

**CITY OF INGLESIDE  
MINUTES  
CITY COUNCIL MEETING  
MARCH 23, 2010**

**1. Call meeting to order**

The meeting was called to order at 6:30 p.m. with Mayor Stella Herrmann presiding. Council Members present: Mayor Stella Herrmann, and Council Members Stewart Wilson, Elaine Kemp, Steve Diehl, Luis Lamas, Jacob Lopez, and Willie Vaden. City of Ingleside Staff present: City Manager Jim Gray and City Secretary Kimberly Drysdale. There were approximately 80 guests.

**2. Invocation**

**3. Pledge of Allegiance**

**4. Presentations from the Audience**

Mrs. Trini Maroqun, who lives at Ingleside on the Bay questioned why if the City of Ingleside is in such poor financial shape, that we are committing \$25,000.00 to the Port of Corpus Christi Authority for the Sail South Texas event. She also asked if anyone considered the amount of traffic such an event will cause when we already have so much traffic for such a small town. Mayor Herrmann stated that she would get with Mrs. Maroqun after the meeting to explain.

**5. Presentations and discussions regarding the Redevelopment of Naval Station Ingleside and adjacent Port of Corpus Christi Authority property.**

Port of Corpus Christi Authority (POCCA) Manager of Naval Station Ingleside (NSI) Redevelopment, Tom Moore stated the two outstanding companies have come to make presentations to the City Council regarding their businesses and what they hope to accomplish with the redevelopment of the NSI property.

SRV Representative, Larry Reed stated their intention is to purchase the entire base and the adjoining POCCA property. They hope to make this an energy epicenter along with deep water research and will continue to work with the Wind Alliance group. They plan to be more of a participant than just a tenant of this property. There are no plans for any fabrication type of facility. Because there are so many strong assets on the property already, they could be operational within six months. They want to bring higher technology type positions to this area and they are willing to train the workforce. SRV is not tax-exempt and they currently plan to continue maintaining the infrastructure as it has been by the Navy.

Apex Representative, Capt Jeffry Perin stated his background consists of being a supervisor of Navy Ship Builders and he is the person who brought the operations side of NSI to Ingleside in the early 1990's. He is very familiar with Ingleside and knows what a great asset this property is. They plan to bring jobs for welders, pipe fitters, carpenters, technical positions, engineers, management, etc. They will need technical skills, crafts, and trade type individuals. Phase I will be a building survey and will take about nine months. Phase II will be to train the workforce to the Navy standards. Phase III will be to build out within the entire property, but to include a buffer zone with IOB and the Live Oak Preserve area. They are considering other uses as they proceed. The training facilities are all ready on the base and they plan to work with TEEX; however, their cornerstone will be the building of Swift Ships. They are looking at both Lease and Purchase of the property. They stressed their desire to have a favorable consensus from the City, County, and POCCA in order to move forward. They said they did not want to build where they did not feel welcomed by the community.

Council Member Lopez stressed his concerns with only having one company purchase the property because he is concerned if that one company does not survive that the City will be right back where it is now with loss of revenues and jobs. Council Member Diehl requested that everyone keep in mind that the strain on the existing waste/water treatment facility is a large factor with any development.

Texas A&M Vice Chancellor Mark Ellison reiterated that NSI is a unique asset. No matter who the master developer is, they hope to be a tenant. The State of Texas is the #1 Wind Energy State in the United States and there are a lot of opportunities this land has to offer. We all hope to bring higher skilled and therefore higher waged jobs back to this area.

Live Oak Preserve Developer, Leon Heron stated with the current economy, the investors require pre-sales and of course that is difficult until we know what is being developed across the road at NSI. Mr. Heron is working with Tom Moore and City staff in order to be kept up to date on the redevelopment of NSI. He appreciates being kept involved.

Council Member Vaden stated he hoped that there are no more small meetings with only one or two Council Members regarding the future development of this property. He is concerned that if a presentation is made to anyone other than the City Manager and Mayor, that all Council Members should hear the same information.

Mrs. Sue Coleman asked if the web links to these or any other companies that the Council is considering will be placed on our City Website so the public can see them as well and Mayor Herrmann stated that she was worried about what information can and cannot be shared and at what point.

