



**AGENDA
REGULAR MEETING
FREEPORT CITY COUNCIL
MONDAY, JULY 1, 2019 at 6:00 P.M.**

Mayor:
Troy Brimage

Council Members:
Ken Green
Brooks Bass
Sandra Loeza
Roy Yates

City Manager:
Timothy Kelty

THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS, WILL MEET ON MONDAY, THE 1ST DAY OF JULY 2019, AT 6:00 P.M., AT THE FREEPORT POLICE DEPARTMENT, MUNICIPAL COURT ROOM, 430 NORTH BRAZOSPORT BOULEVARD, FREEPORT TEXAS FOR THE FOLLOWING PURPOSES:

CALL TO ORDER: *The Mayor will call the meeting to order, declare a quorum if present, and declare notices legally posted pursuant to Open Meetings Act.*

INVOCATION AND PLEDGE OF ALLEGIANCE: (Council Member)

CITIZENS' COMMENTS:

Members of the public are allowed to address the City Council at the time. Note, specific factual information or a recitation of existing policy may be furnished in response to an inquiry made, but any deliberation, discussion, or decision with respect to any subject about which the inquiry was made shall be limited to a proposal to place such subject on the agenda for a subsequent meeting for which notice is provided in compliance with the Texas Open meetings Act unless said notice appears herein. The public is reminded that there is a (4) minute time limit as approved by City Council on June 21, 2010.

PRESENTATIONS/ANNOUNCEMENTS: Announcements by Mayor, City Council and/or Staff

1. Receive for filing the Audited Comprehensive Annual Financial Report and Auditor's Opinion for the Fiscal Year ended September 30, 2018. **(Russell)** Pg. 851-921
2. Presentation of first quarter financials. **(Russell)** Pg. 922-925

CONSENT AGENDA: Consent Agenda items are considered to be routine in nature and may be acted upon in one motion. Any item requiring additional discussion may be withdrawn from the Consent Agenda by the Mayor, Councilmember or City Manager, and acted upon separately.

3. Consideration and possible action on the approval of City Council meeting minutes from June 17, 2019 and June 22, 2019. **(Tolar)** Pg.926-932
4. Consideration of approving Resolution No. 2019-2595 designating Parks Director Kim Townsend to act for and on behalf of the City of Freeport in dealing with the State of Texas General Land Office for the purpose of applying for state assistance to clean and maintain the public beaches and authorizing the city manager to execute any and all documents. **(Townsend)** Pg.933-934

COUNCIL BUSINESS – REGULAR SESSION:

5. Consideration of approving Resolution No. 2019-2592 approving the conveyance of property owned by the City of Freeport on Bryan Beach conveyed from the Texas Parks and Wildlife Department back to Texas Parks & Wildlife and reconveying a portion back to the City. **(Kelty)** Pg.935-941
6. Discuss and consider approving Resolution No. 2019-2596 authorizing the establishment of an assistant city manager position. **(Kelty)** Pg.942-947
7. Consideration and Possible Action regarding Resolution No. 2019-2597 establishing an Employee Benefits Trust **(Russell)** Pg.948-959
8. Consideration of approving of changer order #3 to contract with Sorrell Construction for 2019 Concrete Road Street Project. **(Hoelewyn)** Pg.962-964
9. Discuss and consider approving the cost to reroof the Freeport Historical Museum/Brazosport College. **(Strahan)** Pg.965-971
10. Discuss and consider approving Resolution No. 2019-2598 authorizing the submission of a community development block grant disaster recovery (CDBG-DR) application to the Texas general land office and authorizing the city manager to act as the city's executive officer and authorized representative in all matters pertaining to the city's participation in the CDBG-DR program. **(Motley)** Pg.972-974

WORK SESSION:

11. The City Council may deliberate and make inquiry into any item listed in the Work Session.
 - A. Mayor Troy T. Brimage announcements and comments.
 - B. Councilman Green Ward A announcements and comments.
 - C. Councilman Bass Ward B announcements and comments.
 - D. Councilwoman Loeza Ward C announcements and comments.
 - E. Councilman Yates Ward D announcements and comments.

- F. City Manager Tim Kelty announcement and comments
- G. Updates on current infrastructure.
- H. Update on reports / concerns from Department heads.

CLOSED SESSION:

- 12. Executive Session regarding economic development (Projects 2019-2 and 2019-3) in accordance with Vernon's Texas Government Code Annotated, Chapter 551, 551.087

COUNCIL BUSINESS – REGULAR SESSION:

- 13. Consideration in open session of taking action on any matter discussed in closed executive session. **(Kelty)**

ADJOURNMENT:

- 14. Adjourn.

Items not necessarily discussed in the order they appear on the agenda. The Council at its discretion may take action on any or all of the items as listed. This notice is posted pursuant to the Texas Open Meeting Act. (Chapter 551, Government Code).

The City 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 551.087 (Economic Development).

ACCESSIBILITY STATEMENT This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (979) 233-3526.

CERTIFICATE I certify the foregoing notice was posted in the official glass case at the rear door of the City Hall, with 24 hours a day public access, 200 West 2nd Street, Freeport Texas, before 6:00 p.m. on this the 28th day of June, 2019.

Laura Tolar, Interim City Secretary
City of Freeport, Texas



City Council Agenda Item #1

Title: Receive for filing the Audited Comprehensive Annual Financial Report and Auditor's Opinion for the Fiscal Year ended September 30, 2018.

Date: July 1, 2019

From: Stephanie Russell, Finance Director

Staff Recommendation:

Receive for filing the Audited Comprehensive Annual Financial Report (CAFR) and Auditor's Opinion for the Fiscal Year ended September 30, 2018.

Item Summary:

As required by Local Government Code 103.001, an independent audit has been completed by the certified public accounting firm of Whitley Penn, LLP for the year ended September 30, 2018. Annual financial statements have been prepared based on the audit, including the auditor's opinion. The audited financial statements, which include the auditor's unmodified, or clean opinion, will be presented to the Mayor and City Council and provided to the City Secretary for filing.

