Fuels, Inc.

David Ehlinger stressed that one of the requirements is "location" not to interfere with future development. He told Council that we do have a five-year airport plan that is already ten years old. He said we might want to look at some of the records; he saw it up in Austin. He then told Council that the fuel today is the lifeline and the location for it is perfect; even our City Engineer said that the location is perfect for a fuel farm, and that it doesn't interfere with any future expansion, and it doesn't interfere with the taxiway or even a side taxiway parallel with the runway. And all of this is on his 23-year lease with the City of Devine. He told Council that it only makes common sense that if you're going to take basically no risk, to move forward and let him build this place and let him get airplanes in here buying fuel.

Alderman Lopez commented that the majority of the revenue would be going to Mr. Ehlinger and, in his opinion, he's in favor of the City making more revenue.

Mayor Herring referred to a letter we received from Cleburne, Texas on a survey that was done. The letter stated that if we have a private investor to operate a fuel farm, we can collect \$.06 to \$.10 per gallon based on airports 50 miles from Devine. The letter also states that if the city operates the fuel farm, we could be making more revenue.

Mr. Ehlinger said he understands the question, but asked, "Who is bringing in the airplanes to the airport?" He said it's the people at the airport, the tenants, the ones working, the ones fixing and the ones fueling, they're the ones bringing in the aircraft; it's not the City. He said this is an asset where the City can get free revenue at no risk basically. He told Council to look at Castroville. He said it is not there and they've got problems.

Alderman Espinosa quoted a motion from the November 15, 2016 Council Meeting which read: "Motion by Alderman Espinosa, seconded by Alderman Lopez to authorize the Interim City Administrator/City Secretary Dora V. Rodriguez, to enter into negotiations with Aviation Fuels, Inc. to sell fuel at the airport and then return to the Council with a proposed contract with Aviation Fuels, Inc." Alderman Espinosa then asked Mr. Ehlinger if we have a proposed contract.

Mr. Ehlinger said that that is exactly where we left off, and he said that there is a contract at City Attorney Tom Cate's office.

City Attorney Tom Cate told Mr. Ehlinger that this is why the Mayor had inquired of his list of things that we needed from him to turn in, to be able to go ahead and talk about the contract. Alderman

Regular Meeting Minutes

February 20, 2018

Page 13

Espinosa commented that we're also looking at a long-term plan, to which Mr. Ehlinger responded that that is a whole different issue.

City Attorney Tom Cate commented that he doesn't think this is a different issue, and the Mayor agreed. Mr. Cate explained that we had a two-hour meeting with TxDOT Friday morning, and they felt that it is important that we do have some kind of mid-term plan, like a 10-year plan.

Mr. Grayson Cox said that he was talking about having an action plan in place. He explained that a comprehensive plan oftentimes goes 15-20 years, and an action plan will look at about a 10-year window. According to Mr. Cox, action plans are usually what they tend to do for airports of this size just because there aren't that many options to explore in terms of development.

Mr. Ehlinger told Council not to let that stop them from making the right decision today! He told Council that Mr. Cox is talking long-term and said the City's already been down that road. He told Council that we had a 10-year action plan, and it's already five years old! He added that the long-term plan has to be integrated hand-in-hand with what the City does in the future. Mr. Ehlinger explained to Council that on the parameter of the lease that he has, that is where he's decided he wants things to go, with the okay of what our engineer has told him; he has told him that the location is a good place. Mr. Ehlinger added that our city engineer is considering long-range plans when he does that and it goes into play. He then asked, "Is that going to interrupt some other plans? We don't have any plans." "The key is to get fuel!"

Mr. Grayson Cox commented that he is unaware of any conversations that our city engineer has had with the City. Interim City Administrator/City Secretary explained that our city engineer, Raul Garcia, was surveying the leases at the airport. Mr. Cox explained that he's an aviation consultant and he looks at things in terms of Part-77 regulations that dictate where things can go on airports. Mr. Cox went on to explain that it's usually not a walk-out on the airport and just point there; it's usually a process where we have a layout drawing which lays out all your Parts-77 services, and we make sure that a facility like that can pass the 7460, obstruction of valuation related to the movement of aircraft. He said that's a small part of what goes into laying out fuel systems. He told Council that we still haven't talked about the storm water aspect, the Cayman aspect and all of that.

David Ehlinger commented that the city engineer looked at that; he said he reviewed that.

