



City of Fredericksburg

REGULAR CITY COUNCIL MEETING AGENDA MONDAY, APRIL 20, 2020 ~ 6:00 P.M.

Linda Langerhans, Mayor
Tom Musselman, Councilmember
Bobby Watson, Councilmember

Charlie Kiehne, Councilmember
Gary Neffendorf, Councilmember
Kent Myers, City Manager

The City of Fredericksburg City Council will meet in a regular session on Monday, April 20, 2020, at 6:00 p.m. This meeting will be held remotely via Zoom Teleconferencing, and in person attendance will not be available. Members of the public may attend the meeting remotely by web or telephone via Zoom Teleconferencing (see details below). These actions are being taken to mitigate the spread of COVID-19 by avoiding meetings that bring people into a group setting and in accordance with Section 418.016 of the Texas Government Code.

Members of the public may join the Zoom Meeting by one of the following:

By web:

<https://zoom.us/j/184065217>

Meeting ID: 184-065-217

By phone:

(888)788-0099 (Toll Free)

(877)853-5247 (Toll Free)

Meeting ID: 184 065 217

You may also access this meeting through livestream on the City of Fredericksburg's Facebook page.

Audio of this meeting will be recorded and uploaded to the City website following the conclusion of the meeting.

1. CALL TO ORDER

2. UPDATE ON CORONAVIRUS (COVID-19) PANDEMIC

3. EMPLOYEE RECOGNITIONS

4. PUBLIC COMMENTS

During the COVID-19 pandemic, the City of Fredericksburg is allowing public comments to be submitted remotely, by 3 p.m. on April 20, 2020, using any of the following methods:

1. Complete the Citizen Comment Form online at www.fbgtx.org; or
2. Email your comments to sgoodwin@fbgtx.org; or
3. Complete a Citizen Comment Form located inside the Public Access entrance at 126 W. Main Street, Fredericksburg, Texas, and place in the box marked Citizen Comment Form.

Copies of the submitted comments will be provided to the City Council and made public on the City website under the “April 20, 2020, City Council Regular Meeting” tab.

5. CONSENT

THE FOLLOWING ITEMS MAY BE ACTED UPON IN A SINGLE MOTION. NO SEPARATE DISCUSSION OR ACTION ON ANY OF THESE ITEMS WILL BE HELD UNLESS PULLED AT THE REQUEST OF A MEMBER OF CITY COUNCIL.

- A.** Consider approval of City Council Minutes
 - i. March 17, 2020 Emergency Special Meeting
(Agenda Packet Pages 5-8)
 - ii. March 23, 2020 Special Meeting
(Agenda Packet Pages 9-12)
 - iii. April 6, 2020 Regular Meeting
(Agenda Packet Pages 13-22)

6. ORDINANCES AND RESOLUTIONS

- A.** Consider the approval Ordinance 2020-11 temporarily waiving penalties assessed for failure to remit payment of Hotel Occupancy Tax (HOT) under Section 41-74 of the City of Fredericksburg Code of Ordinances, due to the COVID-19 Pandemic.
(Agenda Packet Pages 23-26)
- B.** Consider the approval of Resolution 2020-09R responding to the application of Atmos Energy Corporation – Midtex Division, to increase rates under the Gas Reliability Infrastructure Program; suspending the effective date of this rate application for forty-five days; authorizing the City to continue to participate in a coalition of cities known as the "Atmos Texas Municipalities;" determining that the meeting at which the Resolution was adopted complied with the Texas Open Meetings Act; making such other findings and provisions related to the subject; and declaring an effective date.
(Agenda Packet Pages 27-34)

7. OTHER ACTION ITEMS AND UPDATES

- A.** Consider the approval of the Audited Financial Statement and Independent Auditors Report for the period ending September 30, 2019
(Agenda Packet Pages 35-118)
- B.** Consider the award of the construction contract for the Knuath Pump Station Project to Keystone Construction Services, LP in the amount of \$3,960,750.00.
(Agenda Packet Pages 119-122)
- C.** Consider the request to waive the Fredericksburg Art Guild rent for 3 months.
(Agenda Packet Page 123-136)

8. CITY MANAGER’S REPORT

- A.** Financial Status Report
- B.** Update on Essential Services
- C.** Status of Governor’s Stay at Home Order

9. ITEMS FOR FUTURE AGENDA

(Agenda Packet Pages 137-138)

10. COUNCIL COMMENTS

Reports about items of community interest, which no action will be taken.

11. ADJOURN

This is to certify that I, Shelley Goodwin, posted this Agenda at 2:45 p.m. on April 15, 2020, at the entrance and on the bulletin board of the City of Fredericksburg City Hall, 126 W. Main St., Fredericksburg, Texas.



Shelley Goodwin, TRMC
City Secretary



CITY OF FREDERICKSBURG

MINUTES OF CITY COUNCIL SPECIAL EMERGENCY MEETING MARCH 17, 2020

Members Present:

Mayor Linda Langerhans
Mayor Pro Tem Gary Neffendorf (left at 4:05 p.m.)
Councilmember Charlie Kiehne
Councilmember Tom Musselman
Councilmember Bobby Watson

Members Absent:

None

City Staff Present:

Kent Myers, City Manager
Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities
Daniel Jones, City Attorney
Lynn Bizzell, Fire Chief
Steve Wetz, Police Chief
Brian Jordan, Development Services Director
Lea Feuge, Public Information Officer
Russell Immel, Information Technology Director
Andrea Schmidt, Parks Department Director
Tammie Loth, Human Resource Director
Laura Hollenbeck, Finance Director
John Culpepper, County Emergency Management Coordinator
Frank Stead, Fire Department Safety Officer
Kris Kneese, Assistant Director of Public Works and Utilities
Garrett Bonn, Assistant Engineer
Mary Gonzales, Accounting Clerk
Janelle Chapman, Accounting Administrative Assistant
Shelley Goodwin, City Secretary

1. CALL TO ORDER

With a quorum of the City Council present, Mayor Langerhans called the special emergency meeting of the Fredericksburg City Council to order at 3:30 p.m. on Tuesday, March 1, 2020, in the City Hall Fire Training Room, 126 West Main Street, Fredericksburg, Texas 78624.

2. Coronavirus (COVID-19)

Mayor Langerhans stated several members of the public who would like to speak.

Tony Smith stated he feels the City should implement a Disaster Declaration Order to help fight the COVID-19 virus. He encouraged the City Council to shut down the City for 2 weeks.

Sam McQueen stated he feels the City is not at the point to shut down, people need to work to pay their bills.

Jeremy Ripencki stated he feels restaurants should look at alternative ways to serve the public instead of closing down.

Mickey Poole stated he can see both sides of the issue and encouraged the City Council to not close down at this point.

Russell Hutton stated he feels the public should use common sense and follow the CDC Guidelines.

A) Receive an update and discuss steps and guidelines for City response to health and safety concerns within the City.

Mayor Langerhans stated she has met with County Judge Mark Stroehrer and no one has suggested closing businesses. She stated there has been discussion regarding the possibility of limiting the number of people in restaurants.

Kent Myers, City Manager, reviewed the CDC guidelines and recommended the following:

- Postpone all events with 50 or more people held at City facilities for the next 60 days
- Increase the cleaning of City facilities
- Make changes regarding the COVID-19 that are recommended by Governor Abbott.
- Update website
- Work with media and provide updates regularly.

He also stated he appointed Lynn Bizzell, Fire Chief, as the point of contact for the COVID-19 pandemic.

Lynn Bizzell, Fire Chief, he reviewed the current number of positive cases in the world, nation, and in Texas. He stated most cases are travel-related and those people are being asked to quarantine for 2 weeks. He stated the key to stopping the spread is:

- Washing hands
- Social Distancing
- Cleaning surfaces regularly

He also reported the following measures have occurred in his department:

- Limited access to the Fire and EMS Buildings.
- Meeting with Community Leaders every morning to provide updates.
- Temperatures are taken regularly.

B) Discussion on a possible local disaster declaration, related to the Coronavirus (COVID 19)

John Culpepper, Gillespie County Emergency Management, reported President Trump has issued a National Emergency and Governor Abbott has issued a State of Emergency. He provided options and reasons for issuing a local Order of Declaration.

The City Council discussed a Declaration Order and the benefits of issuing a declaration.

Steve Wetz, Police Chief, stated he feels with a Disaster Declaration Order, residents will know what to expect. He also recommended posting the CDC guidelines at all public places.

Andrea Schmidt, Park Department Director, reported all events held at City facilities over 50 people have been canceled until May 15, 2020. She also reviewed the closures and changes that have occurred at parks and park facilities.

Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities, reported all the changes that he has implemented in his department:

- Divided the staff into teams and keep them separated
- CDC Guidelines
- Split shifts
- Exercise extreme caution

Laura Hollenbeck, Finance Director, reported on all the changes she has made to eliminate the public access in her department, but still pay their utility bills, set up new utilities, or disconnect utilities.

Gary Kleanect inquired to whether the limiting of 50 people is for all events within the City.

Lynn Bizzell, Fire Chief, stated without a Disaster Declaration the limit for 50 people is only for City-owned facilities.

Sonia Rivera encouraged the City Council to think about a Disaster Declaration because she believes it will lead to other events like child abuse.

Mickey Poole stated he feels the City Council has not addressed the elderly and if we can continue to visit and take things to them.

3. Executive Session

The City Council will recess its open meeting and reconvene in Executive Session pursuant to Texas Government Code Section 418.183(f)

A. Consider and discuss information that relates to individuals with special needs and that is maintained for purposes of emergency management or disaster planning.

Motion: A motion was made by Councilmember Musselman, seconded by Councilmember Watson, to go out of Regular Session into Executive Session at 3:55 p.m. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

Councilmember Neffendorf left the meeting at 4:05 p.m.

Motion: A motion was made by Councilmember Kiehne, seconded by Councilmember Watson, to go out of Executive Session into Regular Session at 4:34 p.m. The City Council voted four (4) for and none (0) opposed. The motion carried unanimously.

8. BUSINESS ITEM

Mayor Langerhans reported that she will continue to work with County Judge Schroeder regarding disaster planning.

9. ADJOURN

Motion: A motion was made by Councilmember Watson, seconded Councilmember Musselman to adjourn the Tuesday, March 17, 2020, City Council Special Emergency Meeting at 4:48 p.m. The City Council voted four (4) for and none (0) opposed. The motion passed unanimously.

Linda Langerhans
Mayor

ATTEST

Shelley Goodwin, TRMC
City Secretary



CITY OF FREDERICKSBURG

MINUTES OF CITY COUNCIL SPECIAL MEETING MARCH 23, 2020

Members Present:

Mayor Linda Langerhans
Mayor Pro Tem Gary Neffendorf
Councilmember Charlie Kiehne
Councilmember Tom Musselman
Councilmember Bobby Watson

Members Absent:

None

City Staff Present:

Kent Myers, City Manager
Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities
Daniel Jones, City Attorney
Lynn Bizzell, Fire Chief
John Culpepper, County Emergency Management Coordinator
Shelley Goodwin, City Secretary
Steve Wetz, Police Chief

Public Present in the Conference Room:

Sam Sutton, Fredericksburg Standard
Richard Zowie, KNAF Radio

1. CALL TO ORDER

With a quorum of the City Council present, Mayor Langerhans called the special meeting of the Fredericksburg City Council to order at 3:30 p.m. on Monday, March 23, 2020, in the City Hall Conference Room, 126 West Main Street, Fredericksburg, Texas 78624.

Kent Myers, City Manager, stated this meeting is being held under the Executive Order issued by the Governor and the Disaster Declaration approved by Mayor Langerhans. He stated the meeting is limited to only 10 attendees at a time, so staff will be switching in and out of the meeting room to keep the attendees at 10. The meeting will be televised on fbg.live and broadcast on KNAF Radio to keep the community informed.

2. PUBLIC COMMENTS

Mayor Langerhans stated the City Council welcomes public comments concerning items on this agenda. The public was encouraged to submit their comments before 3 p.m. to sgoodwin@fbgtx.org or by filling out a Comment Card in the lobby. She stated the City did not receive any emails or Comment Cards.

3. CORONAVIRUS (COVID 19)

a. Report on status of the City response to the Coronavirus pandemic

Kent Myers, City Manager, reported he appointed Lynn Bizzell, Fire Chief, as the City representative for the COVID-19 Pandemic.

Lynn Bizzell, Fire Chief, provided the background of the virus, which is being monitored daily. He stated currently there are 334 cases in Texas and 5 deaths, 87,000 test have been performed. He also reviewed the symptoms, what to do if you feel you have the virus, and the CDC Guidelines. It will take everyone to work together to stop the spread of the virus. The City is doing the following:

- Eliminated the public access to employees and handling services over the phone or website
- Employees are required to take their temperature before entering and exiting the City facilities
- If dispatch calls out the Fire Department and EMS, will screen the call and if someone has the symptoms then a first responder will suit up in a PPE.
- Fire Department/EMS employee vacations have been canceled.
- Employees are being split into crews and being kept separate.
- Eliminate out of State and County travels.
- Zoom meeting every morning at 8 a.m. with City and County leaders regarding the virus.

Kent Myers, City Manager, thanked the following:

- Mayor and City Council for their role and their responses to the citizens
- City Staff- Clinton Bailey, Lynn Bizzell, John Culpepper, Lea Feuge, Steve Wetz, Laura Hollenbeck, Tammie Loth, Russell Immel, and Shelley Goodwin

He also reviewed the different protections the City is taking:

- Stopped all City traveling for education or meetings
- Froze non-essential vacancies
- Temporary place a hold on CIP Projects
- Internal reduction on expenses

b. Discussion and approval of Disaster Declaration

Daniel Jones, City Attorney, stated on March 19, 2020, Mayor Langerhans issued a local Disaster Declaration which was good for 7 days. He stated if the City Council wishes to extend the Disaster Declaration they will have to take action before the end of the 7 days.

The City Council discussed the CDC Guidelines, Governor Abbott's Declaration, curfew, and the timeframe of a Declaration.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Neffendorf to extend the Disaster Declaration Order indefinitely. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

c. Discussion and approval of temporary closure of certain City services

Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities, stated it is important to maintain critical City services and keep employees and residents safe. He reviewed how different departments are handling services and staying safe.

Recycling Center

Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities, recommended temporarily closing the Recycling Center and temporarily moving the Recycling Center employees to the Landfill to help with their operations.

The City Council discussed putting a moratorium on issuing violations for overstuffing trash cans and recycling. They also discussed temporarily providing larger trash cans,

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Kiehne to temporarily close the Recycling Center at the close of business on March 25, 2020, allow residents with smaller recycling cans to switch to a larger can until the Center reopens at no charge, and waive the fine for overstuffing of household trash cans for City residents. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

Golf Course

Chris Meade, LBJ Golf Course, reviewed the current operations and the safety precautions that are being taken to protect golfers and employees. He also stated only the restrooms are open in the Club House and everything else is not open to the public. The Golf Course operations are open from 8 a.m.-4 p.m.

The City Council discussed the Golf Course operations and the safety precautions that are being taken to protect golfers and employees.

Parks

Andrea Schmidt, Parks Department Director, reviewed all the canceled events and reservations at the RV Park. She recommended closing the playgrounds, Tatsch House, Pioneer Pavilion, Maktplatz Restroom and Kitchen, and Fort Martin Scott. These closures are intended to minimize public exposure to the virus. She stated they will monitor the Skate Park and the Basketball Courts to make sure that there 10 people or less at a time.

The City Council discussed the closures and the cleaning operations of the restrooms.

d. Report and discussion on financial impact to the City

Kent Myers, City Manager, stated with the reduction of tourism, sales tax, mix drink sales, Hotel Occupancy taxes, and City Building Permit fees the City will begin to feel the financial impact. He stated the City does have some reserves, but we are not sure of how long this virus will last. City staff has been asked to look at ways to cut back expenses and to look at projects that can wait a few months or until next year.

e. Discussion on future City Council and advisory board meetings

Kent Myers, City Manager, reviewed the upcoming Commission agenda items. He also reviewed the City Council Future Agenda Items.

Daniel Jones, City Attorney, reviewed different options for holding meetings during the COVID-19 Pandemic. He stated Governor Abbott has waived some of the Open Meetings Act and Public Comment Period to mitigate the spread of COVID-19 by avoiding meetings that bring people into a group setting and under Section 418.016 of the Texas Government Code. He also provided the process required if the City Council uses a Zoom Video Meeting.

The City Council discussed the option of Zoom Video Meetings and Zoom Teleconference Meetings and the Open Meetings Act.

f. Discussion of continuing to provide critical City Services.

Kent Myers, City Manager, stated this item was discussed as part of Agenda Item #3.c.

g. Discussion and possible action on the May 2, 2020 City of Fredericksburg General Election.

Shelley Goodwin, City Secretary, stated Governor Abbott issued a Proclamation on March 18, 2020, suspending Section 41.0052 (a) and (b) of the Texas Election Code to extent necessary to allow political subdivisions that would otherwise hold a general election on May 2, 2020, to move their general election for 2020 only to the next uniform election date, occurring on November 3, 2020, and suspending Sections 31.093 and 42.062(c) of the Texas Election Code to the extent necessary to require all county election officers to enter into a contract to furnish elections services or enter into a Joint Election with any political subdivision that postponed its election to November 3, 2020. She also stated she contacted the Secretary of State's Election Office and was told that the City has until the day before Early Voting to move our election.

The City Council discussed holding May 2, 2020 General Election or moving to November 3, 2020. They also discussed extending the terms under the holdover provision for the 3 positions.

4. ADJOURN

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Musselman to adjourn the Monday, March 23, 2020, City Council Special Meeting at 5:35 p.m.

Linda Langerhans
Mayor

ATTEST

Shelley Goodwin, TRMC
City Secretary



CITY OF FREDERICKSBURG

MINUTES OF CITY COUNCIL REGULAR MEETING APRIL 6, 2020

The City of Fredericksburg City Council will meet in a regular session on Monday, April 6, 2020, at 6:00 p.m. This meeting was held remotely via Zoom Teleconferencing, and in-person attendance was not available. Members of the public attended the meeting remotely by web or telephone via Zoom Teleconferencing. These actions are being taken to mitigate the spread of COVID-19 by avoiding meetings that bring people into a group setting and in accordance with Section 418.016 of the Texas Government Code.

Members Present on the Teleconferencing:

Mayor Linda Langerhans
Mayor Pro Tem Gary Neffendorf
Councilmember Charlie Kiehne
Councilmember Tom Musselman
Councilmember Bobby Watson

Members Absent:

None

City Staff Present:

Kent Myers, City Manager
Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities
Daniel Jones, City Attorney
Lynn Bizzell, Fire Chief
Steve Wetz, Police Chief
Brian Jordan, Development Services Director
Russell Immel, Information Technology Director
Andrea Schmidt, Parks Department Director
Lea Feuge, Public Information Officer
Laura Hollenbeck, Finance Director
Kris Kneese, Assistant Director of Public Works and Utilities
Garrett Bonn, Assistant Engineer
Shelley Goodwin, City Secretary

1. CALL TO ORDER

Mayor Langerhans called the regular meeting of the Fredericksburg City Council to order at 6:00 p.m. on Monday, March 16, 2020, via Zoom Teleconference. On roll call vote:

Mayor Langerhans	aye
Councilmember Musselman	aye
Councilmember Neffendorf	aye

Councilmember Kiehne aye

Councilmember Watson aye

Mayor Langerhans announced a quorum of the City Council present.

2. UPDATE ON CORONAVIRUS (COVID-19) PANDEMIC

Kent Myers, City Manager, stated when this pandemic first began, he appointed Lynn Bizzell, Fire Chief, as the representative for the City.

Lynn Bizzell, Fire Chief, reviewed the history of the pandemic and the step that has been taken in Gillespie County. He also reviewed the Stay at Home Order by Governor Abbott and the number of active cases within Region 8 and surrounding counties. He stated key staff members of the City and County are meeting every morning at 8 a.m. via Zoom meeting.

Kent Myers, City Manager, thanked Fire Chief Bizzell for his hard work with the pandemic. He also recognized the other members of the team Clinton Baily, John Culpepper, Russell Immel, Tammy Loth, Laura Hollenbeck, Brain Jordan, and Shelley Goodwin.

3. PUBLIC COMMENTS

Mayor Langerhans reviewed the different ways the public could provide comments. She stated the City received 14 citizen comments and staff will get back with those who commented.

4. CONSENT

THE FOLLOWING ITEMS MAY BE ACTED UPON IN A SINGLE MOTION. NO SEPARATE DISCUSSION OR ACTION ON ANY OF THESE ITEMS WILL BE HELD UNLESS PULLED AT THE REQUEST OF A MEMBER OF CITY COUNCIL.

A. Consider approval of City Council March 16, 2020, City Council Regular Meeting Minutes

Motion: A motion was made by Councilmember Musselman, seconded by Councilmember Watson, to approve the March 16, 2020, City Council Regular Meeting Minutes with an amendment to page 6. On roll call vote:

Councilmember Musselman aye

Councilmember Neffendorf aye

Councilmember Kiehne aye

Councilmember Watson aye

Mayor Langerhans aye

The motion carried unanimously.