Background Information:

The CAFR consists of a comprehensive summary of the City's finances and other relevant information for the audit year, including economic overviews, financial analyses, financial statement note disclosures, budgetary and other compliance schedules, and other statistical data. The CAFR is prepared in conformity with accounting principles generally accepted in the United States of America and is audited by the City's independent auditor.

Special Considerations: N/A

Financial Impact: N/A

Board or 3rd Party recommendation: N/A

Supporting Documentation: Audited Comprehensive Annual Financial Report (CAFR) and Auditor's Opinion for the Fiscal Year ended September 30, 2018

ANNUAL FINANCIAL REPORT

CITY OF FREEPORT, TEXAS

**For the Fiscal Year Ended
September 30, 2018**

CITY OF FREEPORT, TEXAS
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REPORT OF INDEPENDENT AUDITORS

**To the Honorable Mayor and
Members of the City Council
City of Freeport, Texas**

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Freeport, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and budgetary comparison information, pension system and other post-employment benefit supplementary information on pages 57 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements, combining fund statements, and debt service budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements and debt service budgetary comparison schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and debt service budgetary comparison schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole and debt service budgetary comparison schedule.

Houston, Texas
June 28, 2019

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Freeport (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29.4 million (*net position*). Of this amount, \$6.4 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$5.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.5 million, an increase of \$4.1 million over the prior year. Approximately 97% of this total amount, \$10.1 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was 65% of total general fund expenditures.
- The City's long-term debt decreased by \$1.4 million over the prior year primarily due to scheduled principal payments made during the year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, economic development, public safety, streets and drainage, sanitation, service center, and culture and recreation. The business-type activities of the City include the operations of the water and sewer system. The government-wide financial statements can be found on pages 13 through 15 of this report.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison schedules have been provided for the general fund and debt service fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Proprietary Fund

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operating fund that is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 53 of this report.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 57 through 62 of this report

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 64 of the City's financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$29.4 million (net position). At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position (77.2%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (0.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 21.9% or \$6.4 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table summarizes the financial position of the City as of September 30, 2018 and 2017.

CONDENSED SCHEDULE OF NET POSITION

September 30, 2018 and 2017

Amounts in (000's)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 12,349	\$ 8,781	\$ 1,095	\$ 1,295	\$ 13,444	\$ 10,076
Capital assets	17,316	16,878	8,265	9,263	25,581	26,141
Total Assets	29,665	25,659	9,360	10,558	39,025	36,217
Deferred Outflows of Resources	1,026	1,408	13	248	1,039	1,656
Other liabilities	919	2,926	883	1,729	1,802	4,655
Long-term liabilities	8,189	8,210	68	937	8,257	9,147
Total Liabilities	9,108	11,136	951	2,666	10,059	13,802
Deferred Inflows of Resources	585	31	7	5	592	36
Net position:						
Net investment in capital assets	14,439	12,615	8,265	9,230	22,704	21,845
Restricted	265	372			265	372
Unrestricted	6,294	2,512	150	(968)	6,444	1,544
Total Net Position	\$ 20,998	\$ 15,499	\$ 8,415	\$ 8,262	\$ 29,413	\$ 23,761

The City's net position increased by 35.5% or \$5.5 million during the current fiscal year due to a one-time lease payment described on the next page.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

The following table summarizes the changes in net position for the City for the year ended September 30, 2018.

CONDENSED SCHEDULE OF CHANGES IN NET POSITION
For the Year Ended September 30, 2018 and 2017
Amounts in (\$00's)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenue:						
Charges for services	\$ 3,125	\$ 1,647	\$ 4,836	\$ 6,381	\$ 7,961	\$ 8,028
Operating grants and contributions	136	119	104	230	240	349
Capital grants and contributions		386				386
General revenues:						
Property taxes	2,676	2,553			2,676	2,553
Industrial payments	5,971	5,702			5,971	5,702
Sales and use taxes	3,275	3,308			3,275	3,308
Franchise taxes	611	605			611	605
Unrestricted investment earnings	176	61	6	4	182	65
Miscellaneous	6,062	108			6,062	108
Total Revenues	22,032	14,489	4,946	6,615	26,978	21,104
Expenses:						
General government	2,167	2,301			2,167	2,301
Public safety	7,006	6,426			7,006	6,426
Streets and drainage	1,947	2,046			1,947	2,046
Sanitation	962	976			962	976
Culture and recreation	3,420	2,911			3,420	2,911
Service center	168	270			168	270
Economic development	296	332			296	332
Interest on long-term debt	64	186			64	186
Water and sewer			5,296	5,528	5,296	5,528
Golf course*				922		922
Ambulance*				917		917
Total Expenses	16,030	15,448	5,296	7,367	21,326	22,815
Increase in net position before transfers	6,002	(959)	(350)	(752)	5,652	(1,711)
Transfers	(503)	(891)	503	891		
Change in net position	5,499	(1,850)	153	139	5,652	(1,711)
Net position - beginning, as originally presented	15,499	17,750	8,262	7,996	23,761	25,746
Prior period adjustment*		(401)		127		(274)
Net position - ending	\$ 20,998	\$ 15,499	\$ 8,415	\$ 8,262	\$ 29,413	\$ 23,761

* Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenues and expenses prior to the implementation have not been calculated and are not available for comparison. The golf course and ambulance business-type activities were reclassified as part of the general fund

Governmental Activities

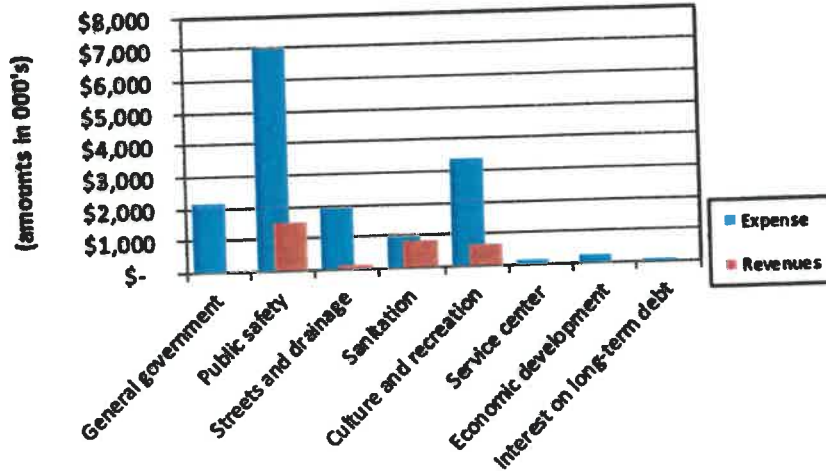
Governmental activities increased the City's net position by approximately \$5.5 million or \$153 of beginning net position. The key elements of this increase are as follows:

The City received \$5.5 million of lease revenue reported as miscellaneous income related to Dow Subsurface lease agreement. The \$5.5 million consisted of a one-time infusion of \$5 million along with the first years agreed upon payment amount of \$0.5 million.

