

**City of Alpine  
Regular City Council Meeting  
April 2, 2013  
6:00 P.M.  
Minutes**

- 1. Call to Order, Invocation and Pledge of allegiance to the flag – Invocation was given by Lana Covington. Pledge of Allegiance was led by Mayor Rangra.**
- 2. Determination of a quorum and proof of notice of the meeting – Mayor Rangra, Councilors Bermudez, Davidson, Lujan, Gonzales and Asgeirsson were present. Meeting notice was posted at 1:45 P.M. on March 28th, 2013.**
- 3. Presentations, recognitions and proclamations – None**
- 4. Reports –**

**City Mayor's Report - Mayor Rangra said last Thursday he attended a Chamber of Commerce meeting. He said he just found out that he needed to have permission from some of the Council to attend this meeting!**

**City Attorney Report – City Attorney Armstrong said concerning the Scown condemnation which will be later, he talked to the appraiser but he has a little bit more before he delivers that appraisal to us. He said in connection with the forensic audits, he has talked with four auditors, two of which who are going to be making proposals and he will be looking for a third and he will bring them to the Council. Mayor Rangra asked if that would be at the next meeting. City Attorney Armstrong said hopefully and probably. Councilor Gonzales asked if the City Attorney could elaborate on the letter that the City Attorney got from the Attorney General's Office in reference to dual office holding. The City Attorney said Councilor Gonzales could do that. He said it is pretty self evident. Councilor Gonzales asked if the City Attorney would mind elaborating about it? The City Attorney said he would decline. Councilor Gonzales said the City Attorney got notification. The City Attorney said he got notification that we could not request an opinion, so his opinion is, and he is pleased to share it with you, that there is no dual office holding requirements or violations for Councilman Davidson and so far the Attorney General is not going to contradict him on that. Councilor Gonzales asked if the City Attorney would follow up on that. The City Attorney said "How"? Councilor Gonzales said he understood that he could approach the District Attorney and ask for an opinion. The City Attorney said Councilor Gonzales had one on him there, he said that is a new one on him. The City Attorney asked if Councilor**

Gonzales could provide him with some information on that. Councilor Gonzales said sure, he would be glad to. The City Attorney asked where that would come from. He asked Councilor Gonzales what kind of information he would have. Councilor Gonzales said that the District Attorney has the ability to provide an opinion providing that you use him. The City Attorney said, no sir, not over the City Attorney's opinion, no sir. He said you've got a City Attorney and that's who you go by. Councilor Bermudez asked the City Attorney about the last meeting and said that there was so much on there, and something about that we had run out of time and asked if that had anything to do with the audit or something. The City Attorney said yes ma'am, he said state law requires that the audit be made a public record 180 days after the close of the fiscal year. He said he could pull that provision if she liked. He said thanks for asking. He said section 103.003 of the Texas Local Government Code states that the annual financial statement including the auditors opinion on the statement shall be filed in the office of the Municipal Secretary or Clerk within 180 days at the last day of the municipality's fiscal year being the financial statement is a public record. Councilor Bermudez asked why, being that City Attorney is the Council's advisor, he did not advise them of this at the March 19<sup>th</sup> meeting so they could have talked it over and gotten a date when they all could have been here for a special meeting. The City Attorney said A) nobody asked him and B) there was a Special Meeting as scheduled. He said it was timely and he did not know there was anything to worry about. He said the people who were not here at the special meeting would be the ones you would be needing to ask that question to. Councilor Bermudez asked the City Attorney if since March 19<sup>th</sup> he already knew there was going to be a special meeting and was that what he was saying. The City Attorney said no, absolutely not, but he did know that there was a meeting that was timely that was called appropriately and he did not worry about it, as the City's advisor. Councilor Bermudez said, so in other words, she asked him why he could not advise them of this and he said nobody asked him. He said that was correct. She said if one of us or the whole council gets in trouble or something and we didn't ask him, she said she thought he was getting paid to advise the Council. The City Attorney said he is getting paid to advise the Council and he does very well at that and he is very proud of the job that he has done on behalf of the citizens of the City of Alpine. He said there was meeting that was scheduled and only certain parts of the Council made that meeting and it would have been timely. He said the problem was taken care of, but for the failure of certain council people to attend that meeting. Councilor Bermudez said she had an excuse. City Attorney Armstrong said oh no ma'am, he said he was not giving her any hard time at all. Councilor Bermudez said according to her calculations that she made starting with October, 182 days is the end of March. The City Attorney said no that is incorrect. He said September 30<sup>th</sup> is the end of the fiscal year and October has 31 days. Councilor Bermudez said November has 30 days. She said that is 92 and then 31 days in January and that is

123. She said February had 28 days and that is 151 and then March has 31 and that is 182. The City Attorney said March 31, yes right and we would have made it on the 28<sup>th</sup>, that is correct, yes ma'am. Councilor Gonzales said speaking of March 31, and the 180 days, he asked if the City Attorney had checked with the City Manager to find out whether it had been sent or not. The City Attorney said he did not understand the question. Councilor Gonzales said he was trying to speak English here and he was asking him a question and saying...The City Attorney said he had a Doctoral Degree sir... Mayor Rangra said "Please let's not be personal". The City Attorney said really, thank you Mayor, he appreciates that. Councilor Gonzales said he was trying to find out if the City Attorney had talked to the City Manager to find out whether this audit had been sent out or not. The City Attorney said no, he had not talked to the City Manager nor has the City Manager talked with him. Councilor Gonzales said okay. He then asked the City Manager if the.....The City Attorney said he would tell Councilor Gonzales that the City Secretary gave him a copy of the audit. The City Manager said they received the audit on March 14<sup>th</sup> which was within the 180 days required and Coastal Securities filed it with the "M" which is the authority we filed it with on Thursday, the 28<sup>th</sup>. Councilor Bermudez said so it was filed. Councilor Gonzales said it was filed then. The City Manager said it was filed. The City Attorney said it was filed without Council approval, yes sir. Councilor Gonzales said he did not know that it needed Council approval and asked the City Manager if we needed Council approval. The City Manager said we went ahead and filed it because of the fact that on Thursday we were afraid that on Good Friday they were going to close, so they wanted to file before the 31<sup>st</sup> which was Sunday and we could not get it in there so they went ahead and authorized Coastal Securities to file it for us. Councilor Gonzales said so it was filed on time. The City Attorney said even if it had not been he did not know what the penalty would be, as somebody had asked him, some reporter. He said he did not know what the penalty would be for not doing it, but the fact of the matter is that the audit was not approved by this council and he guesses that this council cannot change anything in the audit but the council can certainly ask questions about the audit which he was sure would be done this evening. He said the fact of the matter is that the audit was not approved by this council within 180 days and that is a fact. Councilor Gonzales said that is a fact but it is not a requirement in order to be able to send it in within 180 days. The City Attorney said he was just quoting the Local Government Code, sir. He said he was not quoting what the staff did and who they sent it to. He said obviously we are going to have some certificates of obligations and bonds that we are going to be talking about later. He said frankly he did talk to bond counsel not only about the audit but also about the dual office holding and happily we do not have any problems with that, as well as others. He said he does not know what he is talking about. He said he is simply stating the facts of section 103, that he just quoted, Local Government Code says it needs to be done 180 days, that's a fact, it's quoted and that's that. Mayor Rangra asked if

there were any other questions.