5. ORDINANCES

A. Annexation of 91.43 acres of land situated in Gillespie County, Texas along the south side of W. Live Oak and extending from east of Post Oak Road to west of Smokehouse Road.

i. Consider the Institution of Annexation Proceedings

Brian Jordan, Development Services Director, reviewed the history of the annexation. He also stated originally the annexation was for 117.1 acres, but the acreage was reduced as a result of the 5 property owners who signed the Pre-Annexation Development Agreement. He stated staff is recommending the approval of Institution of Annexation Proceedings and the other items, but

the City Council may choose to approve the Institution of Annexation Proceedings and approve the remaining items before the deadline of July 5, 2020.

Motion: A motion was made by Councilmember Neffendorf, seconded by Councilmember Musselman, to approve the Institution of Annexation Proceedings. On roll call vote:

Councilmember Neffendorf	aye
Councilmember Kiehne	aye
Councilmember Watson	aye
Mayor Langerhans	aye
Councilmember Musselman	aye

The motion carried unanimously.

ii. Consider the approval of Annexation Agreement with CSE Commercial Real Estate, LP for the Live Oak/Post Oak Plan for Development.

Motion: A motion was made by Councilmember Musselman, seconded by Councilmember Watson, to approve the Annexation Agreement with CSE Commercial Real Estate, LP for the Live Oak/Post Oak Plan for Development. On roll call vote:

Councilmember Kiehne	aye
Councilmember Watson	aye
Mayor Langerhans	aye
Councilmember Musselman	aye
Councilmember Neffendorf	aye

The motion carried unanimously.

iii. Consider the approval of the Ordinance 2020-01 annexing approximately 91.43 acres of land, located along the Southside of W. Live Oak Street extending from east of Post Oak Road to west of Smokehouse Road, Gillespie County, extending the corporate limits of the City so as to include said territory granting to all inhabitants and future inhabitants of said territory; all of the rights and privileges of other citizens of the City; binding the inhabitants and future inhabitants of said territory by any and all acts, Ordinances, Resolutions and regulations of said City; and adopting an Annexation Service Plan for the extension of Municipal Services into the said territory and the construction and maintenance of public utilities related to such annexation.

iv. Ordinance 2020-02 adopting a change in the Comprehensive Plan of the City; specifically in the Land Use Map and Comprehensive Plan as to tracts located along the South Side of W. Live Oak Street extending from east of Post Oak Road to west of Smokehouse Road; changing said property to commercial, public, and high-density residential; providing that the change become a part of the Comprehensive Plan and providing for an effective date.

v. Consider the approval of the Ordinance 2020-03 amending the Zoning Ordinance of the City and establishing the Zoning District as to tracts

located along the south side of W. Live Oak Street, extending from east of Post Oak Road to west of Smokehouse Road, upon annexation into the City; establishing Residential, Public Facilities, and Commercial Zoning for said property upon annexation; and providing for an effective date.

The City Council discussed a comment made by a citizen regarding Governor's Abbott suggestions about delaying action on important City business.

Daniel Jones, City Attorney, stated he has reviewed Governor Abbott's Executive Order and is unable to find that topic. He also stated the Governor has waived the Section 418.016 of the Texas Government Code regarding remote meetings and citizen comment period.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Musselman, held the first reading, take no action, and hold the second reading before July 5, 2020 deadline:

- Ordinance 2020-01 annexing approximately 91.43 acres of land, located along the Southside of W. Live Oak Street extending from east of Post Oak Road to west of Smokehouse Road, Gillespie County, extending the corporate limits of the City so as to include said territory granting to all inhabitants and future inhabitants of said territory; all of the rights and privileges of other citizens of the City; binding the inhabitants and future inhabitants of said territory by any and all acts, Ordinances, Resolutions and regulations of said City; and adopting an Annexation Service Plan for the extension of Municipal Services into the said territory and the construction and maintenance of public utilities related to such annexation.
- Ordinance 2020-02 adopting a change in the Comprehensive Plan of the City; specifically in the Land Use Map and Comprehensive Plan as to tracts located along the South Side of W. Live Oak Street extending from east of Post Oak Road to west of Smokehouse Road; changing the said property to commercial, public, and high-density residential; providing that the change become a part of the Comprehensive Plan and providing for an effective date.
- Consider the approval of the Ordinance 2020-03 amending the Zoning Ordinance of the City and establishing the Zoning District as to tracts located along the south side of W. Live Oak Street, extending from east of Post Oak Road to west of Smokehouse Road, upon annexation into the City; establishing Residential, Public Facilities, and Commercial Zoning for said property upon annexation; and providing for an effective date. On roll call vote:

Councilmember Watson	aye
Councilmember Musselman	aye
Councilmember Neffendorf	aye
Mayor Langerhans	aye
Councilmember Kiehne	aye

The motion passed unanimously.

6. OTHER ACTION ITEMS AND UPDATES

A. Hold a discussion and possible action regarding the May 2, 2020, City of Fredericksburg General Election.

i. Consider the approval of Resolution 2020-08R ordering the postponement of

the May 2, 2020, general election (for the purpose of electing a Mayor and two Councilmembers) until November 3, 2020; extending the terms under the Holdover Provision of the Texas Constitution; and ordering other matters incident and related to such election.

Kent Myers, City Manager, stated TML has provided a legal opinion regarding Governor Abbott's Stay at Home Order and the requirement to move the May 2, 2020, Election to November 3, 2020. He stated if the City Council doesn't move the Election to November 3rd, the election could be contested.

Shelley Goodwin, City Secretary, stated in her memo and the attachment she has provided how the May 2, 2020 election ballots and documents will be secured and be used at the November 3, 2020 Election.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Neffendorf, to approve the Resolution 2020-08R ordering the postponement of the May 2, 2020 general election (for the purpose of electing a Mayor and two Councilmembers) until November 3, 2020; extending the terms under the Holdover Provision of the Texas Constitution; and ordering other matters incident and related to such election. On roll call vote:

Councilmember Musselman	aye
Councilmember Neffendorf	aye
Councilmember Kiehne	aye
Councilmember Watson	aye
Mayor Langerhans	aye

The motion carried unanimously.

B. Hold a discussion and possible action to extend the payment deadline for 1st Quarter CY 2020 Hotel Occupancy Tax due to COVID-19.

Kent Myers, City Manager, stated the City has received requests to extend the payment deadline for the 1st Quarter CY2020 Hotel Occupancy Taxes due to COVID-19. He stated staff contacted the Texas Comptroller of Public Accounts, five surrounding Cities, and Avenue Insights. He stated the State Comptroller's Office is not extending the HOT payment deadline date, but other municipalities are not extending the deadline either. The taxes have already been collected by the Hotel/Motel/STR and pass the taxes onto the State and City. City staff has encouraged Hotel/Motel/STR to file a report by April 30th, even if they cannot pay at this time.

The City Council discussed the options and the need to know what Hotel/Motel/STR taxes are due.

Daniel Jones, City Attorney, stated he has reviewed the City Code and the Tax Code and stated the State or the City cannot waive the collection. He also stated the City can waive the City penalties.

The City Council also discussed a payment plan to help the hotel industry. They also discussed using some of the City's reserves.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Neffendorf, to the following:

- Not to extend the Hotel Occupancy Tax payment deadline
- Waive the penalty and interest for 90 days
- File their report with by the deadline

On roll call vote:

Councilmember Neffendorf	aye
Councilmember Kiehne	aye
Councilmember Watson	aye
Mayor Langerhans	aye
Councilmember Musselman	aye

The motion passed unanimously.

C. Hold a discussion to consider delaying or canceling the CXT Concrete Building restroom and shower project at LBJ Park for a cost savings of \$235,000.

Andrea Schmidt, Park Department Director, reported in November 2019 the City Council approved the purchase of replacement restroom and shower facility at LBJ Municipal Park in the camping area, which was ordered in December 2019. The demolition of the existing facility is to be demolished by the end of April, but with the virus and financial difficulties, the facility could be on hold. She stated if the project is canceled the savings could be \$235,000.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Musselman, to approve the canceling of the CXT Concrete Building restroom and shower project at LBJ Park for a cost savings of \$235,000. On roll call vote:

Councilmember Kiehne	aye
Councilmember Watson	aye
Mayor Langerhans	aye
Councilmember Musselman	aye
Councilmember Neffendorf	aye

The motion passed unanimously.

D. Hold a discussion to consider closing or restricting access to additional park facilities.

Andrea Schmidt, Park Department Director, reviewed all the facilities that have been closed and other measures that have been taken to ensure social distancing will occur. She stated but there are still complaints regarding the skate park, dog park, and the basketball court.

Clinton Bailey, Assistant City Manager/Public Works and Utilities Director, reported he has spoken with Chris Meade, LBJ Golf Course, and the driving range has been closed and they stopped issuing the golf carts. He stated Touchstone has closed most of their golf courses but allowed the maintenance of the golf course to be maintained.

Motion: A motion was made by Councilmember Musselman, seconded by Councilmember Watson, to approve closing the golf course, dog park, skate park, and basketball court. On roll call vote:

Councilmember Watson	aye
Mayor Langerhans	aye
Councilmember Musselman	aye

Councilmember Neffendorf aye

Councilmember Kiehne aye

The motion passed unanimously.

7. CITY MANAGER'S REPORT

A. City Finance Update

Kent Myers, City Manager, reviewed the challenges the City will face with the loss of sales tax and tourism. Revenues are high, but legal expenses are over the amount budgeted and gas expenses are will under the amount budgeted. He stated the City faces a lot of unknowns, so each department has been reducing expenses. The audit report has revealed that the City fund balance is better than what they originally thought. At the next City Council meeting, Staff will be asking City Council to consider postponing or canceling the street paving program and the sidewalk program for one year.

The City Council asked for a mid-year budget report and then discuss all the different budget issues. They also discussed the streets paving projects and how it would affect the City.

Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities, reported the City streets are exceptional shape and there would not be affected if it is pushed out one year.

B. HOT Funding

Kent Myers, City Manager, stated staff has looked at all the Hotel Occupancy Tax Funding recipients since some of them have canceled their events. A spreadsheet was provided to the City Council regarding the recipients' events and their purpose. He reviewed the 3 different groups of purposes. Recommend move forward with Historic Preservation and Marketing but hold off on special events and the marketing/advertising for those events until we contact requestors for additional information.

Councilmember Neffendorf stated he is abstaining from discussions with Admiral Nimitz Museum.

The City Council discussed holding checks for Special Events and the marketing of those events until more information is received. Move forward with the Historic Preservation and the Marketing to bring tourism to the City.

Kent Myers, City Manager, stated at a late date the City Council will need to reconsider their previous action on the funding recipients.

C. Future City Council Meetings

Kent Myers, City Manager, stated he needs direction from the City Council regarding holding their meetings on the 1st and 3rd Monday of every month and whether the City Council continues to use the Zoom Meeting format.

The City Council discussed and provided directions to continue using the Zoom Meeting format and to hold the regular meetings on the 1st and 3rd Monday of the month. They also discussed

using the Zoom Meeting format for any Special Meetings that might arise during the COVID-19 pandemic.

D. Major Water Improvement Project

Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities, stated the City has some major water improvement projects that began before the pandemic.

Kris Kneese, Assistant Director of Public Works and Utilities, reviewed the 3 Water Bond Projects.

1st Water Bond project is the Water Tank project; including 3 - 1 million-gallon tanks:

- Knauth Tank- 80% completed
- Cross Mountain-slab has been poured and the panels are up; roof dome is scheduled to poured April 14th.
- North Tank-slab will be poured in the next 30 days. The contractor is working on-site preparation, clearing, tank slab subgrade, and select fill under the tank slab.

2nd Water Bond project is the Knauth Pump Station Project

- Knauth Pump-March 24, 2020 bids were opened with 4 general contractors bidding the project. City Council will consider awarding the contract for this project at their April 20, 2020, City Council Regular Meeting.

3rd Water Bond project is HWY 290 East Waterline Project

- HWY 290 East waterline will connect the Knauth Well Field to the waterline on the east side of town, along HWY 290 East. City Staff is currently working on needed water line easement. This project will be going out for bids soon.

E. Electric Services Building

Kris Kneese, Assistant Director of Public Works and Utilities, awarded to Kendell Kasper in January 2020. The contractor is currently 90% complete with the slab formwork, slab plumbing, electrical and reinforcement, which will be poured soon. The metal building has been ordered, but there is a 2-week delay from the building manufacturing. The project should be completed in late September or early October. He stated Bond Funds are ongoing because for the rules regarding the Revenue Bonds' timelines and designation of projects the funds can only be spent on.

8. ITEMS FOR FUTURE AGENDA

Kent Myers, City Manager, reviewed the Future Agenda Items.

9. COUNCIL COMMENTS

Councilmember Neffendorf recommended calling a Special Meeting for any items or updates related to COVID-19.

Councilmember Musselman thanked the community for their understanding of what we are going through related to COVID-19 Pandemic. He stated there are very few businesses

opened on Main Street. He also stated Fredericksburg is a very strong community and it will take all of us working together to get through this.

10. ADJOURN

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Musselman, to adjourn the Monday, April 6, 2020, City Council Regular Meeting at 7:49 p.m.

On roll call vote:

Councilmember Musselman aye

Councilmember Neffendorf aye

Councilmember Kiehne aye

Councilmember Watson aye

Mayor Langerhans aye

The motion passed unanimously.

Linda Langerhans
Mayor

ATTEST

Shelley Goodwin, TRMC
City Secretary



CITY COUNCIL MEMO

DATE: April 14, 2020
TO: Mayor and City Council
FROM: Kent Myers, City Manager
SUBJECT: Waiver of Penalties for Late HOT Payments

Summary:

At the last City Council meeting, the Council approved the waiver of fees for late HOT payments during the first quarter of this calendar year. The attached ordinance confirms this approval.

Recommendation

It is recommended that the attached ordinance be approved.

Background / Analysis:

As indicated in the attached ordinance, penalties for late payments of HOT taxes will be waived as long as these payments are made within 90 days (July 31).

Attachments:

Proposed Ordinance


Department Approval


City Attorney Approval


City Manager Approval

ORDINANCE NO. 2020-11

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS, TEMPORARILY WAIVING PENALTIES ASSESSED FOR FAILURE TO REMIT PAYMENT OF HOTEL OCCUPANCY TAX (HOT) UNDER SECTION 41-74 OF THE CITY OF FREDERICKSBURG CODE OF ORDINANCES, DUE TO THE COVID-19 PANDEMIC.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS:

Section 1. That all criminal and civil penalties that could accrue or be assessed under Section 41-74 of the City of Fredericksburg Code of Ordinances, for failure to remit payment of first (1st) quarter 2020 City hotel occupancy taxes, are hereby waived and shall not be assessed to any first (1st) quarter 2020 City hotel occupancy tax payment that is due on April 30, 2020, provided that said payment of first (1st) quarter 2020 City hotel occupancy tax is remitted to the City on or before July 31, 2020.

Section 2. Except as expressly set forth in Section 1 of this Ordinance, nothing in this Ordinance shall be construed as a waiver of the obligation of any person to collect, report, or remit hotel occupancy taxes under Article IV (Hotel Occupancy Tax) of Chapter 41 (Taxation) of the City of Fredericksburg Code of Ordinances.

Section 3. Severability or Invalidity. If any provision of this ordinance or the application hereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the ordinance which can be given effect without defeating the purpose or objective of the provisions, and to this end, the provisions of this ordinance are declared to be severable.

Section 4. Effective Date. This ordinance shall be effective on and after the date of passage and publication.

PASSED AND APPROVED on this the ____ day of _____, 20____.

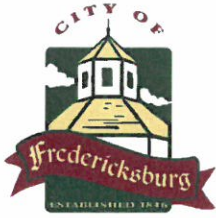
Linda Langerhans, Mayor
City of Fredericksburg, Texas

ATTEST:

Shelley Goodwin, TRMC, City Secretary

APPROVED AS TO FORM:

Daniel Jones, City Attorney



CITY COUNCIL MEMO

DATE: April 15, 2020
TO: Mayor and City Council

FROM: Kent Myers, City Manager

SUBJECT: Atmos Rate Increase

Summary:

Recently Atmos has filed for a rate increase for all commercial and residential customers. Although they have agreed to delay this request until September, the attorney representing Atmos cities has recommended that we proceed with the adoption of the attached resolution.

Recommendation

It is recommended that the attached resolution be adopted.

Background / Analysis:

See attached report for background information on this item.

Attachments:

Agenda Information Sheet

Proposed Resolution

Department Approval

Daniel Jones

City Attorney Approval

City Manager Approval

AGENDA INFORMATION SHEET
AGENDA ITEM NO. 6. B.

**ACTION TO SUSPEND THE EFFECTIVE DATE PROPOSED BY
ATMOS ENERGY CORPORATION – MIDTEX DIVISION, TO
INCREASE RATES UNDER THE GAS RELIABILITY
INFRASTRUCTURE PROGRAM FOR 45 DAYS, AND AUTHORIZE THE
CITY’S CONTINUED PARTICIPATION IN A COALITION OF CITIES
KNOWN AS THE "ATMOS TEXAS MUNICIPALITIES"**

ATMOS TEXAS MUNICIPALITIES

The City is a member of the Atmos Texas Municipalities (“ATM”). The ATM group was organized by a number of municipalities served by Atmos Energy Corporation – MidTex Division (“Atmos Energy”) and has been represented by the law firm of Herrera Law & Associates, PLLC to assist in reviewing applications to change rates submitted by Atmos Energy.

“GRIP” RATE APPLICATION

Under section 104.301 of the Gas Utility Regulatory Act (GURA), a gas utility is allowed to request increases in its rates to recover a return on investments it makes between general rate cases. This section of GURA is commonly referred to as the “GRIP” statute, that is, the “Gas Reliability Infrastructure Program.”

Under a decision by the Supreme Court of Texas, the Court concluded that a filing made under the GRIP statute permitted gas utilities the opportunity to recover return on capital expenditures made during the interim period between general rate cases by applying for an interim rate adjustment and that proceedings under the GRIP statute did not contemplate either adjudicative hearings or substantive review of utilities' filings for interim rate adjustments. Instead, the Court concluded, the GRIP statute provides for a *ministerial* review of the utility’s filings to ensure compliance with the GRIP statute and the Railroad Commission’s rules, and that it is within the Railroad Commission’s authority to preclude cities from intervening and obtaining a hearing before the Railroad Commission.

ATMOS ENERGY’S “GRIP” APPLICATION

On or about February 28, 2020 Atmos Energy filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program (“GRIP”). Atmos Energy’s application if approved by the Commission will result in an increase in the monthly customer charges as shown below:

Rate Schedule	Current Customer Charge	Proposed 2018 Interim Rate Adjustment	Adjusted Customer Charge	Increase Per Bill
Rate R – Residential Sales	\$21.74 per customer per month	\$4.71 per customer per month	\$26.45 per customer per month	\$4.71
Rate C – Commercial Sales	\$52.26 per customer per month	\$14.54 per customer per month	\$66.80 per customer per month	\$14.54
Rate I (Industrial) & Rate T (Transportation)	\$939.80 per customer per month	\$261.93 per customer per month	\$1,201.73 per customer per month	\$261.93

Atmos Energy's application, if approved by the Railroad Commission, will result in a systemwide increase in Atmos Energy's revenue of about \$113.06 million, of which ATM's portion is about \$11.15 million. Atmos Energy proposed an effective date of April 28, 2020.

REVIEW AND ACTION RECOMMENDED

In light of the Texas Supreme Court's opinion, the City's ability to review and effectuate a change in Atmos Energy's requested increase is limited. Nonetheless, to allow for a limited review of Atmos Energy's GRIP application, it is recommended that the City suspend Atmos Energy's proposed effective date of April 28, 2020 for forty-five days as allowed by state law, so that the City may evaluate whether the data and calculations in Atmos Energy's rate application are correctly done.

Therefore, ATM's Special Counsel, the law firm of Herrera Law & Associates, PLLC (through Alfred R. Herrera) recommends that the City adopt a resolution suspending Atmos Energy's proposed effective date for 45 days. Assuming a proposed effective date of April 28, 2020 Atmos Energy's proposed effective date is suspended until June 12, 2020.