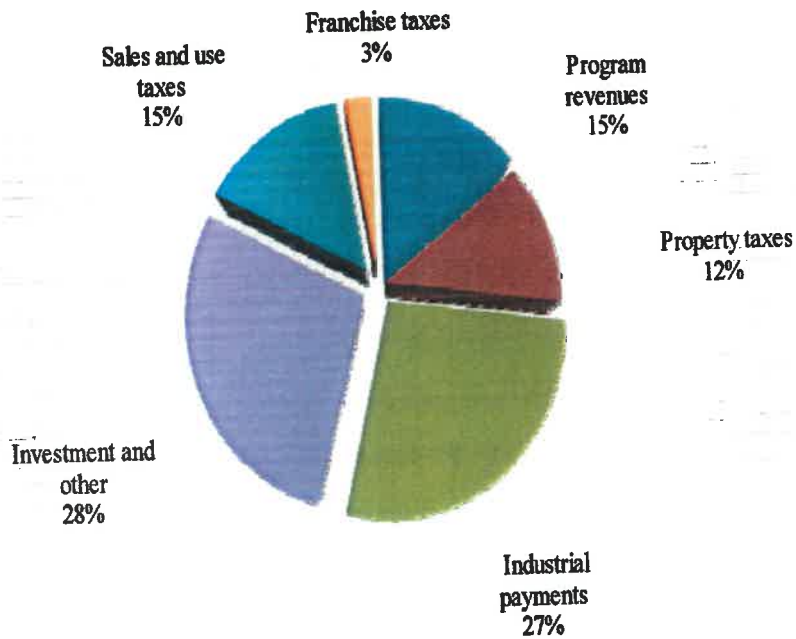
CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities (continued)

A comparison of program expenses to program revenues follows:



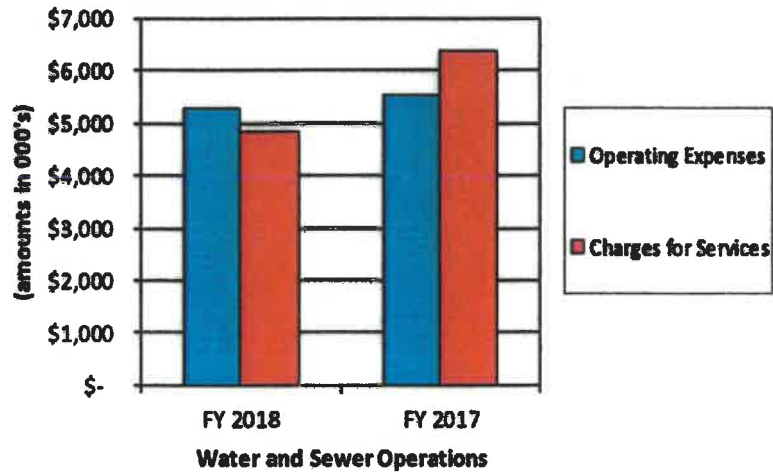
Revenue sources for governmental activities were distributed as follows:



CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

Business-type activities increased the City's net position by \$0.2 million. A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for fiscal years 2018 and 2017 follows:



Revenue sources for business-type activities were almost entirely charges for water and sewer services.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$10.1 million. The unassigned fund balance increased \$4.2 million from fiscal year 2017.

Governmental Funds (continued)

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 65% of annual general fund expenditures for the 2018 fiscal year.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net position of the Water and Sewer Enterprise Fund at the end of the year amounted to \$0.2 million or 3% of annual operating expenses for the fund.

General Fund Budgetary Highlights

Actual revenues differed from budgeted revenues by (\$0.1) million primarily as a result of lower than expected sales tax revenue.

Appropriations in the final budget exceeded actual expenditures by \$2.2 million. Actual expenditures for public safety and streets and drainage were less than appropriations in the final budget by \$0.6 million and \$1.1 million, respectively, due to repairs, maintenance, and capital improvements that were budgeted in fiscal year 2018 but did not occur or were to take place in the next fiscal year.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounted to \$25.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, water and sewer plants and service lines, machinery and equipment, and construction in progress. Capital asset balances increased by approximately (\$0.6) million from the prior year due to contributions and construction of infrastructure.

The following table shows the balances at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Governmental Activities		
Capital assets, not being depreciated:		
Land	\$ 4,919	\$ 4,919
Capital assets being depreciated:		
Streets and improvements	7,586	7,673
Buildings and improvements	1,493	2,547
Furniture, equipment, and vehicles	3,319	2,832
Assets under lease	207	291
Total capital assets - Governmental Activities	<u>\$ 17,523</u>	<u>\$ 18,262</u>
Business-type Activities		
Capital assets, not being depreciated:		
Land	\$ 56	\$ 56
Construction in progress	294	290
Capital assets being depreciated:		
Utility and street projects	7,915	7,824
Total capital assets - Business-Type Activities	<u>\$ 8,265</u>	<u>\$ 8,170</u>

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements of this report.

CITY OF FREEPORT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term Liabilities

At the end of the current fiscal year, the City had total debt outstanding of \$2.9 million. This is a decrease from the prior year of \$1.4 million due to scheduled principal payments made during the year. The entire amount of debt is backed by the full faith and credit of the City. A schedule of long-term liabilities at September 30, 2018 and 2017 follows (in \$000's):

	2018	2017
General obligation bonds	\$ 1,797	\$ 2,486
Notes payable/capital leases	1,073	1,809
	<u>\$ 2,870</u>	<u>\$ 4,295</u>

As of fiscal year 2018, the City reported other post-employment benefit (OPEB) liabilities of which represents the implied subsidy for health care benefits to retirees.