**City Manager Report** – The City Manager said he did not have anything.

**City Staff Updates** – None

**5. Citizens Comments (on agenda items) –**

**J. R. Smith** – said he wanted to address item 8B, which was a discussion on Airport Lease for testing of unmanned aircraft vehicles. He said he presumed since this was here that the Airport Board has looked at this and was aware of it and personally, he did not think, no matter who it was and for whatever price, it is a good idea to lease our airport to someone for unmanned aircraft vehicles. He said that was his personal opinion and he thought it might lead to someone else taking control of the airport and us not having any say and he would hate to see that.

**Walt Pyle** – said he also wanted to comment on 8B also. He said the Airport Advisory Board knew nothing about this and he did not know anything about this. He said he thought it was improper to bring this discussion before the Council, before the Airport Board could at least review it and see what this is about.

**6. Public Hearings – None**

**7. Consent Agenda – (Minutes, Financial reports, Department Written Reports, board appointments, etc.) –**

**A. Approve Council minutes of February 26th and March 12th, 2013. (C. Garcia, CM)**

**B. Approve Accounts Payable. (C. Garcia, CM)** – The City Manager said they had given a list to the Council of prior accounts payable so the Council could review and approve. He said they did go ahead and pay the ones from March. Councilor Davidson asked that this item be moved to the Action Items. He said he wanted to discuss 7B as a separate Action item.

Motion was made by Councilor Asgeirsson, by Resolution 2013-04-01, to approve the Council minutes of February 26<sup>th</sup> and March 12<sup>th</sup>. Motion was seconded by Councilor Bermudez. Motion unanimously carried.

**8. Information or Discussion items –**

**A. Discussion of FY 2011/2012 Audit – Shaw Skinner. (C. Garcia, CM)** – The City Manager said Shaw Skinner was here to make the presentation. Shaw said this first document is a required communication for those who are

charged with governments and needs to be part of the minutes. He said it has attached to it all the adjusting entries that were approved by management as well as some that we asked for during the auditing. He said here is the management advisory comment letter that is not part of the audit package but is something that the Council will want to look at. He said you will understand when we get to another part of the presentation. Shaw said he would stand at the podium until he gave out and then he would leave. He said they have audited the accompanying financial statements of the governmental activities, business stock activities and remaining fund information of the city of Alpine, as of the year end, September 30, 2012. He said these financial statements are the responsibility of the City of Alpine, Texas and their responsibility is to express an opinion on these financial statements based on our audit. He said they conducted their audit in part with auditing standards generally accepted with the United States of America and the standards applicable to financial audits contained in government auditing standards issued by the Comptroller General of the United States. He said in our opinion the financial statement refers to a audit clearly in all material respects, respective financial position of the governmental activities, and the aggregate remaining fund information that was sent in on September 30th, 2012. He said and the respective changes in the financial position for applicable cash flows for the year that ended. He said according to government auditing standards and also in our report, dated March 12, 2013 on our considerations for the City of Alpine, Texas internal control and financial reporting and our list does comprise of several violations, etc. He said an accounting principle generally accepted in the United States requires that management discussion analysis on pages little roman 1 to 8 and budgetary information on pages 34 through 44 be presented to supplement the basic financial statements. He said they have applied certain procedures that have required supplemented information in accordance with auditing standards that do not express an opinion or provide any insurance on the information. He said the audit was conducted for the purpose of forming opinions on the financial statements that comprise the City of Alpine, Texas financial statements. He said by providing financial statements in individual community contracts gives you an initial analysis of the non required part of the basic financial statement. He said the next several pages are management discussion analysis and it was prepared and drafted by Ricky with Chuy's input. He said there are some highlights in statistical analysis that might prove interesting to you. He said on page 7 and 8 is the statement of revenue and expenditures of the fund balance on September 30, 2011 and 2012. He said on page 3 of the government net assets there are 3 columns, governmental activities, business type activities and total assets of the City of Alpine. He said total assets of the City of Alpine are \$32,552,715. He said total liabilities are \$9,962,077. He said of that figure \$8,149,118 is debt for leases, certificates of obligation and water development board. He said net assets are

**\$22,590,00 and we have a deficit on the other side in the general fund of \$512,550 and a positive for business type activities of \$420,000. He said on page 4, the first column is expenses, the next column is the business activities. He said in this particular schedule there is a prior period of a period of adjustment with a negative \$284,942. He said that is our share of SWTMGC loss for the year ending 9/30/11 and those financial statements were not available as they issued this report last year. He said the audit was finally delivered on 9/30/12. He said beginning on page 6, governmental funds, statement of revenues, expenses and changes in fund balances. He said general fund total revenues \$3,772,735. He said total expenses \$3,355,017. He said total expenses are \$4,677,301, and you spent \$904,566 more in the General Fund than you took in. He said you did transfer \$569,350 from the Enterprise Fund so you had a net change of fund balances of a deficit of \$335,216. He said that compares to a deficit in the prior year of \$782,895. He said third column, total General, fund balance, September 30, there are details of that \$208,986 in note 12 and we will get to that later in the report. He said Special Revenue Funds – known revenues are \$4,392,290. He said over expenditures of \$5,400,114. He said this was a deficit of \$1,000,007. He said that is all government enterprise. He said a transfer from the enterprise fund. He said at the bottom of page 8 is a reconciliation of change of fund balances on a governmental basis. He said a change of fund balance on the government wide and those consist of changes in accrued liabilities, justified liabilities, capital expenditures, debt service payments, advertised bond issuance costs, depreciation which is not included in one statement but is included in the government wide, compensated absences, landfill closure and post closure care costs (he said this is a change in an estimated liability), and change in pension overfunding which is a positive \$76,000. He said on page 9, there is a proprietary statement of net assets. He said one major change in this schedule is an investment in a joint venture which we estimate your collectible part at occurred expenses at about \$164,300. He said we should have received \$90,000 plus from the gas company last week. He said if you will go back to page 5, total general fund assets, cash and cash equivalents are about \$368,000 in the assets. He said look at the second line of liabilities. He said there is a bank overdraft of \$222,370. He said at the end of the year you are down to \$81,115 in cash and that is not enough to pay for your liabilities, so you are overspending. He said he did not want to say that we were going broke. Councilor Asgeirsson asked if bank overdrafts were when checks have been made that have not been sent out or checks that have gone through that have come back. Shaw said a reconciled balance and checks have been sent out. He said our deposits have not been made and he will get into one of those issues further down in the report. He said these are highlights. He said on page 10, statement of revenues and expenses for the proprietary funds, he said it shows total revenues of \$4,862,000 and this includes the gas company from February 22<sup>nd</sup>. He said total costs are \$3,831,000. He said operating income of**

