

Minutes
Special Council Meeting
March 5, 2019

On this 5th day of March, 2019, at 6:00 p.m., the City Council of the City of Devine convened in a Special 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 Steve A. Lopez
Alderman David Espinosa
Alderman Cory Thompson

Absent being Alderman David Valdez and Alderwoman Jennifer Schott; thus, constituting a quorum.

Personnel present: Denise Duffy, City Accountant; Tom Cate, City Attorney; Ismael Carrillo, Director of Public Works; and Ofilia Pedroza, UB Clerk.

Others present: Marly Davis, Devine News; and Mark McLiney, SAMCO Capital Markets, Inc.

Mayor Herring, presiding, called the meeting to order.

The first order of business was to discuss and consider Approval of a Resolution by the City Council of the City of Devine, Texas authorizing and approving publication of Notice of Intention to issue Certificates of Obligation; complying with the requirements contained in Securities and Exchange Commission Rule 15c2-12; and providing an effective date.

Mr. Mark McLiney, with SAMCO, addressed City Council about the \$1,075,000 Water Meter Project. He told Council that the cost for the water meters is slightly over \$1,020,000. He said they put in some cost to cover the cost of issuance, and said that he thinks that the interest rate will be close to 3%. He told Council that in order to do this, we need to go through the certificate of obligation process. Mr. McLiney explained that if Council authorizes this resolution, we would say that we are going to sell, not to exceed, \$1,075,000 on April 16, 2019. He emphasized that we need to do two publications: on March 13, 2019 and March 20, 2019.

Mr. McLiney told Council that the new water meters will last at least 12 years; with our current ones being well over that. He explained that they looked at a 10-year amortization and a 12-year amortization, and they also looked at how it would look with our existing debt on the utility system. Mr. McLiney discussed in detail the 10-year amortization calculation and said we would be starting off roughly with \$100,000 more than what we have right now. He also discussed the 2018 audit and explained that basically we are generating about \$500,000 of excess cash flow prior to the new rates that were put in last year when we sold the water development bond, so he said he believed that we are doing better.

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Another item that Mr. McLiney discussed is that these water meters – reading them correctly – are likely to increase the revenue with the same rate structure. He said the new water meters will be reading the correct amount of water into the households at the right amount; whereas right now, a lot of these meters are probably at 25% discount because they are not reading correctly how much water is actually going through. Mr. McLiney told Council that in reality we believe that the current rates are generating enough once the correct water that is being sold is being processed and billed.

Mr. McLiney also went over the 12-year amortization with Council, and pointed out that there's actually not a huge difference. He explained that by going two more years, the interest cost increases by about \$50,000. He told Council that we need to just keep monitoring water rates to make sure we're generating enough income. He said that the belief is that when these new meters are in place, we're not going to have people out there reading the meters; they can be doing something else, and the meters will be bringing in additional revenue. He shared that additional revenues – even though based off the same rate – is still going to feel like a rate increase to the customer because they're going to be paying more on their water bill even though we're not raising rates but because of the new meters reading the water correctly; we will be billing for the right amount of water. He said we can expect this from the customer but added that it should free up labor time for the employees. Mr. McLiney told Council that if the City can get it done in 10 years, he highly recommends going that route; it would save us approximately \$50,000.

According to Mr. McLiney, if we ask them to proceed, they will start a Private Placement Memorandum and bid out to banks. He told Council that Security State Bank, out of Pearsall, is a really good buyer for this type of bond. He told Council that they would be one of the aggressive bidders.

Alderman Thompson inquired if we need to think about installing backflow and cut-off valves on the client side of the meter, especially with older homes, or for people who have wells. Mayor Herring stated that it would be the people's responsibility; not the City's, but it does need to be discussed. He said that Tom can help us with this by working on a resolution or ordinance. Council held discussion on this being a Code Compliance thing. Alderman Espinosa stated that, in his opinion, it would be a good thing because the City would be liable. Council held discussion over the 10-year vs the 12-year amortization. The consensus was that it would be nice if we can afford the 10-year amortization and save \$50,000 in interest.