The City has no legal debt limit provision in its charter. Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements of this report.

Economic Factors and Next Year's Budget and Rates

Each year the budget is prepared on key objectives and assumptions.

The property tax rate for fiscal 2019 (tax year 2018) remained the same \$0.628005 per \$100 of assessed value. The Maintenance and Operation rate increased by \$0.01128 per \$100 of assessed value while the Interest and Sinking rate decreased by the same amount. Property tax revenue for the City is budgeted \$297,866 higher than the previous year which is an 11.31% increase. Of this revenue, \$30,891 is expected be from new property added to the tax roll. Overall, tax revenue for the City is budgeted 9.4% higher than the previous year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Finance Director, City of Freeport, 200 W. 2nd Street, Freeport, TX 77541

BASIC FINANCIAL STATEMENTS

Account	Balance	Change	Balance
1000	1000		1000
1001	1000		1000
1002	1000		1000
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1200	1000		1000

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CITY OF FREEPORT, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,177,394	\$ 288,895	\$ 10,466,289
Receivables (net of allowance for uncollectibles)	2,223,871	749,140	2,973,011
Internal balances	(56,607)	56,607	
Inventories	3,700		3,700
Capital assets, not subject to depreciation:			
Land	4,918,826	56,200	4,975,026
Construction in progress		293,579	293,579
Capital assets, net of depreciation:			
Streets and improvements	7,586,205	7,915,193	15,501,398
Buildings and improvements	1,492,735		1,492,735
Furniture, equipment, & vehicles	3,318,723		3,318,723
Total Capital Assets	<u>17,316,489</u>	<u>8,264,972</u>	<u>25,581,461</u>
Total Assets	<u>29,664,847</u>	<u>9,359,614</u>	<u>39,024,461</u>
Deferred Outflows of Resources			
Deferred outflows related to pension activities	1,026,424	12,900	1,039,324
Total Deferred Outflows of Resources	<u>1,026,424</u>	<u>12,900</u>	<u>1,039,324</u>
Liabilities			
Accounts payable and accrued expenses	862,108	882,880	1,744,988
Accrued interest payable	57,136		57,136
Long-term liabilities:			
Due within one year	1,057,609	2,395	1,060,004
Due in more than one year	7,131,328	65,928	7,197,256
Total Liabilities	<u>9,108,181</u>	<u>951,203</u>	<u>10,059,384</u>
Deferred Inflows of Resources			
Deferred inflows related to pension activities	584,738	7,300	592,038
Total Deferred Inflows of Resources	<u>584,738</u>	<u>7,300</u>	<u>592,038</u>
Net Position			
Net investment in capital assets	14,439,219	8,264,972	22,704,191
Restricted for:			
Debt service	38,659		38,659
Economic Development	226,468		226,468
Unrestricted	6,294,006	149,039	6,443,045
Total Net Position	<u>\$ 20,998,352</u>	<u>\$ 8,414,011</u>	<u>\$ 29,412,363</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government			
Governmental Activities:			
General government	\$ 2,166,662	\$	\$
Public safety	7,006,492	1,436,056	108,346
Streets and drainage	1,946,663	146,470	
Sanitation	962,293	868,043	
Culture and recreation	3,420,341	674,490	27,328
Service Center	167,702		
Economic development	295,738		
Interest on long-term debt	64,153		
Total governmental activities	<u>16,030,044</u>	<u>3,125,059</u>	<u>135,674</u>
Business-type activities:			
Water and sewer	5,296,200	4,839,063	103,931
Total primary government	<u>\$ 21,326,244</u>	<u>\$ 7,964,122</u>	<u>\$ 239,605</u>

General revenues:

Taxes:

 Property taxes

 Industrial district revenues

 Sales and use taxes

 Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

 Change in net position

Net Position - Beginning, as originally presented

Prior period adjustments

Net Position - Ending

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,166,662)	\$	\$ (2,166,662)
(5,462,090)		(5,462,090)
(1,800,193)		(1,800,193)
(94,250)		(94,250)
(2,718,523)		(2,718,523)
(167,702)		
(295,738)		(295,738)
(64,153)		(64,153)
<u>(12,769,311)</u>		<u>(12,769,311)</u>
	(353,206)	(353,206)
<u>(12,769,311)</u>	<u>(353,206)</u>	<u>(13,122,517)</u>
2,675,705		2,675,705
5,971,351		5,971,351
3,275,074		3,275,074
610,991		610,991
175,392	5,576	180,968
6,062,400		6,062,400
(502,749)	502,749	
<u>18,268,164</u>	<u>508,325</u>	<u>18,776,489</u>
5,498,853	155,119	5,653,972
15,900,775	8,131,975	24,032,750
(401,276)	126,917	(274,359)
<u>\$ 20,998,352</u>	<u>\$ 8,414,011</u>	<u>\$ 29,412,363</u>

CITY OF FREEPORT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 10,088,276	\$ 87,063	\$ 10,175,339
Receivables (net of allowance for uncollectibles)	569,680	279,273	848,953
Due from other funds	90,556	93,190	183,746
Other receivables	1,308,653		1,308,653
Inventories	3,700		3,700
Total Assets	\$ 12,060,865	\$ 459,526	\$ 12,520,391
Liabilities			
Accounts payable	\$ 781,219	\$ 16,689	\$ 797,908
Due to other funds	158,162	78,071	236,233
Total Liabilities	939,381	94,760	1,034,141
Deferred Inflows of Resources			
Unavailable revenues	999,176	31,716	1,030,892
Total Deferred Inflows of Resources	999,176	31,716	1,030,892
Fund Balances			
Restricted:			
Debt service		64,078	64,078
Capital projects		54,029	54,029
Community projects		226,468	226,468
Unassigned	10,122,308	(11,525)	10,110,783
Total Fund Balances	10,122,308	333,050	10,455,358
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 12,060,865	\$ 459,526	\$ 12,520,391

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2018

Total fund balance, governmental funds \$ 10,455,358

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 17,316,489

Certain other unavailable assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.
 Unavailable revenue 1,030,892