**\$1,000,031. He said non operating revenues and expenses, interest Income is \$2,700. He said interest expense is \$94,000. He said amortization of bond issue costs is \$15,900 and the joint venture internal loss is \$357,074. He said that is kind of an unusual number that falls in here because from October 1, 2011 through the date the gas company shut down and transferred its assets to Marfa, the City of Alpine had a profit of about \$751,000. He said that is your share of it. He said total income or loss before contributions or transfers is \$1,289,096. He said transfers out \$569 and these are all from the general fund. He said there is one \$741.00 and we will report about that later. He said net change in net assets is \$710,905 and in the prior year adjustment of negative \$284,942. He said net assets at the beginning of the year are \$11,956,721. He said concerning the enterprise fund it totes the load of the general fund obviously. He said on page 11, proprietary fund statement cash flows, this is a direct method, cash receipts for customers, \$4,948,000. He said cash receipts for grant revenue \$62,000, cash paid to suppliers \$2,341,085 and cash paid to employees, \$1,018,475. He said net cash provided by operating activities is \$806,052,296. He said here is where you spent it. He said acquisition of construction of capital assets, 533 principal payments on long term debt in the amount of \$351,473. He said interest paid on long term debt \$94,046. He said cash flows from non capital leasing, he said this was the change in the front loader funds was negative \$193,031,034. He said transfers from the general fund was \$569,350. He said cash flows from investigating activities proceeds from securities CD \$66,119 and other income received \$739 and recent customer deposits of \$115,686. He said principally that was deposits transferred from the gas company which Chuy may expect to see. He said net increase cash and cash equivalents \$95,775. He said cash at the beginning of the year was \$183,643. He said at the end of the year was \$279,418. He said reconciliation and changes of net assets and cash flow from operations. He said the increased earnings \$710,905 and adjustments and depreciation \$396. He said joint venture investment income \$357. He said all of those total \$1,652,296. He said that number reconciles to the line number 5 at the top of the page which it should. He said on cash activity assets and liabilities acquired by merger and investment. He said in accounts receivable \$54,182, inventory and meters in a joint venture, \$139,750, capital assets from joint ventures \$85,029,288, deferred revenues negative \$45,000, net investments from a joint venture \$860,608. He said the entire period adjustment was \$284,942 and the joint venture investment income is \$357,074. He said in phase 12, the fiduciary fund, promotion of tourism, and community development. He said total cash in the promotion of tourism is \$1,845,028. He said in general fund there is \$14,584 and net assets of \$169,944. He said beginning balance \$138,170 and assets and liabilities \$169,124, community development loans which arose way back in the late seventies and early 80's to rehab some homes on the other side of the town. He said the city has a lien against some of those properties because some of them are not paying. He said there is a complete**

allowance of \$24,400. He said from the general fund is \$66,202. He said on page 13, the statement changes into fiduciary net assets. He said promotion tourism revenues are \$349,304. He said expenses were \$310,177 and there is more detail of that later. He said under community development loans \$32 interest. He said beginning on page 14 there is a summary of significant accounting policies. He said the statement of net assets taken plus information of a reporting government as a whole. He said other funds are general fund, special revenue fund, set up a project fund, debt service fund, proprietary enterprise fund and agency fund were all funds used by the City of Alpine. He said concerning the basis of accounting, in a government wide state, they are presented on the accrual basis of accounting. He said some financial statements, governmental funds and agency funds are presented on a non-profit basis with accounting. He said they just modified the accrual basis of the county and revenues were recognized as measurable and available. He said on purposes of cash and investments, includes, all the management accounts. He said the building has depreciated over 25 to 50 years, improvements 20 to 50%. He said long term debt is reported whether it is based on being used in a governmental fund or proprietary fund. He said concerning interfund transfers for the statement of activities. He said there were no encumbrances outstanding at fiscal year end, inner fund receivables and payables were reported. He said phase 21 is a statement that changes the net assets for a government wide financial institution. He said they bought \$596,398 worth of fixed assets. He said at the top of the page 22 is a summary that changes fixed assets proprietary fund financials. He said the City spent \$796,048 of our own money. Transferred in net assets from the gas company, depreciation was afforded to them. Councilor Lujan asked if he could ask a question. Shaw said yes. Councilor Lujan asked if we still need to continue paying contributions to the trust fund even though we over funded. Shaw said we would have to discuss that with the TMRS and find out. Shaw said on November 4<sup>th</sup>, general long term debt, they released purchases for them. He said at the top of page 25 is a summary and that debt that you started during the year is available. \$2,835,709 or \$289,991. He said the next table is a total general fund future debt service. He said at the top of page 27 is a summary. He said there were payments made of \$351,473 and the year is not over. He said while we are at our future maturities of those issues. He said at the top of page 29 is a summary. He said not on the bottom of page 23 is a debt to the Water Development Board with an interest rate. He said at the top of page 29 is a summary of what the enterprise fund will earn in 2037. He said we have FDIC coverage of \$250,125 and an irrevocable letter of credit in the amount of \$2,000,000. Councilor Asgeirsson asked if on Tex Star Investment Pool, the last year we had the audit, was \$2,318 and it jumped to \$300,000. He asked what page that was on. Councilor Asgeirsson said it was on page 29. Shaw said on the money that was restricted, it was spent but he would have to go look for sure. Shaw said on the landfill, total closure and post closure



costs are estimated to be approximately \$421,000 and \$122,000 respectively. He said 1 and 2 are approximately 85% full and 3 is 32% full. He said information for this note was not received in their office until early March. He discussed the joint venture with SWTMGC. He said a Certificate of Termination was filed with the Secretary of State on February 2012. He said basically all the assets of the corporation are distributed to the City of Alpine and the City of Marfa as provided. He said after the distribution of assets, the City of Alpine took over the operation of the gas distribution system of the City of Alpine and Fort Davis. He said the City of Alpine paid \$250,000 to the City of Marfa for the Fort Davis gas distribution or for one half of it. He said this transaction is included in the capital assets. Shaw said the City is self insured with their own insurance. He said it is costing the City a pretty penny too. He said if you look at the payroll, at the official accrual we had to make in 2011 of \$296,340 and an additional amount of \$146,500 to catch us up. He said what is really happening here is that you are not budgeting either in the general fund or in the enterprise funds with enough to cover your expense. He said in fact you are way, way short. He said those two numbers affect tax levies and also water, sewer, sanitation and gas programs. He said he is not a self insurance expert but the person who is making the money is the RH Administrators. He said there is no one who has any risk and they have no risk, the hospital out here has no risk, and the City of Alpine has 100% of the risk. He said in fact they found four invoices to an airport company for \$80,000. He said he did not know if it had been paid but it needed to be negotiated. He said try to get them down because they are exorbitant. He said they just fly the person up there and then fly them back. He said he said he knew we had an ambulance service here now that can do that but it is a huge expense that is not being addressed. He said in Note 12, fund balance report, these numbers \$208,586, special revenue on page 4 or 5, he said it shows they are out of balance. He said it is not a material balance but it needs to be investigated. He said on Note 11, Events, in November, 2012 the City adopted a resolution to issue combination tax revenue certificates of obligation in the amount not to exceed \$102,000. He said the proceeds of these certificates would be used for the planning, acquisition and sewer. He said on February 15, 2013, the City of Alpine adopted a resolution to issue \$3,500,000 in combination tax and revenue certificates of obligation for improving the sewer system. He said the City of Alpine is planning to use these certificates of obligation delivered by mid April at the interest rate of 4%. Shaw said projecting forward the debt will be \$11,118,000. He said beginning on page 34, there are lots of things that make up comments there. He said on page 35, it has total unfavorable fund revenue. He said in 2011 Certificates of Obligation are shown as proceeds when they are actually debt. He said the grant we are not taking into consideration is \$106,000 and the total explains variances. He said on page 35, group insurance, there is \$146,500 adjustment. He said it is not listed or included in the health insurance reported on page 36, administration. He said the