RESOLUTION NO.2020-09R

A RESOLUTION BY THE CITY OF FREDERICKSBURG, TEXAS, ("CITY") RESPONDING TO THE APPLICATION OF ATMOS ENERGY CORPORATION – MIDTEX DIVISION, TO INCREASE RATES UNDER THE GAS RELIABILITY INFRASTRUCTURE PROGRAM; SUSPENDING THE EFFECTIVE DATE OF THIS RATE APPLICATION FOR FORTY-FIVE DAYS; AUTHORIZING THE CITY TO CONTINUE TO PARTICIPATE IN A COALITION OF CITIES KNOWN AS THE "ATMOS TEXAS MUNICIPALITIES;" DETERMINING THAT THE MEETING AT WHICH THE RESOLUTION WAS ADOPTED COMPLIED WITH THE TEXAS OPEN MEETINGS ACT; MAKING SUCH OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, on or about February 28, 2020 Atmos Energy Corporation – MidTex Division (“Atmos Energy”) filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program (‘GRIP”), which if approved, results in an increase in the monthly customer charges as follows:

Rate Schedule	Current Customer Charge	Proposed 2018 Interim Rate Adjustment	Adjusted Customer Charge	Increase Per Bill
Rate R – Residential Sales	\$21.74 per customer per month	\$4.71 per customer per month	\$26.45 per customer per month	\$4.71
Rate C – Commercial Sales	\$52.26 per customer per month	\$14.54 per customer per month	\$66.80 per customer per month	\$14.54
Rate I (Industrial) & Rate T (Transportation)	\$939.80 per customer per month	\$261.93 per customer per month	\$1,201.73 per customer per month	\$261.93

WHEREAS, Atmos Energy’s application, if approved by the Railroad Commission, will result in a systemwide increase in Atmos Energy’s revenue of about \$113.06 million, of which ATM’s portion is about \$11.15 million; and

WHEREAS, the City has a special responsibility to exercise due diligence with regard to rate increases of monopoly utilities who operate within its boundaries; and

WHEREAS, the application to increase rates by Atmos Energy is complex; and

WHEREAS, it is necessary to suspend the effective date for the increase in rates for forty-five days, so that the City can assure itself that the data and calculations in Atmos Energy's rate application are correctly done and are in conformity with section 104.301 of the Gas Utility Regulatory Act; and

WHEREAS, the effective date proposed by Atmos Energy is April 28, 2020 but a suspension by the City will mean that the rate increase cannot go into effect prior to June 12, 2020.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY
OF FREDERICKSBURG, TEXAS THAT:**

Section 1. That the statements and findings set out in the preamble to this resolution are hereby in all things approved and adopted.

Section 2. The City suspends the requested effective date by Atmos Energy for forty-five days pursuant to the authority granted the City under Section 104.301 of the Texas Utilities Code. The City finds that additional time is needed in order to review the data and calculations that provide the basis for the rate increase application.

Section 3. The City shall continue to act jointly with other cities that are part of a coalition of cities known as the Atmos Texas Municipalities ("ATM").

Section 4. The City authorizes the law firm of Herrera Law & Associates, PLLC, to act on its behalf in connection with Atmos Energy's application to increase rates.

Section 5. To the extent Atmos Energy's application to increase rates under section 104.301 of the Gas Utility Regulatory Act ("GURA") is considered a ratemaking proceeding, Atmos Energy is ordered to reimburse the City's reasonable rate case expenses incurred in response to Atmos Energy's rate increase application within 30 days of receipt of invoices for such expenses to the extent allowed by law.

Section 6. A copy of this resolution shall be sent to Mr. Christopher A. Felan, Vice President, Rates & Regulatory Affairs, Atmos Energy Corporation, 5420 LBJ Freeway, Suite

1862, Dallas, Texas 75240; and to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 4400 Medical Pkwy., Austin, Texas 78756.

Section 7. The meeting at which this resolution was approved was in all things conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 8. This resolution shall be effective immediately upon passage.

PASSED AND APPROVED this _____ day of _____ 2020.

MAYOR

ATTEST:

CITY SECRETARY



Chris Felan
Vice President
Rates & Regulatory Affairs

April 2, 2020

To the Honorable Mayor and City Manager

Re: Atmos Energy Corporation Mid-Tex 2019 IRA Filing

Dear Mayor and City Manager,

On February 28, 2020, Atmos Energy Corp., Mid-Tex Division ("Atmos Energy") made its annual Interim Rate Adjustment ("IRA") filing with the City as required by Tex. Util. Code § 104.301. The IRA is currently scheduled to take effect either on April 28, 2020, or if the City has acted to suspend the initial effective date, on June 12, 2020. Atmos Energy appreciates that many of our communities have been impacted by emergency declarations with many under shelter-in-place and is committed to helping our communities while our nation responds to the COVID-19 pandemic. To mitigate the impacts of this situation on its customers, Atmos Energy has decided to defer implementation of its IRA until September 1, 2020.

This extension provides customers with more than four months of delayed rate implementation beyond the initially proposed effective date of April 28, 2020. To give effect to this delayed implementation of the IRA, Atmos Energy will provide updated tariffs prior to implementation. The updated tariffs will set forth the applicable IRA that will be in effect for the period September 1, 2020 through May 31, 2021, and thereafter until the issuance of a final order in a rate case that is filed after the implementation of these tariffs. All amounts collected under these tariffs are subject to refund. No action on the part of the City is required for this delayed rate implementation and the resulting rates to take effect.

Sincerely,

A handwritten signature in black ink that reads "Chris Felan".

Chris Felan



CITY COUNCIL MEMO

DATE: April 20, 2020

TO: Mayor and City Council

FROM: Laura Hollenbeak, Director of Finance

SUBJECT: Audited Financial Statements and Independent Auditors Report

Summary:

The accounting firm of ABIP, P. C. has performed an audit of the City's Annual Financial Statements for the fiscal year ended September 30, 2019. The financial statements are the responsibility of the City's administration. The auditor's responsibility is to express an opinion on the financial results presented based on their audit. At Monday's City Council meeting our auditing firm will present a summary report on our Annual Financial Statements for the period ending September 30, 2019.

Michael Del Toro, CPA, will present an overview of the City's financials and answer questions regarding the audit and the financial statements. The presentation will be approximately ten minutes. If you have any questions after reviewing the audit report, please email your questions to me by Friday, April 17, at 12:00 p.m. so I can forward to Michael in time to research prior to Monday's meeting.

Recommendation:

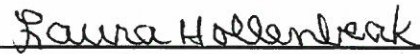
It is recommended that the Financial Statements be accepted into the records of the City as presented. If the Council wishes to discuss the financial statements in greater detail, staff suggests that we do so as part of a Council Retreat, a separate workshop, or on a one-on-one basis.

Background / Analysis:

The City Charter requires an annual audit and examination of the City records and accounts of each department of the City. A complete audit in accordance with standards set by the American Institute of Certified Public Accountants shall be made at the end of each fiscal year by an Independent Certified Public Accountant approved by the City Council.

Attachments:

Annual Financial Report for the Fiscal Year Ended September 30, 2019



Department Approval



City Manager Approval

To the Honorable Mayor and
Members of the City Council
City of Fredericksburg, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Texas, (the City) for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated August 27, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the net pension liability, deferred inflows and outflows related to the Texas Municipal Retirement System (TMRS), the other postemployment benefit (OPEB) liability and deferred inflows and outflows related to the Texas Municipal Retirement System – supplemental death benefit fund (TMRS SDBF), the allowances for uncollectible tax and warrant receivables, the accumulated depreciation, depreciation expense, and the related estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, budgetary comparison information, schedule of changes in TMRS and TESRS net pension liability and related ratios, schedule of changes in OPEB liability and related ratios and schedule of contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Comment

Compliance with Public Funds Investment Act

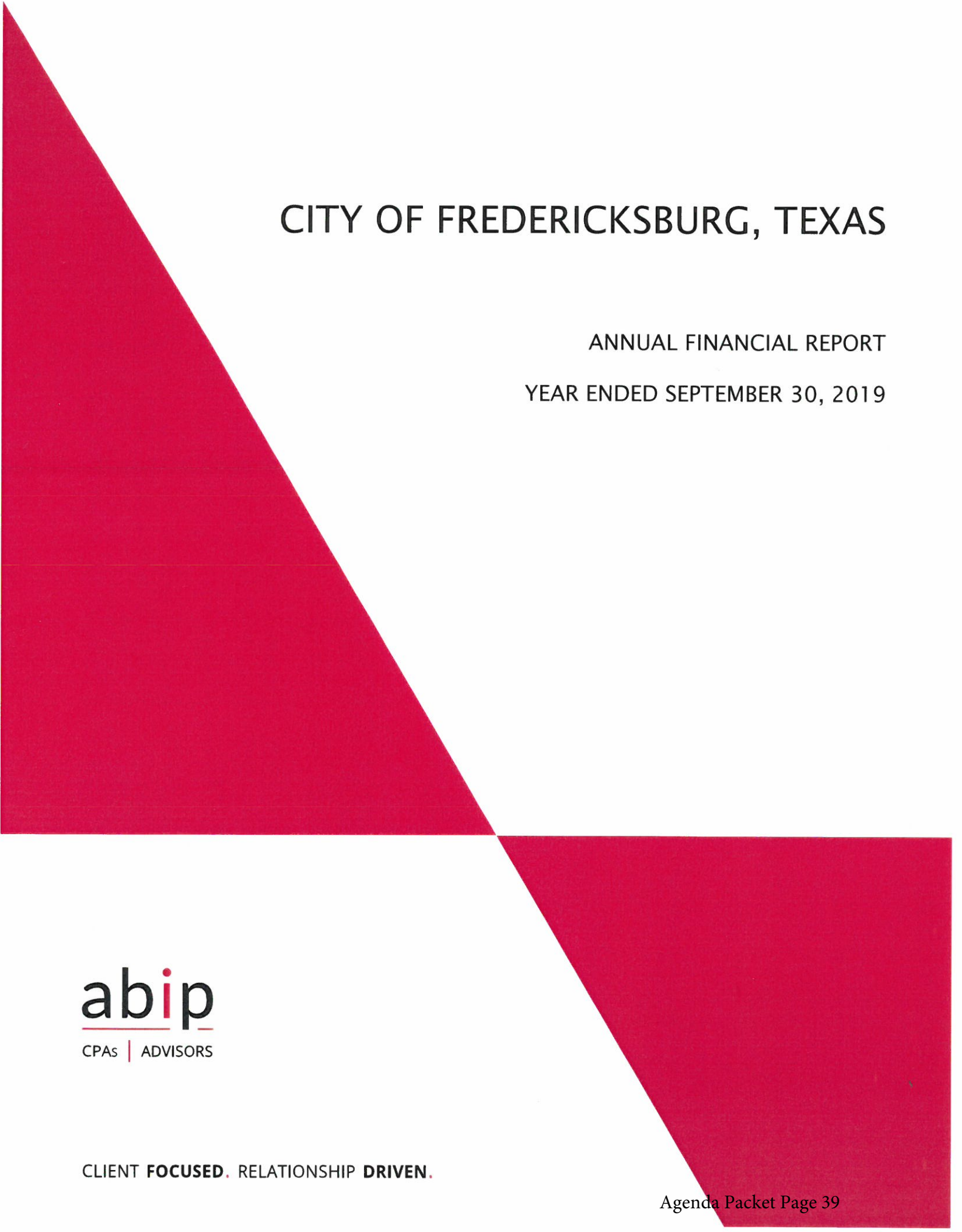
The Public Funds Investment Act (the Act) requires that we include, as part of our audit, procedures to determine if the City complied with the provisions of the Act. We found, as a result of our tests, that the City complied, in all material respects, with the provisions of the Act.

This information is intended solely for the information and use of the City Council and management of the City of Fredericksburg, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the City during the course of our audit.

ABIP, PC

San Antonio, Texas
April 20, 2020



CITY OF FREDERICKSBURG, TEXAS

ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2019



CLIENT **FOCUSED**. RELATIONSHIP **DRIVEN**.



CITY OF FREDERICKSBURG, TEXAS

TABLE OF CONTENTS

Fiscal year ended September 30, 2019

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12-13
Statement of Activities	14-15
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Position	20-23
Statement of Revenues, Expenses, and Changes in Fund Net Position	24-25
Statement of Cash Flows	26-29
Notes to Basic Financial Statements	33-62
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	65-66
Schedule of Changes in Net Pension Liability and Related Ratios – TMRS Net Pension Liability	67
Schedule of Contributions – TMRS Net Pension Liability	68

CITY OF FREDERICKSBURG, TEXAS

TABLE OF CONTENTS

Fiscal year ended September 30, 2019

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
Schedule of Changes in TESRS Net Pension Liability and Related Ratios	69
Schedule of Contributions – TESRS Net Pension Liability	70
Schedule of Changes in Other Postemployment Benefit Plan Liability and Related Ratios	71
Schedule of Contributions – Other Postemployment Benefit Plan Liability	72
Notes to Required Supplementary Information	73-74

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fredericksburg, Texas (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fredericksburg, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of changes in other postemployment benefits (OPEB) liability and related ratios, and related schedules of contributions for net pensions and OPEB liabilities be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

ABIP, PC

San Antonio, Texas
April 20, 2020

CITY OF FREDERICKSBURG, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fiscal year ended September 30, 2019

As management of the City of Fredericksburg, Texas, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the City of Fredericksburg exceeded its liabilities as of September 30, 2019 by \$56,655,714 (net position). Of this amount, \$4,934,228 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- ❖ The City's total net position increased by \$464,771.
- ❖ As of the close of the current fiscal year, the City of Fredericksburg's governmental funds reported combined fund balances of \$8,290,246 of which \$7,029,766 was unassigned and is available for spending at the City's discretion.
- ❖ As of September 30, 2019, unassigned fund balance for the general fund was \$7,029,766 or 39% of the current year's total general fund expenditures of \$17,839,819. The City's fund balance policy is to carry a 25% reserve of the general fund's expenditures. At the end of the fiscal year the City exceeded this policy by \$2,569,811.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The **statement of net position** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused compensation absences).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government administration, public safety, streets, parks and recreation, and health services. The business-type activities of the City include electric, water, wastewater, storm water drainage, solid waste, emergency medical services (EMS), and golf operations. The government-wide financial statements can be found on pages 12-15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fredericksburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

The **governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Beginning on page 16 of this report, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the major fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget.

The **proprietary funds** provide the same type of information as the government-wide financial statements only in more detail. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses the enterprise funds to account for electric, water, wastewater, storm water drainage, solid waste, emergency medical services, and golf operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the employee health insurance program. The internal service function has been included within governmental activities in the government-wide financial statements. The internal service fund is reported in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 20-29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-62 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparison schedule for the general fund, schedule of changes in net pension liability and related ratios for TMRS and TESRS, schedule of contributions for TMRS and TESRS, changes in other postemployment benefit (OPEB) liability and related ratios, and schedule of contributions for OPEB. Required supplementary information can be found on pages 65-74 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Fredericksburg, assets exceeded liabilities by \$56,655,714 as of September 30, 2019, compared to \$56,190,943 as of September 30, 2018.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 9,876,641	\$ 9,143,171	\$ 32,819,383	\$ 17,304,087	\$ 42,696,024	\$ 26,447,258
Capital assets	23,527,984	23,877,805	37,001,813	33,680,787	60,529,797	57,558,592
Total assets	33,404,625	33,020,976	69,821,196	50,984,874	103,225,821	84,005,850
Deferred outflows of resources	2,056,768	693,220	1,557,527	534,173	3,614,295	1,227,393
Liabilities:						
Current liabilities	2,354,345	1,173,575	4,273,998	4,498,516	6,628,343	5,672,091
Net pension liability	4,743,004	1,459,855	3,525,735	1,035,196	8,268,739	2,495,051
OPEB liability	296,949	303,315	229,517	241,237	526,466	544,552
Noncurrent liabilities	7,339,087	9,307,771	27,157,077	9,729,426	34,496,164	19,037,197
Total liabilities	14,733,385	12,244,516	35,186,327	15,504,375	49,919,712	27,748,891
Deferred inflows of resources	149,392	724,506	115,298	568,903	264,690	1,293,409
Net position:						
Net investment in capital assets	16,091,082	15,583,126	12,352,544	27,333,064	28,443,626	42,916,190
Restricted for long-term debt	25,329	235,791	1,476,362	48,920	1,501,691	284,711
Restricted for capital projects	-	-	20,706,526	5,301,442	20,706,526	5,301,442
Restricted for other	1,069,643	984,003	-	-	1,069,643	984,003
Unrestricted	3,392,562	3,942,254	1,541,666	2,762,343	4,934,228	6,704,597
Total net position	\$ 20,578,616	\$ 20,745,174	\$ 36,077,098	\$ 35,445,769	\$ 56,655,714	\$ 56,190,943

By far, the largest portion of the City's net position (50%) reflects its investments in capital assets (land, buildings, equipment, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position \$4,934,228 may be used to meet the government's ongoing obligation to citizens and creditors.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2019. Governmental activities decreased the City's net position by \$166,558. Business-type activities increased the City's net position by \$631,329.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,372,469	\$ 1,340,459	\$ 24,257,203	\$ 24,088,770	\$ 25,629,672	\$ 25,429,229
Operating grants and contributions	1,297,735	901,681	-	-	1,297,735	901,681
General revenues:						
Property taxes	4,411,137	4,134,724	-	-	4,411,137	4,134,724
Sales taxes	6,235,189	5,987,378	-	-	6,235,189	5,987,378
Hotel occupancy taxes	3,480,389	3,242,427	-	-	3,480,389	3,242,427
Other taxes	806,556	805,675	-	-	806,556	805,675
Miscellaneous	275,574	204,049	63,315	142,849	338,889	346,898
Investment earnings	303,597	118,613	746,757	155,627	1,050,354	274,240
Total revenues	<u>18,182,646</u>	<u>16,735,006</u>	<u>25,067,275</u>	<u>24,387,246</u>	<u>43,249,921</u>	<u>41,122,252</u>
Expenses:						
Administration	1,736,145	1,765,997	-	-	1,736,145	1,765,997
Police	5,660,186	4,979,794	-	-	5,660,186	4,979,794
Fire	1,485,324	1,496,734	-	-	1,485,324	1,496,734
Streets	2,722,943	2,255,601	-	-	2,722,943	2,255,601
Parks and recreation	2,327,768	2,010,831	-	-	2,327,768	2,010,831
Tourism	3,291,447	3,041,300	-	-	3,291,447	3,041,300
Health	241,116	198,269	-	-	241,116	198,269
Food and wine festival	170,779	151,916	-	-	170,779	151,916
Emergency management	173,865	165,588	-	-	173,865	165,588
Development services	843,027	660,144	-	-	843,027	660,144
Municipal court	239,086	179,186	-	-	239,086	179,186
Engineering	278,908	233,895	-	-	278,908	233,895
Electric	-	-	11,228,216	11,006,786	11,228,216	11,006,786
Water and sewer	-	-	6,356,726	4,799,785	6,356,726	4,799,785
Golf	-	-	203,143	703,690	203,143	703,690
Landfill	-	-	2,880,336	2,601,572	2,880,336	2,601,572
EMS	-	-	2,826,973	2,358,974	2,826,973	2,358,974
Drainage utilities	-	-	393,858	336,069	393,858	336,069
Total expenses	<u>19,170,594</u>	<u>17,139,255</u>	<u>23,889,252</u>	<u>21,806,876</u>	<u>43,059,846</u>	<u>38,946,131</u>
Increase (decrease) in net position before transfers	(987,948)	(404,249)	1,178,023	2,580,370	190,075	2,176,121
Gain on retirement of assets	17,013	729,321	257,683	156,717	274,696	886,038
Transfers	<u>804,377</u>	<u>348,477</u>	<u>(804,377)</u>	<u>(348,477)</u>	<u>-</u>	<u>-</u>
Change in net position	(166,558)	673,549	631,329	2,388,610	464,771	3,062,159
Net position:						
Net position - beginning	20,745,174	18,204,009	35,445,769	33,365,924	56,190,943	51,569,933
Prior period adjustment	<u>-</u>	<u>1,867,616</u>	<u>-</u>	<u>(308,765)</u>	<u>-</u>	<u>1,558,851</u>
Net position - ending	<u>\$ 20,578,616</u>	<u>\$ 20,745,174</u>	<u>\$ 36,077,098</u>	<u>\$ 35,445,769</u>	<u>\$ 56,655,714</u>	<u>\$ 56,190,943</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

As a whole, the government's net position increased by \$464,771 during the current fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,290,246. Refer to page 16 of this report for a more detailed presentation of governmental fund balances.

The general fund is the primary operating fund of the City. The total fund balance of the general fund was \$8,099,409 of which \$7,029,766 is unassigned. Unassigned fund balance is the amount available for any purpose.

The fund balance of the City's general fund increased by \$751,281 during the current fiscal year. The budget estimated a net change in fund balance of \$(971,565) a positive variance of \$1,722,846.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the City's enterprise funds at the end of the year amounted to \$1,541,666. Net position of the City's enterprise funds increased by \$631,329 in the current year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$60,529,797 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

Major capital asset acquisitions occurring during the current fiscal year included the following:

Fuel dispensers - consolidated warehouse	\$ 16,719
Computer network switches	100,844
Police vehicles	191,865
Animal shelter construction	29,965
Street department equipment	112,868
Street improvements / sidewalks	553,539
Tourism projects	74,765
Park improvements	453,784
Park equipment	56,022
Generators	91,433
Drainage department machine and equipment	127,666
Electric machine and equipment	58,179
Electric system improvements	98,490
Water department machinery/ equipment	437,073
Water / wastewater system improvements	5,012,361
Solid waste department design and airspace survey	46,000
Solid waste department machinery /equipment	436,447
EMS department machinery / equipment	33,849
Totals	<u>\$ 7,931,869</u>

Additional information on the City's capital assets can be found on pages 43-45 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total outstanding bonded debt of \$29,075,000. The entire amount of debt is backed in full faith and credit of the City.

The City carries bond ratings from Standards and Poor's of AA and from Moody's Investors Service of Aa3.

Additional information on the City's long-term liabilities can be found on pages 48-50 of this report.

