CITY OF FREDERICKSBURG
CITY COUNCIL MEETING

MONDAY, DECEMBER 2, 2013 ~ 7:00 p.m.

Law Enforcement Center ~ 1601 East Main Street

Jeryl Hoover, Mayor
Tim Dooley, Council Member
Graham Pearson, Council Member
Gary Neffendorf, Council Member
Kathy Sanford, Council Member
Kent Myers, City Manager

(REQUEST ALL PAGERS AND PHONES BE TURNED OFF, EXCEPT EMERGENCY ON-CALL PERSONNEL.)

AGENDA

CALL TO ORDER.

PLEDGE OF ALLEGIANCE.

		Page Ref
1.	**CONSENT AGENDA** - All items listed below are considered to be routine and non-controversial by the Council and will be approved by one motion. There will be no separate discussion of these items unless a council member or citizen so requests, in which case the item will be removed from the consent agenda and considered as part of the normal order of business.	
	A. Consider Appointments to EDC Board.	1
	B. Consider Appointments to Health Board.	2-4
	C. Consider 2014 Holiday Schedule.	5
2.	**ORDINANCES - RESOLUTIONS- ACTION ITEMS**	
	A. Consider Resolution Approving Financial Policies.	6-33
	B. Consider Ordinance Amending Texas Municipal Retirement System Plan.	34-37
	C. Consider Ordinance Annexing 15.29 Acres out of the William Anderson Survey No. 197, Abstract No. 2, otherwise known as Stone Ridge Unit 8.	38-46
3.	**INDIVIDUAL ITEMS FOR CONSIDERATION AND POSSIBLE ACTION**	
	A. Consider Watering Restrictions.	47-48
	B. Consider Electric Power Purchases	49-50
	C. Consider Performance Evaluations for City Manager and City Attorney.	
4.	**CITY MANAGER'S REPORT**	
	A. Tour of City Facilities.	
	B. Holiday Schedule.	
	C. Employee Recognitions.	
5.	**ITEMS FOR FUTURE AGENDAS**	
6.	**PUBLIC COMMENTS** - This time is for citizens to address the City Council on issues and items of concern not on this agenda. There will be no City Council action at this time.	

7. **EXECUTIVE SESSION** - Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices) and 551.086 (Economic Development).

   A. Executive Session - Competitive Matters as Permitted by Section 551.086 Government Code - Competitive Utility Matters.
   B. Executive Session - Confidential Utility Matters and Consultation with Attorney Regarding Potential Litigation.
   C. Executive Session - Personnel - Performance Evaluations for City Manager and City Attorney.

8. **ADJOURN**

CITY COUNCIL MEMO

DATE: December 2, 2013

TO: Mayor and City Council

FROM: Kent Myers, City Manager

SUBJECT: Appointments to EDC Board

Summary:

The City has two positions on the Gillespie County Economic Development Commission Board of Directors and the terms for these two positions will expire at the end of this year.

Recommendation:

It is recommended that the Council reappoint Brad Hardin and Jim Jarreau to serve another 2-year term on the EDC Board.

Background / Analysis:

It is time to appoint the two City representatives to the EDC Board and our current representatives, Jim Jarreau and Brad Hardin, have indicated an interest in being reappointed. Both of these Board members have a good attendance record and represent the City very well on this Board.

The City of Fredericksburg

126 W. Main St. • Fredericksburg, Texas 78624-3708 • (830) 997-7521 • Fax (830) 997-1861

CITY COUNCIL MEMO

DATE: November 22, 2013

TO: City Council

FROM: Kelli Olfers

SUBJECT: Gillespie County Health Board Appointments

Summary:

We currently have three positions that need to be filled on the Gillespie County Health Board. Board terms are 3 years and start in January 2014.

Recommendation:

It is recommended that council approve the following two new applicants: John Dubea and Dalen Kirchner as well as approve the re-appointment of Brenda Matysiak.

Background / Analysis:

The Gillespie County Health Board is a county board that advises the City Council and Commissioners Court on items dealing with the general health and safety of Gillespie County residents. We had two applicants for the board and had one current board member that is interested in serving a second term.

The City of Fredericksburg

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997-1861

City of Fredericksburg
Application for Consideration of Appointment

Board / Commission / Committee You Are Applying For: (Check all that may apply)
☐ Planning & Zoning ☐ Historic Review Board ☐ Board of Adjustment
☐ G.C. Economic Development Commission ■ City/County Health Board
☐ Other ____________

Name: (Title) Dalen (First) S. (M.I.) Kirchner (Last) Date: 11-13-13

Home Address: 2835 Cherry Mtn Lp (Street) 997-4740 (Home Phone Number)

Mailing Address: 110 W. Travis (Street or Post Office Box #) (Fredericksburg M.S.) (Business Phone Number)

Fax Number: ____________ E-mail Address: dalenk@fisd.org

Employer: F.I.S.D. (Name / Address)

Occupation: Vice Principal of M.S.

Are you a qualified voter of the City of Fredericksburg? ✓ Yes ___ No

Are you a City of Fredericksburg resident? ✓ Yes ___ No How Long? 7 years

(3) So the council may know more about you, please complete the following:

Education: Bachelors of Animal Science - Texas A&M University
Master of Education - Sam Houston State University

Volunteer Experience / Community Service:
4-H + FFA parent volunteer / Church leadership / Little League Coach

Areas of Interest: education, At-risk youth programs, drug awareness, Community planning

Please specify membership on any other governmental or community board/commission/committee:

Please provide a brief narrative outlining your reasons for seeking appointment to a board or commission. (Resumé or additional information may be attached.)

As a local educator I see a lot of students and families struggle in many ways. My desire is to help develop plans that will positively impact Fredericksburg's students and families.

Signature: [signature] Date: 11-13-13

Please return the completed form to the City Manager's office for processing. Your application will be kept on file for 12 months.

City of Fredericksburg
Application for Consideration of Appointment

Board / Commission / Committee You Are Applying For: (Check all that may apply)
- ☐ Planning & Zoning ☐ Historic Review Board ☐ Board of Adjustment
- ☐ G.C. Economic Development Commission ☑ City/County Health Board
- ☐ Other ______

Name: JOHN A. DUBEA (Title) (First) (M.I.) (Last) Date: 11/21/13

Home Address: 318 W. TRAVIS FBG, TX 78624 (Street) (Home Phone Number)

Mailing Address: 318 W. TRAVIS FBG, TX 78624 (Street or Post Office Box #) (Business Phone Number)

Fax Number: 830 997-2285 E-mail Address: JDUBEA@CRFBG.COM

Employer: CLEAR RIVER PECAN (Name / Address)

Occupation: OWNER / MANAGER

Are you a qualified voter of the City of Fredericksburg? ✓ Yes ___ No

Are you a City of Fredericksburg resident? ✓ Yes ___ No How Long? 18 YRS

So the council may know more about you, please complete the following:

Education: BUSINESS MANAGEMENT DEGREE LOUISIANA STATE UNIV 1987

Volunteer Experience / Community Service: INVOLVED WITH MANY COMMUNITY EVENTS OVER THE PAST 18 YRS CHAMBER OF COMMERCE VOLUNTEER OF THE

Areas of Interest: YEAR 2011

Please specify membership on any other governmental or community board/commission/committee:

3 YRS ON BOARD OF FREDERICKSBURG ACADEMIC BOOSTERS
6 YRS ON BOARD OF FREDERICKSBURG CVB

Please provide a brief narrative outlining your reasons for seeking appointment to a board or commission. (Resumé or additional information may be attached.) TO HELP FREDERICKSBURG AND GILLESPIE COUNTY TO CONTINUE TO BE FORWARD THINKING ON IMPORTANT ISSUES. FOR OUR COMMUNITY

[signature] 11/21/13
Signature Date

Please return the completed form to the City Manager's office for processing. Your application will be kept on file for 12 months.

126 West Main Street . Fredericksburg, TX 78624 . 830/997-7521 . 830/997-1861 (Fax) . www.fbgtx.org

CITY COUNCIL MEMO

DATE: November 27, 2013

TO: City Council

FROM: Shelley Britton, City Secretary

SUBJECT: 2014 Holiday Schedule

PROPOSED 2014 HOLIDAY SCHEDULE

JAN 1 (Wed)	NEW YEARS DAY
APRIL 18 (Fri)	GOOD FRIDAY
MAY 26 (Mon)	MEMORIAL DAY
JUL 4 (Fri)	INDEPENDENCE DAY
AUG 22 (Fri)	FIRST DAY OF FAIR (½ DAY)
SEP 1 (Mon)	LABOR DAY
NOV 11 (Tues)	VETERANS DAY
NOV 27 &28 (Thu & Fri)	THANKSGIVING
DEC 25 & 26 (Thurs & Fri)	CHRISTMAS

CITY COUNCIL MEMO

DATE: November 20, 2013

TO: Mayor and City Council

FROM: Brad Kott, Director of Finance

SUBJECT: Financial Policies

Summary:

Included with your packet are the revised Comprehensive Financial Management Policy Statements for the City of Fredericksburg.

Recommendation:

Staff recommends the City Council adopt this document by resolution. The City will review these policies at least bi-annually.