amended budget was \$251,000 and was not spent and there is a favorable variance. He said the CD for the Quiet Zone wasn't coded and that is another \$225,000 variance. He said the Railroad Depot was another \$53,400 if you add those up. He said in Municipal Court the 2011 building improvements were not spent and on page 37, 38 and 39 salaries to Parks and Recreation Certificates of Obligation were not spent on streets. He said salary favorable \$58,000 and insurance premium was unfavorable at \$27,000. He said materials were favorable \$20,000 and improvements were favorable at \$39,700. He said Certificates of Obligation were favorable \$15,300. He listed others as well which explained the variance of \$192,765. He said following that page are some total revenues of the general fund. He said those numbers are on page 6 and page 8 accordingly. He said on page 40 they have a typographical on sewer revenue. He said the budget should be \$670,000 and they typed in \$67,000. He said the variance should be favorable in the amount of \$35,714. He said on page 41 CO payments, the city bought a belt press and a vehicle were not purchased. He said on page 42, sewer improvements were not spent at \$162,000. He said building improvements not spent of \$15,000. He said the gas company budget was only operated from February 3<sup>rd</sup> through September 20<sup>th</sup>. He said on page 44 promotion and tourism there was a favorable variance of \$74,300. He said on page 45 and 46, federal and state assistance grants with HUD, total expenditures required the state to look at them. He said on page 47, it is a single audit. He said on page 49 and 50, on the financial reporting, a deficiency exists and internal control. He said 2012 - 1,2,3,4,5 and 6 were significant deficiencies. He said these are less severe than a material weakness but important enough to be brought to the attention of government officials. He said deficiencies were noted in 2012 - 7,8,9,10,11, and 2010-1. He said in the auditors opinion, the City has complied with all material respects with the compliance requirements. He said however the results of their audit procedure described instances of non-compliance in those department which are required to be complied with. He said there is a schedule of findings to help with the question of costs. He said what he would like to do is go through these point by point. Shaw said there were invalid budget entries. He said only valid transactions were reported. He said the city financial director should discontinue the practice of posting budgeting information to the general ledger. He said 2012-2 had to do with the segregation of duties. He said segregation of duties should be impleted by internal control. He said a new system should be obtained to take the place of the old one. He said the City Manager has changed some things in control. He said the signatures on the checking account will be changed. He said a forensic audit would be a significant of time, effort and money to obtain a new package. He said on 2012-3 transactions are not being approved or reviewed. He talked about travel and training. He also talked about tuition payments without having documentation. He said the city decided they needed to expand the scope of this audit. He said they also found payments made to one person for computer payments. Shaw said

the City Manager was not made aware of these payments nor did he authorize them. He said these payments are also in violation of City Ordinance Section 2 – 8258 as they were not pre-approved by the Council. Shaw said the following were management's comments. Shaw talked about the payroll advances, 2012-5 and said that the city manager said that his understanding of the informal policy was that employees who were absent for payday either on vacation or similar matters could receive their paycheck in advance. He said the City Manager was not aware that such large amounts of cash were being disbursed and he did not sign any of the checks. Councilor Bermudez asked if there was an account called emergency payroll advance. Shaw said yes, it was in the general fund, in the payroll fund. He said at the end of the year it had a balance of \$23,000. He said allowing employees to take payroll advances without any proper controls could be an incentive for abuse. He recommended that the City stop this practice. He said the manager said payroll advances have been discontinued as of this date and no more advances will be issued. He said all payroll advances have been repaid except for one who is out on medical leave. Shaw discussed 2012-6 – improper posting of deposits through accounts payable. He said transfer of money between bank accounts should not be done through accounts payable. These transfers should only involve bank accounts. He said these deposits overstated cash and accounts payable balances by more than \$100,000. He recommended that the Finance Director record the transfer of funds between bank accounts correctly and not run those transfers through accounts payable. The city response was that our Finance Director will properly record the transfer of funds between bank accounts and not run the transfer through the accounts payable process. Shaw discussed 2012-7 – Ineffective accounting for due from/to other funds and balancing of fund ledger. He said the City's internally generated financial statements should be representative of the financial activities of each fund. Transfers between due to/from other fund accounts should net to zero and fund ledgers should always be in balance. He said any unidentified difference subjects the City to the risk of unidentified material errors or fraud. He recommended that the Financial Director reconcile due/from other fund accounts monthly to verify they net to zero and revenues are properly classified. He said the finance director should also verify that each fund ledger is in balance monthly. He recommended that the City Council consider engaging a qualified consultant to monitor compliance with balancing and control procedures. The response from the city was that the Finance Director would reconcile due/from other fund accounts monthly to verify that they net to zero and revenues are properly classified. The fund ledger will be verified that all funds are in balance each month. The City will submit a proposal to City Council to appoint outside auditor to monitor our funds to meet compliance and assure proper controls. Shaw discussed 2012-8 – Improper calculation of overtime. He said overtime payments were submitted without prior approval or documentation. According to the

Personnel Policies and Guidelines manual, a non-salaried employee is not allowed to work more than 40 hours per week unless authorized by the Department Head, who must have all overtime hours approved by the City Manager or designated representative. He said some employees report not taking a lunch and getting to work at 7 a.m. almost daily. There appears to be no review procedure, and a preponderance of timesheets are not signed by supervisors. He said Multiple employees are reporting and being paid for overtime that they have not yet worked but expect to work in the future. He said overtime should be calculated and approved according to the Personnel Policies and Guidelines. He said employees should not be allowed to create unnecessary overtime and overtime should not be paid in advance. Timesheets and overtime should be reviewed and approved by the appropriate designated official. He recommended the City enforce its policy of having supervisors review and approve employee timesheets before they are submitted to the payroll department. He said they also recommend that the payroll department stop the practice of paying employees ahead of time, especially if those payments include overtime that has not yet been worked. He said they recommend the city offer direct deposit to employees and require employees to take at least an hour for lunch every day. The City's response to this was that all overtime will be authorized by the Department Head and proper documentation will be provided on every timesheet. No overtime will be awarded unless actual work was performed and was done over the 40 hours. No advances will be made as of this date and we will look into direct deposits of payroll checks. Shaw discussed 2012-9 – paychecks issued in advance. He said employees should be paid for work performed, not work anticipated. He said when employees received paychecks in advance they are getting an interest free loan from the City. This could cause cash flow problems. He said as there appears to be no review to verify that all hours paid were subsequently worked, this practice can unnecessarily increase the City's payroll expense. He recommended that the payroll department stop this practice of issuing payroll checks in advance and offer direct deposit to employees. The City's response was that no payroll advances will be issued as of this date and a direct deposit program will be initiated so that employees can receive their checks after the work period has been completed. Shaw discussed 2012-10 – Vacation and Sick Leave Taken. He said salaried employees should report vacation and sick leave hours taken and adjustments to vacation and sick time accruals should be reviewed periodically by someone other than the person posting the adjustments. He said allowing this situation to continue can lead to the City paying too many hours in the event of employee termination and could also be an opportunity for abuse. He recommended all salaried employees report vacation and sick time hours taken each pay period in order to accurately keep up with the accumulated balance. He said adjustments to the vacation and sick leave accruals should be reviewed periodically by management to detect mistakes made during the normal course of business. The City's