PROPERTY TAXES

General Fund Property Tax Rate

In the budget for fiscal year-end September 30, 2019, the adopted property tax rate remained the same at \$.2256 from the prior year per \$100 of assessed valuation.

Tax Rate, Levy and Collection History

Fiscal Year Ended September 30,	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	Percentage of Current Collections	Percentage of Collections
2019	0.2256	0.1880	0.0376	\$ 4,422,710	92.29%	99.36%
2018	0.2256	0.1627	0.0629	4,255,938	93.94%	99.20%
2017	0.2400	0.2025	0.0375	3,893,409	92.87%	99.71%
2016	0.2313	0.1761	0.0552	3,545,858	92.65%	99.79%
2015	0.2482	0.1992	0.0490	3,495,943	93.40%	99.85%
2014	0.2600	0.1879	0.0721	3,439,885	92.52%	99.87%
2013	0.2647	0.1940	0.0707	3,420,570	92.03%	99.87%
2012	0.2444	0.1917	0.0527	3,172,700	92.20%	99.85%
2011	0.2365	0.1794	0.0571	3,059,441	91.92%	99.87%
2010	0.2319	0.4130	0.0906	3,040,062	90.48%	99.87%

CITY OF FREDERICKSBURG, TEXAS

BUDGET COMPARISON

Fiscal years 2020 and 2019

	Budget Year		Increase	Increase
	2019-2020	2018-2019	(Decrease)	(Decrease)
Revenues:				
General fund	\$ 19,248,693	\$ 18,090,508	\$ 1,158,185	6.40%
Electric	12,077,700	12,069,600	8,100	0.07%
Water and sewer	7,842,760	26,841,560	(18,998,800)	-70.78%
Golf	133,334	145,938	(12,604)	-8.64%
Landfill	2,725,700	2,679,675	46,025	1.72%
EMS	2,986,926	2,725,610	261,316	9.59%
Drainage	612,000	524,410	87,590	16.70%
Emergency management	209,438	186,024	23,414	12.59%
Debt service	818,000	697,550	120,450	17.27%
Internal service fund	<u>1,962,965</u>	<u>1,878,976</u>	<u>83,989</u>	<u>4.47%</u>
Total revenues	<u>48,617,516</u>	<u>65,839,851</u>	<u>(17,222,335)</u>	<u>-26.16%</u>
Expenditures:				
General fund:				
Administrative	6,325,118	5,391,093	934,025	17.33%
Police	5,409,724	5,218,180	191,544	3.67%
Fire	1,650,538	1,386,836	263,702	19.01%
Street	2,395,439	2,680,114	(284,675)	-10.62%
Park	2,547,377	2,442,369	105,008	4.30%
Development services	809,405	750,117	59,288	7.90%
Health	229,079	215,247	13,832	6.43%
Municipal court	191,298	181,037	10,261	5.67%
Engineering	265,796	263,843	1,953	0.74%
Food and wine festival	<u>169,400</u>	<u>181,040</u>	<u>(11,640)</u>	<u>-6.43%</u>
Total general fund expenditures	<u>19,993,174</u>	<u>18,709,876</u>	<u>1,283,298</u>	<u>6.86%</u>
Electric	12,563,123	12,597,804	(34,681)	-0.28%
Water and sewer	27,404,273	28,019,453	(615,180)	-2.20%
Golf	133,334	145,938	(12,604)	-8.64%
Landfill	3,790,261	2,783,118	1,007,143	36.19%
EMS	2,986,926	2,725,610	261,316	9.59%
Drainage	534,981	477,607	57,374	12.01%
Emergency management	209,438	187,523	21,915	11.69%
Debt service	810,800	876,100	(65,300)	-7.45%
Internal service fund	<u>1,927,712</u>	<u>2,069,000</u>	<u>(141,288)</u>	<u>-6.83%</u>
Total expenditures	<u>70,354,022</u>	<u>68,592,029</u>	<u>1,761,993</u>	<u>2.57%</u>
Budgeted revenues in excess				
(deficiency) of expenditures	<u>\$ (21,736,506)</u>	<u>\$ (2,752,178)</u>	<u>\$ (18,984,328)</u>	

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Laura Hollenbeak, Director of Finance, 126 West Main, Fredericksburg, Texas 78264 or call (830) 997-7521.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Government Accounting Standards Board (GASB).

The sets of statements include:

- Government–Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF NET POSITION

September 30, 2019

	Primary Government			Component Unit
	Governmental	Busines-Type		Fredericksburg
	Activities	Activities	Total	Convention and
				Visitor Bureau
Assets:				
Cash and cash equivalents	\$ 7,483,318	\$ 28,690,697	\$ 36,174,015	\$ 953,297
Investments - current	-	650,000	650,000	100,000
Tax receivables (net of allowances for uncollectibles):	995,800	-	995,800	-
Internal balances	243,041	(243,041)	-	-
Intergovernmental receivable	1,154,482	25,901	1,180,383	-
Due from others	-	2,690,034	2,690,034	-
Inventories	-	1,005,792	1,005,792	-
Prepaid expenses	-	-	-	-
Property and equipment (net of depreciation):				
Land	7,583,656	1,126,948	8,710,604	-
Buildings	4,536,955	1,624,899	6,161,854	-
Improvements	9,912,314	9,076,127	18,988,441	8,177
Machinery and equipment	1,495,059	25,173,839	26,668,898	96,519
Total assets	33,404,625	69,821,196	103,225,821	1,157,993
Deferred outflows of resources:				
Deferred outflow related to TMRS pension	1,988,729	1,537,125	3,525,854	-
Deferred outflow related to TESRS pension	41,641	-	41,641	-
Deferred outflow related to TMRS OPEB	26,398	20,402	46,800	-
Total deferred outflows of resources	2,056,768	1,557,527	3,614,295	-
Total assets and deferred outflows of resources	\$ 35,461,393	\$ 71,378,723	\$ 106,840,116	\$ 1,157,993

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Unit
	Governmental	Busines-Type		Fredericksburg
	Activities	Activities	Total	Convention and Visitor Bureau
Liabilities and net position:				
Liabilities:				
Accounts payable	\$ 526,119	\$ 1,349,440	\$ 1,875,559	\$ 56,889
Accrued payroll	269,635	283,631	553,266	36,094
Intergovernmental payable	47,686	100,589	148,275	-
Accrued interest payable	74,263	157,730	231,993	-
Unearned revenues	307,535	-	307,535	-
Other current liabilities	-	666,339	666,339	-
Net pension liability - TMRS	4,561,592	3,525,735	8,087,327	-
Net pension liability - TESRS	181,412	-	181,412	-
OPEB liability - TMRS	296,949	229,517	526,466	-
Noncurrent liabilities:				
Due within one year	1,129,107	1,716,269	2,845,376	-
Due in more than one year	<u>7,339,087</u>	<u>27,157,077</u>	<u>34,496,164</u>	<u>-</u>
Total liabilities	<u>14,733,385</u>	<u>35,186,327</u>	<u>49,919,712</u>	<u>92,983</u>
Deferred inflows of resources:				
Deferred inflow related to TMRS pension	123,503	95,458	218,961	-
Deferred inflow related to TESRS	219	-	219	-
Deferred inflow related to TMRS OPEB	<u>25,670</u>	<u>19,840</u>	<u>45,510</u>	<u>-</u>
Total deferred inflows of resources	<u>149,392</u>	<u>115,298</u>	<u>264,690</u>	<u>-</u>
Net position:				
Net investment in capital assets	16,091,082	12,352,544	28,443,626	-
Restricted for:				
Long-term debt	25,329	1,476,362	1,501,691	-
Capital projects	-	20,706,526	20,706,526	-
Tourism	1,052,700	-	1,052,700	-
Court technology	16,943	-	16,943	-
Unrestricted	<u>3,392,562</u>	<u>1,541,666</u>	<u>4,934,228</u>	<u>1,065,010</u>
Total net position	<u>20,578,616</u>	<u>36,077,098</u>	<u>56,655,714</u>	<u>1,065,010</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 35,461,393</u>	<u>\$ 71,378,723</u>	<u>\$ 106,840,116</u>	<u>\$ 1,157,993</u>

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Municipal court	\$ 239,086	\$ -	\$ -
Administration	1,736,145	11,692	-
Tourism	3,291,447	-	67,375
Engineering	278,908	-	-
Police	5,660,186	108,617	30,843
Fire	1,485,324	-	568,055
Emergency management	173,865	-	172,502
Streets	2,722,943	-	-
Parks	2,327,768	706,067	400,399
Health	241,116	110,993	46,711
Food and wine festival	170,779	168,861	11,850
Development services	843,027	266,239	-
Total government activities	<u>19,170,594</u>	<u>1,372,469</u>	<u>1,297,735</u>
Business-type activities:			
Electric	11,228,216	12,127,627	-
Water	6,356,726	7,090,236	-
Golf	203,143	55	-
Landfill	2,880,336	2,682,716	-
EMS	2,826,973	1,926,165	-
Drainage	<u>393,858</u>	<u>430,404</u>	<u>-</u>
Total business-type activities	<u>23,889,252</u>	<u>24,257,203</u>	<u>-</u>
Total primary government	<u>\$ 43,059,846</u>	<u>\$ 25,629,672</u>	<u>\$ 1,297,735</u>
Component unit:			
Fredericksburg Convention and Visitor Bureau	<u>\$ 2,735,320</u>		

The accompanying notes are an integral part of these financial statements.

Changes in Net Position				Component Unit Fredericksburg Convention and Visitor Bureau
Primary Government				
Governmental Activities	Business-Type Activities	Total		
\$ (239,086)	\$ -	\$ (239,086)		
(1,724,453)	-	(1,724,453)		
(3,224,072)	-	(3,224,072)		
(278,908)	-	(278,908)		
(5,520,726)	-	(5,520,726)		
(917,269)	-	(917,269)		
(1,363)	-	(1,363)		
(2,722,943)	-	(2,722,943)		
(1,221,302)	-	(1,221,302)		
(83,412)	-	(83,412)		
9,932	-	9,932		
(576,788)	-	(576,788)		
<u>(16,500,390)</u>	<u>-</u>	<u>(16,500,390)</u>		
-	899,411	899,411		
-	733,510	733,510		
-	(203,088)	(203,088)		
-	(197,620)	(197,620)		
-	(900,808)	(900,808)		
-	36,546	36,546		
-	<u>367,951</u>	<u>367,951</u>		
<u>(16,500,390)</u>	<u>367,951</u>	<u>(16,132,439)</u>		
				\$ (2,735,320)
General revenues:				
Taxes:				
Property taxes	4,411,137	-	4,411,137	-
Sales tax	6,235,189	-	6,235,189	-
Hotel occupancy tax	3,480,389	-	3,480,389	-
Other taxes	806,556	-	806,556	-
Miscellaneous revenue	275,574	63,315	338,889	2,881,453
Investment earnings	303,597	746,757	1,050,354	-
Transfers in (out)	804,377	(804,377)	-	-
Gain on retirement of capital assets	<u>17,013</u>	<u>257,683</u>	<u>274,696</u>	<u>-</u>
Total general revenues	<u>16,333,832</u>	<u>263,378</u>	<u>14,933,271</u>	<u>2,881,453</u>
Change in net position	(166,558)	631,329	464,771	146,133
Net position - beginning of year	<u>20,745,174</u>	<u>35,445,769</u>	<u>56,190,943</u>	<u>918,877</u>
Net position - end of year	\$ 20,578,616	\$ 36,077,098	\$ 56,655,714	\$ 1,065,010

CITY OF FREDERICKSBURG, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2019

	Major Funds	Nonmajor Funds		Total
	General Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
Assets:				
Cash and cash equivalents	\$ 6,919,396	\$ 163,008	\$ 45,335	\$ 7,127,739
Taxes receivable (net of allowances for uncollectibles)	917,945	-	-	917,945
Receivable (net of allowances)	77,855	-	-	77,855
Intergovernmental receivables	1,150,645	-	-	1,150,645
Due from other funds	264,300	2,500	3,495	270,295
Total assets	<u>\$ 9,330,141</u>	<u>\$ 165,508</u>	<u>\$ 48,830</u>	<u>\$ 9,544,479</u>
Liabilities:				
Accounts payable	\$ 485,675	\$ -	\$ -	\$ 485,675
Wages and salaries payable	269,635	-	-	269,635
Compensated absences	17,923	-	-	17,923
Intergovernmental payable	47,686	-	-	47,686
Due to other funds	3,753	-	23,501	27,254
Deferred revenues	307,535	-	-	307,535
Total liabilities	<u>1,132,207</u>	<u>-</u>	<u>23,501</u>	<u>1,155,708</u>
Deferred inflows of resources:				
Unearned revenue - property taxes	<u>98,525</u>	<u>-</u>	<u>-</u>	<u>98,525</u>
Fund balances:				
Reserved for:				
Debt service	-	-	25,329	25,329
Capital improvements	-	165,508	-	165,508
Court technology	16,943	-	-	16,943
Tourism	1,052,700	-	-	1,052,700
Unassigned	<u>7,029,766</u>	<u>-</u>	<u>-</u>	<u>7,029,766</u>
Total fund balances	<u>8,099,409</u>	<u>165,508</u>	<u>25,329</u>	<u>8,290,246</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,330,141</u>	<u>\$ 165,508</u>	<u>\$ 48,830</u>	<u>\$ 9,544,479</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FREDERICKSBURG, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

September 30, 2019

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 8,290,246

Amounts reported for governmental activities in the statement of
net position are different because:

The City uses an internal service fund for health self insurance.

The assets and liabilities are included in the governmental activities. 318,972

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

23,527,984

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds.

98,525

Accrued vacation leave payable is not due and payable in the
current period and, therefore not reported in the funds.

(865,784)

Long-term liabilities, which includes certificates of obligation
bonds, general obligation bonds, premiums and capital lease
payable, are not due and payable in the current period and,
therefore, not reported in the funds.

(7,602,410)

Net pension liability, other postemployment benefit liability, and
related deferred inflows and outflows of resources are not due and
payable in the current period and, therefore, not reported in the funds.

(3,114,654)

Accrued interest payable on general obligation bonds are not due
and payable in the current period and, therefore, not reported in
the funds.

(74,263)

NET POSITION OF GOVERNMENTAL ACTIVITIES -

STATEMENT OF NET POSITION

\$ 20,578,616

The accompanying notes are an integral part of these financial statements.

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Fiscal year ended September 30, 2019

	Major Funds	Nonmajor Funds		Total
	General Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
Revenues:				
General property taxes	\$ 3,708,897	\$ -	\$ 687,259	\$ 4,396,156
General sales and use taxes	6,235,189	-	-	6,235,189
Hotel occupancy taxes	3,480,389	-	-	3,480,389
Other taxes	476,694	-	-	476,694
Franchise fees	329,862	-	-	329,862
License and permits	266,239	-	-	266,239
Fines	108,617	-	-	108,617
Pavilion and camping fees	530,260	-	-	530,260
Rentals	62,320	-	-	62,320
Intergovernmental revenue	644,766	-	-	644,766
Grants	30,843	-	-	30,843
Investment earnings	291,606	175	403	292,184
Other revenues	<u>1,302,733</u>	<u>-</u>	<u>-</u>	<u>1,302,733</u>
Total revenues	<u>17,468,415</u>	<u>175</u>	<u>687,662</u>	<u>18,156,252</u>
Expenditures:				
Current:				
Municipal court	214,307	-	-	214,307
Administration	1,407,522	-	-	1,407,522
Tourism	3,272,121	-	-	3,272,121
Police	4,762,790	-	-	4,762,790
Fire	1,227,883	-	-	1,227,883
Emergency management	172,358	-	-	172,358
Streets	1,718,352	-	-	1,718,352
Parks and recreation	1,769,533	-	-	1,769,533
Health	205,022	-	-	205,022
Food and wine festival	170,779	-	-	170,779
Development services	736,059	-	-	736,059
Engineering	231,679	-	-	231,679
Debt service:				
Principal	395,147	-	668,682	1,063,829
Interest	9,724	-	207,265	216,989
Capital outlays	<u>1,546,543</u>	<u>-</u>	<u>-</u>	<u>1,546,543</u>
Total expenditures	<u>17,839,819</u>	<u>-</u>	<u>875,947</u>	<u>18,715,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(371,404)</u>	<u>175</u>	<u>(188,285)</u>	<u>(559,514)</u>
Other financing sources (uses):				
Sale of real and personal property	81,946	-	-	81,946
Transfers in	1,820,777	-	-	1,820,777
Transfers out	(994,223)	-	(22,177)	(1,016,400)
Capital leases	<u>214,185</u>	<u>-</u>	<u>-</u>	<u>214,185</u>
Total other financing sources (uses)	<u>1,122,685</u>	<u>-</u>	<u>(22,177)</u>	<u>1,100,508</u>
Net change in fund balances	751,281	175	(210,462)	540,994
Fund balances at beginning of year	<u>7,348,128</u>	<u>165,333</u>	<u>235,791</u>	<u>7,749,252</u>
Fund balances at end of year	<u>\$ 8,099,409</u>	<u>\$ 165,508</u>	<u>\$ 25,329</u>	<u>\$ 8,290,246</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FREDERICKSBURG, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Fiscal year ended September 30, 2019

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 540,994

Amounts reported for governmental activities in the statement of
activities are different because:

The City uses an internal service fund to charge the cost of health
insurance. The net income (loss) of this fund is consolidated into
governmental activities. 124,544

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which depreciation
expense (\$1,831,431) exceeded capital outlay (\$1,546,543). (284,888)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (49,952)

The repayment and issuance of the principal of long-term debt consumes
the current financial resources of governmental funds but has no
effect on net position. 849,729

The amortization of bond premium and losses on refunding do not require
the use of current financial resources, and therefore, are not reported
in the funds. 7,873

Change in net pension liability, other postemployment benefits liability, and
related deferred inflows and outflows do not require the use of current
financial resources and, therefore, are not reported as expenditures in
governmental funds. (1,338,121)

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds. (16,737)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (166,558)

The accompanying notes are an integral part of these financial statements.