Deferred outflows of resources relating to pension activities 1,026,424

Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Bonds payable, at maturity	(2,877,270)
Other post-employment benefits (OPEB)	(409,422)
Accrued long-term interest	(57,136)
Compensated absences	(310,427)
Net pension liability	(4,591,818)

Deferred inflows of resources relating to pension activities (584,738)

Net Position of Governmental Activities in the Statement of Net Position \$ 20,998,352

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Property taxes	\$ 2,079,806	\$ 571,549	\$ 2,651,355
Sales and use taxes	2,802,128	1,083,937	3,886,065
Industrial district	5,971,351		5,971,351
Fines and forfeitures	494,649		494,649
Licenses and permits	146,470		146,470
Intergovernmental	146,660		146,660
Charges for services	2,249,824		2,249,824
Investment earnings	174,914	478	175,392
Miscellaneous	400,587	12,794	413,381
Lease income	5,767,361		5,767,361
Total Revenues	<u>20,233,750</u>	<u>1,668,758</u>	<u>21,902,508</u>
Expenditures			
Current:			
General government	2,004,917		2,004,917
Public safety	6,898,256		6,898,256
Streets and drainage	1,906,959		1,906,959
Sanitation	962,293		962,293
Service center	154,297		154,297
Culture and recreation	3,499,870	23,022	3,522,892
Economic development	15,000	210,125	225,125
Debt service:			
Principal	91,352	1,337,961	1,429,313
Interest and other charges	7,057	144,385	151,442
Total Expenditures	<u>15,540,001</u>	<u>1,715,493</u>	<u>17,255,494</u>
Revenues over (under) expenditures	<u>4,693,749</u>	<u>(46,735)</u>	<u>4,647,014</u>
Other Financing Sources (Uses)			
Transfers in		358,106	358,106
Transfers out	(502,749)	(358,106)	(860,855)
Total other financing sources (uses)	<u>(502,749)</u>		<u>(502,749)</u>
Net changes in fund balances	4,191,000	(46,735)	4,144,265
Fund Balances - Beginning of Year, as originally presented	5,931,308	379,785	6,311,093
Prior period adjustments	(1,024,109)		(1,024,109)
Fund Balances - End of Year	<u>\$ 10,122,308</u>	<u>\$ 333,050</u>	<u>\$ 10,455,358</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds: \$ 4,144,265

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$1,618,523 exceeded depreciation of \$2,273,007 in the current period. (654,484)

Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue.

Changes in the other post-employment benefit (OPEB) obligation are not due and payable in the current period and therefore, are not reported in the governmental funds.

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 129,138

Pension contributions made during the year are reported as expenditures in the governmental funds but are treated as a reduction in the pension liability in the government-wide financial statements. 904,032

OPEB contributions made during the year are reported as expenditures in the governmental funds but are treated as a reduction in the pension liability in the government-wide financial statements. 200

Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 1,418,193

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Changes in accrued interest	
Changes in accrued compensated absences	805,968
OPEB expense for the OPEB plans measurement year	(22,485)
Pension expense for the pension plan measurement year	<u>(1,225,974)</u>

Change in net position of governmental activities \$ 5,498,853

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2018

	<u>Business-type Activities</u>
	<u>Water and Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 288,895
Receivables (net of allowance for uncollectibles)	690,997
Due from other funds	56,607
Receivables from other governments	58,143
Total Current Assets	<u>1,094,642</u>
Non-current assets:	
Land	56,200
Construction in progress	293,579
Utility system	24,219,852
Equipment and furniture	146,765
Less accumulated depreciation	(16,451,424)
Total Non-Current Assets	<u>8,264,972</u>
Total Assets	<u>9,359,614</u>
Deferred Outflows of Resources	
Deferred outflows related to pension activities	12,900
Total Deferred Outflows of Resources	<u>12,900</u>
Liabilities	
Current liabilities:	
Accounts payable	610,942
Deposits	267,549
Compensated absences	2,395
Salaries payable	4,389
Total Current Liabilities	<u>885,275</u>
Non-current liabilities:	
Compensated absences	3,592
Net OPEB liability	5,336
Net pension liability	57,000
Total Non-Current Liabilities	<u>65,928</u>
Total Liabilities	<u>951,203</u>
Deferred Inflows of Resources	
Deferred inflows related to pension activities	7,300
Total Deferred Inflows of Resources	<u>7,300</u>
Net Position	
Investment in capital assets	8,264,972
Unrestricted	149,039
Total Net Position	<u>\$ 8,414,011</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2018

	<u>Business-type Activities</u>
	<u>Water and Sewer</u>
Operating Revenues	
Charges for services	\$ 4,839,063
Total Operating Revenues	<u>4,839,063</u>
Operating Expenses	
Personnel services	111,722
Supplies	32,977
Contracted services	2,377,969
Other	39,956
Water purchased	2,279,825
Depreciation	453,751
Total Operating Expenses	<u>5,296,200</u>
Operating income (loss)	<u>(457,137)</u>
Non-Operating Revenues (Expenses)	
Interest and investment revenue	5,576
Operating grants and contributions	103,931
Total Non-Operating Revenues (Expenses)	<u>109,507</u>
Income before Transfers	<u>(347,630)</u>
Transfers in	502,749
Change in net position	155,119
Total Net Position - Beginning	8,131,975
Prior period adjustment	126,917
Total Net Position - Ending	<u>\$ 8,414,011</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2018

	<u>Business-type Activities</u>
	<u>Water and Sewer</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 4,810,500
Disbursed for personnel services	(129,668)
Disbursed for goods and services	(5,388,846)
Net cash provided by operating activities	<u>(708,014)</u>
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	502,749
Net cash used by noncapital financing activities	<u>502,749</u>
Cash Flows From Capital and Related Financing Activities	
Transfer of proceeds to fiscal agent	103,931
Acquisition and construction of capital assets	(548,555)
Cash flows used by capital and related financing activities	<u>(444,624)</u>
Cash Flows From Investing Activities	
Interest received	5,576
Net cash provided by investing activities	<u>5,576</u>
Net increase (decrease) in cash and cash equivalents	(644,313)
Cash and cash equivalents - beginning of year	933,208
Cash and cash equivalents - end of year	<u>\$ 288,895</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ (457,137)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	453,751
(Increase) decrease in accounts receivable	(43,828)
(Increase) decrease in pension deferred outflows	11,661
(Increase) decrease in OPEB deferred outflows	300
Increase (decrease) in accounts payable	(658,119)
Increase (decrease) in accrued wages payable	(1,845)
Increase (decrease) in accrued compensated absences	(9,658)
Increase (decrease) in customer deposits	15,265
Increase (decrease) in OPEB liability	500
Increase (decrease) in net pension liability	(25,650)
Increase (decrease) in pension deferred inflows	6,746
Net cash provided by operating activities	<u>\$ (708,014)</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 - Organization