Motion by Alderman Lopez, seconded by Alderman Thompson to adopt the Notice of Intention to issue Certificates of Obligation Resolution 3-19.

Resolution attached as Exhibit A.

Ayes	--	Three
Nays	--	None
Absent	--	Two – Alderman Valdez Alderwoman Schott

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Motion carried.

The second order of business was to discuss and consider accepting Certification of Unopposed Candidates. *(El segundo orden de negocio fue discutir y considerar aceptar el Certificado de los Candidatos Sin Oposición.)*

Council reviewed the Certification of Unopposed Candidates. *(Los miembros del concejo examinaron el Certificado de los Candidatos Sin Oposición.)*

Motion by Alderman Espinosa, seconded by Alderman Lopez to accept the Certification of Unopposed Candidates. *(Mocionado por el Concejal Espinosa, segundado por el Concejal Lopez para aceptar el Certificado de los Candidatos Sin Oposición.)*

Certification of Unopposed Candidates attached as Exhibit B. *(El Certificado de los Candidatos Sin Oposición adherido como Exhibición B.)*

Ayes <i>(Voto a favor)</i>	--	Three <i>(Tres)</i>
Nays <i>(Voto en contra)</i>	--	None <i>(Ninguno)</i>
Absent <i>(Ausente)</i>	--	Two <i>(Dos)</i> – Alderman <i>(Concejal)</i> Valdez Alderwoman <i>(La Concejal)</i> Schott

Motion carried. *(Moción aprobado.)*

The third order of business was to discuss ordering Cancellation of Election for Mayor At-Large and Alderman District #5. *(El tercero orden de negocio fue discutir y considerar ordenar la Cancelación de Elección para las carreras electorales del Alcalde En General y del Concejal Distrito #5.)*

Motion by Alderman Espinosa, seconded by Alderman Thompson to accept ordering Cancellation of Election for Mayor At-Large and Alderman District #5. *(Mocionado por el Concejal Espinosa, segundado por el Concejal Thompson para aceptar la orden de Cancelación de Elección para las carreras electorales del Alcalde En General y del Concejal Distrito #5.)*

Cancellation of Election attached as Exhibit C. *(La Cancelación de Elección adherida como Exhibición C.)*

Ayes <i>(Voto a favor)</i>	--	Three <i>(Tres)</i>
Nays <i>(Voto en contra)</i>	--	None <i>(Ninguno)</i>
Absent <i>(Ausente)</i>	--	Two <i>(Dos)</i> – Alderman <i>(Concejal)</i> Valdez Alderwoman <i>(La Concejal)</i> Schott

Motion carried. *(Moción aprobado.)*

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The fourth order of business was the Executive Session: Pursuant to Section 551.072 Texas Government Code to deliberate the purchase, exchange, lease, or value of real property.

At 6:15 p.m., Mayor Herring announced to the public that the Council would go into a Closed Session.

At 6:19 p.m., Closed Session was opened to the public.

No action was taken in Closed Session.

The fifth order of business was to RECONVENE into Regular Session and consider action, if any, on items discussed in Executive Session.

Motion by Alderman Lopez, seconded by Alderman Espinosa to allow to proceed with the property discussed in Closed Session, and not to exceed the amount discussed in Closed Session.

Ayes	--	Three
Nays	--	None
Absent	--	Two – Alderman Valdez Alderwoman Schott

Motion carried.

The sixth order of business was Informational Items.

The following was discussed:

- Lytle VFW – Mayor announced that the Lytle VFW is having their awards for Patriots Pen and Voice of Democracy on Thursday. His grandson will be receiving an award.
- Update on state highways – Alderman Thompson inquired if there are any updates on the roads. Council discussed that TxDOT is slowly trying to repair SH-173 between Devine and Hondo. Hunter Industry was supposed to have come back last week to finish our part of SH-173 but they already have a bad spot in front of the Shell Gas Station.

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

Ayes	--	Three
Nays	--	None
Absent	--	Two – Alderman Valdez Alderwoman Schott

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Motion carried.

Mayor

City Secretary