

# City of Beach City Council Regular Meeting Minutes

The Beach City Council met for a Regular Meeting on  
**April 26, 2016** beginning at approximately 6:00 P.M. at the  
Beach City Community Building  
12723 FM 2354 Beach City, TX. 77523

**Members Present:** Mayor Billy Combs (presiding), Mayor Pro Tem Jackey Lasater, Alderman Doug Walker, Alderman Ray Smith, Alderman Paul Newman and Alderman Dana Colquitt

**Staff Present:** City Secretary Evonne Donnelly and Assistant Secretary Marge Bercaw

**Legal Counsel Present:** City Attorney Daniel Jackson

## 1. Call to order

On Tuesday, April 26, 2016 Mayor Combs called the meeting to order at 6:03 pm.

## 2. Invocation and Pledge of Allegiance

Mayor Combs offered prayer.

Alderman Smith led the Pledge of Allegiance to the United States and Texas flags.

## 3. Public Comments (Limited to five minutes per person)

None

## 4. Hear report and update from Chambers County Commissioner, Rusty Senac

Construction should begin in May for the 450 foot Communications Tower.

Tri-City Beach Grocery has closed down due to bad inspection reports from the County Health Inspector. Most of the non compliance issues had to do with refrigeration and food temperatures. Owner said he will reopen the store within six months. Commissioner Senac noted that in the late 80's the movie Blind Fury was filmed in part at the grocery store. The new pirate ship is open at McCollum Park and the new trees should be planted in the next month or so.

The new Chambers County Library is open on Eagle Drive.

## 5. Hear report and update from Beach City Volunteer Fire Department (BCVFD)

No report given

**6. Approval of Minutes for Regular Meeting of March 22<sup>nd</sup>, 2016**

**Motion** to approve the minutes

**Motion:** Walker

**Second:** Lasater

**Approved:**

Discussion: Alderman Colquitt pointed out that in Item 10, sixth line down, a correction in the spelling of the word there to "their" is needed.

Mayor Combs added in the same line item, third line down, it should read Mayor Combs asked "Attorney Jackson", not Council.

Mayor Combs asked Secretary Donnelly to listen to the audio tape again to ensure the correct verbiage is listed in Line Item 12, four sentences down, where it states that Mayor Combs noted that *CenterPoint can convert all street lights to LED lights at no charge*. Also, in Line Item 13, second sentence down, it should read "Mr. Adams" intends to meet with Nerro Supply, not Mr. Blitch intends to meet with Nerro Supply.

**Motion to amend as noted**

**Amended Motion:** Walker

**Amended Second:** Lasater

**Approved:** 5-0

**7. Financial Consent Agenda** (All financial consent agenda items are considered routine by Council and will be enacted by one motion. A Councilmember may request an item to be removed and considered separately.)

(a) Review and approve the Financial Statements for previous month

(b) Review and approve Investment Update

(c) Review and approve Expenditures for the current month

(d) Approve renewal or reinvestment of **BBVA CD #375**

Mayor Combs requested Item (d) be removed and considered separately.

**Motion** to approve the Financials, except for Item (d).

**Motion:** Newman

**Second:** Colquitt

**Approved:** 5-0

Discussion: Alderman Walker asked Mayor Combs to refresh his memory on the Special Contractual Services category.

Mayor Combs explained that during the budget meeting last year, \$1,500 was budgeted for the 50<sup>th</sup> Anniversary Celebration and money was also budgeted for Sit Down with Santa. At the end of the summer in 2015, the City received approximately \$7,800 from Chambers County to be used for the Child Safety Fund. This money was categorized as Miscellaneous Income and the expense was categorized as Special Contractual Services; the budget has not been amended. Today a sub-category has been set up under Special Contractual Services, to separate out the 50<sup>th</sup> anniversary celebration.

Line Item (d) Approve renewal or reinvestment of **BBVA CD #375**

CD #375 in the amount of \$47,980.76 matures before the May Council meeting.

Reviewing the handout of the CD rates as of April 20<sup>th</sup>, Capital Bank has a competitive rate of 2.0% if you commit to a 50 month CD.

Mayor Combs recommends a one year CD with BBVA at a rate of 1.15%; there is also a two year CD for 1.25% with BBVA.

Alderman Walker votes for a one year CD since there is not much difference in the interest collected with the two year CD.