Mayor Herring commented that he didn't realize that our City Engineer Raul Garcia considered himself an expert on aviation and added that he even thinks he would say the same thing. He has made recommendations on certain projects, and in the case of the swimming pool, we had to get an aquatic engineer.

City Attorney Tom Cate told Council that since Mr. Ehlinger brought up the issue of long-term planning, he said that we may have had a long-term plan in the past, but that got shelved. He said he doesn't think that we ever filed a long-term plan. He said this is the first time that he hears about something like that; he thinks it may have been back under the administration of Bob Miller as city administrator. According to City Attorney Tom Cate, we have not taken an active role at the airport in a long time, but now we're getting more involved at the airport. He said that according to our audit report earlier as reported by our auditor, Mr. Horton, we lost \$26,609 at the airport last year, and we're getting ready to be out \$65,000 with the seal coating project.

Regular Meeting Minutes

February 20, 2018

Page 14

City Attorney Tom Cate added that at the same meeting with Mr. Grayson Cox, it was discussed that the FAA would like for the airports to be as self-sustaining as possible. He said we talked about two revenue streams: self-fuel and the lease of the hangars. He said that this is about the only way that we're going to make money at the airport. City Attorney Tom Cate explained that what we have now are ground leases. David Ehlinger said he's paying around \$1,800 a year, plus utilities. According to City Attorney Tom Cate, the point is that, in talking with TxDOT, we need to have a long-term plan. And, the TxDOT people said that they were not satisfied with where the location of the fuel farm was proposed, and they want an engineer to sign off on that; an engineer who specializes in aviation.

Alderman Espinosa commented that what our City Engineer, Raul Garcia, suggested doesn't really mean a whole lot because he's not an expert on aviation engineering.

City Attorney Tom Cate agreed with Alderman Espinosa. He said that City Engineer Raul Garcia also sat in on the conference on Friday; he was here to learn just like the rest of us who are not directly involved in aviation.

Alderman Espinosa told Mr. Ehlinger that he understands his side, but he pointed out that City Engineer Raul Garcia is not an expert on the location of the fuel farm. Mr. Ehlinger said he absolutely agrees. He told Council that if he does it, the City is going to have a battle with who agrees to what on where the fuel farm is going to be. He said the City should take the anvil upon themselves just like we did with the aquatic engineer for the swimming pool, or like we do with the construction of a new building. He said, "You're going to have your engineer tell you what it right for a fuel farm location." He added, "And I'm asking that!"

Interim City Administrator/City Secretary Dora V. Rodriguez told Council that she knows that City Attorney Tom Cate was waiting on David Ehlinger to turn in some things to him, to which Mr. Ehlinger responded, "Not really." She told Council that in attending this Aviation Conference recently, one of the things that they learned from TxDOT Aviation is that the City should've had more control of the airport because it is owned by the City. She said that we're just trying to make sure that we get more involved in every department that belongs to the City and to try to bring in more revenue. She told Council that her job is to bring to their attention that there are options out there. She said that besides just giving someone else the fuel, the City could do it themselves but it is her job as a budget officer to let them know so that they can make the best decision.

Mr. Grayson Cox told Council that he's actually the project manager (and Michael Jackson is the fuel supplier) of the Jet A fuel facility that's going on right now at the Castroville Airport. He strongly recommended for Council to feel free to talk to Claudia from the Castroville Airport because she loves to share all of her insights about the airport. Regarding some of the tension on this subject and because of his experience with client airports, he pointed out that when a city takes more control at an airport, obviously that control is being taken from a lot of the people who sit at the airport every single day. He explained that this makes them nervous because they've experienced in the past, in many of these airports, that the city tends to neglect the airport, so they take up that mental responsibility to try to maintain the airport that they use and love every single day. He said he wanted to make sure that everyone acknowledges that the airport board, the pilots that are sitting here, mechanics, etc., that they get their livelihood out of the airport. So, if the City is wanting to grow and develop the airport and wanting to make the airport more self-sufficient, the city needs to show that they're in it for the long-haul; that they're willing to put up the intention and the finances to make sure and maintain that airport so that these guys don't hand over that mental responsibility, and then things just fall apart.