Background/Analysis:

The preliminary draft of these Financial Policies was discussed at the recent Council Retreat held on October 25, 2013. At that retreat, staff received comments and suggestions from Council and used that feedback to revise the Financial Policy document.

Key revisions include (1) having all exceptions to policies, identified, documented and approved by the City Council before being granted, (2) removal of the Performance and Merit Pool until such time that the merit system of pay is established, (3) removal of any reference to a separate Purchasing Policy until such policy is adopted, (4) adding that the City may accumulate Fund Balances (Reserves) for specific purposes and if so that they must be identified as such in the Financial Statements, and finally, (5) establishing different reserve requirements for "Utility" Enterprise Funds and "Other" Enterprise Funds.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG ADOPTING COMPREHENSIVE FINANCIAL MANAGEMENT POLICIES

WHEREAS, the City Council of the City of Fredericksburg has determined that a comprehensive financial management policy should be adopted for the use of the City's fiscal managers and departments to promote sound financial planning and internal financial methods and decisions as is further set out in the Purpose section of the attached Policy Statements, and

WHEREAS, the City Council of the City of Fredericksburg has worked with the City Manager, the Director of Finance and staff to review proposed policies, and

WHEREAS, the City Council has determined that the Objectives set forth in the attached Policy Statements would be better achieved by adoption and implementation of such proposed financial policies, and

WHEREAS, the City Council has also determined that such policies should be enacted by resolution and should be implemented as soon as practical, and

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG that the Comprehensive Financial Management Policy Statements which are attached to this resolution are hereby adopted, and

BE IT FURTHER RESOLVED that the policies become effective immediately upon the adoption of this resolution and be implemented as soon as practical by City management.

This resolution is PASSED and APPROVED this the 2nd day of December, 2013.

____

Jeryl Hoover, Mayor
City of Fredericksburg

Attest:

____

Shelley Britton, City Secretary
City of Fredericksburg

CITY OF

Fredericksburg

ESTABLISHED 1846

COMPREHENSIVE FINANCIAL MANAGEMENT POLICY STATEMENTS

City of Fredericksburg
Comprehensive Financial Management
Policy Statements

Table of Contents

Comprehensive Financial Management Policy Statements

Purpose

The Comprehensive Financial Management Policy Statements assembles all of the City's financial policies into one document. These statements are the tools used to ensure that the City is financially able to meet its current and future service needs. The individual statements contained herein serve as guidelines for both the financial planning and internal financial management of the City.

Municipal resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet immediate and long-term needs. These policy statements safeguard the fiscal stability required to achieve the City's objectives and ensure long-term financial health.

Objectives

A. To guide City Council and management policy decisions that have significant fiscal impact.

B. To employ balanced revenue policies that provide adequate funding for services and service levels.

C. To maintain appropriate financial capacity for present and future needs.

D. To maintain sufficient reserves so as to maintain service levels during periods of economic downturn.

E. To promote sound financial management by providing accurate and timely information on the City's financial condition.

F. To protect the City's credit rating and provide for adequate resources to meet the provisions of the City's debt obligations on all municipal debt.

G. To ensure the legal use of financial resources through an effective system of internal controls.

H. To promote cooperation and coordination with other governments and the private sector in financing and delivery of services.

10

I. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

The City will maintain accounting practices that conform to generally accepted accounting principles and comply with prevailing federal, state, and local statutes and regulations. The City will provide for, prepare and present regular reports that analyze and evaluate the City's financial performance and economic condition.

A. *Accounting Practices and Principles*
The City will maintain accounting practices that conform to generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB), the authoritative standard setting body for units of local government. All City financial documents, except monthly interim financial reports, including official statements accompanying debt issues, Comprehensive Annual Financial Reports and continuing disclosures statements, will meet these standards. Monthly interim financial reports are on a cash basis and will be reported as budgeted. At year-end, the general ledger and financials will be converted to GAAP and GASB.

B. *Financial and Management Reporting*
1. Interim Financial Reports will be provided monthly to management and City Council that explain key economic and fiscal developments and note significant deviations from the budget. These reports will be distributed monthly by the end of each month for the prior month.
2. Semi-annually, departments will report on program measures and indicators as compared to target and last year to the Finance Department. A semi-annual report will be submitted to the City Manager and City Council, highlighting significant variations.

C. *Annual Audit*
Pursuant to the City Charter the City Council shall cause an annual audit to be made of the books and accounts of each and every 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, and at such other times as may be necessary, by an Independent Certified Public Accountant who shall be selected by the City Council. The audit report shall be filed with the City Council, presented at a City Council meeting, and shall be available for public inspection. A summary of the audit shall be published in a newspaper of general circulation of the City of Fredericksburg.

D. *Signature of Checks*
Pursuant to the City Charter, all checks shall have two authorized signatures. Signatures may be affixed on all City checks via facsimile signatures, either with a signature plate used with a check signing machine or with a secure laser check printing system.

E. *Compliance with Council Policy Statements*
The Financial Management Policy Statements will be reviewed bi-annually and updated, revised or refined as deemed necessary. Policy statements adopted by City Council are

guidelines, and occasionally exceptions may be appropriate and required. Exceptions will be identified, documented, and approved by the City Council before exception is granted.

II. BUDGET AND LONG RANGE FINANCIAL PLANNING

These guidelines for budgeting will help to ensure a financially sound City and to establish a long-range financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets.

A. *Balanced Budget*

The City Manager shall file annually, a structurally balanced budget for the ensuing fiscal year with City Council pursuant to the prevailing state and local law. A structurally balanced budget is further defined as recurring revenues funding recurring expenditures and adherence to fund balance policies. Short-term loans will be avoided as budget balancing techniques.

B. *Current Funding Basis (Recurring Revenues)*

The City shall budget and operate on a current funding basis. Recurring expenditures shall be budgeted and controlled so as not to exceed current revenues. Recurring expenses will be funded exclusively with recurring revenue sources to facilitate operations on a current funding basis.

C. *Use of Non-Recurring Revenues*

Non-recurring revenue sources, such as a one-time revenue remittance of fund balance in excess of policy can only be budgeted/used to fund non-recurring expenditures, such as capital purchases or capital improvement projects. This will ensure that recurring expenditures are not funded by non-recurring sources.

D. *Tax Rate*

The City Manager will recommend a tax rate that the City finances require in order to operate efficiently, yet effectively, and pay its debt.

E. *Pay As You Go Capital Projects*

The transfer from the City's General Fund and the City's Utility Fund to fund pay-as-you-go capital projects will be budgeted when financially feasible and when projects are identified as needed. The transfer will be based on the financial health of each fund with the long-term goal of adequately funding rehabilitation and providing infrastructure to accommodate future growth.

F. *Revenue Estimating for Budgeting*

1. In order to protect the City from revenue shortfalls and to maintain a stable level of service, the City shall use a conservative, objective, reasonable and analytical approach when preparing revenue estimates. The process shall include historical collection rates, trends, and probable economic changes. This approach is intended to reduce the likelihood of actual revenues falling short of budget estimates and should avoid mid-year service changes.
2. The City, whenever possible, will seek outside sources of revenue, such as federal, state,

and local grants, in order to leverage local dollars.

G. *Budget Preparation*
   1. Department Directors have primary responsibility for formulating budget proposals. New or expanded services should support City Council goals, City Manager priority direction and department goals. The City Manager and Departments are charged with implementing the goals and priorities once they are approved.
   2. All competing requests for City resources will be weighed within the formal annual budget process.
   3. Actions on items that come up through-out the year with significant financial impacts should be withheld until they can be made in the full context of the annual budget process and long-range plan, unless unforeseen circumstances present themselves.
   4. The Budget will be presented in a way that clearly communicates to the public the City's proposed level of services and capital projects planned for the coming year.

H. *Budget Management*

The City Council shall delegate authority to the City Manager in managing the budget after it is formally adopted by City Council. The City Manager may further delegate levels of authority for the daily operations of the budget. Expenditures/expenses are legally adopted by the fund level. Expenditures/expenses should not exceed the adopted budget, plus subsequent changes approved by the City Council.

Transfers between funds must gain formal approval by the City Council.

I. *Amended Budget*

In order to preserve fund balances/ending balances based on projected revenues and expenditures/expenses for the current fiscal year, the City Council may periodically amend the budget during the year as needed.

J. *Performance Measurement*

Performance measures will be utilized and reported in department budgets. The City will maintain a measurement system that reports trends and comparisons to targets and previous year as a management tool to monitor and improve service delivery.

K. *Operating Deficits*

The City shall take immediate corrective action if at any time during the fiscal year expenditure and revenue estimates are such that "net income" is lower than budgeted. Corrective actions include:

- Deferral of capital equipment purchases
- Deferral of pay-as-you go capital improvements
- Expenditure reductions
- Deferral of certain positions
- Hiring freezes

- Freeze merit increases
- Use of fund balance
- Use of volunteers
- Increase fees
- Reduce work hours with subsequent reduction in pay
- Eliminate positions which may require laying-off employees if there are not other vacant positions for which they are qualified.