response was that all leave will be monitored through monthly reports by salaried personnel to report days taken for sick and vacation time and City Management will sign off on those reports. Shaw discussed 2012-11 – Improper calculation of compensatory time for salaried employees. He said salaried employees are not eligible for overtime or compensatory time. He said this situation creates unnecessary expenses for the City and it could be an incentive for other employees to do the same. He recommended this practice be stopped and the City enforce its personnel policies and put in place internal controls to make sure similar situations do not arise in the future. The City's response was that all salaried employees will report on a monthly basis any compensatory time earned and City Management will sign off on report and document in payroll ledger. Shaw discussed 2010-1 – Ineffective year end cut-off procedures. He said financial transactions should be recorded and reported in the proper reporting period and internal controls should be in place to identify and resolve accounting errors on a timely basis. He said as a result of this internal control deficiency, numerous adjustments were proposed to properly report grant receivables, accounts payable and related revenues and expenses. He said failure to perform cut off procedures and failure to analyze general ledger accounts increases the risk of material errors going undetected and unresolved. He recommended that the finance director have a training meeting with appropriate city personnel to reemphasize city procedures for reporting period cut off procedures. The importance of recording revenue and expenses in the proper accounting period using the accrual basis of accounting should be emphasized. The City's response was that the Finance Director will have a training session with all personnel to reemphasize city procedures for the reporting period. Proper recording of revenues and expenses in the proper accounting period using the accrual basis of accounting will be emphasized. This finding had not been resolved and had been reported as a repeat finding in the 2011/2012 audit. Councilor Bermudez said on page 53, she wanted to know what "type of auditor's report issued on compliance with major programs – unqualified" meant. Shaw said non-compliance is material and you need to follow the rules. He said Federal Financial Assistance is not accurate in your general ledger without the audit adjustments that we have proposed. Councilor Asgeirsson asked if this would have a direct effect on our grants. Shaw said it could. He said one other thing they will have to do is do a data collection after a couple of weeks. He said it will be sent over the internet to the Bureau of the Census and they compile expenditure amounts and they want to know whether there was non-compliance or not. Councilor Davidson asked about page 53 and asked if any answers on this page were at all positive. Shaw said no. He said he had reported the truth and the facts. Councilor Lujan said last year he had a conversation with Shaw and he told him that Ricky had the source code to the computer system and if that source code fell into bad hands we might be in trouble. Councilor Davidson repeated that Councilor Lujan was talking about software and the

finance director having the source code. Shaw said we needed to have software where we cannot go in and change. Councilor Lujan said Shaw told him that he was concerned that Ricky had a source code and could manipulate the software anyway he wants. He said Shaw told him that last year and his understanding was that he mentioned that to the City Manager and Ricky and that they needed to take care of that and quit using that software and apparently nothing has been done by the City Manager or Ricky to make a correction. He asked if that was why Shaw came up with more stuff this year and asked if it was an adjustment. Shaw said it was not an adjustment, he said it was just that Ricky had the Code and there is always the possibility of misuse. Councilor Lujan said Shaw had provided us with a lot of information about things we have been doing wrong. He said he noticed that the same problems have been going on since 2005 and 2006, payroll advances and IRS issues. Shaw said it had been going on for a while. Councilor Lujan said what he could not understand was in 2006 the Council disregarded the information and slip it under the rug under the promise that the City Manager that this would not happen again. He said he guessed that this happened again. Shaw said it is not happening any more. He said the General Ledger is 100%. Councilor Lujan said when it comes to bond remedies, he wanted to know what they were. Shaw said the bonds are all described starting on page 25. He said the total bond balance in the General Fund is \$2,553,718. He said the total bond balance in the Enterprise Fund is \$5,595,400. Councilor Lujan said the question he had is when we first applied for a bond, could that money be placed in the general fund or anywhere? Shaw said it depends on what it is spent for. He said in General Obligation Bonds, 60% is spent in the General Fund and 40% was spent....Councilor Lujan said that was why he was asking that question. He asked if that was proper to do. Shaw said of course it was. He said subsequent events were isolated to the enterprise fund and none were spent in the general fund. Councilor Gonzales said he had a question about a statement that had been made that the City is going bankrupt and asked Shaw if he could answer that question. Shaw said he does not possess all the qualifications but he can tell us that we spend too much. He said we spent way too much last year and we spent too much this year in the General Fund. He said the Enterprise fund is making money and is able to transfer net assets over to cover General Fund excesses. He said we need to address the self-insurance and budget accrual. He said in his opinion we are way under in both enterprise and general funds. Councilor Gonzales asked if in Shaw's opinion he felt that the recommendations that he made are being followed or that they are addressing them? Shaw said he had no idea if the recommendations are being completed. He said he was given responses and he hoped that these had been put into effect. He said he had not audited management's responses. Councilor Gonzales said as a City Councilman, he has seen some of these things be enacted, like changing who signs the checks and we even okayed the ability to buy more software to make a difference in our finances. He said he is not

saying that there is not a problem but he is saying that we are working on the solutions and it is something that just did not happen last year, it has been going on for many years. Shaw said some of this has. He said these problems they found require remediation, training, change in procedures, change in internal control and supervision. He said those are big things. Councilor Lujan said the General Fund has a negative balance at the end of the year and asked Mr. Skinner what happened. Shaw said we spent more than we took in. Councilor Lujan said he could not find that page but had picked up the information sometime in Shaw's presentation. Shaw said that was talking about unassigned net assets. He said you have to take net assets from the general fund and break them out into non-spendable assets, hospital, debt service, capitol improvements and committee. He said we have already committed all of our net assets until 9/12/13. He said we have a deficit and an unassigned balance of the general fund and the government. Councilor Lujan asked how much we overspent over the revenues. Shaw said on the governmental funds, total, we overspent in the amount of \$140,090. He said in the prior year in the General Fund we overspent by \$782,895. He said this year we overspent by \$335,216. Councilor Lujan said in 2010 we overspent \$800,000 more than revenues. Shaw said this is eating up all of our reserves. Councilor Lujan said we overspent \$800,000 during the prior year and where is that money? He asked if we owed that money. Shaw Skinner said we use cash debt. He said we would have to pay interest on it. City Manager Chuy Garcia said there was expense on the Animal Shelter. He said we had a CO to cover that. Shaw said a big part of it was paid with Certificate of obligation bonds. He said a big portion of that was paid by Certificate of Obligation Bonds and a portion of that came from the local animal shelter. He said a bunch of it is debt. Mayor Rangra said talking about the \$800,000 in 2010. He said in 2008 and 2009 the City borrowed about 1.5 million dollars to build an Animal Shelter, skate park and other projects. He said the money we had borrowed was spent over two years. He said in 2009 we spent \$425,000. He said in 2010 we spent the \$800,000. Shaw said we have an asset depreciation schedule for a million dollars for the animal shelter. Mayor Rangra said his question is, as Councilor Carlos is concerned as is everyone else, is there any missing money? Shaw said there was no missing money he knew of and that is not material. He said if he had seen anything he would have already brought it up. Mayor Rangra asked if there was any sign of embezzlement? Shaw said not that he had knowledge of. He said everything he found, he reported to the City Attorney, the City Manager and management. He said they are investigating it further. He said they have not consulted with him and told him what they have done. Mayor Rangra asked Shaw if he had a feeling about this. He asked if there was any indication that any funds were taken out, other than the \$16,000 that we know. He asked if it could have disappeared and gone to some bank account in Switzerland. Shaw said that was not material. Councilor Davidson said there were several instances in the findings of

