

MINUTES
REGULAR CITY COUNCIL MEETING
December 12, 2016 at 6:00 p.m.

1. **Call to order.**
Councilman John McAnelly at 6:02p.m.
2. **Quorum check.**
Councilman John McAnelly, Councilman Eric Torres, Councilman Sammy Nooner, Councilman John Villa, City Manager Kim Davis, and City Secretary Gloria Colbath.

Absent: Mayor James Danner and Councilmember Ann Michelle Long.
3. **Invocation by** Father Matthew, St. John's Catholic Church.
4. **Pledge of Allegiance led by** Councilman McAnelly.
5. **Citizens' Comments.** None made.
6. **Discuss and consider approving City Council minutes for the November 14, 2016 Regular meeting.**
Councilman Nooner moved to approve the minutes as presented. Motion was seconded by Councilman Villa. Motion carried 4-0
7. **Discuss and consider approval of Ordinance No.1116-12-16, an ordinance of the City of Hondo, Texas authorizing the issuance of "City of Hondo, Texas combination tax and subordinate lien revenue certificates of obligation, series 2017"; providing for the payment of said certificates by the levy of an ad valorem tax upon all taxable property within the city and further securing said certificates by a lien on and pledge of the pledged revenues of the system; providing the terms and conditions of said certificates and resolving other matters incident and relating to the issuance, payment, security, sale, and delivery of said certificates, including the approval of an application to the Texas Water Development Board and a private placement memorandum pertaining to the bonds; authorizing the execution of a paying agent/registrars agreement, and an escrow agreement; complying with the requirements of the letter of representations on file with the Depository Trust Company; authorizing the execution of any necessary engagement agreements with the City's Financial Advisors and/or Bond Counsel; and providing an effective date.**
Finance Director Doug Roderick informed Council that he made a correction to the memo submitted to Council in the packet stating that the Financial Statement portion should read "The issue of Certificates of Obligation will be for a total value of \$5,470,000.00, for which will be repaid over 20 years via revenues from the increases from the water rates and the backup is ad valorem taxes. He stated that the TWDB COs are for the continued work on the city's water and sewer infrastructure.
Councilman Torres moved to approve and adopt Ordinance No. 1116-12-16 and authorize the issuance of City of Hondo Combination Tax and Subordinate Lien Revenue Certificates of Obligation Series 2017. Motion was seconded by Council Nooner. Motion carried 4-0.
8. **Discuss and consider authorizing the City Manager to enter into an Agriculture Lease Agreement for 1,135.8 dry acres with Carpe Diem Farms, LLC in the amount of \$51,678.90.**
Airport Director Robert Lee stated that the two lease agreements of agricultural land expired in November 2016. The City council approved putting out an RFP for all agricultural dry land only. He reported that two bids were received, one bid (Gilliam Ranch) entailed only 120 acres of grazing land at a bid price of \$26.67 per acre; the second bid by Carpe Diem Farms was for the entire 1,135.8 acres at a price of \$45.50 per dry acre.

Mr. Lee noted that the previous rates on the leased agricultural land was 120 acres grazing land at \$25.00 per acre; 686 dry acres of farmland at \$30.72 per acre; 465.5 irrigated acres farmland at \$143.75 per acre. He stated that staff is recommending that Council approve the highest bid of \$45.50 per acre, it is recommended that the agricultural property be leased to Carpe Diem Farms. He stated that he spoke to Mr. Lamon and made him aware that water is to be leased separately with a separate agreement.

Councilman Torres remarked that due to the significant difference in bids, he asked if all bidders received the same information and bid on the same thing. Mr. Lee stated that the RFP states that there are three parcels of land, and that the bidders had the opportunity to bid on individual parcels, grazing land or agriculture land or on the entire lot. He stated that Mr. Gilliam only bid on the grazing land and Mr. Lamon bid on the entire lot. Mrs. Davis stated that the city prepared an RFP bid packet and all bidders received the exact same information.

After discussion, Councilman Villa moved to authorize the City Manager to execute an agricultural lease with Carpe Diem Farms, LLC for an initial term of five years. Motion was seconded by Councilman Nooner. Motion carried 4-0.