Short-term loans as a means to balance the budget shall be avoided.

The use of fund balance, which is a one-time revenue source, may be used to fund an annual operating deficit, only with a subsequent approval by City Council of a plan to replenish the fund balance if it is brought down below policy level. Reserve requirements are addressed in Section V.

L. *Long-Range Financial Plans*

1. The City shall develop and maintain a five-year Financial Forecast and Capital Improvement Plan (CIP) for each major operating fund, in conjunction with the annual budget process.
2. The forecast should enable current services and current service levels provided to be sustained over the forecast period. Operating impacts from completed capital improvement projects in the City's Five-Year CIP shall be included in the forecast. Commitments/obligations already made that require future financial resources shall also be included.
3. The forecasts should identify the impact to property taxes and utility rates.
4. Major financial decisions should be made in the context of the Long-Range Plan.
   The forecast assesses long-term financial implications of current and proposed policies, programs, and assumptions that develop appropriate strategies to achieve the City's goals. The forecast will provide an understanding of available funding; evaluate financial risk; assess the likelihood that services can be sustained; assess the level at which capital investment can be made; identify future commitments and resource demands; and identify the key variables that may cause a change in the level of revenue.

III. REVENUES

The City will design, maintain and administer a revenue system that will assure a reliable, equitable, diversified and sufficient revenue stream to support desired City services.

A. *Balance and Diversification in Revenue Sources*

The City shall strive to maintain a balanced and diversified revenue system to protect the City from fluctuations in any one source due to changes in local economic conditions, which may adversely impact that source.

B. *User Fees – General Fund*

1. For services that benefit specific users, the City shall establish and collect fees to recover the costs of those services. Where services provide a general public benefit, the City shall recover the costs of those services through property and sales taxes.
2. At a minimum, the City will strive to cover direct costs.
3. User fees should be reviewed, at a minimum every two years and adjusted to avoid sharp changes.
4. Factors in setting fees shall include but not be limited to market and competitive pricing, effect of demand for services, and impact on users, which may result in recovering something less than direct, indirect, and overhead costs.
5. The City may set a different fee for residents versus non-residents.
6. All user fees should be adopted by City Ordinance and included in the Annual Fee Schedule.

C. *User Fees – Enterprise Funds*

1. Utility rates and other Enterprise Fund user fees shall be set at levels sufficient to cover operating expenditures (direct and indirect), meet debt obligations and debt service coverage, provide funding for capital improvements, and provide adequate levels of working capital.
2. The City may set a different fee for residents versus non-residents.
3. The Five-Year Financial Plan (rate model) and proposed operating budget shall serve as the basis for rate change considerations.
4. When necessary, the Five-Year Financial Plan (rate model) will be built around smaller rate increases annually versus higher rate increases periodically.
5. Utility rates will be reviewed annually by the City Council.

D. *One-Time/Unpredictable Revenue Sources*

1. One-time, unpredictable revenue sources should not be used for ongoing expenses/expenditures.
2. One-time, unpredictable revenue sources will be used for one-time purchases such as increase in fund balance requirements, capital equipment purchases, capital improvements, etc.

E. *Revenue Collection*

The City shall maintain high collection rates for all revenues by monitoring monthly receivables. The City shall follow an aggressive, consistent, yet reasonable approach to collecting revenues to the fullest extent allowed by law for all delinquent taxpayers and others overdue in payments to the City.

Revenues actually received will be compared to budgeted revenues by the Director of Finance and any variances considered to be material will be investigated. This process will be summarized in the monthly financial report. (See Financial and Management Reporting)

F. *Write-off of Uncollectible Receivables (excludes property taxes, court fines and warrants)*

1. Receivables shall be considered for write-off as follows:
   a. State statute authorizing the release or extinguishment, in whole or in part, of any indebtedness, liability, or obligation, if applicable.
   b. Accounts outstanding and identified as uncollectible, and where all attempts to collect have been taken.
2. Accounts shall be written-off annually near fiscal year-end. Upon approval, accounts will be forwarded to a credit reporting agency.
3. The write-off of uncollected accounts is a bookkeeping entry only and does not release the debtor from any debt owed to the City.

G. *Bond Revenue Coverage Requirements*

The City shall meet the required legal revenue coverage requirements as set forth in all bond rate covenants.

IV. EXPENDITURES

The City will identify services, establish appropriate service levels and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of those services.

A. *Maintenance of Capital Assets*
   Within the resources available each fiscal year, the City shall maintain capital assets and infrastructure at sufficient level to protect the City's investment, to minimize future replacement and maintenance costs, and to maintain service levels.

B. *Periodic Program/Services Reviews*
   The City Manager and staff shall undertake periodic reviews of City programs and services for both efficiency and effectiveness. Programs or services determined to be inefficient and/or ineffective shall be recommended through the annual budget process to be reduced in scope or eliminated.

C. *Purchasing*
   All City purchases of goods and services shall be made in accordance with state and federal laws.

D. *Budget*
   The City Manager, in coordination with each department head is responsible for insuring that total expenses in each fund do not exceed the adopted annual budget.

V. RESERVES

The City will maintain the fund balance and working capital of the various operating funds at levels sufficient to protect the City's credit worthiness as well as its financial position during emergencies or economic fluctuations. In addition, the City may accumulate Fund Balances for a specific purpose and for unexpected financial opportunities.

A. *General Fund Unrestricted Fund Balance*

- The City shall maintain the General Fund unrestricted fund balance to no less than 3 months of regular General Fund operating expenditures.

- Excess fund balance levels may be used to fund emergencies, nonrecurring expenditures or major capital purchases that cannot be accommodated through the current year's budgeted revenues with Council approval.

- Funds accumulated for a specific purpose should be identified as such in the City's Financial Statements.

- Methods used to replenish fund balances that fall below required levels include an increase in property tax revenues and a decrease in budgeted expenses as economic conditions allow. The City should seek to replenish fund balance levels within 1 to 2 years of use.

B. *Utility Enterprise Funds/Unreserved Working Capital*

- The City shall maintain a working capital sufficient to provide for reserves for emergencies and revenue shortfalls. A cash equivalent operating reserve will be established and maintained at 3 months of the current year's budget appropriation for recurring operating expenses.

  The cash operating reserve is derived by dividing the total cash equivalents balance by recurring operating expenses.

- Excess fund balance levels may be used to fund emergencies, nonrecurring expenditures or major capital purchases that cannot be accommodated through the current year's budgeted revenues with Council approval. Should such use reduce balances below the level established as the objective for that fund, restoration recommendations will accompany the request/decision to utilize said balances.

- Funds accumulated for a specific purpose should be identified as such in the City's Financial Statements.

- Methods used to replenish fund balances that fall below required levels include an increase in rates and a decrease in budgeted expenses as economic conditions allow. The City should seek to replenish fund balance levels within 1 to 2 years of use.

The City shall not use proceeds or reserves from an Enterprise fund except for expenditures within the purpose of the fund, unless those expenditures have been approved for other purposes as part of the adopted budget.

Any other Enterprise fund transfers, advances, or formal loans outside of the normal budget process, will require a public hearing and an amendment to the previously adopted budget.

A transfer is defined as movement of funds with no obligation or repayment. An advance on the other hand has an obligation to be repaid, but with no specific terms. A formal loan would carry an obligation to be repaid with specific terms.

C. *Other Enterprise Funds/Unreserved Working Capital*

- Excess fund balance levels may be used to fund emergencies, nonrecurring expenditures or major capital purchases that cannot be accommodated through the current year's budgeted revenues with Council approval.
- Funds accumulated for a specific purpose should be identified as such.
- Methods used to replenish deficit fund balances will be discussed and approved by the City Council.

The City shall not use proceeds or reserves from an Enterprise fund except for expenditures within the purpose of the fund, unless those expenditures have been approved for other purposes as part of the adopted budget.

Any other Enterprise fund transfers, advances, or formal loans outside of the normal budget process, will require a public hearing and an amendment to the previously adopted budget.

A transfer is defined as movement of funds with no obligation or repayment. An advance on the other hand has an obligation to be repaid, but with no specific terms. A formal loan would carry an obligation to be repaid with specific terms.

D. *Debt Service Fund Unreserved Fund Balance*
The City shall maintain the debt service fund balance reserve as required by bond ordinances or covenants.

For reporting purposes GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements will improve financial reporting by providing fund balance categories that will be more easily understood.

1. Nonspendable - identifying amounts (such as inventory)
2. Restricted - includes amounts that can only be used for a specific purpose stipulated by the constitution, external resource providers, or through enabling legislation
3. Committed - includes amounts that can only be used for a specific purpose determined by the City Council
4. Assigned - includes amounts that can be used for a specific purpose but do not meet the criteria to be classified as "restricted" or "committed"
5. Unassigned - includes all spendable amounts not contained in other classifications

VI. CAPITAL EXPENDITURES AND IMPROVEMENTS

The City Council and the City staff will annually review and monitor the state of the City's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

A. *Capitalization Threshold for Tangible Capital Assets*
   1. Tangible capital items should be capitalized only if they have an estimated useful life of 2 years or more following the date of acquisition or significantly extend the useful life of the existing asset and cannot be consumed, unduly altered, or materially reduced in value immediately by use and have a cost of not less than $5,000 for any individual item.
   2. The capitalization threshold of $5,000 will be applied to individual items rather than to a group of similar items. (i.e.: desks, chairs, etc.)
   3. Accurate inventories of all tangible items will be maintained to ensure proper stewardship of public property.