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2019

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Current assets:			
Cash and cash equivalents	\$ 2,545,908	\$ 23,387,746	\$ 119,089
Investments	-	400,000	-
Due from other funds	727,536	-	-
Intergovernmental receivable	1,985	1,985	91
Accounts receivable (net of allowance)	1,251,884	767,645	6,204
Inventory	<u>724,643</u>	<u>281,149</u>	<u>-</u>
Total current assets	<u>5,251,956</u>	<u>24,838,525</u>	<u>125,384</u>
Noncurrent assets:			
Property and equipment:			
Land	89,475	522,525	305,399
Buildings	2,035,517	2,795,738	1,753,473
Improvements	-	-	3,206,010
Machinery and equipment	9,521,206	41,896,505	525,909
Less: accumulated depreciation	<u>(9,532,718)</u>	<u>(16,759,389)</u>	<u>(2,885,042)</u>
Total noncurrent assets	<u>2,113,480</u>	<u>28,455,379</u>	<u>2,905,749</u>
Deferred outflow of resources:			
Deferred outflow - TMRS pension	335,964	471,949	5,130
Deferred outflow - OPEB	<u>4,459</u>	<u>6,264</u>	<u>68</u>
Total deferred outflow of resources	<u>340,423</u>	<u>478,213</u>	<u>5,198</u>
Total assets and deferred outflow of resources	<u>\$ 7,705,859</u>	<u>\$ 53,772,117</u>	<u>\$ 3,036,331</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 2,237,275	\$ 45,066	\$ 355,613	\$ 28,690,697	\$ 355,579
250,000	-	-	650,000	-
727,536	-	258	1,455,330	-
-	21,840	-	25,901	3,837
204,373	408,525	51,403	2,690,034	-
-	-	-	1,005,792	-
<u>3,419,184</u>	<u>475,431</u>	<u>407,274</u>	<u>34,517,754</u>	<u>359,416</u>
209,549	-	-	1,126,948	-
107,770	368,666	-	7,061,164	-
5,296,940	10,862	5,187,959	13,701,771	-
3,952,420	1,259,693	129,996	57,285,729	-
<u>(8,018,553)</u>	<u>(1,086,470)</u>	<u>(3,891,627)</u>	<u>(42,173,799)</u>	<u>-</u>
<u>1,548,126</u>	<u>552,751</u>	<u>1,426,328</u>	<u>37,001,813</u>	<u>-</u>
335,888	381,075	7,119	1,537,125	-
<u>4,458</u>	<u>5,058</u>	<u>95</u>	<u>20,402</u>	<u>-</u>
<u>340,346</u>	<u>386,133</u>	<u>7,214</u>	<u>1,557,527</u>	<u>-</u>
<u>\$ 5,307,656</u>	<u>\$ 1,414,315</u>	<u>\$ 1,840,816</u>	<u>\$ 73,077,094</u>	<u>\$ 359,416</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
Liabilities and net position:			
Current liabilities:			
Accounts payable	\$ 824,145	\$ 435,080	\$ 189
Accrued payroll	53,434	113,276	632
Intergovernmental payable	36,171	-	-
Accrued interest payable	-	149,964	-
Due to other funds	80,100	63,700	1,455,072
Other current liabilities	422,194	230,745	-
Capital leases payable	4,800	559,811	-
Bonds payable - current maturity:			
Revenue bonds	<u>-</u>	<u>785,000</u>	<u>-</u>
Total current liabilities	<u>1,420,844</u>	<u>2,337,576</u>	<u>1,455,893</u>
Noncurrent liabilities:			
Bonds payable:			
Revenue bonds	-	21,210,000	-
Capital leases payable	4,800	1,461,649	-
Net pension liability - TMRS	770,607	1,082,519	11,765
OPEB liability	50,164	70,469	766
Unamortized premiums (discount) on bonds	-	825,702	-
Compensated absences	152,079	177,895	3,597
Closure and post closure liability	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>977,650</u>	<u>24,828,234</u>	<u>16,128</u>
Total liabilities	<u>2,398,494</u>	<u>27,165,810</u>	<u>1,472,021</u>
Deferred inflows of resources:			
Deferred inflow - TMRS pension	20,864	29,308	319
Deferred inflow - OPEB	<u>4,336</u>	<u>6,092</u>	<u>66</u>
Total deferred inflow of resources	<u>25,200</u>	<u>35,400</u>	<u>385</u>
Net position:			
Net investment in capital assets	2,103,880	4,173,028	2,905,749
Restricted for long term debt	-	1,476,362	-
Restricted for capital projects	-	20,096,197	-
Unrestricted	<u>3,178,285</u>	<u>825,320</u>	<u>(1,341,824)</u>
Total net position	<u>5,282,165</u>	<u>26,570,907</u>	<u>1,563,925</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,705,859</u>	<u>\$ 53,772,117</u>	<u>\$ 3,036,331</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 30,115	\$ 15,290	\$ 44,621	\$ 1,349,440	\$ 40,444
50,887	60,517	4,885	283,631	-
6,359	58,059	-	100,589	-
6,581	1,185	-	157,730	-
19,600	79,899	-	1,698,371	-
13,400	-	-	666,339	-
136,618	81,993	-	783,222	-
-	-	-	785,000	-
<u>263,560</u>	<u>296,943</u>	<u>49,506</u>	<u>5,824,322</u>	<u>40,444</u>
-	-	-	21,210,000	-
136,707	2,000	-	1,605,156	-
770,432	874,082	16,330	3,525,735	-
50,154	56,901	1,063	229,517	-
-	-	-	825,702	-
116,080	126,110	3,121	578,882	-
<u>3,085,384</u>	<u>-</u>	<u>-</u>	<u>3,085,384</u>	<u>-</u>
<u>4,158,757</u>	<u>1,059,093</u>	<u>20,514</u>	<u>31,060,376</u>	<u>-</u>
-	-	-	-	-
<u>4,422,317</u>	<u>1,356,036</u>	<u>70,020</u>	<u>36,884,698</u>	<u>40,444</u>
20,859	23,666	442	95,458	-
<u>4,335</u>	<u>4,919</u>	<u>92</u>	<u>19,840</u>	<u>-</u>
<u>25,194</u>	<u>28,585</u>	<u>534</u>	<u>115,298</u>	<u>-</u>
1,274,801	468,758	1,426,328	12,352,544	-
-	-	-	1,476,362	-
610,329	-	-	20,706,526	-
<u>(1,024,985)</u>	<u>(439,064)</u>	<u>343,934</u>	<u>1,541,666</u>	<u>318,972</u>
<u>860,145</u>	<u>29,694</u>	<u>1,770,262</u>	<u>36,077,098</u>	<u>318,972</u>
<u>\$ 5,307,656</u>	<u>\$ 1,414,315</u>	<u>\$ 1,840,816</u>	<u>\$ 73,077,094</u>	<u>\$ 359,416</u>

CITY OF FREDERICKSBURG, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**

Fiscal year ended September 30, 2019

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Operating revenues:			
Electric sales	\$ 11,661,873	\$ -	\$ -
Water sales	-	3,529,748	-
Sewer sales	-	2,982,649	-
Garbage collection and tipping fees	-	-	-
EMS fees	-	-	-
Drainage utilities	-	-	-
Licenses and permits	22,891	28,228	-
Property taxes	-	-	-
Rents and royalties	31,572	1,461	-
Other revenue	411,291	548,150	55
Total operating revenues	<u>12,127,627</u>	<u>7,090,236</u>	<u>55</u>
Operating expenses:			
Salaries and wages	975,882	1,406,341	14,775
Employee benefits	528,088	821,260	2,956
Contracted services	57,985	71,529	-
Other operating expenses	9,355,644	1,639,619	7,838
Depreciation	310,617	1,424,309	162,520
Total operating expenses	<u>11,228,216</u>	<u>5,363,058</u>	<u>188,089</u>
Operating income (loss)	<u>899,411</u>	<u>1,727,178</u>	<u>(188,034)</u>
Nonoperating revenues (expenses):			
Investment income	115,410	579,830	8
Gain on transfer to Touchstone Golf	-	-	63,315
Interest expense	-	(816,606)	(15,054)
Amortization of bond costs	-	36,143	-
Bond issuance cost	-	(213,205)	-
Transfers to other funds	(978,100)	(596,600)	-
Transfers from other funds	-	-	347,803
Gain (loss) on sale of fixed assets	(6,660)	235,443	(300)
Total nonoperating revenues (expenses)	<u>(869,350)</u>	<u>(774,995)</u>	<u>395,772</u>
Changes in net position	30,061	952,183	207,738
Total net position - beginning	<u>5,252,104</u>	<u>25,618,724</u>	<u>1,356,187</u>
Total net position - ending	<u>\$ 5,282,165</u>	<u>\$ 26,570,907</u>	<u>\$ 1,563,925</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ -	\$ -	\$ -	\$ 11,661,873	\$ -
-	-	-	3,529,748	-
-	-	-	2,982,649	-
2,681,696	-	-	2,681,696	-
-	1,390,653	-	1,390,653	-
-	-	381,404	381,404	-
-	-	-	51,119	-
-	-	49,000	49,000	-
-	-	-	33,033	-
1,020	535,512	-	1,496,028	1,880,078
<u>2,682,716</u>	<u>1,926,165</u>	<u>430,404</u>	<u>24,257,203</u>	<u>1,880,078</u>
972,277	1,241,436	23,120	4,633,831	-
568,343	630,985	19,120	2,570,752	-
11,233	5,805	33,170	179,722	-
743,119	781,739	20,911	12,548,870	1,766,947
585,364	165,438	294,178	2,942,426	-
<u>2,880,336</u>	<u>2,825,403</u>	<u>390,499</u>	<u>22,875,601</u>	<u>1,766,947</u>
-	-	-	-	-
<u>(197,620)</u>	<u>(899,238)</u>	<u>39,905</u>	<u>1,381,602</u>	<u>113,131</u>
41,596	139	9,774	746,757	11,413
-	-	-	63,315	-
-	(1,570)	(1,610)	(834,840)	-
-	-	(1,749)	34,394	-
-	-	-	(213,205)	-
(223,900)	-	-	(1,798,600)	-
-	646,420	-	994,223	-
29,200	-	-	257,683	-
<u>(153,104)</u>	<u>644,989</u>	<u>6,415</u>	<u>(750,273)</u>	<u>11,413</u>
(350,724)	(254,249)	46,320	631,329	124,544
1,210,869	283,943	1,723,942	35,445,769	194,428
<u>\$ 860,145</u>	<u>\$ 29,694</u>	<u>\$ 1,770,262</u>	<u>\$ 36,077,098</u>	<u>\$ 318,972</u>

CITY OF FREDERICKSBURG, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Fiscal year ended September 30, 2019

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Cash flows from operating activities:			
Cash received from customers	\$ 11,932,519	\$ 6,900,509	\$ 4,980
Cash payments to employees for services	(1,264,507)	(1,812,872)	(18,677)
Cash payments for suppliers	(9,215,298)	(2,236,576)	(102,472)
Net cash provided (used) by operating activities	<u>1,452,714</u>	<u>2,851,061</u>	<u>(116,169)</u>
Cash flows from noncapital financing activities:			
Operating transfers out	(978,100)	(596,600)	-
Operating transfers in	<u>-</u>	<u>-</u>	<u>347,803</u>
Net cash provided (used) by noncapital financing activities	<u>(978,100)</u>	<u>(596,600)</u>	<u>347,803</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(172,072)	(5,556,950)	-
Capital lease proceeds	14,400	2,641,996	-
Debt issuance proceeds	-	18,216,737	-
Principal paid on capital debt	(4,800)	(1,764,439)	-
Interest paid on capital debt	-	(690,132)	(15,053)
Proceeds from the sale of capital assets	<u>-</u>	<u>137,148</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(162,472)</u>	<u>12,984,360</u>	<u>(15,053)</u>
Cash flows from investing activities			
Interest received on investments	115,410	579,830	8
Net increase (decrease) in cash and cash equivalents	427,552	15,818,651	216,589
Cash and cash equivalents, beginning	<u>2,118,356</u>	<u>7,569,095</u>	<u>(97,500)</u>
Cash and cash equivalents, ending	<u>\$ 2,545,908</u>	<u>\$ 23,387,746</u>	<u>\$ 119,089</u>

SCHEDULE OF NONCASH ACTIVITIES

Amortization of loss and premiums on debt issuance	\$ -	\$ 36,143	\$ -
Actuarially determined change in net pension liability	543,939	788,084	44,318
Actuarially determined change in OPEB liability	2,658	1,855	12,303

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 2,704,645	\$ 1,932,889	\$ 386,022	\$ 23,861,564	\$ 1,876,241
(1,314,524)	(1,610,929)	(23,520)	(6,045,029)	-
<u>(523,436)</u>	<u>(835,038)</u>	<u>(15,713)</u>	<u>(12,928,533)</u>	<u>(1,783,284)</u>
<u>866,685</u>	<u>(513,078)</u>	<u>346,789</u>	<u>4,888,002</u>	<u>92,957</u>
(223,900)	-	-	(1,798,600)	-
<u>-</u>	<u>646,420</u>	<u>-</u>	<u>994,223</u>	<u>-</u>
<u>(223,900)</u>	<u>646,420</u>	<u>-</u>	<u>(804,377)</u>	<u>-</u>
(486,949)	(41,687)	(127,666)	(6,385,324)	-
417,449	6,000	-	3,079,845	-
-	-	-	18,216,737	-
(361,443)	(132,477)	(61,318)	(2,324,477)	-
4,388	(3,191)	(1,839)	(705,827)	-
<u>29,200</u>	<u>-</u>	<u>-</u>	<u>166,348</u>	<u>-</u>
<u>(397,355)</u>	<u>(171,355)</u>	<u>(190,823)</u>	<u>12,047,302</u>	<u>-</u>
41,596	139	9,774	746,757	11,413
287,026	(37,874)	165,740	16,877,684	104,370
<u>1,950,249</u>	<u>82,940</u>	<u>189,873</u>	<u>11,813,013</u>	<u>251,209</u>
<u>\$ 2,237,275</u>	<u>\$ 45,066</u>	<u>\$ 355,613</u>	<u>\$ 28,690,697</u>	<u>\$ 355,579</u>
\$ -	\$ -	\$ (1,749)	\$ 34,394	\$ -
553,111	633,393	16,330	2,579,175	-
489	812	1,063	19,180	-

CITY OF FREDERICKSBURG, TEXAS

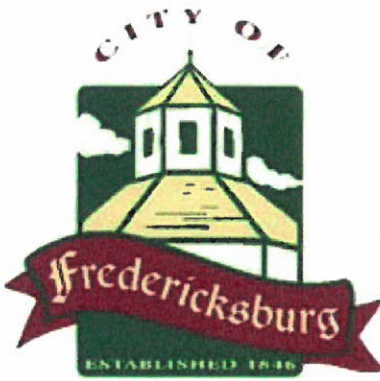
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Fiscal year ended September 30, 2019

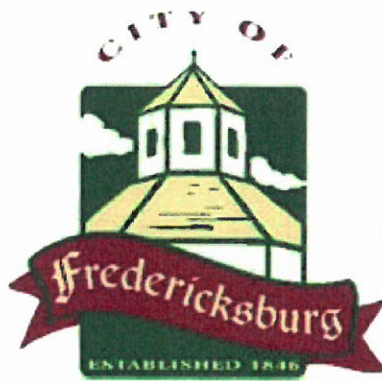
	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 899,411	\$ 1,727,178	\$ (188,034)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	310,617	1,424,309	162,520
(Increase) decrease in operating assets:			
Accounts receivable	(195,455)	(190,074)	4,997
Interfund receivables	347	-	-
Due from other governments	46,394	347	(72)
Inventories	10,449	(43,581)	-
Increase (decrease) in operating liabilities:			
Accounts payable	101,277	(521,722)	(1,846)
Wages payable	9,645	52,108	(115)
Interest payable	-	-	-
Due to other funds	2,800	19,600	(92,788)
Due to other governments	2,294	-	-
Compensated absences payable	11,364	25,373	(830)
Net pension/OPEB liability	218,454	337,248	(1)
Landfill closure liability	-	-	-
Other current liabilities	<u>35,117</u>	<u>20,275</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,452,714</u>	<u>\$ 2,851,061</u>	<u>\$ (116,169)</u>

The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ (197,620)	\$ (899,238)	\$ 39,905	\$ 1,381,602	\$ 113,131
585,364	165,438	294,178	2,942,426	-
21,929	2,913	(44,381)	(400,071)	(3,837)
46,394	-	-	46,741	-
-	3,810	-	50,479	-
-	-	-	(33,132)	-
(5,038)	(17,331)	38,368	(406,292)	(16,337)
4,530	7,353	4,885	78,406	-
-	-	-	-	-
300	(4,159)	-	(74,247)	-
124	(26,004)	-	(23,586)	-
(8,613)	(14,442)	3,121	15,973	-
230,179	268,582	10,713	1,065,175	-
190,236	-	-	190,236	-
(1,100)	-	-	54,292	-
<u>\$ 866,685</u>	<u>\$ (513,078)</u>	<u>\$ 346,789</u>	<u>\$ 4,888,002</u>	<u>\$ 92,957</u>



NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(1) Summary of significant accounting policies

The City of Fredericksburg, Texas, (the City), is a municipal corporation incorporated under Article XI, Section 4 of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides such services as are authorized by its code of ordinances and its inhabitants. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable.

Reporting entity

Component unit

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The City of Fredericksburg has a component unit displayed as a discretely presented component unit. The Fredericksburg Convention and Visitor Bureau (the "Bureau") is governed by a Board of Directors comprised of 11 members. Each member is appointed by the City Council of the City of Fredericksburg. The Bureau also provides the City with financial information, as required by City Council. In addition, the annual budget for the Bureau must be approved by City Council. These facts distinguish the Bureau as a discretely presented component unit of the City.

The Bureau's mission is to create a positive business environment, take a leadership role in community affairs, be an information resource for its members, help in providing a better quality of life for its citizens and increase growth of the overnight tourism and meeting industry in Fredericksburg.

Complete financial statements for the component unit may be obtained at the Fredericksburg Convention and Visitor Bureau's administrative office, which is located at 302 E. Austin Street, Fredericksburg, Texas 78624.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government-wide statements.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements (continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2019

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

The City reports the following major governmental fund:

The general fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance.

The City reports the following major proprietary funds:

The electric fund is used to account for electrical operations that are intended to be self-supporting.

The water and sewer fund is used to account for operations that are intended to be self-supporting water and sewer services through user charges.

The golf course fund is used to account for the golf course operations that are intended to be self-supporting through user charges.

The solid waste fund is used to account for the sanitary landfill operations that are intended to be self-supporting.

The emergency medical service (EMS) fund is used to account for the joint EMS services with the County of Gillespie. The operations are intended to be self-supporting.

The drainage fund is used to account for the drainage services that are intended to be self-supporting.

Additionally, the City reports an internal service fund to account for health insurance services provided to the departments of the government on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and investments

Cash and temporary investments consist of demand deposits, and balances in public funds investment pools. Short-term investments are stated at cost.

For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement Number 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Investments are stated at fair value and categorized by using the fair value hierarchy established by generally accepted accounting principles. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(1) Summary of significant accounting policies (continued)

Cash and investments (continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounts receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of the interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no balances that were considered "advanced to/from other funds" at September 30, 2019. All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection rates.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Gillespie Central Appraisal District ("GCAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values received from the GCAD. The Gillespie Central Appraisal District Tax Assessor performs billings and collection of tax levies.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories in the proprietary funds are valued at cost (first-in, first-out method).

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(1) Summary of significant accounting policies (continued)

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets, (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets such as equipment are defined as assets with an individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 – 50 years
Improvements other than buildings	10 – 50 years
Equipment	5 - 15 years
Infrastructure	30 years

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused personal time off (PTO). Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Employees may only carry 480 hours of PTO over into the next calendar year. Expenditures are reported for these amounts.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the year of issuance of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(1) Summary of significant accounting policies (continued)

Fund balance

The City implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the City Council to the City Manager.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City’s council or its designated official has provided otherwise in its commitments or assignment actions.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(1) Summary of significant accounting policies (continued)

Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's fiduciary net position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefits

The OPEB position has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. The reclassifications did not change total assets, total liabilities, total fund equity, total revenue of funds and total expense/expenditures.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(2) Stewardship, compliance and accountability

Budgetary information

The City Council follows the following procedures in establishing the budgetary data reflected in the financial statements:

- At least 30 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The proposed budget includes estimated revenue and proposed expenditures for the general fund.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally adopted on a fund basis by the City Council.
- The City Council can adjust the budget during its formal City Council meetings.
- Actual expenditures cannot exceed the legally-adopted budget.
- Appropriations lapse at the end of the year.
- Budgets are adopted on a basis consistent with generally accepted accounting principles.

(3) Deposits and investments

As of September 30, 2019, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Investments recorded as cash equivalents		
Texpool - valued at amortized cost	\$ 471,762	33
US Treasury notes - level 2 investment	24,073,440	66
Total investments recorded as cash equivalents	24,545,202	
Cash at bank	11,617,883	
Cash on-hand	10,930	
Total cash and cash equivalents	\$ 36,174,015	
Investments		
Certificates of deposits - valued at amortized cost	\$ 650,000	249
Portfolio weighted average maturity		70

The City's investment pools are 2a7-like pools. A 2a7 like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(3) Deposits and investments (continued)

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by maintaining a weighted average days to maturity for the operating fund portfolio of less than 360 days. The maximum allowable maturity for any investment is 3 years.

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2019, the City had cash deposits of \$10,893,207. The total fair market value of pledged securities held as collateral amounted to \$17,549,512. In addition, \$250,000 of the deposits are covered by FDIC coverage.