reimbursement of checks without having documentation. He asked if that was missing money. Councilor Lujan said he wanted to make it clear that he never said anyone pocketed those \$800,000 but the Mayor is trying to make it seem like he said that someone stole \$800,000. Two people in the audience yelled out "Yes, you did." Councilor Lujan said what he is saying is that we spent \$800,000 over revenues and that is the point he is making. He said when you make a budget you stick to your budget and that is the point he wants to make. He said he is just saying you have to stick to your budget. He said we need to do a better job. Mayor Rangra said his questions are not directed to any councilmember but he is asking questions based on what he has seen and read. He said the audits for the last ten years have been good. He said if you are dealing with the audit this year compared to the last seven years. Shaw said this year was not good. Mayor Rangra said concerning the credit card abuse, there is \$127,000 and was any of this for personal use. Mayor Rangra said the public has the right to know. Shaw said he has turned it all over to Chuy. He said he would tell you that there were some Christmas gifts in there to employees that are over the \$25 limit. Mayor Rangra asked if he believed that having an auditor every 3 months would help. Shaw said perhaps. He said what would help more than anything would be remediation and training, supervision and review and implementation of some new procedures and strictness of internal control. Mayor Rangra said there was a suggestion made way back when he was on the Council, in 2009, to hire an outside accountant. He said another question is will spending money on new software help solve the problem. Shaw said it should. He said you have to have somebody in house that has adequate knowledge of the city's policies, procedures and activities to get it all to introduced. He said we need to interface billing and the general ledger. He said not anybody can do it. He said he would not want to try it. Mayor Rangra said he was surprised to see the salaried employees were earning overtime. He said in 2003 that issue was brought up to the Council and he thought we had taken care of that. He said there was one employee, the utility director, with 1,500 hours. He said we need to find ways where we can have some sort of training. He said some of these things have been addressed. He said payroll advances have been going on since the mid-1980's and it is a bad policy and the council needs to take a look at it and it needs to stop. He said he really thinks it all can be worked out. Councilor Bermudez asked the City Manager, Chuy Garcia, if all these people paid back the advances. The City Manager said "yes, maam." Councilor Bermudez said "All of it?" The City Manager said "All of it." Councilor Lujan asked the City Manager what the total was of the amount paid. The City Manager said "\$22,039 for this year". Councilor Lujan said "that was it"? The City Manager said that is what was outstanding. He said prior years had been paid before. Shaw said he would address that. He said at the beginning of the year the general ledger was zero. He said during the year they paid back the \$22,039. Councilor Lujan asked if Shaw thought the employees still owed money.



Shaw said the beginning balance was zero. Councilor Lujan asked Shaw hold long he had been telling the City Manager and Ricky that Ricky needed to get some training to keep up with things. He asked if this was the first time. Shaw said no. Councilor Lujan asked how many times. Shaw said he did not remember. Councilor Lujan said he talked to Shaw last year and he told him that at least that year he had told them. Councilor Lujan said it had also been at least a few years since Shaw had recommended that we change the software. He said we have done that yet. Councilor Bermudez said the Council has not done it. City Manager Garcia asked Shaw a question. He said on the software it was recommended that we use the assist program from the gas department and when we consulted with the City Auditor (Shaw Skinner), he made a reference that it was not the best program to use, right?. Shaw said he did not know. He said he did not know anything about it. Chuy said they questioned Shaw and he was not happy with the assist program. Mayor Rangra said he would not go with assist. He said that was a bad program. Shaw said he did not believe the gas board was happy with the assist program. He said the city should investigate it from that angle first. Chuy said he had some other questions. He said during the audit Shaw checked on the credit card expenses. He asked Shaw if that was correct. Shaw said that was correct. Chuy said they checked on the credit card expenses because specifically because it was mentioned in the news media that there was some fraudulent activity. Chuy said his question was, was the City Manager in the reporting and was there a fraudulent use of the credit card by the City Manager? Shaw Skinner said no, not that he saw. The City Manager said all the reports coincided with what was reported, is that correct? Shaw said yes, in your expense reports. The City Manager said the other question he had in the audit was if there was a specific line item in the audit that says that there is embezzlement and misappropriation of funds in the audit? Shaw said no. The City Manager said there was a report by a certain councilman that there was embezzlement and misappropriations. Shaw said he did not believe anything he read in the newspaper. The City Manager said it was reported and it was reported that there was a line item in the audit that said there was embezzlement and misappropriation of funds in the audit. The City Manager, Chuy Garcia, said in the audit, Shaw brought out the issue of payroll advances and that in the audit it was specified that according to one of the council members, the City Manager knew about the payroll advances. He asked if that was correct. Shaw said no. The City Manager said Shaw made the statement when did we realize that there were large amounts. Shaw said he did not remember making that report. The City Manager said he did not report it and we did not know about it until he brought it to our attention. Shaw said that was right. The City Manager said so we did not know about it until you brought it to our attention after the fact. Shaw said that's right, you were not aware of it. The City Manager said during the conversation with Mr. Lujan last year, you stated that there was \$800,000 over budget, over revenues, right? Shaw nodded. The City

Manager asked if at any time Shaw made mention about it being inappropriate or misappropriations or embezzlement in the conversation he had with Councilor Lujan? Councilor Lujan said Shaw never did. Councilor Lujan said bottom line, Mr. Garcia, you are the City Manager and you are making good money to supervise and make sure that the city is running well. The City Manager said things were reported in the media have been corrected and that is his answer to the media. Mayor Rangra said he had one comment to make based on what your suggestion was. He said he is countersigning checks. He said last Thursday it took him two hours to sign a big thick stack of checks. He said he has asked for the City staff to prepare a spreadsheet with the name of each employee, their gross salary, deductions, and net. He said the same thing about the bills and invoices. He said he does not sign anything unless it is there in the form of a spreadsheet. He said that is what we are doing. He said the Council has asked and we are trying to do what the council requested. He said he hoped that next year we would have a better audit. Councilor Lujan asked Shaw what his recommendation was to repair the audit. The auditor, Shaw Skinner said "quit spending", or raise taxes and water and sewer rates. Councilor Lujan said "you heard that". Shaw said this is a political deal. He said if you look at the debt, you have burdened our great grandchildren with millions of dollars of debt and they still will be paying for this. Shaw introduced his partner Daniella Lara, who was instrumental in putting together this audit and next to her is Mahala, who is a new employee and a senior staff associate and they are glad to have her on board. Shaw talked about accounting policies. He discussed audit adjustments and journal entries. He said they had no disagreements with management and were not aware if the city consulted with any other independent counsel. He said significant difficulties are reported as significant deficiencies and material weaknesses on page 54. He said we had quite a lot of those. He said the city has not increased utility costs in almost seven years and as an indirect result the allowance to the utility department from the council has increased by \$8,500 in the water, sewer and sanitation fund and by \$7,600 in the gas department. He said failure to increase the utility department rates reflect greater loss to all utility users. He said they recommend that the minimum utility bill be increased and the deposit increased. Shaw discussed the City Council Minutes and the signature of the Mayor and City Secretary when put on record. He said the City records are incomplete and all records should be signed and recorded as soon as possible. He said gas non receivables and customer deposits are not being reconciled to the City General Ledger. Reconciling means balancing on a regular basis. He said these accounts should be reconciled by an employee who does not do the cash collection process. He said gifts to city employees greater than \$25 exclusive of food items are not being reported as additional compensation. He said therefore city payroll reports and records are not in compliance with IRS regulations concerning this matter. He said all transactions greater than \$25 shall be reported on all payroll reports in the

future. Shaw said a service fee was not reported on a 1099 in 2012. He said some vendors did not receive a 1099. He said if this continues, the city can be fined for not reporting. He said they know that the data storage is backed up on a weekly basis. He said they recommend backup on a daily basis offsite. Shaw said there is a tremendous increase in government accounting and reporting. He recommended ethics training to all the city officials, management and staff in the matter of personal and professional ethics. He said the city should establish a practice of positive workplace ethics for all personnel and provide ethics training. He said evidence of this training should be maintained in individuals personnel files. Ken Roberts with RH administrators, the health insurance agent for the city, asked to say a few words. Mayor Rangra said it was not on the agenda. The City Attorney said we should put this on the next agenda.