B. *Five-Year Capital Improvement Plan (CIP)*
   1. The City shall annually prepare a five-year capital improvement plan based on the needs for capital improvements and equipment, the status of the City infrastructure, replacement and renovation needs, and potential new projects. Capital projects are improvements or additions to the City's physical plant/facilities/infrastructure and become a part of the City's asset inventory. Capital projects can be further categorized into land, buildings, improvements other than buildings, and infrastructure, which includes roads, sidewalks, bridges, utility lines, physical plants, etc. Capital costs typically consist of preliminary design, final design, and construction, and may involve the acquisition of land or easements. For purposes of the CIP Plan, a Capital Improvement Project should generally exceed a cost of $25,000.
   2. For the most part, projects in the CIP should be based upon master plans or developer agreements. This ensures that the City's CIP, which is the embodiment of the recommendations of these individual planning studies, is responsive to the officially stated direction of the City as contained in the Comprehensive Plan and supporting master plans. Examples of these supporting documents are: Water and Wastewater Plans, Thoroughfare Plan, Parks Master Plan, Trail Plan, Municipal Facilities Plan, etc.
   3. For every project identified in the CIP, a project scope and project justification will be provided. Also, project costs shall be estimated, funding sources identified and annual operation and maintenance costs computed.
   4. The City Manager is charged with recommending a Capital Improvement Plan to City Council. The CIP shall be filed and adopted in conjunction with the annual budget.
   5. Annually, through the budget process and at year-end, projects are to be reviewed. For those identified as complete, any remaining funds will close to fund balance. Funds remaining from bond proceeds will only be used in accordance with the legal use of those funds.
   6. Appropriations for capital projects are for the life of the project; therefore re-appropriation of capital funding for each fiscal year for budgeted projects is not

necessary.

C. *Infrastructure Evaluation and Replacement/Rehabilitation*
Utilities, street lighting, streets and sidewalks, municipal facilities and other infrastructure are fundamental and essential functions for public health and safety, environmental protections and the economic well being of the City. As a result, the City's CIP should be focused on ensuring that infrastructure is replaced as necessary to protect the City's investment, to minimize future replacement and maintenance costs, and to maintain existing levels of service and accommodate growth.

   1. High priority should be given to replacing/rehabilitating capital improvements prior to the time that they have deteriorated to the point where they are hazardous, incur high maintenance costs, negatively affect property values, or no longer serve their intended purpose.
   2. The decision on whether to repair, replace or to rehabilitate an existing capital asset will be based on which alternative is most cost-effective, which would include life-cycle costing, and provides the best value to the City.

D. *Replacement of Capital Assets on a Regular Schedule (Fleet, Fire Trucks, and High-Tech)*
The City shall annually prepare a schedule for the replacement of its fleet, fire trucks, and high technology capital assets. Funding for the replacement of these assets will be accomplished through the annual budget process, within the resources available each fiscal year. A variety of funding options will be explored, including but not limited to cash on hand and lease/purchase, based upon a determination of what would be in the best interest of the City.

E. *Capital Expenditure Financing*
The City recognizes that there are three basic methods of financing its capital requirements: Funding from current revenues; funding from fund balance; or funding through the issuance of debt. Types of debt and guidelines for issuing debt are set forth in the Debt Policy Statements.

F. *Pay-As-You-Go Capital Improvements*
   1. The City will pay cash for capital improvements within the financial affordability of each fund versus issuing debt when funding capital improvements and capital purchases. This will reduce/minimize the property tax and utility rate impacts on Fredericksburg citizens.
   2. The City will seek out and use grant funding sources for capital improvements in order to leverage City funding and to minimize property and utility rate impacts.

G. *Capital Improvements/Project Reporting*
A summary/status report on the City's various capital projects will be prepared monthly and available to the City Manager and to City Council.

VII. DEBT

The following guidelines for debt financing will provide needed facilities, land, capital equipment and infrastructure improvements while minimizing the impact of debt payments on current and future revenues.

A. *Use of Debt Financing*

Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued or incurred under State and Local laws, shall only be used to purchase capital assets that cannot be prudently acquired from either current revenues or fund balance and to fund infrastructure improvements and additions. Debt will not be used to fund current operating expenditures.

The City will pay cash for capital improvements within the financial affordability of each fund versus issuing debt when funding capital expenditures and capital improvements, which shall include but not be limited to sales tax, utility system revenues, developer fees, inter-local agreements, and state and federal grants.

B. *Affordability*

The City shall use an objective analytical approach to determine whether it can afford to issue general-purpose debt, both General Obligation and Certificates of Obligation, and any other financing permitted by state law. The process shall include an internal feasibility analysis for each long-term financing which analyzes the impact on current and future budgets, which would include the tax and utility rates. The process shall also include the benefits of the proposed projects. The decision on whether or not to issue new debt shall be based on the benefits of the project, current conditions of the municipal bond market, and the City's ability to "afford" new debt.

C. *Types of Long-Term Debt*

1. General Obligation Bonds (GO)

   General Obligation bonds require voter approval and are secured by a promise to levy taxes in an amount necessary to pay annual debt service.

   a. General Obligation bonds must be issued for projects that are in accordance with the wording in the bond proposition.

2. Certificates of Obligation

   Certificates of Obligation may be issued without voter approval to finance any public works project or capital improvement, as permitted by State law. It is the City's policy to utilize Certificates of Obligation to finance public improvements in certain circumstances and only after determining the City's ability to assume additional debt. Circumstances in which Certificates might be issued include, but are not limited to the following.

   a. The City may issue CO's when there is insufficient funding on a general obligation bond-financed capital improvement.
   b. The City may issue CO's when "emergency" (urgent, unanticipated) conditions require a capital improvement to be funded rapidly.
   c. The City may issue CO's for projects when the City can leverage dollars from others to reduce the City's capital cost for a community improvement.
   d. The City may issue CO's for projects when there is no other adequate funding source available, the project is determined to be in the best interest of the City, and where a determination is made that waiting for the next bond referendum or having a bond referendum for a small amount of money or a small number of projects is impractical and where public notice versus a voted bond referendum is deemed acceptable by the City Council.
   e. The City may issue CO's if it would be more economical to issue Certificates of Obligation rather than issuing revenue bonds; and

3. Revenue Bonds

   Revenue bonds are generally payable from a designated source of revenue. They do not require voter approval.

   For the City to issue new revenue bonds, revenues, as defined in the ordinance authorizing the revenue bonds in question, shall meet the bond coverage ratio as defined in the ordinance. Annual adjustments to the City's rate structures for Enterprise Funds will be made as necessary to maintain the coverage factor.

D. *Debt Structures*

The City shall normally issue bonds with a life not to exceed 25 years for general obligation bonds and 30 years for revenue bonds, but in no case longer than the useful life of the asset. The City shall seek level or declining debt repayment schedules and shall seek to retire 90% of the total principal outstanding within 20 years of the year of issuance. There should be no debt structures that include increasing debt service levels in subsequent years, with the first and second year of a bond payout schedule the exception or as special situations may warrant. There shall be no "balloon" bond repayment schedules, which consists of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal payments starting generally no later than the second fiscal year after the bond issue.

The City will issue debt based on a fixed rate and will limit use of variable-rate debt due to the potential volatility of such instruments.

E. *Debt Refunding*

The City's financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the net present value savings of a particular refunding should exceed 3.0% of the refunded maturities unless (1) a debt restructuring is necessary or (2) bond covenant revisions are necessary to facilitate the ability to provide services or to issue additional debt or (3) the refunding is combined with a new debt issuance

F. *Interest Earnings on Debt Proceeds*

Debt interest earnings will be limited to funding changes to the bond financed Capital Improvement Plan in compliance with the voted propositions, cost overruns on bond projects, or be applied to debt service payments on the bonds issued.

G. *Bond Elections*

1. Timing of general obligation bond elections shall be determined by the inventory of current authorized, unissued bonds remaining to be sold and the Five-Year Capital Improvement Plan.
2. The total dollar amount of bond election propositions recommended to the voters should typically not exceed the City's estimated ability to issue the bonds within a 7 year period.
3. An analysis showing how the new debt combined with current debt impacts the City's tax rate and debt capacity will accompany every future bond issue proposal.

H. *Sale Process*

The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. The City will utilize a negotiated process when the issue is, or contains, a refinancing that is dependant on market/interest rate timing, if the interest rate environment or market/economic factors may affect the bond issue, or if the nature of the debt is unique and requires particular skills from the underwriters involved. The City shall award the bonds based on a true interest costs (TIC) basis. However, the City may award bonds based on a net interest cost (NIC) basis as long as the financial advisor agrees that the NIC basis can satisfactorily determine the lowest and best bid.