Regular Meeting Minutes

February 20, 2018

Page 15

The second thing Mr. Cox pointed out was that with every single fuel project that TxDOT does, there is a siting component to it which is called a Preliminary Engineering Report (PER). He explained that part of this PER is to site the fueling facility and to show how the fueling services integrate with the LD or whatever formal documents are out there for the airport. This is part of the standard TxDOT funded process when they are participating in a fueling facility that is being built by the local governing body. He told Council that this may be something to consider if the direction is to allow a private individual to sell fuel at the airport. He told Council that you may want to make sure that something happens in terms of due diligence and making sure that the site of that is studied by someone with competent knowledge as well as the planning staff at TxDOT, and to try to get that to match so that there's no questions about the litigations of that project facility.

Alderman Espinosa commented that he would like to see the right location for the fuel.

Alderman Thompson spoke about numbers and the budget and still having a loss at the airport but said he's open for ideas on how to make up for the loss.

City Attorney Tom Cate addressed Mr. Grayson Cox's statement about the City's commitment to the airport. He explained that every time that we accept a ramp grant from TxDOT, we're telling them that we're going to at least continue that airport for another 20 years, and this comes up every year. So, every time it continually renews, it renews for another 20 years and if we don't, they're going to come back and ask us for that money.

Council held discussion on an action plan being 15-20 years and a comprehensive plan being 15-20 years.

Mr. David Ehlinger told Council that City Attorney Tom Cate has laid out several things. He told them that if he is allowed permission to negotiate to do the environmental study and complete all of the requirements that the city attorney is requesting (which he said he can do), he said he needs to be assured that he's going to get a return on his investment. He said he's not asking for a lot because he'll be sharing it with the City, and he's also sharing the majority of the liabilities, the maintenance and responsibilities; he said he can handle that.

Mr. Ehlinger also told Alderman Lopez that he knows he would like to see \$1.50 - \$3.00/gallon of fuel come in to the City and said, "You go build that fuel farm and see what kind of cost the City has to engage in to build that farm. It's not cheap and you've got to have the right investors, with the right reasons, with the right pilots in the right place." He told Council that this is all part of the matrix and that he is willing to share with the City a revenue at a very low risk. He told Council that he's willing to start working on some of these things, but he needs to know that he's going to get permission to continue and have the opportunity to sell fuel.

Interim City Administrator/City Secretary Dora V. Rodriguez asked Mr. Michael Jackson, with Epic Fuels, to go over the different fuel systems that cities can do.

Regular Meeting Minutes

February 20, 2018

Page 16

Mr. Jackson talked about Castroville, as an example, which is in the process of putting in a brand-new Jet A system and said that right now they are operating off of a small truck which they are leasing from Epic Fuels. He explained in detail two types of fuel systems available: a truck system and a tank farm system. The tank farm system being a more costly but long-term solution, and with the truck system being more of a temporary solution, like in Castroville. So, he pointed out that we can't base any figures of self-serve off of Castroville because their tank is not even there.

Mayor Herring commented that we've heard enough discussion.

Alderman Espinosa asked if we could continue with the negotiations, and asked Mr. Ehlinger if he could return to Council with the proposed contract.

City Attorney Tom Cate advised that we still need our engineer plan.

Interim City Administrator/City Secretary Dora V. Rodriguez told Council that this is something she was asked to do. She's done her research and she's done her homework, and she told Council that she's just bringing it before them to let them know that this is something that the City can do. She told Council that if they are looking into going a different direction and doing it as a municipal, then we owe it to David to give him an answer tonight.

Alderwoman Wilkins commented that we do need a fuel farm and it would be a plus for the City.

Chris Yanta, a local pilot who owns one of the hangars addressed sales taxes. Council held discussion on expenses and taxes at the airport, with the City only receiving a portion of the taxes.

Motion by Alderman Espinosa, seconded by Alderman Lopez to postpone allowing Aviation Fuels, Inc. to sell fuel at the Devine Airport until we've done further research before coming to a conclusion on going with a private sector or for the City to take over.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

Alderman Espinosa told Council he wanted to amend the motion.

Motion by Alderman Espinosa, seconded by Alderman Thompson to amend the above motion by adding to the motion: "and to expedite the research ASAP to give Mr. Ehlinger an answer and not to let it drag."

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

The tenth order of business was to discuss and consider recommendation of the Planning & Zoning Commission for Meeting held on February 12, 2018:

Regular Meeting Minutes

February 20, 2018

Page 17

- Request made by G&E Custom Homes for a 30 feet front setback requirement of 40 feet from the property line to the front of the building for 357 W. Malone, which bears the following legal description: Wedgewood Unit 2, Block 3, Lot 9, (NCB 187).