**B. Discussion of Airport Lease for testing of unmanned aircraft vehicles.**

**(C. Garcia, CM)** - The City Manager said this issue was brought to us. He said we had a site visit from Texas A & M, Corpus Christi area and what they would like to do is use the airport for a launching site and also for a landing site for testing of an unmanned vehicle which is close to a drone except on a smaller scale. He said we took it to the Airport Board but they did not have a quorum. He said they were given a copy of the proposal. He said we do not have to take any action on this at this time. He said all we are doing is reporting to you what we are working on. He said the Airport Board will be visiting this issue on the 10<sup>th</sup> and we will be bringing it to you, if they recommend to go forward with it, on the 19<sup>th</sup>. He said this is just for information purposes. Councilor Davidson asked if we were going to take this before the Airport Board. The City Manager said yes, we have already submitted it to them but they did not have a quorum at the last meeting. Councilor Gonzales said so we are going to submit it to them again? The City Manager said yes, we will be submitting it to them at the next meeting.

**C. Discuss list of proposed streets to be reconstructed for 2013 paving program. (C. Garcia, CM)** – The City Manager said this is for information purposes for the Council to review the streets that we are proposing to work on this summer. He said if you need more, we might be able to add a few more. He asked that the council look at the list and get back to him. Councilor Gonzales said last year we did 55 streets and asked the City Manager if he had the time and materials to do more streets. The City Manager said we are hoping to start early this year and that we do not have many people out. Councilor Gonzales said so the City Manager was asking for suggestions for streets. The City Manager said yes, as long as we can keep it around the 55 streets we are planning for and have funds for. Councilor Davidson said this is just a preliminary list. The City Manager said it was and we just need to know if the Councilmembers have suggestions for streets so they can be added on. Mayor Rangra said

we are going to fix East Brown Street? The City Manager said yes, sir. Mayor Rangra said that is good because he lost a tire there. One citizen asked where they could get a list of the streets to be fixed. The City Manager said they could look at the list. The citizen asked if they were on line. The City Manager said no and that this was the first time we had advised the council on these streets. The citizen said she would then have to come to the city. She asked if they could still submit their streets. The City Manager said they could.

Mayor Rangra called for a ten minute break.

Action Items to be accompanied by a brief statement of facts, including where funds are coming from, if applicable. (Action items limited to 15 per meeting.)

**7B. Approve Accounts Payable. (C. Garcia, CM)** – Councilor Davidson asked if in the future we could have a list which shows the payee and amount of the bill and where in the budget the item is to be taken out of. There was discussion about taking turns to look at all the bills by the Council every two weeks. It was also discussed that these bills needed to be paid since they were delayed and people were waiting for their money. Motion was made by Councilor Gonzales, by Resolution 2013-04-02, to approve the bills. Motion was seconded by Councilor Bermudez. Motion unanimously carried.

**9. Discuss and Consider approval of FY 2011/2012 Audit – Shaw Skinner. (C. Garcia, CM)** – Motion was made by Councilor Lujan, by Resolution 2013 - 04-03, to accept the FY 2011/2012 Audit. Motion was seconded by Councilor Bermudez. Motion unanimously carried.

Items 10, 11, 12, 13 and 14 were submitted by Councilor Davidson and were removed from the agenda. The City Secretary was asked to put them on the next regular agenda.

- 10. Discuss and Consider, review and possible action on council meeting procedures: public comment during council debate. (M. Davidson)** – Removed from this agenda.
- 11. Discuss and Consider requiring draft agenda to be available digitally Thursday at noon for review by City Attorney and City Council before posting on Friday afternoon. (M. Davidson)** – Removed from this agenda.
- 12. Discuss and Consider requiring all invoices and bids for work by contractors to be itemized as to specific material costs and labor, and to include information about warranties, guarantees, completion dates or any other pertinent information. (M. Davidson)** – Removed from this agenda.
- 13. Discuss and Consider obtaining a ruling on Robert's Rules of Order**

regarding the procedures when a motion “calling for the question” is made with a 2<sup>nd</sup> to cease discussion and take a vote of Council. (M. Davidson) – Removed from this agenda.

14. Discuss and Consider establishing policy for use of official City Council letterhead. (M. Davidson) – Removed from this agenda.
  
15. Discussion, Consideration and Possible Action concerning an Ordinance authorizing the issuance of City of Alpine, Texas Combination Tax and Revenue Certificates of Obligation, Series 2013”; in an amount not to exceed \$3,500,000 authorizing the sale thereof; enacting provisions incident and related to the issuance of said certificates. (C. Garcia, CM) –  
Mayor Pro Tem Davidson stepped in to conduct this item as Mayor Rangra stepped out for a moment. There was a representative from Bickerstaff present and one from Coastal Securities. Ben Rosenberg said this was the first and only reading of the ordinance. He said we had been working on this issue for some time. He said he was with Coastal Securities and was helping to secure our funding for this project, for a new wastewater interceptor line. He said the budget is for 3.5 million dollars. He said this was a low interest loan at 4.02 percent, if the Council wished to proceed forward. He said the Water Development Board will be present for the close and the projected date of the close is April 19<sup>th</sup>. He said this has been going on for a year. He said they would need to get the Attorney General to approve the transaction. Councilor Davidson asked the City Manager if we were ready to spend any of that money. The City Manager said we were not. Councilor Davidson asked if we were paying interest on the money since it was committed. The City Manager said once we get the money we start accruing interest. Councilor Davidson asked where we were in the planning process. The City Manager said they have done the preliminary planning and they will probably have to do some more, specifically on the environmental issue and that will take some time. He said maybe three or four months. Councilor Gonzales asked if the interest rate was a pretty low interest rate. Ben said that was a pretty low interest rate based on the city’s credit and based on the market transaction. He said it is a good interest rate in the market today for 20 years. He said 3.99% interest is the average over the life of the loan. The City Manager said the first year is 1.67% and then the second year is 1.96%. Councilor Davidson said if we delayed this the interest rate could change easily. The City Manager said this interest rate is guaranteed for 45 years. A citizen asked how we can pay this if we are already having problems paying our debts now. Councilor Davidson said it will be a combination of taxes and revenue. He said sewer rates will go up and taxes will go up. The City Manager said your enterprise fund makes money. He said sewer and water makes money. He said we just have to lower the expenditures on the general fund. Betty Gallego said so our taxes will go up. She said she has just recently moved back to Alpine and finds that Alpine has not moved