I. *Underwriting Syndicates*

The City's financial advisor shall attempt to involve qualified and experienced firms, which consistently submit ideas to the City and financial advisors and actively participate in the City's competitive sale in its negotiated underwritings. In conjunction with the City, the City's financial advisor shall recommend the structure of underwriting syndicates, which will be optimal for the type and amount of debt being issued.

J. *Bond Ratings*

Full disclosure of operations and open lines of communications shall be maintained with the rating agencies. Credit ratings will be sought from one or more of the nationally recognized municipal bond rating agencies, as recommended by the City's financial advisor.

The City will continually strive to maintain or increase the City's current bond ratings by prudently managing its funds and by reviewing and monitoring financial policies, budgets, forecasts and the financial health of the City.

K. *Covenant Compliance*
The City will comply with all covenants stated in the bond ordinance, including providing for annual disclosure information and providing for material event notices.

L. *Arbitrage Rebate Monitoring and Reporting*
Arbitrage is the interest earned on the investment of bond proceeds above the interest paid on the debt. The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation. The recordkeeping shall include tracking project expenditures, interest earned on the bonds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt. Arbitrage rebate calculations will be performed annually on all debt issues and the liability recorded for any positive arbitrage. Due to the specialized nature of the calculations, this function will typically be outsourced.

M. *Lease/Purchase Agreements*
The City will use lease/purchase agreements for the acquisition of equipment when it is cost-effective and provides for attractive terms. All lease purchase agreements must be approved by City Council regardless of the dollar amount.

VIII. CASH MANAGEMENT AND INVESTMENTS

The City will maintain cash and investments in such a manner so as to ensure the absolute safety of principal, to meet the liquidity needs of the City, and to achieve the highest possible yield.

A. *Investment Management*
   1. All aspects of cash/investment management shall be designed to ensure safety and integrity of the City's financial assets.
   2. Cash/Investment management activities shall be conducted in full compliance with prevailing local, state, and federal regulations. (See City's Investment Policy and Strategy)
   3. The City will utilize competitive quotes from approved broker/dealers, affording no special advantage to any individual or corporate member of the financial or investment community.
   4. The City will only do business with City authorized broker/dealers and/or financial institutions as approved by Council and who have executed a written certification of their review of the City's Investment Policy.
   5. The City shall design and establish policies relating to a variety of cash/investment management issues, such as the eligibility and selection of various broker/dealers, safekeeping requirements, collateral requirements, delivery versus payment requirements, weighted average maturity requirements and other such aspects of the program, which necessitate standard setting in pursuit of appropriate prudence and enhanced protection of assets. (See City's Investment Policy)
   6. Investments of the City shall be made with the exercise of judgment and care which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment.

B. *Investment Strategy*
   The City of Fredericksburg maintains a consolidated portfolio in which it pools its funds for investment purposes. The City's investment program seeks to achieve safety of principal, adequate liquidity to meet cash needs, and reasonable yields commensurate with the preservation of principal and liquidity. (See City's Investment Strategy)

C. *Interest Income*
   Interest earned from investments shall be distributed to the funds from which the funds were provided.

D. *Arbitrage Investments*
   Investment on bond proceeds will be made with safety of principal and liquidity in mind, but with a competitive rate of return. If there is positive arbitrage, the rebatable earnings will be sent to the IRS, as necessary.

E. *Depository*

The City will select its official bank through a formal bidding process in order to provide the City with the most comprehensive, flexible, and cost-effective banking services available. The City will at a minimum, bid depository services every eight years. The City will review the financial health of the City's depository annually to include but not be limited to earnings, assets, capital, and liquidity.

F. *Collateralization of Deposits*

1. The City shall have pledged collateral held at an independent third-party institution and evidenced by a written receipt.
2. The value of the pledged collateral should be marked to market monthly and shall be at least 102 percent of par or market value of the investments, whichever is greater.
3. Substitutions of collateral shall meet the requirements of the collateral agreement. Collateral shall not be released until the replacement collateral has been received, if the release of the collateral should result in the value being under 102 percent of par value.
4. The pledge of collateral shall comply with the City's investment policy.

IX. GRANTS AND INTERGOVERNMENTAL REVENUES

The City will seek, apply for, and effectively administer federal, state and local grants, which support the City's current priorities and policy objectives. The City should take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants.

A. *Grant Guidelines*
   1. The City shall apply and facilitate the application for only those grants that are consistent with the objectives and high priorities identified by Council and management.
   2. Grant funding will be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs and services.
   3. The potential for incurring ongoing costs, to include assumptions of support for grant-funded positions from local revenues, will be considered prior to applying for a grant.

B. *Grant Review Process*
   1. A uniform grants pre-application process will be utilized to assure the City has all the information necessary to make a decision regarding a potential grant. Information to be provided should include but not be limited to:
      a. The grant being pursued and the use to which it would be placed.
      b. The objectives or goals of the City which will be achieved through the use of the grant.
      c. The local match required, if any, plus the source of the local match.
      d. The increased cost to be locally funded upon termination of the grant.
   2. All grant agreements will be reviewed by the appropriate City staff, including Finance, Legal, HR, and the sponsoring department, to ensure compliance with state, federal, and City regulations.
   3. The City Manager shall approve all grant submissions and City Council shall approve all grant acceptances over $50,000.

C. *Budgeting for Grant Expenditures*

   Annually via the budget process, departments will submit for possible funding, known grant opportunities. These grant opportunities will be prioritized and ranked along with all other supplemental requests. If approved, the expenditure and associated revenue will be appropriated in the Grant Fund. If there are grant opportunities that arise during the year and are received by the City, the budget will be amended via the projections, if the City can fund the local match required.

D. *Grant Termination and/or Reduced Grant Funding*
   1. In the event of reduced grant funding, City resources will be substituted only after all program priorities and alternatives are considered during the budget process, unless the City is obligated through the terms of the grant to maintain the positions, services, or equipment.
   2. The City shall terminate grant-funded programs and associated positions when grant funds are no longer available, and it is determined that the program no longer supports City goals and/or is no longer in the best interest of the City, unless the City has obligated itself through the terms of the grant to maintain the positions, services, or equipment.

X. FINANCIAL CONSULTANTS

The City will employ qualified financial advisors and consultants as needed in the administration and management of the City's financial function. These areas include but are not limited to audit services, debt administration, delinquent tax collection attorney, and financial modeling. The principal factors in the selection of these consultants will be experience/expertise, ability to perform, the services offered, references, and methodology to name a few. In no case should price be allowed to serve as the sole criterion for the selection.

A. *Selection of Auditors*

At least every eight years, the City shall request proposals from qualified firms, including the current auditors if their past performance has been satisfactory. The City Council shall select an independent firm of certified public accountants to perform an annual audit of the accounts and records, and render an opinion on the financial statements of the City.

It is the City's preference to rotate auditor firms every eight years at the maximum, to ensure that the City's financial statements are reviewed and audited with an objective, impartial, and unbiased point of view. The rotation of the audit firm will be based upon the proposals received, the qualifications of the firm, and the firm's ability to perform a quality audit.

However, if through the proposal and review process, management and the Audit Committee select the current audit firm, then, it is the City's preference that the lead audit partner be rotated as well as the lead reviewer after a maximum of eight years.

B. *Arbitrage*

1. The City shall calculate positive/negative arbitrage on each bond issue annually. While the City is responsible to ensure that the records are in order, the calculations made, reporting completed, and filings made, the actual arbitrage calculation and reporting shall be contracted out to a qualified firm.
2. Requests for proposals and statement of qualifications are to be solicited at least every seven years. There is not a requirement for rotation.

C. *Delinquent Tax Collection Attorney*

1. Due to the nature and expertise required, the City shall hire a delinquent tax collection attorney to collect delinquent taxes, represent the City in filing bankruptcy claims, foreclose on real property, seize personal property, and represent the City in court cases and property sales.
2. Requests for proposals and statement of qualifications are to be solicited at least every seven years. There is no requirement for rotation.

D. *Bond Counsel*

Bond Counsel to the City has the role of an independent expert who provides an objective legal opinion concerning the issuance and sale of bonds and other debt instruments. As bond counsel are specialized attorneys who have developed necessary expertise in a broad range of practice areas, the City will always use a consultant for these services. Generally, bonds are not marketable without an opinion of nationally recognized bond counsel stating that the bonds are valid and binding obligations stating the sources of payment and security for the bonds and that the bonds are exempt from Federal income taxes.

E. *Financial Advisory Services*

The City issues various types of securities to finance its capital improvement program. Debt structuring and issuance requires a comprehensive list of services associated with municipal transactions, including but not limited to: method of sale; analysis of market conditions; size and structure of the issue; coordinating rating agency relations; evaluation of and advice on the pricing of securities, assisting with closing and debt management; calculation of debt service schedules; and advising on financial management. As financial advisors to governmental entities have developed the necessary expertise in a broad range of services, the City will use a consultant for these services.

F. *Depository Bank*

Pursuant to State law, the City may approve a depository contract whose term does not exceed five years. There is no requirement for rotation. The City will select its official banking institution through a formal process based on best value in order to provide the City with the most comprehensive, flexible, and cost-effective banking services available.