Credit risk. It is the City's policy to limit its investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investments as of September 30, 2019, were rated as follows:

Investment Type	Rating	Rating Agency
TexPool	AAAm	Standard and Poor's

Under provisions of state and local statutes, the City's investment policies, and provisions of the City's depository contracts with an area financial institution, the City is authorized to place available deposits and investments in the following:

- Obligations of the U.S., its agencies and instrumentalities;
- Certificates of deposit issued by state and national banks or savings or loan associations domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation or collateralized in accordance with Section 2256.010, the Texas Government Code, in face amount not to exceed \$250,000;
- No load money market mutual funds; and
- TexPool, Lone Star Investment Pool and MBIA Class.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council's investment policies. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year end are representative of the types of investments maintained by the City during the year.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(4) Receivables

Receivables as of year end for the government's individual major funds, nonmajor funds and enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Government Funds		Enterprises Funds					
	General	Electric	Water	Golf	Landfill	EMS	Drainage	Totals
Taxes	\$ 934,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 934,852
Due from other governments	1,150,645	1,985	1,985	91	-	21,840	-	1,176,546
Customer accounts	72,604	1,283,715	776,325	6,204	205,407	472,929	51,960	2,869,144
Notes	5,251	-	-	-	-	-	-	5,251
Interest	-	-	30	-	76	-	-	106
Gross receivables	2,163,352	1,285,700	778,340	6,295	205,483	494,769	51,960	4,985,899
Less: allowance for uncollectibles	16,907	31,831	8,710	-	1,110	64,404	557	123,519
Net total receivables	<u>\$ 2,146,445</u>	<u>\$ 1,253,869</u>	<u>\$ 769,630</u>	<u>\$ 6,295</u>	<u>\$ 204,373</u>	<u>\$ 430,365</u>	<u>\$ 51,403</u>	<u>\$ 4,862,380</u>

(5) Capital assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,583,656	\$ -	\$ -	\$ 7,583,656
Total capital assets, not being depreciated	<u>7,583,656</u>	<u>-</u>	<u>-</u>	<u>7,583,656</u>
Capital assets, being depreciated:				
Buildings	9,745,498	47,865	(52,030)	9,741,333
Improvements other than buildings	21,387,816	1,056,358	(1,661,228)	20,782,946
Equipment	<u>7,842,388</u>	<u>442,320</u>	<u>(985,864)</u>	<u>7,298,844</u>
Total capital assets, being depreciated	<u>38,975,702</u>	<u>1,546,543</u>	<u>(2,699,122)</u>	<u>37,823,123</u>
Less accumulated depreciation:				
Buildings	(4,941,144)	(310,003)	46,769	(5,204,378)
Improvements other than buildings	(11,579,682)	(888,126)	1,597,176	(10,870,632)
Equipment	<u>(6,160,727)</u>	<u>(633,302)</u>	<u>990,244</u>	<u>(5,803,785)</u>
Total accumulated depreciation	<u>(22,681,553)</u>	<u>(1,831,431)</u>	<u>2,634,189</u>	<u>(21,878,795)</u>
Total capital assets being depreciated, net	<u>16,294,149</u>	<u>(284,888)</u>	<u>(64,933)</u>	<u>15,944,328</u>
Governmental activities capital assets, net	<u>\$ 23,877,805</u>	<u>\$ (284,888)</u>	<u>\$ (64,933)</u>	<u>\$ 23,527,984</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(5) Capital assets (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,126,948	\$ -	\$ -	\$ 1,126,948
Total capital assets, not being depreciated	<u>1,126,948</u>	<u>-</u>	<u>-</u>	<u>1,126,948</u>
Capital assets, being depreciated:				
Buildings and improvements	7,071,036	70,432	(80,304)	7,061,164
Improvements other than buildings	13,677,995	71,341	(47,565)	13,701,771
Equipment	<u>54,109,002</u>	<u>6,243,553</u>	<u>(3,066,826)</u>	<u>57,285,729</u>
Total capital assets, being depreciated	<u>74,858,033</u>	<u>6,385,326</u>	<u>(3,194,695)</u>	<u>78,048,664</u>
Less accumulated depreciation:				
Buildings and improvements	(5,257,597)	(265,913)	87,245	(5,436,265)
Improvements other than buildings	(7,115,405)	(349,606)	2,839,367	(4,625,644)
Equipment	<u>(29,931,192)</u>	<u>(2,326,907)</u>	<u>146,209</u>	<u>(32,111,890)</u>
Total accumulated depreciation	<u>(42,304,194)</u>	<u>(2,942,426)</u>	<u>3,072,821</u>	<u>(42,173,799)</u>
Total capital assets being depreciated, net	<u>32,553,839</u>	<u>3,442,900</u>	<u>(121,874)</u>	<u>35,874,865</u>
Business-type capital assets, net	<u>\$ 33,680,787</u>	<u>\$ 3,442,900</u>	<u>\$ (121,874)</u>	<u>\$ 37,001,813</u>

Depreciation expense was charged to the governmental functions as follows:

Governmental activities:	
Administration	\$ 132,271
Police	325,654
Fire	110,617
Streets	840,427
Parks	404,941
Health	843
Engineering	15,171
Emergency management	<u>1,507</u>
Total depreciation expense - governmental activities	<u>\$ 1,831,431</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(5) Capital assets (continued)

Business-type activities	
Electric	\$ 310,617
Water and sewer	1,424,309
Golf	162,520
Landfill	585,364
EMS	165,438
Drainage utilities	<u>294,178</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 2,942,426</u></u>

(6) Interfund receivables, payables and transfers

	<u>Due To</u>	<u>Due From</u>
General fund:		
Electric - in lieu of taxes	\$ -	\$ 80,100
Water - in lieu of tax	-	63,700
Landfill - in lieu of taxes	-	19,600
EMS	-	79,899
Drainage	258	-
Debt service	3,495	21,001
Electric fund:		
General fund - in lieu of taxes	80,100	-
Golf	-	727,536
Water and sewer fund:		
General fund - in lieu of taxes	63,700	-
Golf fund:		
Electric	727,536	-
Landfill	727,536	-
Landfill:		
General fund - in lieu of taxes	19,600	-
Golf	-	727,536
EMS:		
General fund	79,899	-
Drainage fund:		
General fund	-	258
Debt service:		
General fund	21,001	3,495
Capital projects	2,500	-
Capital projects:		
Debt service	<u>-</u>	<u>2,500</u>
 Total due to / due from	 <u><u>\$ 1,725,625</u></u>	 <u><u>\$ 1,725,625</u></u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(6) Interfund receivables, payables and transfers (continued)

The balances of \$727,536 due to the electric fund and the solid waste fund represent amounts that were lent to the golf course to fund 2011-12 renovations to the golf course. The note's terms include a 1% annual interest rate and a twenty year amortization period with a 10/1/2034 maturity date.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and payments between funds are made.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:		
Electric	\$ 978,100	\$ -
Water and sewer	596,600	-
Landfill	223,900	-
Debt service	22,177	-
EMS	-	646,420
Golf	-	347,803
Debt service fund:		
General fund	-	22,177
Electric fund:		
General fund	-	978,100
Water and sewer fund:		
General fund	-	596,600
Landfill:		
General fund	-	223,900
EMS:		
General fund	646,420	-
Golf:		
General fund	<u>347,803</u>	<u>-</u>
Total transfers	<u>\$ 2,815,000</u>	<u>\$ 2,815,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as the debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(6) Interfund receivables, payables and transfers (continued)

In the year ended September 30, 2019, The City made payments from various funds to the general fund in lieu of taxes. GASB 34 requires that these payments be treated as transfers. Transfers were made from the following funds:

Electric	\$ 978,100
Water and sewer	596,600
Landfill	<u>223,900</u>
 Total	 <u><u>\$ 1,798,600</u></u>

(7) Capital leases – direct borrowing

The government has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	\$ 287,613	\$ 852,803
2021	143,020	767,492
2022	-	463,328
2023	<u>-</u>	<u>463,328</u>
Total minimum lease payments	430,633	2,546,951
Less: amount representing interest	<u>10,566</u>	<u>158,573</u>
Present value of minimum lease payments	<u><u>\$ 420,067</u></u>	<u><u>\$ 2,388,378</u></u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(8) Long-term liabilities

The long-term liability activity for the year ended September 30, 2019, was as follows:

	Outstanding October 1, 2018	Increases	Decreases	Balance September 30, 2019	Amounts Due in One Year
Governmental activities:					
General obligation bonds	\$ 2,823,682	\$ -	\$ (543,682)	\$ 2,280,000	\$ 145,000
Unlimited tax notes	4,925,000	-	(125,000)	4,800,000	480,000
Add: unamortized premiums	<u>110,216</u>	<u>-</u>	<u>(7,873)</u>	<u>102,343</u>	<u>7,873</u>
Total bonds payable	<u>7,858,898</u>	<u>-</u>	<u>(676,555)</u>	<u>7,182,343</u>	<u>632,873</u>
Capitalized leases	601,114	214,185	(395,232)	420,067	279,788
Compensated absences	<u>847,759</u>	<u>229,965</u>	<u>(211,940)</u>	<u>865,784</u>	<u>216,446</u>
Total governmental activities	<u>9,307,771</u>	<u>444,150</u>	<u>(1,283,727)</u>	<u>8,468,194</u>	<u>1,129,107</u>
Business-type activities:					
General obligation bonds:					
General obligation bonds	61,318	-	(61,318)	-	-
Less: unaamortized discount	<u>(1,749)</u>	<u>-</u>	<u>1,749</u>	<u>-</u>	<u>-</u>
Total bonds payable	<u>59,569</u>	<u>-</u>	<u>(59,569)</u>	<u>-</u>	<u>-</u>
Revenue bonds and notes:					
Revenue bonds	5,650,000	17,305,000	(960,000)	21,995,000	785,000
Less: unamortized discount	<u>(49,892)</u>	<u>911,737</u>	<u>(36,143)</u>	<u>825,702</u>	<u>3,326</u>
Total revenue bonds and notes	<u>5,600,108</u>	<u>18,216,737</u>	<u>(996,143)</u>	<u>22,820,702</u>	<u>788,326</u>
Capitalized leases	611,692	3,079,843	(1,303,157)	2,388,378	783,222
Compensated absences	<u>562,909</u>	<u>156,700</u>	<u>(140,727)</u>	<u>578,882</u>	<u>144,721</u>
Total business-type activities	<u>6,834,278</u>	<u>21,453,280</u>	<u>(2,499,596)</u>	<u>25,787,962</u>	<u>1,716,269</u>
Total long-term liabilities	<u>\$ 16,142,049</u>	<u>\$ 21,897,430</u>	<u>\$ (3,783,323)</u>	<u>\$ 34,256,156</u>	<u>\$ 2,845,376</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(8) Long-term liabilities (continued):

Governmental activities long-term liabilities at September 30, 2019, consisted of the following:

Series	Governmental Activities		
	Original Issue	Interest Rate	Debt Outstanding
2010 general obligation refunding bonds	\$ 3,604,164	1.00 to 3.00%	\$ -
2012 general obligation bonds - privately placed	3,200,000	2.88%	2,280,000
2016 limited tax notes - privately placed	1,530,000	1.39%	1,370,000
2017 tax and limited pledge rev CO's	3,530,000	3.00%	3,430,000
Totals	<u>\$ 11,864,164</u>		<u>\$ 7,080,000</u>

Compensated absences are generally liquidated by the general fund. The funds utilized for the repayment of long-term liabilities for governmental activities are the debt service fund and the general fund.

Business-type activities long-term liabilities at September 30, 2019, consisted of the following:

Series	Business-Type Activities		
	Original Issue	Interest Rate	Debt Outstanding
2010 general obligation refunding bonds	\$ 2,465,836	1.00 to 3.00%	\$ -
2013 revenue bonds - privately placed	6,500,000	3.097%	5,350,000
2018 revenue bonds	17,305,000	2.07-3.87%	16,645,000
Totals	<u>\$ 27,755,836</u>		<u>\$ 21,995,000</u>

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2019, are as follows:

Fiscal Year	Bonds Payable			Governmental Activities Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 145,000	\$ 105,400	\$ 250,400	\$ 480,000	\$ 80,244	\$ 560,244	\$ 625,000	\$ 185,644	\$ 810,644
2021	150,000	100,975	250,975	490,000	71,864	561,864	640,000	172,839	812,839
2022	155,000	96,400	251,400	500,000	62,852	562,852	655,000	159,252	814,252
2023	160,000	91,675	251,675	510,000	53,105	563,105	670,000	144,780	814,780
2024	165,000	86,800	251,800	165,000	45,674	210,674	330,000	132,474	462,474
2025-2029	900,000	355,621	1,255,621	900,000	153,195	1,053,195	1,800,000	508,816	2,308,816
2030-2034	820,000	210,020	1,030,020	605,000	26,541	631,541	1,425,000	236,561	1,661,561
2035-2037	935,000	38,060	973,060	-	-	-	935,000	38,060	973,060
Totals	<u>\$ 3,430,000</u>	<u>\$ 1,084,951</u>	<u>\$ 4,514,951</u>	<u>\$ 3,650,000</u>	<u>\$ 493,475</u>	<u>\$ 4,143,475</u>	<u>\$ 7,080,000</u>	<u>\$ 1,578,426</u>	<u>\$ 8,658,426</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(8) Long-term liabilities (continued):

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2019, are as follows:

Fiscal Year	Bonds Payable			Business-Type Activities Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 475,000	\$ 703,825	\$ 1,178,825	\$ 310,000	\$ 160,889	\$ 470,889	\$ 785,000	\$ 864,714	\$ 1,649,714
2021	500,000	679,450	1,179,450	320,000	151,134	471,134	820,000	830,584	1,650,584
2022	525,000	653,825	1,178,825	330,000	141,068	471,068	855,000	794,893	1,649,893
2023	550,000	631,075	1,181,075	340,000	130,693	470,693	890,000	761,768	1,651,768
2024	570,000	611,475	1,181,475	350,000	120,009	470,009	920,000	731,484	1,651,484
2025-2029	3,290,000	2,612,250	5,902,250	1,925,000	427,618	2,352,618	5,215,000	3,039,868	8,254,868
2030-2034	4,625,000	1,740,500	6,365,500	1,775,000	112,035	1,887,035	6,400,000	1,852,535	8,252,535
2035-2038	6,110,000	501,000	6,611,000	-	-	-	6,110,000	501,000	6,611,000
Totals	\$ 16,645,000	\$ 8,133,400	\$ 24,778,400	\$ 5,350,000	\$ 1,243,446	\$ 6,593,446	\$ 21,995,000	\$ 9,376,846	\$ 31,371,846

(9) Retirement plan

Plan description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(9) Retirement plan (continued)

Benefits provided (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 5%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	99
Inactive employees entitled to but not yet receiving benefits	66
Active employees	<u>160</u>
Total	<u><u>325</u></u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.68% and 9.60% for calendar years 2019 and 2018 respectively. The City's contributions to TMRS for the year ended September 30, 2019 and 2018 were \$1,146,021 and \$958,161 and were equal to the required contributions in 2019 and 2018, respectively.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2018, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(9) Retirement plan (continued)

Net pension liability (continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. In addition, smaller city methodologies were used by lower termination rates, with a maximum multiplier of 115% for employers. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustments are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the entry age normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(9) Retirement plan (continued)

Net pension liability (continued)

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Domestic equity	17.5%	4.30%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.39%
Real return	10.0%	3.78%
Real estate	10.0%	4.44%
Absolute return	10.0%	3.56%
Private equity	5.0%	7.75%
Total	<u>100.0%</u>	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2017	\$ 42,476,778	\$ 40,139,992	\$ 2,336,786
Changes for the year:			
Service cost	1,190,542	-	1,190,542
Interest	2,981,765	-	2,981,765
Change of benefit terms	1,917,387	-	1,917,387
Difference between expected and actual experience	(104,329)	-	(104,329)
Contributions - employer	-	961,243	(961,243)
Contributions - employee	-	500,649	(500,649)
Net investment income	-	(1,202,616)	1,202,616
Benefit payments, including refunds of employee contributions	(1,630,273)	(1,630,273)	-
Administrative expense	-	(23,238)	23,238
Other changes	-	(1,214)	1,214
Net changes	<u>4,355,092</u>	<u>(1,395,449)</u>	<u>5,750,541</u>
Balance at December 31, 2018	<u>\$ 46,831,870</u>	<u>\$ 38,744,543</u>	<u>\$ 8,087,327</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(9) Retirement plan (continued)

Net pension liability (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
\$ <u>14,350,492</u>	\$ <u>8,087,327</u>	\$ <u>2,905,653</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2019, the City recognized pension expense of \$3,733,830.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 183,094	\$ 218,961
Changes in actuarial assumptions	119,145	-
Difference between projected and actual investment earnings	2,077,593	-
Contributions subsequent to the measurement date	<u>1,146,022</u>	<u>-</u>
Total	<u>\$ 3,525,854</u>	<u>\$ 218,961</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(9) Retirement plan (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The City reported \$1,146,022 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

September 30,	Amortization Expense
2020	\$ 764,467
2021	312,503
2022	319,392
2023	766,753
2024	(2,244)
Thereafter	-
Total	<u>\$ 2,160,871</u>

(10) Texas Emergency Services Retirement System

Background and reporting entity

The Texas Emergency Services Retirement System (TESRS) is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine member Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of HB 220, effective September 1, 2013, to assume the functions of the abolished Office of the Fire Fighter's Pension Commissioner. While the agency is new, the system has been in existence since 1977. TESRS, which is under the authority of Title 8 Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested services, as well as their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuation which may be of interest are also available at the same link.

Information that is available in the annual financial report is not repeated in the allocation schedules and related notes.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(10) Texas Emergency Services Retirement System (continued)

Background and reporting entity (continued)

The preparation of the schedules of participating department allocations and collective pension amounts in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

Schedule of participating department allocations

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate.

Participating department contributions for the fiscal year ended August 31, 2019 were used for purposes of preparing the allocation schedule. Adjustments were made in the following circumstances, with the treatment detailed below:

- For newly participating departments, lump sum contributions were eliminated and contributions were annualized;
- MTES contributions for legacy departments were eliminated;
- Prior service buybacks were eliminated
- Interest on contributions and administrative penalties were eliminated
- 13th checks, which are passed directly through to the participants, were eliminated.

TESRS has prepared the schedule of collective pension amounts. The collective pension expense based on TESRS' fiscal year ended August 31, 2019 is shown in the following table:

Service cost	\$ 11,942
Interest	67,537
Projected earnings on pension plan investments	(56,765)
Amortization of differences between projected and actual earnings on plan investments	18,445
Amorization of changes of assumptions	518
Amortizations of differences between expected and actual experience	(142)
Pension plan administrative expense	<u>1,452</u>
Total pension expense	<u>\$ 42,987</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(10) Texas Emergency Services Retirement System (continued)

Schedule of participating department allocations (continued)

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to TESRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 219
Difference between projected and actual investment earnings	23,361	-
Contributions subsequent to the measurement date	<u>18,280</u>	<u>-</u>
Total	<u>\$ 41,641</u>	<u>\$ 219</u>

Amounts reported a deferred outflows of resources related to pensions will be recognized in pension expense in future years as follows:

Fiscal Year Ended September 30,	Net Deferred Outflows of Resources
2020	\$ 4,925
2021	2,582
2022	5,742
2023	<u>9,893</u>
Total	<u>\$ 23,142</u>

Each participating department will need to calculate two additional types of deferred outflows of resources and deferred inflows of resources, which are participating department specific amounts. These amounts relate to differences between actual contributions made by a participating department and their proportionate share of total contributions calculated based on the allocation percentage.

The participating department's proportionate share of the collective pension expense for its fiscal year ended between September 1, 2019 and August 31, 2020 is equal to the collective pension expense multiplied by the participating department's allocation percentage for TESRS's fiscal year ended August 31, 2019 as shown in the schedule of participating department allocations. The City's allocation percentage is 0.640%. The proportionate share of the City's net pension liability at September 30, 2019 was \$181,412. Contributions at fiscal year September 30, 2019 were \$37,374.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(11) Other postemployment benefit plan

Plan description

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefit payments

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary calculated based on the employee's actual earnings, for the 12-month period preceding the month of death. Retired employees are insured for \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City contribution rate is equal to the cost of providing one-year term life insurance. The contribution rate for the City was 0.23% and 0.22% for calendar years 2019 and 2018, respectively. The City's contributions to TMRS were \$23,429 and \$22,286 for the fiscal year ended September 30, 2019 and 2018, respectively, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>160</u>
Total	<u>268</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(11) Other postemployment benefit plan (continued)

OPEB liability

The City's total OPEB liability of \$526,466 was measured as of December 31, 2018, and was determined by an actuary valuation as of that date.

Actuary assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount rate *	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(11) Other postemployment benefit plan (continued)

OPEB liability (continued)

Changes in the total OPEB liability:

Balance at December 31, 2017	\$ 544,553
Changes for the year:	
Service cost	22,029
Interest on the total OPEB liability	18,323
Difference between expected and actual experience	(14,581)
Change of assumptions	(39,852)
Benefit payments	<u>(4,006)</u>
Net changes	<u>(18,087)</u>
Balance at December 31, 2018	<u><u>\$ 526,466</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

<u>1% Decrease in</u> <u>Discount Rate (2.71%)</u>	<u>Discount Rate (3.71%)</u>	<u>1% Increase in</u> <u>Discount Rate (4.71%)</u>
<u>\$ 634,363</u>	<u>\$ 526,466</u>	<u>\$ 442,604</u>

OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$38,623.

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(11) Other postemployment benefit plan (continued)

OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 12,191
Changes in actuarial assumptions	29,497	33,319
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	17,303	-
Total	<u>\$ 46,800</u>	<u>\$ 45,510</u>

The City reported \$17,304 as deferred outflows of resources related to the OPEB liability resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the OPEB liability will be recognized in OPEB expenses as follows:

September 30,	Amortization Expense
2020	\$ (1,729)
2021	(1,729)
2022	(1,729)
2023	(1,729)
2024	(8,202)
Thereafter	(895)
Total	<u>\$ (16,013)</u>

CITY OF FREDERICKSBURG, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2019

(12) Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates in the Texas Municipal League's General Liability Fund. In addition, the City participates in the Texas Municipal League's Workers' Compensation Fund to insure the City for workers' compensation claims. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts in the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is only reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2019.

(13) Contingent liabilities

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

(14) Closure and post-closure care costs

State and federal laws and regulations require that the City of Fredericksburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability must be recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill capacity used to date. Estimated liability for landfill closure and post-closure care costs has a balance of \$3,085,384 at September 30, 2019, which is based on 93.18% usage of current open cells and 43.63% usage of the entire landfill. The landfill is expected to be filled to capacity in 2043. The estimated total current cost of the landfill closure and post-closure care is based on a third party completing the actual work. The amount includes costs for equipment, facilities, and services required to close, monitor, and maintain the landfill as if purchased at September 30, 2019. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

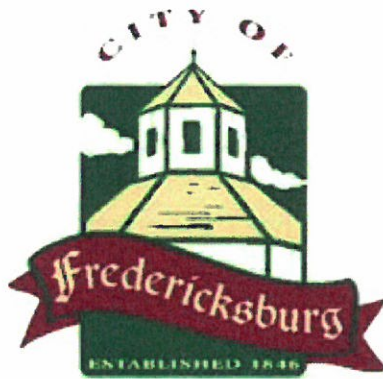
(15) Subsequent events

On March 19, 2020 Texas Governor Greg Abbott issued an executive order for the entire state to close non-essential businesses and schools due to the COVID-19 crisis. The financial impact on sales tax and the unemployment rate is unknown at this time. The City of Fredericksburg anticipates reduced sales tax revenues for at least the last 9 months of fiscal year 2020. The budget planning process for fiscal year 2021 will take this into consideration.