9. Discuss and consider authorizing the City Manager to enter into a Contract Agreement with Black Castle for an amount not to exceed \$1,419,220.00.

Assistant Public Works Director Mike Schmidt

Assistant PW Director Mike Schmidt stated that the wastewater treatment plant is in need of significant upgrades and repairs to bring it to TCEQ compliance. He stated that the necessary repairs include replacement of the UV treatment system and a belt press to handle the solid waste disposal. He also stated that staff added a reclaimed water system to allow for repurposing of effluent for potential reuse. He also reminded Council that the city also suffered catastrophic failure at the west side lift station.

Mr. Schmidt stated that in FY2016 Council issued \$1,420,000 in debt to move forward with the design and construction of the repairs. Three proposal were received and scored by the City Engineer; however all bids came in well over our original estimates; nonetheless, with the assistance of the city engineering firm, CDS Muery, staff was able to value engineer the project to reduce the total project cost to \$1,419,200. all bids came in Blackcastle was selected as the best value for this project; however, due to budgetary constraints, the reclaimed water system was removed because it is not essential to the mandated compliance with TCEQ. He noted that the difference between budgeted and actual cost of the project is \$116,220. Additionally, staff was able to negotiate some savings with respect to manufacturer's credits on equipment costs. He also pointed out that one of the upgrades that the contractor provided was in lieu of rehabilitating the existing lift station on the west side, they will be installing a fiberglass lift station which is an overall improvement to the system. Mr. Schmidt reiterated that the reduction in cost is largely due to the removal of the reclaimed water system. He stated that staff will be back later with a proposed budget amendment that will take the delta from the fund balance as we do not anticipate other cost savings within the division to offset this overrun.

Councilman Torres remarked if this was approved by council already.

Mrs. Davis replied affirmatively and that the item is to approve the contract to complete the work. Councilman Torres also asked if the dollar amount was budgeted.

Mrs. Davis stated that this was part of the last year's debt issuance combined with the library and the wastewater treatment plant. She stated that revenue bonds were issued and that is what the rate increase was to support the debt service for the repairs to the lift station and the plant.

Councilman Villa asked what the amount would be if the reclaimed water system was not removed. Mrs. Davis replied \$1,660,900.

After a brief discussion Councilman Nooner moved to authorize the City Manager to move forward with the contracting with Blackcastle General Contractors to move forward with mandated repairs to the wastewater treatment plan and the west side lift station. Motion was seconded by Councilman Villa. Motion carried 4-0.

10. Discuss and consider the contract total on the Avenue B Contract from \$187,005 to \$188,205.

Street Superintendent Claude Cosgrove stated that Council previously approved the amount of \$187,005 for the Avenue B project. He stated that the Avenue B construction contract is at 98% complete.

Mr. Cosgrove stated that staff missed two square yards of concrete which is approximately 4 x 5 1/2 section. He stated that staff directed the contractor to add one additional driveway that was missed in the plan for an amount of \$1,200. He stated that staff recommends that Council approve the overrun on the Avenue B reconstruction contract to RELMCO Inc.

After a brief discussion, Councilman Villa moved to approve the overrun in the amount of \$1,200. Motion was seconded by Councilman Nooner. Motion carried 4-0.

11. **Executive Session:** The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code, *Section 551.071* (Consultations with Attorney); Pending or contemplated litigation; and matters in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly requires discussion in closed session; *Section 551.072* (Deliberations about Real Property); *Section 551.087* (Deliberations Regarding Economic Development Negotiations)
 - a. Discussion regarding potential lease, purchase or value of real property
 - b. Discussion regarding potential lease/sale of property located at the South Texas Regional Airport
12. **Discuss and consider possible action resulting from the Executive Session.**
City Council did not meet in closed session.
13. **Adjourn.**
With no further city business, Councilman Villa moved to adjourn the meeting at 6:31p.m.
Motion was seconded by Councilman Nooner. Motion carried 4-0.

Passed and approved this 28th day of December, 2016.

**/s/JOHN MCANELLY
COUNCIL MEMBER PLACE 1**

ATTEST:

/s/Gloria Colbath, City Secretary