CITY COUNCIL MEMO

DATE: November 25, 2013

TO: Mayor and City Council

FROM: Brad Kott, Director of Finance

SUBJECT: TMRS Ordinance - *50% Updated Service Credits;Transfers - 50% of CPI Increase to Annuitants and - Supplemental Death Benefits for Active and Retired Employees*

Summary:

As part of the FY 2014 Budget process the City Council approved amendments to the City's Texas Municipal Retirement System (TMRS) Plan. These amendments include the allowance of updated service credits and a cost of living increase to retirement annuities. In addition, the Council approved participation in the TMRS supplemental death benefits fund. By adopting this ordinance the City's full contribution rate for 2014 will be 10.26%.

Recommendation:

Attached is the ordinance that must be adopted for these changes to go into effect. The model ordinance was provided by TMRS and meets their requirements. The funding for these amendments is included in the FY 2014 budget. The amendments will be effective January 1, 2014.

Background/Analysis:

By adopting this ordinance, the City will not have to adopt an ordinance each year to reauthorize calculation of the Updated Service Credit/Annuity Increase each year and these benefits will remain in effect for future years until such time as it is discontinued by an ordinance adopted by the City Council.

The Supplemental Death Benefits provision states that if an employee dies while employed with the City, TMRS will pay his/her designated beneficiary or estate a benefit approximately equal to their current salary, in addition to any retirement benefits that are due.

Also the provision states that TMRS will pay the designated beneficiary or the estate of an employee who retired from your city a benefit of $7,500 in the event of the retiree's death in addition to any retirement benefits that are due.

TMRS-USC/T CPI/R
SDB A&R

TEXAS MUNICIPAL RETIREMENT SYSTEM

AN ORDINANCE AUTHORIZING AND ALLOWING, UNDER THE ACT GOVERNING THE TEXAS MUNICIPAL RETIREMENT SYSTEM, "UPDATED SERVICE CREDITS" IN SAID SYSTEM FOR SERVICE PERFORMED BY QUALIFYING MEMBERS OF SUCH SYSTEM WHO PRESENTLY ARE MEMBERS OF THE CITY OF FREDERICKSBURG; PROVIDING FOR INCREASED PRIOR AND CURRENT SERVICE ANNUITIES FOR RETIREES AND BENEFICIARIES OF DECEASED RETIREES OF THE CITY; PROVIDING FOR PARTICIPATION OF THE CITY IN THE SUPPLEMENTAL DEATH BENEFITS FUND OF THE TEXAS MUNICIPAL RETIREMENT SYSTEM, TO PROVIDE CERTAIN IN-SERVICE DEATH BENEFITS FOR EMPLOYEES, AND DEATH BENEFITS FOR ANNUITANTS WHOSE LAST EMPLOYMENT BEFORE RETIREMENT WAS WITH THE CITY OF FREDERICKSBURG, AND ESTABLISHING AN EFFECTIVE DATE FOR SUCH ACTIONS.

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

Section 1. Authorization of Updated Service Credits.

(a) On the terms and conditions set out in Sections 853.401 through 853.403 of Subtitle G of Title 8, Government Code, as amended (hereinafter referred to as the "TMRS Act"), each member of the Texas Municipal Retirement System (hereinafter referred to as the "System") who has current service credit or prior service credit in the System in force and effect on the 1st day of January of the calendar year preceding such allowance, by reason of service in the employment of the City, and on such date had at least 36 months of credited service with the System, shall be and is hereby allowed "Updated Service Credit" (as that term is defined in subsection (d) of Section 853.402 of said title) in an amount that is **50%** of the "base Updated Service Credit" of the member (calculated as provided in subsection (c) of Section 853.402 of said title). The Updated Service Credit hereby allowed shall replace any Updated Service Credit, prior service credit, special prior service credit, or antecedent service credit previously authorized for part of the same service.

(b) On the terms and conditions set out in Section 853.601 of said title, any member of the System who is eligible for Updated Service Credits on the basis of service with this City, and who has unforfeited credit for prior service and/or current service with another participating municipality or municipalities by reason of previous service, and was a contributing member on the 1st day of January of the calendar year preceding such allowance, shall be credited with Updated Service Credits pursuant to, calculated in accordance with, and subject to adjustment as set forth in said section 853.601.

(c) In accordance with the provisions of subsection (d) of Section 853.401 of said title, the deposits required to be made to the System by employees of the several participating departments on account of current service shall be calculated from and after the date aforesaid on the full amount of such person's earnings as an employee of the City.

Section 2. **Increase in Retirement Annuities.**

(a) On terms and conditions set out in Section 854.203 of Subtitle G of Title 8, Government Code, as amended, the City hereby elects to allow and to provide for payment of the increases below stated in monthly benefits payable by the System to retired employees and to beneficiaries of deceased employees of the City under current service annuities and prior service annuities arising from service by such employees to this City. An annuity increased under this Section replaces any annuity or increased annuity previously granted to the same person.

(b) The amount of the annuity increase under this Section is computed as the sum of the prior service and current service annuities on the effective date of retirement of the person on whose service the annuities are based, multiplied by **50%** of the percentage change in Consumer Price Index for All Urban Consumers, from December of the year immediately preceding the effective date of the person's retirement to the December that is 13 months before the effective date of this Section.

(c) An increase in an annuity that was reduced because of an option selection is reducible in the same proportion and in the same manner that the original annuity was reduced.

(d) If a computation hereunder does not result in an increase in the amount of an annuity, the amount of the annuity will not be changed hereby.

(e) The amount by which an increase under this Section exceeds all previously granted increases to an annuitant is an obligation of this City and of its account in the Benefit Accumulation Fund of the System.

Dates of Allowances and Increases. The initial allowance of Updated Service Credit and increase in retirement annuities hereunder shall be effective on **January 1, 2014,** subject to approval by the Board of Trustees of the System. An allowance of Updated Service Credits and an increase in retirement annuities shall be made hereunder on January 1 of each subsequent year until this ordinance ceases to be in effect under subsection (e) of Section 853.404 of the TMRS Act, provided that, as to such subsequent year, the actuary for the System has made the determination set forth in subsection (d) of Section 853.404 of the TMRS Act.

BE IT FURTHER ORDAINED:

Section 1. That the City of Fredericksburg hereby elects to participate in the Supplemental Death Benefits Fund of the Texas Municipal Retirement System for the purpose of providing in-service death benefits for each of the City's employees who are members of said System, and for the purpose of providing post-retirement death benefits for annuitants whose last covered employment was as an employee of the City, in the amounts and on the terms provided for in Sections 852.004, 854.601 through 854.605, 855.313, 855.314, 855.408, and 855.502 of Title 8 Subtitle G, Texas Government Code, as amended.

Section 2. The City of Fredericksburg is hereby authorized and directed to notify the Director of the System of adoption of this ordinance, and of the participation of the City in said Fund.

Section 3. Participation of the above mentioned employees and annuitants in the Supplemental Death Benefits Fund shall be effective on the **first day of** January, **2014**.

Passed and approved this the ________ day of ________________________, 20_____.

ATTEST: **APPROVED:**

______________________________ City Secretary or Clerk

______________________________ Mayor

CITY COUNCIL MEMO

DATE: November 25, 2013

TO: Mayor and City Council

FROM: Brian Jordan, AICP

SUBJECT: Annexation of approximately 15.29 acres out of the William H. Anderson Survey No. 197, Abstract No. 2, otherwise known as Stone Ridge Unit 8.

Summary:

The property is located to the north of Stone Ridge Unit 5 and west of Unit 2 (see the attached exhibit). The required public hearings were conducted on October 7 and October 21, 2013. The Institution of Annexation Proceedings occurred in a special meeting on November 13, 2013.

Recommendation:

Approval.

Background / Analysis:

The Final Plat and Construction Plans for this phase are being reviewed and will be considered by the Planning and Zoning Commission on December 4, 2013. As part of the platting of this property, the developer will be responsible for the extension of utilities necessary to serve this phase, drainage improvements and street improvements. Unit 8 consists of 33 single-family lots, consistent in size as

The City of Fredericksburg

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previous phases. The total number of lots included in Units 1-8 will be 310. The property will come into the City as R-1, Single Family Residential Zoning.