Subsequent to year end, the City issued Utility System Revenue Refunding Bonds, Series 2020 in the amount of \$5,120,000 to refund the Utility System Revenue Bonds, Series 2013 in the amount of \$5,040,000.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements



CITY OF FREDERICKSBURG, TEXAS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal year ended September 30, 2019

	Budget Amounts		GAAP Basis	Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
General property taxes	\$ 3,703,500	\$ 3,703,500	\$ 3,708,897	\$ 5,397
General sales and use taxes	5,928,800	5,928,800	6,235,189	306,389
Hotel occupancy tax	3,262,000	3,262,000	3,480,389	218,389
Other taxes	494,000	494,000	476,694	(17,306)
Franchise fees	317,500	317,500	329,862	12,362
License and permits	270,600	270,600	266,239	(4,361)
Fines	92,500	92,500	108,617	16,117
Pavilion and camping fees	641,000	641,000	530,260	(110,740)
Rentals	125,000	125,000	62,320	(62,680)
Intergovernmental revenue	689,266	689,266	644,766	(44,500)
Grants	13,000	13,000	30,843	17,843
Investment earnings	59,300	59,300	291,606	232,306
Other revenues	<u>772,299</u>	<u>1,172,299</u>	<u>1,302,733</u>	<u>130,434</u>
Total revenues	<u>16,368,765</u>	<u>16,768,765</u>	<u>17,468,415</u>	<u>699,650</u>
Expenditures:				
Municipal court	180,538	237,093	214,307	22,786
Engineering	261,043	261,043	231,679	29,364
Administration	1,275,862	1,384,786	1,407,522	(22,736)
Tourism	3,201,015	3,299,726	3,272,121	27,605
Police	5,047,371	5,047,371	4,762,790	284,581
Fire	1,287,237	1,287,237	1,227,883	59,354
Emergency management	186,023	186,023	172,358	13,665
Streets	1,874,214	1,874,214	1,718,352	155,862
Parks	1,811,193	1,825,793	1,769,533	56,260
Health	214,748	214,748	205,022	9,726
Food and wine festival	181,040	181,040	170,779	10,261
Development services	747,517	773,017	736,059	36,958
Debt service:				
Principal	395,700	395,700	395,147	553
Interest and fiscal charges	11,700	11,700	9,724	1,976
Capital outlays	<u>1,413,685</u>	<u>1,594,485</u>	<u>1,546,543</u>	<u>47,942</u>
Total expenditures	<u>18,088,886</u>	<u>18,573,976</u>	<u>17,839,819</u>	<u>734,157</u>

CITY OF FREDERICKSBURG, TEXAS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal year ended September 30, 2019

	Budget Amounts		GAAP Basis	Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,720,121)	\$ (1,805,211)	\$ (371,404)	\$ 1,433,807
Other financing sources (uses):				
Sale of real and personal property	60,500	60,500	81,946	21,446
Transfers in	1,847,267	1,847,267	1,820,777	(26,490)
Transfers out	(872,256)	(1,074,121)	(994,223)	79,898
Proceeds from issuance of debt	<u>-</u>	<u>-</u>	<u>214,185</u>	<u>214,185</u>
Total other financing sources (uses)	<u>1,035,511</u>	<u>833,646</u>	<u>1,122,685</u>	<u>289,039</u>
Net change in fund balance	<u>(684,610)</u>	<u>(971,565)</u>	<u>751,281</u>	<u>1,722,846</u>
Fund balance - beginning of year	<u>7,348,128</u>	<u>7,348,128</u>	<u>7,348,128</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 6,663,518</u></u>	<u><u>\$ 6,376,563</u></u>	<u><u>\$ 8,099,409</u></u>	<u><u>\$ -</u></u>

CITY OF FREDERICKSBURG, TEXAS

**TMRS NET PENSION LIABILITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

For the measurement year ended December 31,

	Measurement Year		
	2018	2017	2016
Total Pension Liability			
Service cost	\$ 1,190,542	\$ 1,074,769	\$ 1,004,489
Interest (on the total pension liability)	2,981,765	2,674,435	2,528,093
Changes of benefit terms	1,917,387	-	-
Difference between expected and actual experience	(104,329)	301,986	(47,068)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,630,273)</u>	<u>(1,316,569)</u>	<u>(1,388,695)</u>
Net change in total pension liability	4,355,092	2,734,621	2,096,819
Total pension liability - beginning	<u>42,476,778</u>	<u>39,742,157</u>	<u>37,645,338</u>
Total pension liability - ending (a)	<u><u>\$ 46,831,870</u></u>	<u><u>\$ 42,476,778</u></u>	<u><u>\$ 39,742,157</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 961,243	\$ 931,010	\$ 843,151
Contributions - employee	500,649	488,976	455,757
Net investment income	(1,202,616)	4,877,963	2,235,297
Benefit payments, including refunds of employee contributions	(1,630,273)	(1,316,569)	(1,388,695)
Administrative expense	(23,238)	(25,272)	(25,238)
Other	<u>(1,214)</u>	<u>(1,282)</u>	<u>(1,360)</u>
Net change in plan fiduciary net position	(1,395,449)	4,954,826	2,118,912
Plan fiduciary net position - beginning	<u>40,139,992</u>	<u>35,185,166</u>	<u>33,066,254</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 38,744,543</u></u>	<u><u>\$ 40,139,992</u></u>	<u><u>\$ 35,185,166</u></u>
Net pension liability (a) - (b)	<u><u>\$ 8,087,327</u></u>	<u><u>\$ 2,336,786</u></u>	<u><u>\$ 4,556,991</u></u>
Plan fiduciary net position as a percentage of total pension liability	82.73%	94.50%	88.53%
Covered payroll	<u><u>\$ 10,012,971</u></u>	<u><u>\$ 9,779,519</u></u>	<u><u>\$ 9,115,142</u></u>
Net pension liability as a percentage of total covered payroll	80.77%	23.89%	49.99%

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

CITY OF FREDERICKSBURG, TEXAS

**TMRS NET PENSION LIABILITY
SCHEDULE OF CONTRIBUTIONS***

For the fiscal year ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 1,146,021	\$ 958,161	\$ 914,856
Contributions in relation to the actuarially determined contributions	<u>1,146,021</u>	<u>958,161</u>	<u>914,856</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,307,595</u>	<u>\$ 10,003,972</u>	<u>\$ 9,685,874</u>
Contributions as a percentage of covered payroll	11.12%	9.58%	9.45%

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

CITY OF FREDERICKSBURG, TEXAS

**SCHEDULE OF CHANGES IN TESRS NET PENSION
LIABILITY AND RELATED RATIOS***

For the measurement year ended August 31,

	Measurement Year		
	2018	2017	2016
Total Pension Liability			
City's proportion of the net pension liability	0.640%	0.731%	0.716%
City's proportionate share of net pension liability	<u>\$ 181,412</u>	<u>\$ 158,265</u>	<u>\$ 171,852</u>
Plan fiduciary net position as a percentage of the total pension liability	80.20%	84.26%	81.40%

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

CITY OF FREDERICKSBURG, TEXAS

**TESRS NET PENSION LIABILITY
SCHEDULE OF CONTRIBUTIONS***

For the fiscal year ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 37,374	\$ 55,956	\$ 45,710
Contributions in relation to the actuarially determined contributions	<u>37,374</u>	<u>55,956</u>	<u>45,710</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will develop the schedule prospectively.

CITY OF FREDERICKSBURG, TEXAS

**SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS***

For the measurement year ended December 31,

	Measurement Year	
	2018	2017
Total OPEB liability		
Service cost	\$ 22,029	\$ 18,581
Interest (on the total OPEB liability)	18,323	17,987
Changes of benefit terms	-	-
Difference between expected and actual experience	(14,581)	-
Change of assumptions	(39,852)	43,885
Benefit payments **	<u>(4,006)</u>	<u>(4,890)</u>
Net change in total OPEB liability	(18,087)	75,563
Total OPEB liability - beginning	<u>544,553</u>	<u>468,990</u>
Total OPEB liability - ending	<u><u>\$ 526,466</u></u>	<u><u>\$ 544,553</u></u>
Covered payroll	<u><u>\$ 10,012,971</u></u>	<u><u>\$ 9,779,519</u></u>
OPEB liability as a percentage of total covered payroll	5.26%	5.57%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the second year of implementation of GASB 75. The City will develop the schedule prospectively.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF FREDERICKSBURG, TEXAS

**OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY
SCHEDULE OF CONTRIBUTIONS***

For the fiscal year ended September 30,

	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 23,429	\$ 22,286
Contributions in relation to the actuarially determined contributions	<u>23,429</u>	<u>22,286</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,307,595</u>	<u>\$ 10,003,972</u>
Contributions as a percentage of covered payroll	0.23%	0.22%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the second year of implementation of GASB 75. The City will develop the schedule prospectively.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2019

(1) Budget information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. The City Manager may transfer budgeted amounts within departments within any fund; however, transfers between departments and funds must be approved by City Council.

(2) Schedule of contributions – net pension liability

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.50%
Salary increases	3.5% to 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other information:

There were no benefit changes during the year.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2019

(3) Schedule of contributions – other postemployment benefit liability

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and assumptions used to determine Contribution rates:

Inflation	2.50%
Salary increases	3.5% to 10.50% including inflation
Discount rate *	3.71%
Retiree' share of benefit related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by and are projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Other information:

There were no benefit changes during the year.



CITY COUNCIL MEMO

DATE: April 20, 2020

TO: Mayor and City Council

FROM: Kris Kneese, P.E. – Assistant Director of Public Works and Utilities

SUBJECT: Knauth Pump Station Project - Construction Contract Award

Summary:

Receive construction contract bids for the Knauth Pump Station Project.

Recommendation:

City staff recommends awarding the construction contract for the Knauth Pump Station Project to Keystone Construction Services, LP in the amount of \$3,960,750.00.

Background / Analysis:

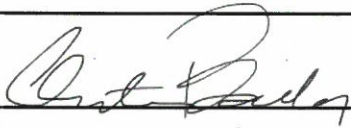
The City Council approved the sale of water revenue bonds to design and construction water infrastructure project in November 2018. One of these projects includes the construction of the Knauth Pump Station Project. The new pump station will be constructed at the City's Knauth Well Field and will pump water to Fredericksburg through a 20 inch water transmission main, currently under design, along HWY 290 East.

Freese and Nichols (F&N) developed project bid documents, which publicly advertised for bid for four (4) weeks. Four (4) bids were received at the bid opening on March 26, 2020. The bids received are attached. The low bid was submitted by Keystone Construction Services, LP. in the amount of \$3,960,750.00. The low bid has been reviewed by F&N which was found to be accurate. Based on F&N and City Staff's review,

it is recommended that the project be awarded to Keystone Construction Services, LP in the amount of \$3,960,750.00.

Attachments:

- Freese and Nichols Bid Award Recommendation Letter
- Bid Tabulation



Department Approval



City Attorney Approval



City Manager Approval



Innovative approaches
Practical results
Outstanding service

10431 Morado Circle, Suite 300 • Austin, Texas 78759 • 512-617-3100 • fax 512-617-3101

www.freese.com

April 1, 2020

Kris Kneese, P.E.
Assistant Director of Public Works and Utilities
City of Fredericksburg
126 West Main Street
Fredericksburg, TX 78624

Re: Recommendation of Award of Contract for the *Knauth Pump Station Project*

Dear Mr. Kneese:

On Thursday, March 26, 2020 bids were opened for the above referenced project. Four contractors submitted bids for this project. Freese and Nichols, Inc. (FNI) reviewed the bid proposals for errors and omissions. All bidders provided bid security. All addenda issued (2 total) for the project were acknowledged by all bidders. A summary of the bids received is provided in the table below, and the detailed bid tabulation is attached.

Bidder	Total Bid
Keystone Construction Services, LP	\$3,960,750.00
Lehne Construction, Inc.	\$4,212,724.00
MGC Contractors, Inc.	\$4,480,300.00
Associated Construction Partners, Ltd.	\$4,633,750.00

The lowest bid was \$3,960,750.00 submitted by Keystone Construction Services, LP.

FNI contracted references to verify quality of work. These references included D.J. Dubose (512) 930-9412 with Steger Bizzell, Nick Heilenman (713) 777-5337 with Jones and Carter, Robby Callegari (512) 432-1000 with CMA Engineering, and Scott Swiderski (512) 442-3008 with TriHydro.

After reviewing the submissions, FNI determined that there are no errors in Keystone Construction Services, LP's bid proposal. We have found Keystone Construction Services, LP's bid is accurate and provided the lowest bid for construction of the project. Based upon review of references and the bid price, it is recommended that the project be awarded to Keystone Construction Services, LP for the bid amount of \$3,960,750.00.

If you have any questions or comments, please contact me at (512) 381-1832.

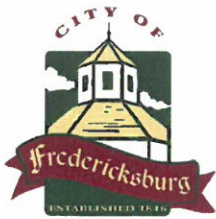
Sincerely,

04/01/2020 4:32:16 PM

Daniel Stoutenburg Jr., PE
Project Manager
Freese and Nichols, Inc.

Attachments: Bid Tab

Detailed Tabulation of Bids Received														
Client: City of Fredericksburg Project: Fredericksburg Water System-Knauth Pump Station Bid Date: March 26, 2020 Project No: FRB18639			Keystone Construction Services, LP P.O. Box 90398 Austin, TX 78709 (512) 288-6437			Lehne Construction, Inc. 22111 Hwy 71 West, Suite 101 Spicewood, TX 78669 (512) 263-8905			MGC Contractors, Inc. 223 Lucinda Drive New Braunfels, TX 78130 (210) 694-0565			Associated Construction Partners, Ltd. 215 W. Bandera Road, Ste. 114-461 Boerne, TX 78006 (210) 698-8714		
Item No.	Description	Unit	Estimated Quantity	Unit Price	Extended Amount	Estimated Quantity	Unit Price	Extended Amount	Estimated Quantity	Unit Price	Extended Amount	Estimated Quantity	Unit Price	Extended Amount
Base Bid Items														
1	Mobilization***	LS	1	\$180,000.00	\$180,000.00	1	\$205,000.00	\$205,000.00	1	\$220,000.00	\$220,000.00	1	\$210,000.00	\$210,000.00
2	Pump Station Construction completely as shown in the plans and specifications, excluding Pay Items: 1, 3, 4.	LS	1	\$2,760,000.00	\$2,760,000.00	1	\$3,778,718.00	\$3,778,718.00	1	\$3,980,000.00	\$3,980,000.00	1	\$4,250,000.00	\$4,250,000.00
3	Furnish, test deliver and provide competent service technician for two (2) horizontal split case centrifugal pumping units (PMP-101 & PMP-102) at rated capacity as specified to produce 1050 gpm at 400 feet TDH with guaranteed wire to water efficiency of ____% at ____ rpm.	EA	2	\$70,000.00	\$140,000.00	2	\$92,503.00	\$185,006.00	2	\$120,000.00	\$240,000.00	2	\$40,000.00	\$80,000.00
4	Trench Safety Systems* (Proposer shall estimate quantity required for Trench Safety and include in the space provided)	LF	75	\$10.00	\$750.00	200	\$20.00	\$4,000.00	75	\$4.00	\$300.00	75	\$50.00	\$3,750.00
SUBTOTAL Base Bid Proposal (Items 1 through 4)					\$3,080,750.00	\$4,172,724.00			\$4,440,300.00			\$4,543,750.00		
5	Add(+) or Deduct(-)**	LS			\$840,000.00			\$0.00			\$0.00			\$50,000.00
TOTAL Base Bid Proposal (Items 1 through 5)					\$3,920,750.00	\$4,172,724.00			\$4,440,300.00			\$4,593,750.00		
Allowances in Base Bid per Section 01 23 10 "Alternates and Allowances"														
A-1	Allowance for Electric Utility Works	LS	1	\$40,000.00	\$40,000.00	1	\$40,000.00	\$40,000.00	1	\$40,000.00	\$40,000.00	1	\$40,000.00	\$40,000.00
TOTAL Allowances in Base Bid (A-1)					\$40,000.00	\$40,000.00			\$40,000.00			\$40,000.00		
Total Bid					\$3,960,750.00	\$4,212,724.00			\$4,480,300.00			\$4,633,750.00		
General Notes														
1	*Contractor shall estimate the quantity required for Trench Safety and include in the space provided. Trench Safety shall be no less than 75 LF.		1. For Bid Item 3: Horizontal Split Case pump operates wire to water efficiency of 78.11% at 1,800 rpm			1. For Bid Item 3: Horizontal Split Case pump operates wire to water efficiency of 78.11% at 1,800 rpm			1. For Bid Item 3: Horizontal Split Case pump operates wire to water efficiency of 78.11% at 1,800 rpm			1. For Bid Item 3: Horizontal Split Case pump operates wire to water efficiency of 78.02% at 3,549 rpm which does not meet the specifications requirements.		
2	** Provision is made for Offeror to include an addition or deduction in his proposal, if he wished, to reflect any last minute adjustments in price. This addition or subtraction will be applies to pay item 2.											2. For Bid Item 3: \$40,000 was marked in the extended amount on the bid form.		
3	*** Mobilization may not exceed 5% of total base proposal.											3. For Bid Item 4: bidder wrote 55 LF for trench safety. Bid from required a minimum of 75 LF. Increasing the bid quantity to 75 LF, increases the total bid amount from \$4,632,750.00 to \$4,633,750.00.		



CITY COUNCIL MEMO

DATE: April 14, 2020
TO: Mayor and City Council
FROM: Kent Myers, City Manager
SUBJECT: Rent Waiver Request from Art Guild

Summary:

The Art Guild has recently submitted a request for a waiver of their rent for 3 months for the space that they rent from the City on E. Austin Street.

Recommendation

It is recommended that the City not waive this rent but instead work out a plan for payment of the rent over an extended period such as six months.

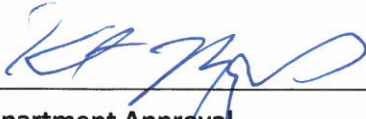
Background / Analysis:

As indicated in the attached lease agreement, the City charges \$600 in monthly rent to the Art Guild. This is a very reasonable rental rate based upon the rent charged for other similar buildings in this area. It is recognized that the current economic conditions are making it very difficult for many tenants to pay their rent at this time. On the other hand, the City has not waived any other fees and such waivers could set a precedent for other individuals and businesses that owe money to the City. Therefore, instead of waiver of the rent as requested, the City Council should consider a payment plan for the Art Guild.

Attachments:

Email requesting waiver of rent

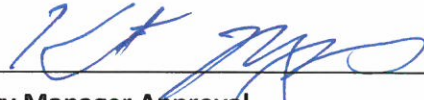
Current lease agreement with the Art Guild



Department Approval

Daniel Jones

City Attorney Approval



City Manager Approval

From: Kent Myers
Sent: Tuesday, April 14, 2020 1:21 PM
To: Shelley Goodwin
Subject: Fredericksburg Art Guild

Kent

Good Afternoon Kent,
I hope this finds you and your family, both home and work family, safe and sound. I know you are dealing with uncharted rough waters as the city manager of a popular tourist town. I am reluctant to contact you with a request from the Art Guild, but find it to be my responsibility to make sure the Guild stays viable during this unprecedented time.

With that thought in mind, The Art Guild is requesting that the City of Fredericksburg consider forgiving the rent due on the building for the next 3 months (May, June, July - \$1,950). Hopefully, this will allow us to reinstate our planned juried show, children's show, FFAW events, and Oktoberfest before year's end. Obviously, there is no guarantee that normal life will resume by then, but it gives us all hope. That is all we can expect at this point.

I appreciate your leadership and hope that you and the city council will consider our request.

Agenda Packet Page 125

LEASE AGREEMENT
for the
FREDERICKSBURG ART GUILD BUILDING

This Lease Agreement is made and entered into this 1st day of March, 2019, at Fredericksburg, Gillespie County, Texas, by and between the City of Fredericksburg, Texas ("Lessor"), and the Fredericksburg Art Guild ("Lessee"), a Texas non-profit corporation.

ARTICLE 1. DEMISE, DESCRIPTION, USE AND TERM

1.01. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, that certain property situated in the City of Fredericksburg, Gillespie County, Texas, located at 308 East Austin Street (the "Leased Premises"), and described as follows:

The building located on 0.446 acre of land, more or less, situated in the City of Fredericksburg, Gillespie County, Texas, being part of Townlot No. 75 as said Townlot is shown on the map of Fredericksburg, Texas, by the German Emigration Company; said 0.446 acre tract of land is described by metes and bounds on Exhibit "A", attached hereto and made a part hereof; together with the right of ingress and egress to such building, and together with Lessor, the reasonable use of the grounds around the building.

The Leased Premises are to be used by Lessee as an art studio, art gallery and/or office space related to the art studio and/or art gallery, for the term commencing on March 1, 2019, and ending on February 28, 2021, unless sooner terminated, as hereinafter provided.