The City of Freeport (City) operates under a Home Rule Charter adopted in a special election on June 20, 1960. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public services, streets and drainage, sanitation, health and building inspections, culture-recreation, public improvements, planning and zoning, and general administrative services.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

Primary government

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14, and No. 34".

CITY OF FREEPORT, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Blended Component Unit

The City Council authorized the creation and approved the Articles of Incorporation and the Bylaws of the Freeport Economic Development Corporation (the Corporation). The Articles of Incorporation were filed with the Office of the Secretary of State of Texas on December 20, 1999. The Corporation, a nonprofit corporation, organized under Section 4B of the development Corporation Act of 1979 was created to act on behalf of the City in the promotion and financing of projects so as to promote the public welfare.

The Corporation is governed by a seven member board of directors appointed by the City Council. All projects must have prior approval of the City Council. The voters of Freeport approved collection of a one-half cent sales tax, effective November 2, 1999, to fund the cost of land, buildings, equipment, facilities, improvements and maintenance and operation costs for public park purposes, recreational facilities and infrastructure improvements for development of new or expanded business enterprises. In prior years, the Freeport Economic Development Corporation (the "Corporation") provided services entirely or, almost entirely, to the City or otherwise exclusively or almost exclusively benefited the City even though it did not provide services directly to it and is reported as a blended component unit. However, during the years ended September 30, 2007 through 2014, the Corporation constructed and entered into a long-term lease for a marina with a company unrelated to the City. Because of this, the City was reported as a discretely presented component unit until it divested itself of the marina operations. During the current year, it was reported as a blended component unit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred inflows of resources at year-end.

Property taxes collected within 60 days subsequent to September 30, 2018, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2018, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports one major governmental fund:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and parks and recreation.

The City reports one major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for operations of the water and sewer division and the construction of related facilities. The fund is financed and operated in a manner similar to private business enterprises -- where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), impact fees and other City funds.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

CITY OF FREEPORT, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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

Net position is categorized into three components -- net investment in capital assets, restricted, and unrestricted. These classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of the balance of net position that does not meet the definition of the other components noted above.

D. Cash and Cash Equivalents

The City reports cash and cash equivalents in the City's statement of cash flows for Proprietary Fund Types and in all other financial statements of financial position. The City considers cash and cash equivalents to be cash on hand, demand deposits, certificates of deposit, balances in public funds investment pools and short-term investments with original maturities of three months or less from the date of acquisition.

The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

E. Investments

The City reports all investments at fair value based on quoted market prices at year-end date. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

G. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

H. Inventories and Prepaid Items

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related capital assets using the straight line method, as applicable.

<u>Asset</u>	<u>Estimated Useful Lives</u>
Utility Plant	40 years
Vehicles and Equipment	5-15 years
Building and improvements	10-20 years

J. Compensated Absences

Employees earn vacation based on years of service with the City. In accordance with GAAP, the liability for accumulated vacation at September 30, 2018, has been recorded as a liability in the Government-Wide Statement of Net Position.

Eligible City employees accrue vacation time monthly at various rates based on length of service with the City. Employees may elect to carry over a maximum of five (5) days past his/her yearly anniversary date. It is possible for employees to have accrued vacation time at September 30, which has not yet been lost. The City's sick leave policy provides fifteen paid sick days per year for full-time employees. Unused sick leave can be accumulated to a maximum of ninety (90) days. Upon termination, an employee with five years of service or more may be paid for accumulated sick leave to a maximum of two weeks.

Note 2 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category.

- **Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.**
- **Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the City’s proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

- **Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, EMS services, and other miscellaneous items arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.**
- **Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.**
- **Deferred inflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.**

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

L. General Property Taxes

The City levies taxes on or about October 1, of each year. Property taxes attach as an enforceable lien on property as of January 1. These taxes are due by January 31, and are considered delinquent after that date, at which time interest is charged at a rate established by the state property tax code. Collections made on or after July 1, are subject to an additional fifteen percent collection fee.

Property tax revenue is recognized when levied to the extent that they are available. Available includes those property tax receivables expected to be collected within sixty days after year end.

The tax rates assessed for the year ended September 30, 2018, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.492570 and \$ 0.135435 per \$ 100 valuation,

M. Debt Service

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

N. Use of Estimates

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

O. Fund Equity

In the fund financial statements, the City categorizes portions of fund balance into categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

O. Fund Equity (continued)

Committed fund balance – amounts constrained for specific purposes as determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council. City Council will approve obligations of funds, such as multiyear contracts, prior to the end of the fiscal year.

Assigned fund balance – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Under the City's adopted policy, Resolution No. 465, intent to assign fund balance can be established by City Council or delegated to the City Administrator.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City's council meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the council. Fund Balance of the City may be committed for a specific source by formal action of the council. Amendments or modifications of the committed fund balance must also be approved by formal action by the council. When it is appropriate for fund balance to be assigned, the City council has delegated authority to the City Manager or the Finance Director. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

P. Revenues and Expenditures/Expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred. Revenues and expenses in the Government-wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

Q. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

CITY OF FREEPORT, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

R. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

S. Other-Post Employment Benefits (OPEB)

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees.

Additionally, the City participates in a defined-benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

T. New Accounting Standards

In the current fiscal year, the City implemented the following new standards:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement 82, *Pension Issues - An amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose a temporary investment is one that when purchased had a maturity date of three months or less.