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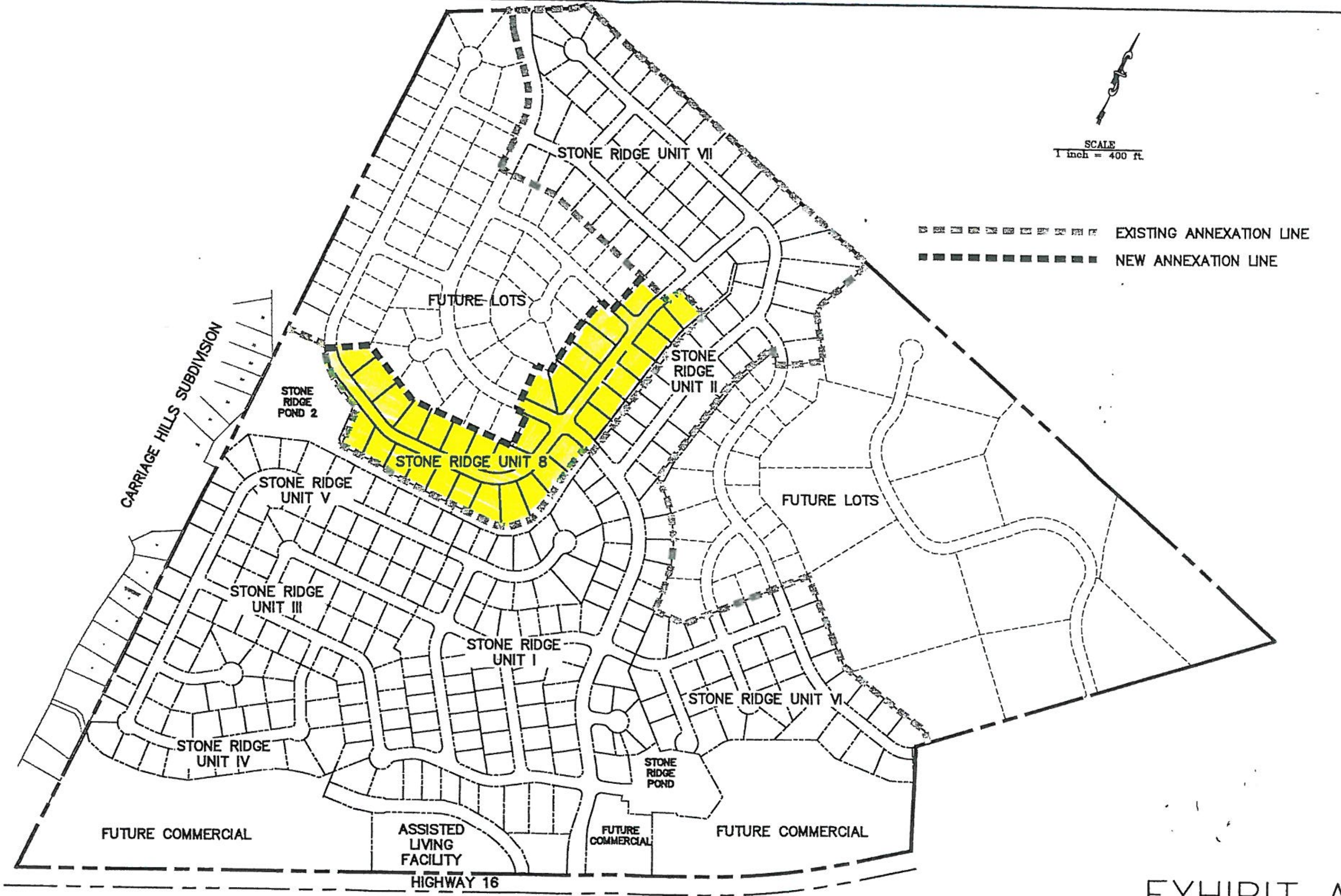
SCALE
1 inch = 400 ft.
EXISTING ANNEXATION LINE
NEW ANNEXATION LINE
STONE RIDGE UNIT VII
FUTURE LOTS
STONE RIDGE UNIT II
STONE RIDGE POND 2
STONE RIDGE UNIT 8
CARRIAGE HILLS SUBDIVISION
STONE RIDGE UNIT V
FUTURE LOTS
STONE RIDGE UNIT III
STONE RIDGE UNIT I
STONE RIDGE UNIT VI
STONE RIDGE UNIT IV
STONE RIDGE POND
FUTURE COMMERCIAL
ASSISTED LIVING FACILITY
FUTURE COMMERCIAL
FUTURE COMMERCIAL
HIGHWAY 16

4D

EXHIBIT A

ORDINANCE NO. ________

AN ORDINANCE ANNEXING TO THE CITY OF FREDERICKSBURG, TEXAS A 15.29 ACRE TRACT OF LAND IN GILLESPIE COUNTY, TEXAS, BEING OUT OF THE REMAINING PORTION OF A 258 ACRE TRACT OF LAND, DESCRIBED IN VOLUME 63, PAGE 366, DEED RECORDS OF GILLESPIE COUNTY, TEXAS, AND BEING OUT OF THE WILLIAM H. ANDERSON SURVEY NO. 197, ABSTRACT NO. 2; EXTENDING THE CORPORATE LIMITS OF THE CITY OF FREDERICKSBURG, TEXAS, 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 OF FREDERICKSBURG, TEXAS; BINDING THE INHABITANTS AND FUTURE INHABITANTS OF SAID TERRITORY BY ANY AND ALL ACTS, ORDINANCES, RESOLUTIONS AND REGULATIONS OF SAID CITY OF FREDERICKSBURG, TEXAS.

WHEREAS, the CITY OF FREDERICKSBURG did on the 13th day of November, 2013, institute annexation proceedings for the following tract of land situated in Gillespie County, Texas, to-wit:

> BEING 15.29 acre tract of land in Gillespie County, Texas, being out of the remaining portion of a 258 acre tract of land, described in Volume 63, Page 366, Deed Records of Gillespie County, Texas, being out of the William H. Anderson Survey No. 197, Abstract No. 2, Gillespie County, Texas, said 15.29 acres of land being more particularly described by metes and bounds on Exhibit "A" attached hereto and made a part hereof,

which land is contiguous and adjacent to the limits of the City of Fredericksburg, Texas; and

WHEREAS, the City Council has heard arguments for and against the annexation of such territory at two (2) public hearings in accordance with Section 43.052 of the Local Government Code of the State of Texas; and

WHEREAS, the City Council of the City of Fredericksburg, Texas, has determined that said property is contiguous and adjacent to the limits of the City of Fredericksburg, Texas; and that the owner thereof has requested annexation by the City of Fredericksburg, that the said area to be annexed meets all requisites of law for annexation, and that such territory should be annexed to the City of Fredericksburg, Texas and the corporate limits of the City of Fredericksburg, Texas should be extended so as to include such territory; and that the City Council of the City of Fredericksburg, Texas, by the provisions of the Local Government Code of the State of Texas, and the Charter of the City of Fredericksburg, has the power to annex such territory;

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

Section 1. That the property adjoining the corporate limits of the City of Fredericksburg, Texas, being described by metes and bounds above, be and the same is hereby annexed to the City of Fredericksburg, Texas; that the corporate limits of the City of Fredericksburg, Texas, be and they are hereby extended so as to include such territory within the limits of the City of Fredericksburg, Texas; and that said territory shall hereafter be included within the territorial limits of the City of Fredericksburg, Texas.

Section 2. That the present and future inhabitants of such territory shall hereafter be entitled to all the rights and privileges of other citizens of the City of Fredericksburg, Texas; and that the inhabitants of such territory shall be bound by any and all the acts, ordinances, resolutions and regulations of the City of Fredericksburg, Texas.

Section 3. That said property is annexed under, and in accordance with, a preexisting annexation agreement.

PASSED AND APPROVED this the 2nd day of December, 2013.

JERYL HOOVER, Mayor
City of Fredericksburg, Texas

ATTEST:

SHELLY BRITTON, City Secretary

APPROVED AS TO FORM:

PAT MCGOWAN, City Attorney

EXHIBIT "B"

CEC

CIVIL ENGINEERING CONSULTANTS
DON DURDEN, INC.
11550 IH 10 West, Suite 395
San Antonio, TX 78230-1037
T: 210-641-9999 F: 210-641-6440

Job No.: E0439700
July 9, 2013

DESCRIPTION OF A 15.29 ACRE TRACT OF LAND

Being 15.29 acres of land in Gillespie County, Texas, being out of the remaining portion of a 258 acre tract of land described in Volume 63, Page 366, Deed Records, Gillespie County, Texas, also being out of the William H. Anderson Survey No. 197, Abstract No. 2, and being more particularly described by metes and bounds as follows:

BEGINNING at a point on the east right-of-way line of Stone Meadow (R.O.W.-50'), at the common corner of said remaining portion of a 258 acre tract and Lot 254, as shown on the subdivision plat of Stone Ridge, Unit VII, recorded in Volume 4, Page 58, Plat Records, Gillepsie County, Texas, the **POINT OF BEGINNING,** a north corner of this tract;

THENCE South 67°32'00" East, departing said east right-of-way line, coincident with the common line of the remaining portion of a 258 acre tract and said Lot 254, a distance of 150.00 feet to a point on a westerly line of Lot 100, shown on the subdivision plat of Stone Ridge, Unit II, recorded in Volume 3, Page 82, Plat Records, Gillepsie County, Texas, the northeast corner of this tract;

THENCE South 22°28'00" West, coincident with said westerly line of Stone Ridge, Unit II, a distance of 130.16 feet to a point, an angle point of this tract;

THENCE South 11°33'56" West, continuing coincident with the westerly line of Stone Ridge, Unit II, passing at a distance of 507.87 feet, the common corner of Unit II and the Stone Ridge, Unit 1, recorded in Volume 2, Page 98, Plat Records, Gillepsie County, Texas, and continuing total distance of 598.03 feet to a point on the north right-of-way line of Ellebracht Dr. (R.O.W-60'), also shown on said subdivision plat of Stone Ridge, Unit 1, an angle point of this tract;