ARTICLE 2. RENT

General Rent

2.01. Lessee agrees to and shall pay to Lessor, at 126 W. Main Street, Fredericksburg, Gillespie County, Texas, or at such other place as the Lessor shall designate from time to time in writing, as rent for the Leased Premises, a monthly rent payment as follows:

a. for the first twelve months of the term, from March 2019 through February 2020, a monthly rent payment of FIVE HUNDRED and FIFTY AND NO/100 (\$550.00) DOLLARS, due on or before the 10th calendar day of each month; and

b. for the second twelve months of the term, from March 2020 through

February 2021, a monthly rent payment of SIX HUNDRED AND NO/100 (\$600.00) DOLLARS, due on or before the 10th calendar day of each month.

2.02. Lessee agrees that Lessee shall pay to Lessor a late charge of five (5.00%) percent of the past due amount for each installment of rent which is not actually received by Lessor within five (5) calendar days of the due date.

ARTICLE 3. HOLDOVER

3.01. If Lessee, holds over and continues in possession of the Leased Premises after expiration of the term of this lease or any extension of that term, Lessee will be deemed to be occupying the premises on the basis of a month-to-month tenancy, subject to all of the terms and conditions of this lease.

ARTICLE 4. TAXES AND ASSESSMENTS

4.01. Lessee shall pay and discharge all taxes, general and special assessments, and other charges of every description if any which during the term of this lease may be levied on or assessed against the portion of the Leased Premises actually occupied by Lessee which shall not include the area used by adjacent property as a parking lot and all interests therein, any of Lessee's personal property and all improvements and other property thereon.

ARTICLE 5. INSURANCE

5.01. Lessor shall provide no insurance which shall benefit Lessee, including general public liability insurance, including tort coverage, insurance against theft, destruction of Lessee's contents, fixtures or works. **LESSOR SHALL NOT BE LIABLE TO LESSEE OR ANY OF LESSEE'S GUESTS, INVITEES, MEMBERS OR THE LIKE FOR ANY OF SUCH LOSSES, INCLUDING THOSE WHICH RESULT FROM LESSOR'S NEGLIGENCE, EVEN ORDINARY NEGLIGENCE.**

5.02. If the building on the Leased Premises should be damaged or destroyed by fire, tornado, or other casualty, Lessee shall give immediate written notice thereof to Lessor.

5.03. If the building on the Leased Premises should be totally destroyed by fire, tornado, or other casualty, or if it should be so damaged that rebuilding or repairs cannot reasonably be completed within ninety (90) working days from the date of written notification by Lessee to Lessor of the occurrence of the damage, this lease shall terminate and rent shall be abated for the unexpired portion of this lease, effective as

of the date of said written notification.

5.04. If the building or other improvements on the Leased Premises should be damaged by fire, tornado, or other casualty, but not to such an extent that rebuilding or repairs cannot reasonably be completed within ninety (90) working days from the date of written notification by Lessee to Lessor of the occurrence of the damage, this lease shall not terminate, but Lessor shall, if the casualty has occurred prior to the final ninety (90) working days of the lease term, at Lessor's sole cost and risk, proceed forthwith to rebuild or repair such building and other improvements to substantially the condition in which they existed prior to such damage. If the casualty occurs during the final ninety (90) working days of the lease term, Lessor shall not be required to rebuild or repair such damage. If the building and other improvements are to be rebuilt or repaired and are untenantable in whole or in part following such damage, the rent payable hereunder during the period in which they are untenantable shall be adjusted equitably. In the event that Lessor should fail to complete such rebuilding or repairs within ninety (90) working days from the date of written notification by Lessee to Lessor of the occurrence of the damage, Lessee may at Lessee's option terminate this lease by written notification at such time to Lessor, whereon all rights and obligations hereunder shall cease.

5.05. Lessee shall not commit or permit any act or acts in or on the Leased Premises or use them or suffer them to be used in any manner that will increase the existing fire, liability and other insurance rates on either the Leased Premises or the building in which the Leased Premises are situated, or that will cause a cancellation of any insurance policy covering the premises or any part of them. Lessee will not keep, hold, store, use, or sell in or on the Leased Premises any product or article prohibited by the standard fire-insurance policy, as it now exists or may later provide, covering the premises or permit or suffer any such product or article to be kept, held, stored, used or sold in or on the Leased Premises, and Lessee will, at its sole expense, comply with all requirements of Lessor's insurance carriers pertaining to the Leased Premises necessary for the continued maintenance of reasonable fire and liability insurance of the premises and appurtenances.

ARTICLE 6. UTILITIES

6.01. Lessee shall during the term hereof pay all charges for telephone, gas, electricity, and water and all other utilities used in or on the Leased Premises and for the removal of rubbish therefrom before they shall become delinquent.

ARTICLE 7. WASTE AND NUISANCE

7.01. Lessee shall not commit, or suffer to be committed, any waste on the Leased Premises, nor shall Lessee maintain, commit, or permit the maintenance or commission of any nuisance on the Leased Premises or use the Leased Premises for any unlawful purpose.

ARTICLE 8. IMPROVEMENTS, REPAIRS AND MAINTENANCE

8.01. Lessor shall repair and maintain the Leased Premises so that the premises will have effective waterproofing and weather protection of roof and exterior walls, excluding windows and doors, and Lessor shall maintain the foundation of the building situated on the Leased Premises and Landscaping. Lessor shall have no duty of mold remediation.

8.02. Lessee shall, at Lessee's expense:

(A) keep the Leased Premises as clean and sanitary as the condition of the premises permits;

(B) dispose from the Leased Premises all rubbish, garbage, and other waste, in a clean and sanitary manner;

(C) properly use and operate all electrical, gas, and plumbing fixtures and keep them as clean and sanitary as their condition permits;

(D) not permit any person on the premises, with Lessee's permission, to willfully or wantonly destroy, deface, damage, impair, or remove any part of the Leased Premises or the facilities, equipment, or appurtenances thereto;

(E) abide by all laws, regulations and ordinances of any governmental authority having jurisdiction over the Leased Premises;

(F) make all repairs and perform all maintenance to the Leased Premises other than those expressly imposed on Lessor herein, with all repairs performed by trained, qualified and insured repair persons;

(G) not permit the keeping or storage of hazardous materials as defined by federal statutes on the Leased Premises provided, however, that Lessee shall be permitted to keep and store art materials and supplies except that flammable materials shall be kept only in small, limited quantities; and

(H) not permit smoking or the use of gas fired equipment inside the Leased Premises.

ARTICLE 9. ALTERATIONS, IMPROVEMENTS AND FIXTURES

9.01. Lessee shall not make any alterations, including locks or other security devices, to the Leased Premises without the prior written consent of Lessor to do so. Any and all alterations, additions, improvements, and fixtures (except trade fixtures

which Lessee shall be permitted to remove from the Leased Premises at any time during the term hereof or upon expiration or sooner termination of this lease and not otherwise if such removal can be effected without injury to the Leased Premises and if any such fixture shall not have become, by the manner in which it is affixed, an integral part of the Leased Premises), made or placed in or on the Leased Premises shall on expiration or sooner termination of this lease belong to Lessor without compensation to Lessee; provided, however, that Lessor shall have the option, to be exercised on expiration or sooner termination of this lease, to require Lessee to remove any or all of such additions, improvements or fixtures. Before installing any fixtures in or on the Leased Premises, Lessee shall submit plans and designs therefor to Lessor for Lessor's approval, and in the event that the plans and designs are not approved by Lessor, such fixtures shall not be installed until any changes required by Lessor are made. Lessor agrees not to unreasonably withhold consent under this Section 9.01.

ARTICLE 10. COVENANTS

10.01. Lessor shall on the commencement date of the term of this lease as hereinabove set forth, place Lessee in quiet possession of the Leased Premises and shall secure Lessee in the quiet possession thereof.

10.02. Lessee may not do anything that will cause the Leased Premises to be encumbered in any way.

ARTICLE 11. SURRENDER OF PREMISES

11.01. Lessee shall, at Lessee's own cost and expense within three (3) calendar days after expiration or sooner termination of the term hereof or of any extended term hereof, remove all property belonging to Lessee and all alterations, additions or improvements, and fixtures which by the terms hereof Lessee is permitted to remove, repair all damage to the Leased Premises caused by such removal, and restore the Leased Premises to the condition they were in prior to the installation of the property so removed. Any property not so removed shall be deemed to have been abandoned by Lessee and may be retained or disposed of by Lessor.

11.02. Lessee agrees to and shall, on expiration or sooner termination of the term hereof or of any extended term hereof, promptly surrender and deliver the Leased Premises to Lessor in good condition, ordinary wear and tear and damage by the elements, fire, or act of God, or by other cause beyond the reasonable control of Lessee, excepted.

ARTICLE 12. TERMINATION AND CONDEMNATION

12.01. In the event the Leased Premises is to be utilized by Lessor for a governmental function, this lease may be terminated by Lessor prior to the expiration of the lease term, after providing Lessee a one year notice of termination.

12.02. If during the term of this lease or any extension or renewal thereof, all or part of the Leased Premises should be taken for any public or quasi-public use earlier by any condemning authority other than Lessor under any governmental law, ordinance, or regulation, or by right of eminent domain, or should be sold to the condemning authority (except Lessor) under threat of condemnation, this lease shall terminate and the rent shall be abated during the unexpired portion of this lease, effective as of the date of the taking of said premises by the condemning authority.

ARTICLE 13. DEFAULT

13.01. If Lessee shall remain in default under any condition of this lease for a period of ten (10) calendar days after written notice from Lessor to Lessee, or if the default is of such a nature as to be incapable of cure within ten (10) days and same has not been cured within a reasonable time after written notice from Lessor to Lessee, or should any person other than Lessee secure possession of the premises, or any part thereof, by reason of any assignment, dissolution, receivership or bankruptcy proceedings, Lessor may, at Lessor's option and without notice to Lessee, terminate this lease, or in the alternative, Lessor may re-enter and take possession of said premises and remove all persons and property therefrom, without being deemed guilty of any manner of trespass, and relet the premises or any part thereof.

The following provisions shall override and control, to the extent allowed by law, any conflicting provisions of the Texas Property Code, as well as any successor statute governing the right of a Lessor to change the door locks of commercial Lessees. In the event a default occurs, Lessor is entitled and is hereby authorized, without any further notice to Lessee whatsoever, to enter upon the Leased Premises by use of a master key, a duplicate key, or other peaceable means, and to change, alter, and/or modify the door locks on all entry doors of the Leased Premises, thereby permanently excluding Lessee and its officers, principals, agents, employees and representatives therefrom. In the event that Lessor has either permanently repossessed the Leased Premises pursuant to the foregoing provisions of this Lease, or has terminated this lease, Lessor shall not thereafter be obligated to provide Lessee with a key to the Leased Premises at any time, regardless of any amounts subsequently paid by Lessee; provided, however, that in any such instance, during Lessor's normal business hours and at the

convenience of Lessor, and upon receipt of written request from Lessee accompanied by such written waivers and releases as the Lessor may require, Lessor may (at Lessor's option) either (1) escort Lessee or its authorized personnel to the Leased Premises to retrieve any personal belongings or other property of Lessee, or (2) obtain a list from Lessee of such personal property as Lessee intends to remove, whereupon, Lessor shall remove such property and make it available to Lessee at a time and place designated by Lessor. However, if Lessor elects option (2), Lessee shall pay, in certified funds in advance, all costs and expenses estimated by Lessor to be incurred in removing such property and making it available to Lessee and all moving and/or storage charges theretofore incurred by Lessor with respect to such property. If Lessor elects to exclude Lessee from the Leased Premises without permanently repossessing or terminating pursuant to the foregoing provisions of this Lease, then Lessor shall not be obligated to provide Lessee a key to re-enter the Leased Premises until such time as all delinquent rent and other amounts due under this Lease have been paid in full and all other defaults, if any, have been completely cured to Lessor's satisfaction (if such cure occurs prior to any actual permanent repossession or termination), and Lessor has been given assurance reasonably satisfactory to Lessor evidencing Lessee's ability to satisfy its remaining obligations under this Lease. During any such temporary period of exclusion, Lessor will, during Lessor's regular business hours and at Lessor's convenience, upon receipt of written request from Lessee (accompanied by such written waivers and releases as Lessor may require), escort Lessee or its authorized personnel to the Leased Premises to retrieve personal belongings of Lessee or its employees, and such other property of Lessee.

All rights and remedies of Lessor under this lease shall be cumulative, and none shall exclude any other right or remedy at law. Such rights and remedies may be exercised and enforced concurrently and whenever and as often as occasion therefor arises.

13.02. If Lessor defaults in the performance of any term, covenant, or condition required to be performed by him under this agreement, Lessee may elect to: (1) terminate this agreement on giving at least thirty (30) days' notice to Lessor of such intention, thereby terminating this agreement on the date designated in such notice, unless Lessor shall have cured such default prior to expiration of the thirty (30) day period; or (2) remedy such default at Lessee's expense.

ARTICLE 14. INSPECTION BY LESSOR

14.01. Lessee shall permit Lessor and Lessor's agents to enter into and upon the Leased Premises at all reasonable times for the purpose of inspecting the same or for the purpose of maintaining or making repairs or alterations to the building.

ARTICLE 15. ASSIGNMENT AND SUBLEASE

15.01. Lessee shall not assign this lease nor sublet all or a portion of the Leased Premises without the prior written consent of Lessor.

15.02. Lessor is expressly given the right to assign any or all of Lessor's interest under the terms of this lease.

ARTICLE 16. INDEMNITY

16.01. LESSEE AGREES TO INDEMNIFY AND HOLD LESSOR HARMLESS AGAINST ANY AND ALL CLAIMS, DEMANDS, DAMAGES, COSTS AND EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES FOR THE DEFENSE THEREOF, ARISING FROM THE LESSEE'S OCCUPANCY OF THE LEASED PREMISES, OR LESSEE'S CONDUCT OR MANAGEMENT OF LESSEE'S BUSINESS IN THE LEASED PREMISES, OR FROM ANY BREACH ON THE PART OF LESSEE OF ANY CONDITIONS OF THIS LEASE, OR FROM ANY ACT OR NEGLIGENCE OR FAILURE OF SECURITY OF LESSEE, ITS AGENTS, CONTRACTORS, EMPLOYEES, CONCESSIONAIRES, INVITEES, OR LICENSEES IN OR ABOUT THE LEASED PREMISES. IN CASE OF ANY ACTION OR PROCEEDING BROUGHT AGAINST LESSOR BY REASON OF ANY SUCH CLAIM, LESSEE, UPON NOTICE FROM LESSOR, COVENANTS TO DEFEND SUCH ACTION OR PROCEEDING BY COUNSEL ACCEPTABLE TO LESSOR. NOTHING HEREIN SHALL BE CONSTRUED TO INDEMNIFY LESSOR FROM LESSOR'S OWN GROSS NEGLIGENCE.

16.02. The relationship between Lessor and Lessee shall at all times remain solely that of the Lessor and Lessee, and shall not be deemed a partnership or joint venture.

16.03. Lessor shall not be responsible or liable to Lessee, Lessee's invitees, or members of the public for losses of any kind, including personal injury or loss of merchandise or any personal property.

16.04. Lessee shall be responsible for security in and about the premises with regard to Lessee's own property, employees, agents, customers, and members of the public. Lessee understands the general level of crime in and about Fredericksburg and Gillespie County and understands that Lessor cannot and will not guarantee safety or security with regard to

the Leased Premises. Lessee specifically disclaims any duty of protection by Lessor.

ARTICLE 17. MISCELLANEOUS

17.01. Any notice or communication hereunder must be in writing, and may be given by registered or certified mail, shall be deemed to have been given and received when a registered or certified letter containing such notice, properly wrapped and addressed, with postage prepaid, is deposited in Texas, in the United States mail; and if given otherwise than by registered or certified mail, it shall be deemed to have been given when delivered to and actually received by the party to whom it is addressed. Such notices or communications shall be given to the parties hereto at the following addresses:

LESSOR:

City of Fredericksburg
Attention: City Manager
126 W. Main Street
Fredericksburg, Texas 78624

LESSEE:

Fredericksburg Art Guild
Attention: President
308 E. Austin Street
Fredericksburg, Texas 78624

Such addresses may be changed at any time by either party upon earlier notice given as herein set forth.

17.02. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representative, successors, and assigns where permitted by this agreement.

17.03. This agreement shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Gillespie County.

17.04. This agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understanding or written or oral agreements between the parties respecting the within subject matter.

17.05. No amendment, modification, or alteration of the terms hereof shall be

binding unless the same is in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

17.06. In the event Lessor or Lessee breaches any of the terms of this agreement whereby the party not in default employs attorneys to protect or enforce its rights hereunder, and prevails, then the defaulting party agrees to pay the other party's reasonable attorney fees so incurred by such other party.

17.07. Neither Lessor nor Lessee shall be required to perform any term, condition, or covenant in this lease so long as such performance is delayed or prevented by force majeure, which shall mean acts of God, strikes, material or labor restrictions by any governmental authority, civil riot, floods, and any other cause not reasonably within the control of the Lessor or Lessee and which by the exercise of due diligence Lessor or Lessee is unable, wholly or in part, to prevent or overcome.

17.08. Time is of the essence of this agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this LEASE AGREEMENT, or caused the same to be executed by its duly authorized representative.

FREDERICKSBURG ART GUILD

By: Joyce Malatek Date: 2/20/19
Printed Name and Title: Joyce Malatek, President

CITY OF FREDERICKSBURG, TEXAS

By: Kent Myers Date: 2/15/19
Kent Myers, City Manager

THE STATE OF TEXAS,
COUNTY OF GILLESPIE.

EXHIBIT "A"

Field notes of a survey of 0.446 acre of land, more or less, made at the request of James Feller, et al. Said land is situated in the City of Fredericksburg, Gillespie County, Texas, being part of Townlot No. 75 as said Townlot is shown on the Map of Fredericksburg, Texas, by the German Emigration Company, and being part of that 49,920 square foot tract of land described in a conveyance to James Patrick Feller by Felix Weber, et al, dated July 15, 1967, found of record in Volume 92 pages 48-49 of the Deed Records of Gillespie County, Texas.

Said 0.446 acre tract of land is described by metes and bounds as follows, to wit:

BEGINNING at a 1/2 inch steel bar set in the N.E. line of E. Austin Street, for the South corner of Townlot No. 74, for West corner of Townlot No. 75, for the South corner of a tract of land described of record in Volume 107, pages 121-122 of said Deed Records, for the West corner of said 49,920 square foot Feller tract, for the West corner of this tract of land;

THENCE with the S.E. line of Townlot No. 74 and the N.W. lines of Townlot No. 75 and said 49,920 square foot tract, N. 39 deg. 55 min. 05 sec. E. 202.14 feet to a 1/2 inch steel bar set, for the East corner of Townlot No. 74, for the West corner of Townlot No. 499, for the North corner of Townlot No. 75, for the North corner of this tract of land;

THENCE with the S.W. line of said Townlot No. 499 and the N.E. line of said Townlot No. 75, S. 50 deg. 39 min. 15 sec. E. 96.91 feet to a 1/2 inch steel bar set, for the North corner of a certain tract of land described in a conveyance to B.H. Heinen found of record in Volume 54, pages 568-569 of said Deed Records, for a reentrant corner of said 49,920 square foot tract, for the East corner of this tract of land;

THENCE with the N.W. line of said Heinen tract and a S.E. line of said 49,920 square foot tract, S. 40 deg. 17 min. 30 sec. W., at 3.9 feet a steel fence corner post, 202.27 feet in all to a 1/2 inch steel bar set in the N.E. line of E. Austin Street and in the S.W. line of Townlot No. 75, for the West corner of said Heinen tract, for the most westerly South corner of said 49,920 square foot tract, for the South corner of this tract of land;

THENCE with the N.E. line of E. Austin Street, N. 50 deg. 35 min. 20 sec. W. 95.59 feet to the place of BEGINNING.

I, Carey Bonn, Registered Professional Land Surveyor, hereby certify that the foregoing field notes and accompanying plat represent a survey made on the ground under my supervision on July 12, 1995.



Carey Bonn
Carey Bonn
Reg. Prof. Land Surveyor No. 4447

Future Agenda Items

City Council

May 4, 2020 Regular Meeting

City Council = Red

4th and 18th Regular Meetings @ 6p.m.

Planning & Zoning = Green 5-6-2020 @ 5:30 p.m.

Historic Review Board = Purple 5-12-2020 @ 5:30 p.m.

Board of Adjustment = Blue 5-14-2020 @ 5:30 p.m.

City Events = Yellow

Sun	Mon	Tues	Wed	Thur	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Proclamation

Consent

1. 4-20-2020 City Council Regular Meeting Minutes

Ordinances

1. Adoption of an Ordinance establishing a Form Survey as part of a building permit.

Resolutions

Public Hearing

Approvals-Misc.

Presentations, Discussions and Updates:

1. COVID-19 Update
2. Mid-year budget discussion

Executive Session

May 18, 2020

Regular Meeting

Proclamation

Consent

1. 4-20-2020 City Council Regular Meeting Minutes

Ordinances

1. W. Main St/US 87N Speed Limit Modification

Resolutions

Public Hearing

Approvals-Misc.

Presentations, Discussions and Updates:

1. COVID-19 Update

Executive Session