Mayor Herring informed Council that this is in the Jack Nicklaus area; it's been done before, and he said that the Planning & Zoning Commissioners recommended to grant the request.

Motion by Alderman Espinosa, seconded by Alderwoman Wilkins to approve the recommendation of the Planning & Zoning Commission for Meeting held on February 12, 2018, and grant the request made by G&E Custom Homes for a 30 feet front setback requirement of 40 feet from the property line to the front of the building for 357 W. Malone, which bears the following legal description: Wedgewood Unit 2, Block 3, Lot 9, (NCB 187).

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| Ayes | -- | Three |
| Nays | -- | None |
| Abstain | -- | One – Alderman Thompson |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

The eleventh order of business was to discuss and consider accepting the City of Devine Racial Profiling Statistical Report 2017.

Lieutenant Chris Andrews addressed Council and told them he is only required to have them accept it so that they can submit it to the State. He pointed out that this report has a 129% increase over last year so the guys are working hard overall. He explained the types of reporting systems that they can use: Tier 1 – gives law enforcement agencies partial exemption because we use audio and visual equipment. Tier 2 – is full disclosure. He told Council that this is the one they usually go with because there's no reason not to tell anybody exactly what we've done.

Motion by Alderman Espinosa, seconded by Alderman Thompson to accept the City of Devine Racial Profiling Statistical Report 2017.

Report attached as Exhibit D.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman David Valdez |

Motion carried.

The twelfth order of business was to discuss and consider approving Resolution adopting Amended Investment Policy.

City Financial Advisor Mary Badillo addressed Council. She explained that one of the things she's learned from TML training is that this needs to be brought before Council on an annual basis. She explained that this is more in compliance with what the investment policy should look like. She told Council that we need to have a resolution for more leverage. The resolution names Dora, Denise and Mary and the designated officers. Ms. Badillo explained that with this new policy, it enables us to look at other banks and other financial institutions to check for other better-going rates.

Regular Meeting Minutes

February 20, 2018

Page 18

Ms. Badillo discussed the current CD's that the City has. She explained that this policy also states that we will be doing a cash flow statement and we will be looking at it for cash needs in the future. She told Council that with the asbestos project that we will be doing, this cash flow statement will be very valuable. The policy also enables us to get a broker involved if we need to do that. She explained that every bank that we deal with will get this once we approve it, and they will have to certify that they've read it and that we are in compliance with it. According to Ms. Badillo, this will be a guideline for all the institutions that we are going to deal with; they're going to have make sure that our money is safe and secure, regardless of what bank we use or whether we go with a broker.

Interim City Administrator/City Secretary Dora V. Rodriguez informed Council that Ms. Badillo will be going for more training after this.

Motion by Alderwoman Wilkins, seconded by Alderman Lopez to approve Resolution 2-18 adopting the Amended Investment Policy.

Resolution attached as Exhibit E.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One -- Alderman David Valdez |

Motion carried.

The thirteenth order of business was Informational Items.

- Airport Manager Vickie Pumphrey announced that on March 10, 2018, from 1:00 p.m. to 4:00 p.m., we've got some competition coming to the airport. FAA will be doing short spot landings and take-offs. It's to help promote our airport more. The airport will be closed that day, and Vickie will be going out with letters to notify all the tenants of this.
- Alderman Thompson informed Council that his father wanted to thank the City for the plant and card he received during his stay in the hospital.
- Lieutenant Andrews announced that Juan Davalos and Beth Leonesio with the EMS (Medina County ESD #4) are putting together a health fair/health awareness event to be held at the Devine Community Center on May 19, 2018, from 9:00 a.m. to 2:00 p.m. It will be hosted by the Devine Police Department at no cost to the citizens. Some of the benefits they're hoping to include are CPR classes, blood mobile, veteran assistance on benefits, and Medicare/Medicaid information for the public. Flyer will be going out.
- Alderman Lopez announced that the VFW Post #3966 is also bringing in a service officer to assist the veterans who are in need of help, so he asked that the City promote the health fair at the Community Center.

Regular Meeting Minutes
February 20, 2018
Page 19

There being no further business to come before the governing body, motion made by Alderman Lopez, seconded by Alderman Thompson.

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| Ayes | -- | Four |
| Nays | -- | None |
| Absent | -- | One – Alderman Valdez |

Motion carried.

Mayor

City Secretary