Alderman Newman stated that Council has had this same discussion for about the last five years. He looks back five years now and feels that the City has missed some opportunities to collect every single tenth they could by not going with the long term CD's.

Alderman Newman questioned, looking forward now is there something that will change on the horizon; the answer to that is no. Alderman Newman asked if Council wants to continue to miss opportunities looking back on the chance they might get something going forward. Collectively as a philosophy, right or wrong, good or bad, Council has always leaned toward the shorter obligation and sacrificed a few tenths here or there. Going forward and doing that for a decade at a time then you really have lost some revenue over that decade.

Alderman Walker added that if you look over past history, not necessarily recent past, then you really could get burned by investing in the longer term CD's.

Alderman Newman agreed, but feels we are in a totally different economic environment and have been for several years. Just because Council has rubber stamped this in the past maybe we should look back and say hey, we've missed lots of tenths which have added into a few percents in the past few years.

**Motion** for BBVA for two years

**Motion:** Walker

**Second:** Newman

**Approved:** 4-0

**Abstain:** Smith

**8. Review and Possible Action on "Application of CenterPoint Energy Houston Electric, LLC for Approval of a Distribution Cost Recovery"**

Mayor Combs merged Items 8 & 9 for discussion purposes.

This is a proposed rate increase request by CenterPoint Energy Electric submitted to the City and the PUC (Public Utilities Commission) for \$60,596,000.000 over an annual basis.

The recommendation is to deny the increase. The City would be joining with the same Coalition listed in Items 11 & 12.

**Motion** to deny the application approval to amend the Distribution Cost Recovery Factor by CenterPoint Energy Houston Electric, LLC and that we approve this Resolution to be numbered, that denies this DCRF and that we join the Coalition known as Texas Coast Utilities Coalition - TCUC.

**Motion:** Newman

**Second:** Walker

**Approved:** 5-0

**9. Consider adopting a Resolution to join a Coalition of Cities for the DCRF proceedings relating to CenterPoint Energy Houston Electric, LLC Application for Approval of a DCRF**

Mayor Combs merged Items 8 & 9 for discussion purposes.

**10. Consider and approve CenterPoint Energy's 2016-2017 Franchise Payment Calculation**



The calculations for the 2016-2017 franchise tax equates to a \$2,258.83 increase over last year, or a 2.66% increase overall.

**Motion** to accept

**Motion:** Walker

**Second:** Lasater

**Approved:** 5-0

**11. Review and Possible Action on CenterPoint Energy Texas Gas 2016 Annual GRIP (Gas Reliability Infrastructure Program) for the Texas Coast Division**

Mayor Combs merged Items 11 & 12 for discussion purposes.

CenterPoint Energy submitted to the City and to the Texas Railroad Commission (TRRC) a rate increase under the GRIP. The City does not have the right to deny the rate increase. As long as CenterPoint meets the criteria for the increase then the TRRC will approve the rate increase request.

The City can suspend the rates for forty-five days for further review of the rate increase. Mayor Combs recommended that Council look over the enclosed Resolution which allows the City to join a Coalition of Cities for the proceedings relating to CenterPoint Energy Texas Gas 2016 Annual GRIP for the Texas Coast Division and to suspend the rate increase for forty -five days.

**Motion** to suspend the CenterPoint Energy Resources Corp. Texas Coast Division GRIP Increase for 2016 and that we join the Texas Coast Utilities Coalition and approve this Resolution.

**Motion:** Newman

**Second:** Colquitt

**Approved:** 5-0

**12. Consider adopting a Resolution to join a Coalition of Cities for the proceedings relating to CenterPoint Energy Texas Gas 2016 Annual GRIP (Gas Reliability Infrastructure Program) for the Texas Coast Division**

Mayor Combs merged Items 11 & 12 for discussion purposes.

**13. Discuss and approve Amendment to Ordinance 2015-02 adding RV Park Regulations**

Bring Back in May.

**14. Discuss and set date for Budget Workshop for FY 2016/2017**

Council agreed upon Tuesday, June 7<sup>th</sup> at 6:00pm for the budget workshop meeting; with a back-up date of June 14<sup>th</sup>.