THENCE South 24°26'28" West, crossing with the westerly terminus of said Ellebracht Dr., a distance of 60.00 feet to a point on the common line of the southerly right-of-way line of Ellebracht Dr. and a Drainage Right-of-Way, also shown on the subdivision plat of Stone Ridge, Unit 1, an angle point of this tract;

THENCE coincident with said Drainage Right-of-Way, the following courses:

North 65°33'21" West, a distance of 6.92 feet to a point, a point of curvature;

Curving to the left, with a radius of 370.00 feet, a central angle of 04°30'28, an arc length of 29.11 feet, a chord bearing of North 67°48'46" West, and a chord distance of 29.10 feet to a point, the end of this curve, a reentrant corner of this tract;

South 06°06'09" West, a distance of 314.04 feet to a point, an angle point of this tract;

South 08°12'43" West, a distance of 13.29 feet to a point, an angle point of this tract;

South 14°32'25" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 22°58'40" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 31°24'56" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 39°51'11" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 48°17'27" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 56°43'43" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 65°09'58" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 73°36'14" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 82°02'29" West, a distance of 26.56 feet to a point, an angle point of this tract;

South 88°22' 11" West, a distance of 13.29 feet to a point, an angle point of this tract;

North 89°31'15" West, passing at a distance of 160.02 feet, the common corner of the aforementioned Drainage Right-of-Way, Stone Ridge, Unit 1 and a Variable Width Drainage and Utility Easement shown on the subdivision plat of Stone Ridge, Unit V, recorded in Volume 3, Page 178, Plat Records, Gillepsie County, Texas, and continuing a total distance of 453.53 feet to a point, an angle point of this tract;

THENCE continuing coincident with coincident with the northerly line of said Variable Width Drainage and Utility Easement, the following courses:

North 77°06'48" West, a distance of 51.20 feet to a point, an angle point of this tract;

North 89°31'15" West, a distance of 207.93 feet to a point, an angle point of this tract;

North 46°27'44" West, a distance of 28.28 feet to a point, an angle point of this tract;

North 01°27'45" West, a distance of 161.83 feet to a point, an angle point of this tract;

North 66°27'45" West, a distance of 84.77 feet to a point, a point of curvature;

Curving to the right, having a radius of 315.00 feet, a central angle of 36°04'56", an arc length of 198.37 feet, a chord bearing of North 48°25'16" West, and a chord distance of 195.11 feet to a point, the end of this curve, the west corner of this tract;

THENCE crossing the remaining portion of the aforementioned remaining portion of the 258 acre tract, the following courses:

North 59°47'31" East, a distance of 197.79 feet to a point, an angle point of this tract;

South 64°40'14" East, a distance of 304.59 feet to a point, an angle point of this tract;

North 88°31'33" East, a distance of 445.30 feet to a point, a reentrant corner of this tract;

North 01°28'27" West, a distance of 150.00 feet to a point, a reentrant corner of this tract;

South 88°31'33" West, a distance of 49.25 feet to a point, a corner of this tract;

North 01°28'27" West, a distance of 210.00 feet to a point, a corner of this tract;

North 88°31'33" East, a distance of 65.00 feet to a point, an angle point of this tract;

North 11°34'23" East, a distance of 382.24 feet to a point, a corner of this tract;

South 73°49'59" East, a distance of 58.14 feet to a point, a reentrant corner of this tract;

North 16°10'01" East, a distance of 199.60 feet to a point on the common line of said remaining portion of the 258 acre tract and the southerly line of the aforementioned Stone Ridge, Unit VII, a northerly corner of this tract;

THENCE South 73°50'26" East, coincident with said common line, a distance of 104.65 feet to a point on the westerly right-of-way line of the aforementioned Stone Meadow, an angle point the remaining portion of the 258 acre tract, and of this tract;

THENCE South 67°32'00" East, coincident with the southerly terminus of said Stone Meadow, a distance of 50.00 feet to a point on the east right-of-way line of said Stone Meadow, a reentrant corner of the remaining portion of the 258 acre tract, and of this tract;

THENCE North 22°28'00" East, coincident with the remaining portion of the 258 acre tract and said east right-of-way line Stone Meadow, a distance of 79.64 feet to the **POINT OF BEGINNING,** and containing 15.29 acres of land, more or less.

This document was prepared under 22TAC §663.21, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interest in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared. The basis of bearings recited herein is the Texas State Plane Coordinate System, South Central Zone (NAD83).

CITY COUNCIL MEMO

DATE: December 2, 2013

TO: Mayor and City Council

FROM: Clinton Bailey, P.E., Director of Public Works and Utilities

SUBJECT: City of Fredericksburg Watering Restrictions

Summary:

This item will include a presentation by City Staff regarding proposed changes to the City of Fredericksburg ordinance regarding watering restrictions, specifically Fredericksburg, Texas, Code of Ordinances >> PART II - CODE OF ORDINANCES >> Chapter 47 - UTILITIES >> ARTICLE II. - WATER CONSERVATION MEASURES >> DIVISION 2. - CRITERIA CONCERNING DROUGHT RESPONSE STAGES >>

Notable areas where major changes are proposed to the existing ordinance are as follows:

1. Trigger Conditions - Local drought conditions that trigger initiation or termination of drought stages

2. Watering Times - The times during a prescribed watering day that customers are allowed to water

3. Watering Days - The day(s) of the week(s) that customers are allowed to water

The City of Fredericksburg

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Recommendation:

Staff recommends that proposed changes be considered by the City Council and incorporated into an amended ordinance that will be consideration for adoption during a future City Council meeting.

Background / Analysis:

Watering restrictions in the City of Fredericksburg are determined by the different drought response stages (Stages 1-5). Currently, drought response stages are triggered based on the City of Fredericksburg's physical ability to deliver water to its customers. The determination to initiate or terminate drought stages is very subjective in nature and does not involve consideration of "true" drought related parameters.

The Hill Country Underground Water Conservation District (HCUWCD)located in Fredericksburg, TX calculates a true "Local Drought Index" based in multiple local drought sensitive parameters that include:

(1) Daily average Water levels from two City of Fredericksburg Ellenburger aquifer wells located in areas where heavy pumpage occurs for municipal and irrigation demands monitor wells.

(2) Average daily flow from of the Pedernales River from a Lower Colorado River Authority (LCRA) gauging station located on Highway 87 site south of Fredericksburg.

(3) The prior 10-month cumulative rainfall amounts recorded by the City of Fredericksburg at Lady Bird Johnson Park.

(4) The Palmer Drought Severity Index for the Edwards Plateau

Based on calculated local drought index values, the HCUWCD is able to determine true drought levels and corresponding drought stages for the City of Fredericksburg at any given time. The HCUWCD drought response stages correspond exactly with City of Fredericksburg drought response stages. In an effort to more closely approximate true local drought conditions and to compensate for these conditions by applying the appropriate water conservation measures (watering restrictions), the City of Fredericksburg is proposing to use HCUWCD methods of determining the local drought index as the basis for its various drought response stages.

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CITY COUNCIL MEMO

DATE: December 2, 2013

TO: Mayor and City Council

FROM: Clinton Bailey, P.E., Director of Public Works and Utilities

SUBJECT: Consider Wholesale Power Purchases

Summary:

During the regular meeting of the City Council on November 18, 2013, Schneider Engineering presented background information regarding City of Fredericksburg power purchases to the Council during regular session. In their presentation, Schneider Engineering reported that the City of Fredericksburg and other Power Supply Aggregation Group (PSAG) members currently receive 10% of their load from AEP and that this percentage will increase to 15% on July 1, 2014 and again on July 1, 2015 to 20%. Schneider Engineering indicated that contracts with AEP end June 30, 2017 after which Fredericksburg will be responsible to procure 5% of its energy from the market from July 1, 2015 to June 30, 2017; this 5% energy procurement requirement is based on the notice to increase load release to 20% provided to LCRA in June 2013 above the already contracted 15%. After stating that Fredericksburg will be responsible to procure 20% of its energy from the market following the conclusion of the AEP contracts, staff proposed to have Schneider Engineering return to a future Council meeting and present current market prices that Fredericksburg may take advantage of in future power purchase contracts.

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Recommendation:

Following review and discussion of current and proposed pricing in executive session, it is recommended that the City Council decide whether or not to select a new electric provider with whom to contract, decide on the term of the contract if a new electric provider is selected and determine future levels of participation in load release.

Background / Analysis:

The City is part of a Power Supply Aggregation Group of municipally owned utilities. This group includes Brady, Cuero and Lockhart. The Group has retained the services of Schneider Engineering to evaluate the anticipated pricing of power from LCRA compared to the pricing of power purchased on the open market. A status report from Schneider Engineering was presented to the City Council during their regular meeting on June 3, 2013 regarding the amount of power we currently purchase from LCRA and the power we presently purchase from the open energy market. Following review and discussion on current pricing information in executive session, the City Council decided to purchase an additional 5% of our power on the open market starting in FY 2018 which increased the City's overall open market power purchase from 15% to 20%.

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