**Mayor Herrmann recessed the meeting at 8:08 p.m.**

**Mayor Herrmann re-convened the meeting at 8:24 p.m.**

**6. Presentation, consideration, and action regarding the City of Ingleside's Audit for the year ending September 30, 2009 from Ernest Garza and Company.**

Auditor Ernest Garza explained the audit is conducted in accordance with the auditing standards generally accepted by the Federal Government. This report indicates an unqualified opinion which means the City is performing their financial duties in a responsible manner. He went over the financial highlights and gave an overview of the statements. Mr. Garza stated the Utility Fund continues to exceed its goal of maintaining at least 25% of one year's expenditures in an undesignated account. The General Fund has not met that goal yet, but he believes that will be accomplished in this FY. If the two Funds were combined, the goal of 25% of all fund expenditures has been met. Overall the City has made tremendous improvements financially and the recent increase in the Bond Rating is a direct result.

There were only four areas of concern ("Findings") noted by the auditor: (1) to meet the goal of 25% of one year's expenditures in the General Fund; (2) that not all grant reports were reported in the general ledger; (3) it was suggested that at least one council member attend a 10-hour course regarding the Public Investment Act; and (4) that the meter deposit funds are not fully funded versus the established liability amount. The staff have already begun the response to these Findings and it will be brought to Council with the next financial report (April 27, 2010).

**7. Receive and discuss the City's financial situation, including but not limited to its budget, revenues, expenses, assets and debts.**

Finance Director Paul Baen gave an overview of the current financial situation and explained that because the majority of the ad valorem taxes come in early in the FY, the monthly cash flows in the later part of the FY for the General Fund always looks negative, but it does even out over the entire FY. City Manager Jim Gray stated that the staff are constantly monitoring the Revenues and Expenditures to see if there is anything out of the normal or unexpected. The Sales Tax is currently at budget for year to date figures; however, we are lower than was anticipated and therefore we are taking the appropriate steps to not over spend. The Managers have already identified 5% potential reduction of expenditures within their departments and have been instructed to not make those commitments until further notice. If the revenues continue to decrease, those cuts will be made; however, if the revenues are recovered, then we will continue with the originally approved budget. Our budget is already tight with no capital improvements. We are trying really hard to not cut any services to the public. There is

no hiring freeze at this time. Another concern that has just been brought to our attention is a reimbursement of \$95,000.00 to the Tax Collector for a refund to a taxpayer.

Council Member Diehl asked how we were able to pay off the TRAN in two years and still not be in a better financial position. Council Member Vaden explained that as we were paying the TRAN off, we did not have the required reserve funds we needed. Since the TRAN has been paid off, we have continued to put the funds aside to build our required reserves and until those "buckets" are filled we will continue on the tight budget. Council Member Vaden did question why we could not transfer the additional Utility Funds to the General Fund in order to meet the goal of 25% of one year's expenses. Auditor Ernest Garza stated it could be done on a cash basis. There was some discussion regarding this possibility.

Mr. Gray stated that the next three months of revenues would be critical for the City in determining how we move forward. This will be brought back to Council as things progress.

**8. Consideration and action of prioritizing the USDA grant requests.**

City Manager Jim Gray explained that Jake Sharon and Lisa Kelley from USDA-RDA office and John Michael and Art Acuna of Naismith Engineering are all here to assist with any concerns or questions regarding the USDA grants. We have made four separate applications to the USDA as follows: (1) Wastewater Treatment Plant - \$13,820,000; (2) Wastewater Collection System Improvements - \$1,024,000; (3) Water System Improvements - \$520,000; and (4) Street and Drainage Improvements - \$5,207,000. The USDA has completed the preliminary review of these grants and we are eligible for up to 35% grant and 65% loan funds. At this point the USDA requires Preliminary Engineering Reports in order to proceed any further. The estimated cost of these engineering reports is: for Project (1) \$50,000; (2) \$5,000; (3) \$5,000; and (4) \$5,000. These reports can be utilized by other agencies and would only require minimal changes if not utilized for another year. The cost of these reports can be rolled into the grant/loan if approved and accepted, but the City would have to pay for the reports up front.