**15. Hear and discuss possibility of the creation of the City of Beach City Cultural Education Facilities Finance Corporation**

Mr. Bill Blitch is working with the City as a financial advisor for the possible formation of a Utility District for the Certificate of Convenience & Necessity (CCN) covered by Nerro Supply. There is a unique way that Mr. Blitch works with other small municipalities to give a

separate source of income and it is through the establishment of a Cultural Education Facilities Finance Corporation (CEFFC).

The (CEFFC) is designed to utilize the City's tax exempt power to facilitate non-profit corporations that serve the public's interest.

Cities, States, School District's and Counties have the ability to issue tax exempt debt. In this market the tax exempt debt is generally two to three (sometimes four or more) interest rates lower than commercial debt.

Here is an example of how this works: you have the possibility of having a Goodwill Industries go to the bank to arrange a five million dollar loan. The bank determines if the loan is a feasible loan or not. If the revenues flowing off of the Goodwill are enough to cover the loan, then the bank is willing to offer the loan to Goodwill at a certain interest rate. The bank realizes the possibility of getting a tax exempt loan, where they could offer the loan to the industry or Private Corporation at a much lower interest rate, thus making it more feasible.

What typically happens in that particular case is: Mr. Blitch will bring the City one of the potential loan(s) to the CEFFC and the City will sign documents saying they are essentially the conduit in this particular transaction. The tax laws for bank qualified loans means if an entity (such as a City) and all of its creations issues more than ten million dollars in debt in one calendar year, then they would not be a bank qualified loan. If that issuance is under ten million dollars then the bank is allowed by IRS rules to deduct from its income a large percentage of the interest that they paid the depositors for the loans. There are a lot of public purpose corporations that want to get financing but they are in large cities and they issue more than ten million dollars in debt easily within one year. The larger City looks to see if they can find another City that doesn't have the intention of issuing that much money that particular year. This way they can make certain they will be bank qualified.

They come to the attorney firm and the attorney seeks out a conduit that is eligible and has an opening (i.e. the City will not be issuing more than ten million dollars in debt that year). The benefit for the City that takes this conduit is they will receive ten thousand dollars per transaction.

Mr. Blitch has been doing this for almost twenty years and he works with one law firm in particular, Orrick Herrington. He believes this is one of the largest bond counsel firms in the United States. Mr. Blitch also provided an information sheet for Council to review showing the borrowers and the monies that have been sold through the conduits.

Mr. Blitch noted that the legal papers that accompany this must specify in very clear terms that the loan that is going through the conduit, through the CEFFC, in no way is a charge against the City and is not a part of the City's credit or taxing power and no one has the right to look to the City to repay the debt. If the loan goes into default the City is not responsible for the debt. Alderman Walker questioned the reasoning behind the bank giving a lower interest rate through a City, and the City not be responsible for the debt...it sounds too good to be true.

Mr. Blitch responded that the bank is making a determination they are getting a tax exempt interest rate and the bank does not have to pay taxes on it. Moreover they can deduct from that, as long as it is a bank qualified loan, whatever it paid the depositors to generate the cash for them to make this investment. Banks need a certain amount of tax exempt loans in their portfolio and this is one way of acquiring them.



Alderman Colquitt asked Mr. Blitch what fees are involved. Mr. Blitch gets five thousand dollars from the bank and the City gets a ten thousand dollars fee, per transaction. The creation of the entity will be taken care of by the law firm Mr. Blitch works with. If the City wants to move forward with this and form a CEFFC, the law firm will draw up the Articles of Incorporation and bylaws and send them to the City for Council to pass. Attorney Jackson asked, in setting up this corporation, who is the conduit for? Mr. Blitch responded the conduit is there to finance the projects standing between the lender and the borrower. As a conduit you are accepting the debt and then turning around and transferring the right to receive the monies to the bank. In one hand you are saying yes we are going to allow the debt to be issued by the conduit to be payable from revenues received by the borrower. (I.e. the borrower would be the Goodwill Industries; the Diocese of Corpus Christi; Non-Profits Corporations serving a public purpose; etc.) Alderman Colquitt and Alderman Walker have agreed to work as a committee to look further into this matter.

**16. Discussion and possible action on the possible formation of a Utility District for areas served by Nerro Supply, LLC/Gulf Utility, within the corporate limits of Beach City**

The committee met on April 13<sup>th</sup> and heard from Engineer, Mark Adams. Mr. Adams has visited the facilities and distributed the photos he has taken. The basic summary of his visual inspection is:

- a) The water plant at the Bayridge Subdivision needs to be replaced. It is in poor condition and on the surface it may be better to just replace the bulk of it.
- b). The water facility at Oaks at Houston Point is in good condition, it does not have back-up capacity which needs to be looked into.
- c). The lift-stations are in good condition, may need some work.
- d). The wastewater treatment plant would be better off to scrap it and start over with a new one.