forward. She said that was sad. She said she wants better sewers because she is having sewer problems and probably most of us are, but she said she was wondering how we are supposed to pay this back. She said as a home owner, she wanted to know if they would be able to vote on this. She said the sewer and water rates are already really high. Councilor Davidson said they will not get to vote on it because it is not required by law. He said he would point out that the water rate for the City of Alpine compared to the towns between 5,000 and 10,000 in the State of Texas is in the 25th percentile. He said we are not even average. He said we are way below average on water rates and sewer rates. He said maybe some of our infrastructure deficiencies reflect the fact that the previous City Council did not raise the rates. He said this is a project that has been in the works since the 1990's. He said if it had been taken care of then, it would almost be paid off by now. He said that would be nice but it wasn't. He said the risk that you run for not doing this is continue to have more sewer problems and you are not going to have a way to hook up new properties and you will not be able to provide sewer for locations that have been annexed and then they will have to be de-annexed and lower the tax base and the minute you start to have problems, regulatory problems like spills, you can incur fines of up to \$10,000 per day. He said that is theoretical but one thing that a regulatory agency would be looking at is if we passed by this opportunity where we could have solved the problem before it got to that point. He said the City cannot afford a lot of fines. Motion was made by Councilor Asgeirsson, by Resolution 2013-04-04, to approve Ordinance 2013-04-01, authorizing the issuance of "City of Alpine, Texas Combination Tax and Revenue Certificates of Obligation, Series 2013"; in an amount not to exceed \$3,500,000 authorizing the sale thereof; enacting provisions incident and related to the issuance of said certificates. Motion was seconded by Councilor Bermudez. Motion unanimously carried.

16. Discuss and Consider awarding quotes on base materials for paving, rock and asphalt. (C. Garcia, CM) – The City Manager said we have three quotes and they are what we call "sole source". He said Skelton is the only one in the area that can provide the caliche that we need for the base. He said Eragon is the asphalt distributor that will bring the asphalt in and the Capital Aggregate quote is the one for the aggregate that we need. He said we have the small aggregate to seal coat but we need the number 3 rock to be purchased. He said we are recommending to go with all three quotes. \$15,000 for Skelton, \$50,790 for Eragon and \$18,408 for Capital Aggregate. Motion was made by Councilor Bermudez to award the quotes on the base materials for paving, rock and asphalt to Skelton, Eragon and Capital Aggregates, by Resolution 2013-04-05. Motion was seconded by Councilor Gonzales. Motion unanimously carried.
  
17. Discuss and Consider leasing a loader for summer paving program in the

amount of \$12,250. (C. Garcia, CM) – The City Manager said this is the equipment that Hector is needing for his big paving project. He uses this big loader to tie the stripper where we can take the tar out of the streets and try to reuse it. He said he recommended that we go ahead and lease it for three months so we can do our paving project. Councilor Asgeirsson asked if we had the money in the budget for this. The City Manager said this was part of the equipment. Councilor Lujan asked who we were renting this equipment from. The City Manager said from CAT. Councilor Lujan said from Odessa? The City Manager said yes. Councilor Davidson said so this will be leased and one of our city operators will operate it. The City Manager said yes. Councilor Davidson said so this will be more cost effective than if we have to hire someone to bring their equipment. Motion was made by Councilor Davidson, by Resolution 2013-04-06, to approve leasing a loader for summer paving program in the amount of \$12,250. Motion was seconded by Councilor Bermudez. Motion unanimously carried.

**18. Citizens Comments (limit 3 minutes) –**

Hugh Johnson – said the minutes of the agenda have been posted on the Internet in the past prior to the meeting. He said last week it was not and this is a pretty critical meeting. He said he wondered why it was not on there. Abel said he forgot to change something on Thursday and it did not get on the website but he put it on the website this morning. Hugh Johnson said he did not check this morning. Mayor Rangra said we try to have the agenda posted on Friday. Hugh Johnson said it certainly should be.

**19. Council Member's Comments and Answers –**

Councilor Gonzales said he understands that we are having a cleanup this weekend starting at 8:30 A. M. on Saturday. He said we have volunteers, cub scouts and boy scouts. He said we are going to try to clean up the whole city and he wanted to invite everyone anyone who wants to participate to help clean up the city.

Motion was made by Councilor Asgeirsson to enter into executive session. Motion was seconded by Councilor Bermudez. Motion carried unanimously. The City Attorney said there was no need to take care of item C tonight, real estate issues, since he is still waiting on the appraisal.

**20. Executive Session – Pursuant to Texas Government Code, Subsection 551.071, Consultation with Attorney – possible pending or contemplated litigation or settlement offer, Subsection 551.072, Texas Government Code, Consultation with Attorney concerning Real Estate Issues and Subsection 551.074, Texas Government Code, Personnel Matters. –**

- A. Employee review: City Manager and City Secretary. (M. Davidson)
- B. Possible action resulting from review, including removal. (M. Davidson)
- C. Discuss Scown lease. (C. Garcia, CM)

**21. Action – Executive Session – Pursuant to Texas Government Code, Subsection 551.071, Consultation with Attorney – possible pending or contemplated litigation or settlement offer, Subsection 551.072, Texas Government Code, Consultation with Attorney concerning Real Estate issues, and Subsection 551.074, Texas Government Code, Personnel Matters. –**

- A. Action on employee review: City Manager and City Secretary (M. Davidson) –
- B. Possible action resulting from review, including removal. (M. Davidson)- Mayor Rangra said before we ask for the vote he needed to ask the City Attorney again if the action that was going to be taken must be the majority of the voting members. The City Attorney said 3 out of 5. The Mayor said that is your opinion. The City Attorney said yes that was his Opinion. Mayor Rangra said the following action will be taken because our City Attorney advised us to do so.

**CITY MANAGER**

Motion was made by Councilor Lujan, by Resolution 2013-04-07, that due to the majority of this Council that has lost confidence in the ability of the City Manager to properly manage the affairs of the city, he would like to ask for his removal. Motion was seconded by Councilor Davidson. Councilors Davidson, Lujan and Asgeirsson voted in favor. Councilors Bermudez and Gonzales voted against. Mayor Rangra said with the advice of the City Attorney the Motion carries.

**CITY SECRETARY**

Motion was made by Councilor Davidson, by Resolution 2013-04-08, to take no action regarding the City Secretary and thank her for her job. Motion was seconded by Councilor Asgeirsson. Mayor Rangra said with the advice of the City Attorney again, the Motion carried unanimously.

Councilor Lujan wanted to make another motion. Mayor Rangra said there is no other item on the agenda to make a motion about. The City Attorney said it is not on the agenda. Councilor Lujan said all right. Councilor Davidson suggested that we call a special meeting for a week from tonight to consider an interim city manager. He said they would come in and sign unless the Mayor wants to call the meeting. The Mayor said he would call the meeting and have the City Secretary call everyone and make sure they can meet. Councilor Davidson said the earliest we could have it would be Monday anyway.



**C. Take Action, if any, concerning Scown lease. (C. Garcia, CM) – This item was removed from the agenda.**

**22. Adjournment - There being no further business, meeting was adjourned.**

I certify that this notice was posted at 1:45 P.M. on March 28<sup>th</sup>, 2013, pursuant to Texas Open Meetings Act. (Texas Vernon's Annotated Civil statutes, section 551.043 Texas Government Code.) This facility is wheelchair accessible and accessible parking space is available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's office at (432) 837-3301 or fax (432) 837-2044 for further information.

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Dr. Avinash Rangra, Mayor

Attest:

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Margaret "Molly" Taylor, City Secretary

I, Margaret "Molly" Taylor, City Secretary, do certify that this notice was posted at 1:45 P.M on March 28<sup>th</sup>, 2013, and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Margaret "Molly" Taylor, City Secretary