Mr. Sharon stated this is the first time the USDA has ever received this much money at one time and they are very excited about helping the communities. These are the lowest interest rates they have seen at 3.25% and the USDA is the only agency offering 40-year loans and no pre-payment penalty. The cost of bond council can be rolled into the loan. All of the utility projects can be done as a single loan or three separate loans, but the streets and drainage would be a separate loan. In previous years, the maximum loans we could provide were \$5,000,000 and because of the Stimulus Funds available at this time, we can provide the larger loans needed such as the \$13,800,000 being requested. The grant to loan ratio is based upon several items; funds available, the entities bond rating, the established utility and tax rates that will allow for the repayment of the loan, and of course the need for the project(s) being requested. The smaller engineering reports can be completed within 30-45 days and the larger project will take about three months to complete. There is also a need for an environmental assessment which takes about three to four months, but it can be done simultaneously.

Mr. Gray noted that items (1) and (4) will require utility and tax rate changes to the citizens of Ingleside unless the Naval Station Ingleside (NSI) property is sold to a taxing entity and business is expanded. Items (2) and (3) could probably be accomplished without too much affect on the existing citizens. If NSI and Live Oak Preserve both expand, as predicted, then all of the items being requested are needed. Mr. Michael explained that if either of the predicted expansions occur that the current wastewater treatment facility will be at maximum capacity as soon as 2012.

Mrs. Kelley explained that if the City proceeds with the engineer reports and is approved, that a letter of condition will be provided to the City detailing the ratio, time-table, and other requirements needed. From the date of that letter, the City has 365 days in which to respond. Even if the City originally responds in favor of the proposed grant/loan and then later decides against the approval, it can be declined within the 365 days.

Mrs. Francis Sawyer expressed concern with the City entering into any Federal Grant/Loan due to the strict requirements and attached expenses that eventually occur.

Council requested the staff to bring back options at the next Council Meeting in order to fund the expense of the Engineering Reports and where those funds can be acquired from.

**9. A Public Hearing regarding a proposed Ordinance amending Chapter 78, Article V - Supplementary District Regulations, Division 1 – Generally, of the Ingleside Code of Ordinances to add Section 78-321 – Lighting.**

Mayor Herrmann opened the Public Hearing at 10:12 p.m.

There were no speakers in favor of or against this Ordinance.

Mayor Herrmann closed the Public Hearing and re-opened the regular meeting at 10:13 p.m.

**10. Consideration and action of an Ordinance amending Chapter 78, Article V - Supplementary District Regulations, Division 1 – Generally, of the Ingleside Code of Ordinances to add Section 78-321 – Lighting. (First Reading)**

Council Member Vaden made a motion to remove this from the agenda and was seconded by Council Member Diehl.

Planning and Zoning Chairman, Robert Clarke explained that this specific item has been brought up in the past and the P&Z Commission was only trying to be pro-active with the possible progression of wind turbines and wind energy programs.

The motion was approved unanimously to remove this item from the agenda.

**11. Reports from Staff**

City Manager Jim Gray reminded the Council of the Quarterly TML Region 11 Meeting this Thursday, March 25, 2010 in Ganado. A handout was proved to the Council in response to the citizens concerns with the planned construction of the Safe Routes to School project. The Capital Improvement Plan was provided to each Council Member.

**12. Requests from Council**

Council Member Diehl asked if an update could be provided to Council regarding the progress of fixing the electronic sign located at N.O. Simmons Park and Mr. Gray stated he would forward that information.

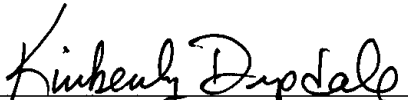
Council Member Kemp asked if the staff reports can be discussed during Council Meetings, what measures were being put into place regarding the Auditors Findings, and if after the May 8, 2010 election that a workshop could be provided to go over the audit before the Council begins the budget process.

Council Member Lopez requested a future agenda item in order to prepare a letter from the City to the three Port of Corpus Christi Authority Commissioners that have been so helpful to Ingleside recently with regards to the redevelopment of NSI.

**13. Adjourn**

There being no further business, the meeting was adjourned at 10:23 p.m.

**ATTEST:**

  
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 Kimberly Drysdale, City Secretary

**APPROVED:**

  
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 Mayor Stella Herrmann