Mr. Adams will crunch some numbers and bring to the next meeting. Mayor Combs, Commissioner Senac, Alderman Walker and Alderman Newman recently met with Rep. Wayne Faircloth and his Chief of Staff, Wesley Starnes to speak with him on this topic. Rep. Faircloth pledged his support to the City on this matter. Mr. Starnes has since called Mayor Combs stating that he has spoken with the PUC (Public Utilities Commission) and someone should be contacting the Mayor. To date Mayor Combs has not heard from the PUC.

**17. Hear update and report from the Beach City Sales Tax Committee**

Alderman Newman is struggling with how much money we are talking about here, hundreds of dollars or tens of thousands of dollars? What are some of the tax based revenues of the businesses within the City of Beach City?

Alderman Smith would like to reserve the percentage points for the City for future use if need be.

Mayor Combs noted that if Council wants to go that direction then this has to be placed on the Election Ballot and there are time constraints for this. The next possibility to be placed on an election ballot will be in November.

#### **18. Discussion and possible action on a Ordinance regulating Billboards within Beach City**

Alderman Walker and Mayor Pro Tem Lasater gave an update on their research into billboard ordinances in other cities. After a brief discussion, the objective would be to keep the potential sign ordinance simple. The committee will do more research and report back to Council.

#### **19. Update and possible action on the 50<sup>th</sup> Anniversary celebration held on April 23<sup>rd</sup>**

Mayor Combs thanked Alderman Colquitt, Assistant Secretary Bercaw and Alderman Smith on their hard work and dedication to making the celebration a huge success.

Assistant Secretary Bercaw noted there were approximately twenty four volunteers at the BCVFD at the event. Alderman Colquitt presented an Income & Expense Sheet for Council to review. Profit from the event was \$5,119.86.

New flag sets were purchased for the City at a cost of \$440.00; currently this is an unbudgeted item. Mayor Combs polled Council on which account this money should be allotted too. Alderman Smith suggested that the cost of the flags be added to the Mayor's expense account since this account has enough money in it to cover the flags. Council concurred with Alderman Smith.

Fifty t-shirts were ordered for this event and forty-eight were sold. There are additional orders for ten more t-shirts. The City cannot just purchase ten shirts since they have to be ordered in bulk of twenty-five or more. Alderman Colquitt noted that adding an additional \$77.00 to the money collected for the ten shirts would complete the requirement for the twenty-five shirt minimum. Assistant Secretary Bercaw will keep track of the shirt order and the monies collected will be forwarded to the BCVFD.

There are also twelve calendar orders at this time.

#### **20. Update on legal action for non compliance to City ordinances**

The Ocean Drive property that has been in code violation for several years has recently come into compliance.

#### **21. Report and update from Mayor Combs**

The H-GAC (Houston-Galveston Area Council) 9-1-1 Regional Gulf Coast Communications has been created and the City has received the Resolution from H-GAC.

The law firm Russell & Rodriguez in Georgetown that has represented Beach City in the past, contacted Mayor Combs regarding the PUC's (Public Utilities Commission) request to obtain authority to enter into a City's jurisdiction to review and adjust rates. Mayor Combs gave his consent for the law firm to draw up a letter for the City to oppose this request and stop the PUC from adjusting any rates that have been approved by the City.

The switch over to the LED street lights will be underway in the near future. The street light Council approved last month at Jordan Road should be installed soon.

## 22. Council Comments

Alderman Walker stated that the brisket Alderman Smith made for the celebration was the best he has ever had.

## 23. Adjourn

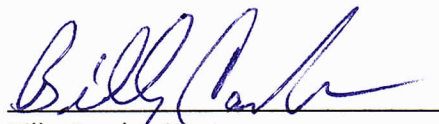
**Motion** to adjourn at 7:58 pm

**Motion:** Newman


**Second:** Colquitt

**Approved:** 5-0

Approved: **April 26, 2016**

  
Billy Combs, **Mayor**

Attest:

  
Evonne Donnelly, **City Secretary**