The following schedule shows the City's recorded cash and cash equivalents at year-end:

	<u>Fair Value</u>
Cash deposits	\$ 940,461
Local Government Investment Pools:	
TexPool	<u>9,525,828</u>
Total Investments	<u>9,525,828</u>
Total Cash and Investments	<u>\$ 10,466,289</u>

Deposits

At September 30, 2018, the City reported deposits in the amount of \$738,653 and the bank balance was \$1,689,300. The City's collateral requirement in accordance with its investment policy is 102%. As of September 30, 2018, the City's bank balances were covered by federal depository insurance and by collateral held by the City's agent in the City's name.

Custodial Credit Risk

Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the City depository must have a bond or in lieu thereof, deposited or pledged securities with the City or an independent third party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance. Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

Investments

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it addresses the priorities of preservation of capital, liquidity, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA).

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments (continued)

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Fully insured or collateralized certificate of deposit of commercial banks;
2. U.S. Treasury Securities maturing in less than three (3) years;
3. Short-term obligations of U.S. Government Agencies which are guaranteed by the full faith and credit of the United States of America as to principle and interest;
4. Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency Securities in accordance with a master repurchase agreement approved by the Investment Committee;
5. Eligible investment pools authorized by the City Council;
6. Other securities or obligations approved by the Investment Committee and authorized by the Local Government Code, Sections 2256.006 and 2256.016.

As of September 30, 2018, the City's investments included TexPool external investment pools. The external investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

Investment Type:	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturities (Days)</u>
Local Government Investment Pools:			
TexPool	9,525,828	100%	28
Total	<u>\$ 9,525,828</u>		

Portfolio weighted average maturities (days)

Interest rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy the City avoid over-concentration of assets in a specific maturity sector, limiting of average maturities of operating fund investments to one year, and avoiding over-concentrated assets in specific instruments other than U.S. Treasury Securities and insured or collateralized certificates of deposit.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments (continued)

Credit Risk

At year-end, balances in TexPool, a privately-managed public fund investment pools rated AAAM by Standard and Poor's Ratings Services. All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City's investment policy.

Note 4 - Receivables

Amounts recorded as receivables as of September 30, 2018, for the government's individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 118,388	\$ 42,003	\$	\$ 160,391
Sales taxes	492,331	246,165		738,496
Fines and forfeitures	2,275,087			2,275,087
Customer accounts	652,423		744,543	1,396,966
Paving Assessments	144,284			144,284
Other Governments			58,143	58,143
Other	323,198	26,391		349,589
Gross Receivables	<u>4,005,711</u>	<u>314,559</u>	<u>802,686</u>	<u>5,122,956</u>
Less: allowance for uncollectibles	<u>(2,061,113)</u>	<u>(35,286)</u>	<u>(53,546)</u>	<u>(2,149,945)</u>
Net Total Receivables	<u>\$ 1,944,598</u>	<u>\$ 279,273</u>	<u>\$ 749,140</u>	<u>\$ 2,973,011</u>

Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of September 30, 2018, the various components of deferred outflows of resources reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property taxes	\$ 77,349	\$ 31,716	\$ 109,065
Fines and forfeitures	453,831		453,831
Ambulance services	467,996		467,996
	<u>\$ 999,176</u>	<u>\$ 31,716</u>	<u>\$ 1,030,892</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets

A summary of activity for capital assets capitalized by the City for the year ended September 30, 2018, follows:

	<u>Balance 9/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2018</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,918,826	\$	\$	\$ 4,918,826
Total capital assets, not being depreciated	4,918,826			4,918,826
Capital assets being depreciated:				
Streets and improvements	23,297,823	629,964		23,927,787
Buildings and improvements	5,590,357			5,590,357
Furniture, equipment, and vehicles	11,907,985	988,559		12,896,544
Assets under lease	436,533			436,533
Total capital assets being depreciated	41,232,698	1,618,523		42,851,221
Less accumulated depreciation for:				
Streets and improvements	(15,485,144)	(856,438)		(16,341,582)
Buildings and improvements	(3,861,538)	(236,084)		(4,097,622)
Furniture, equipment, and vehicles	(8,688,510)	(1,095,977)		(9,784,487)
Assets under lease	(145,360)	(84,507)		(229,867)
Total accumulated depreciation	(28,180,552)	(2,273,006)		(30,453,558)
Total capital assets being depreciated, net	13,052,146	(654,483)		12,397,663
Governmental Activities				
Capital Assets, Net	\$ 17,970,972	\$ (654,483)	\$	\$ 17,316,489
	<u>Balance 9/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2018</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 56,200	\$	\$	\$ 56,200
Construction in progress	289,684	3,895		293,579
Total capital assets, not being depreciated	345,884	3,895		349,779
Capital assets being depreciated:				
Utility and street projects	23,675,193	544,660		24,219,853
Furniture, equipment, and vehicles	146,765			146,765
Total capital assets being depreciated	23,821,958	544,660		24,366,618
Less accumulated depreciation for:				
Utility and street projects	(15,850,909)	(453,751)		(16,304,660)
Furniture, equipment, and vehicles	(146,765)			(146,765)
Total accumulated depreciation	(15,997,674)	(453,751)		(16,451,425)
Total capital assets being depreciated, net	7,824,284	90,909		7,915,193
Business-type Activities				
Capital Assets, Net	\$ 8,170,168	\$ 94,804	\$	\$ 8,264,972

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

Depreciation was charged to functions of the primary government as follows:

Function	Depreciation Expense
Governmental Activities	
General Administration	\$ 274,085
Economic Development	90,185.00
Public Safety	713,115.00
Service Center	20,438.00
Streets and Drainage	747,977.00
Parks and Recreation	427,206.00
	<u>\$ 2,273,006</u>
Business-type Activities	
Water and sewer	<u>\$ 453,751</u>

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2018, are as follows:

Business-type Activities	Authorized Contract	Total in Progress	Remaining Commitment
Street Projects:			
8th Street	\$ 534,500	\$ 293,579	\$ 240,921
Avenue D - Velasco to Caldwell	8,814		8,814
Avenue D - Division to Fisher	9,470		9,470
Avenue D - Quintana to Mc Niel	32,971		32,971
Caldwell - Avenue D to Ave. G	14,945		14,945
Dezavalla - Front to Ave. B	13,575		13,575
Fisher - Front to Ave. A	10,233		10,233
Division - Mystery Harbor to Ave. A	7,102		7,102
Division - Gulf Blvd. to Ave. F to Ave. A	7,815		7,815
Mc Niel St. - Gulf Blvd. to Ave. F	7,330		7,330
Munson St. - Ave F to Ave. G	7,102		7,102
Broad St. - Yaupon to Mesquite	91,160		91,160
Velasco St. @ Hwy. 36 Entrance	16,490		16,490
Utility Projects:			
Skinner Elevated Water Tower	401,000		401,000
Lift Station & Force Main South Ave A	14,075		14,075
Sewer Main 2 Street 900 BL	54,046		54,046
Sewer Main Replacement	387,035		387,035
	<u>\$ 1,617,662</u>	<u>\$ 293,579</u>	<u>\$ 1,324,084</u>

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt

During the year ended September 30, 2018, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Certificates of obligation	\$ 2,486,000	\$	\$ (689,000)	\$ 1,797,000	\$ 717,000
Notes payable	1,544,628		(649,363)	895,265	128,849
Capital leases	264,835		(87,491)	177,344	87,589
Compensated absences	975,824	398,926	(1,064,323)	310,427	124,171
Governmental Activities Long-term Liabilities	\$ 5,271,287	\$ 398,926	\$ (2,490,177)	\$ 3,180,036	\$ 1,057,609
Business-type Activities:					
Compensated absences	\$ 156,216	\$ 7,880	\$ (158,109)	\$ 5,987	\$ 2,395
Business-type Activities Long-term Liabilities	\$ 156,216	\$ 7,880	\$ (158,109)	\$ 5,987	\$ 2,395

Certificates of Obligation

On October 24, 2003, the City issued \$ 3,000,000 and \$ 2,185,000 of Series 2003 Certificate of Obligation Bonds and Series 2003 Refunding Bonds. The Refunding Bonds effectively defeased the Series 2001 Certificates of Obligation Bonds.

On March 13, 2008, the City issued \$ 3,350,000 of Series 2008 Certificates of Obligation for authorized construction projects.

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Series 2003 Certificate of Obligation	4.84%	3,000,000	10/24/2018	\$ 273,000
Series 2008 Certificate of Obligation	3.79%	3,350,000	4/1/2023	1,325,000
Series 2003 (Refunding Bonds)	4.84%	2,185,000	10/24/2018	199,000
Total Certificates of Obligation				\$ 1,797,000

Annual debt service requirements to retire outstanding certificate of obligation bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 717,000	\$ 73,063	\$ 790,063
2020	255,000	40,932	295,932
2021	265,000	31,268	296,268
2022	275,000	21,224	296,224
2023	285,000	10,802	295,802
	\$ 1,797,000	\$ 177,289	\$ 1,974,289

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Notes Payable

On November 21, 2014, the Freeport Economic Development Corporation (Corporation) refinanced the remaining First State Bank of Louise note balance of \$ 1,356,747 with the First State Bank of Clute. The loan is secured by the Corporation's sales tax remittance guaranty and subordination agreement. The note calls for an interest rate of 3.50% and one hundred and twenty-one (121) monthly payments of \$ 13,234 and one (1) payment on February 1, 2025 of \$ 4,491.41. Current requirements for principal and interest accounted for in the Debt Service Fund were \$ 120,716 and \$ 38,182, respectively.

On September 4, 2015, the Freeport Economic Development Corporation (Corporation) financed the purchase of land from Western Seafood Company with a note payable of \$ 2,450,000. On the same date, the Corporation made an \$ 875,000 principal payment, bring the note balance to \$ 1,575,000. The loan is secured by the land. The remaining note calls for an interest rate of 3.00% and three (3) annual payments of \$ 525,000, with final payment on September 4, 2018. Current requirements for principal and interest accounted for in the Debt Service Fund were \$ 525,000 and \$ 31,500, respectively.

The notes payable at September 30, 2018 is summarized as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
EDC Loan	3.50%	1,356,747	11/21/2019	\$ 895,265
EDC Western Seafood Company Land	3.00%	1,575,000	9/4/2018	-
Total Notes Payable				\$ 895,265

Annual debt service requirements to retire outstanding notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 128,849	\$ 29,959	\$ 158,808
2020	766,416	4,559	770,975
	<u>\$ 895,265</u>	<u>\$ 34,518</u>	<u>\$ 929,783</u>

Prior Year Refunding of General Obligation Bonds

During the year ended September 30, 2004, the City issued \$ 2,185,000 in Certificate of Obligation Refunding Bonds, Series 2003 for refunding of previously issued and outstanding \$ 2,135,000 Economic Development Corporation Certificate of Obligation Bonds – Series 2001. The City placed \$ 2,142,889 from the proceeds of the refunding in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issue being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 216,580. The economic gain resulting from the transaction was \$ 252,180. The outstanding balance of these defeased bonds at September 30, 2018 was \$540,000 and the balance held in escrow was \$530,368.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Compensated absences

A summary of changes in compensated absences follows:

Governmental activities	\$310,427
Business-type activities	\$5,987

Typically, the general fund and water and sewer fund have been used to liquidate the liabilities for compensated absences. At September 30, 2018, current sick and vacation leave payable for governmental activities amounted to \$124,171 and non-current sick and vacation leave payable amounted to \$186,256. Current sick and vacation leave payable for business-type activities amounted to \$2,395 and non-current sick and vacation leave payable amounted to \$3,592.

Capital Leases

The City is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the statement of net position. Assets under capital leases totaled \$488,208 at September 30, 2018. The following is a schedule of future minimum lease payments under capital leases:

<u>Year Ending September 30,</u>		
2019	\$	115,218
2020		<u>90,661</u>
Minimum lease payments for all capital lease:		205,879
Imputed interest		<u>(10,128)</u>
Present value - minimum lease payments	\$	<u>195,751</u>
Assets under capital leases	\$	<u>571,533</u>
Beginning balance	\$	322,066
Principle retired		<u>(126,315)</u>
Ending Balance	\$	<u>195,751</u>

During the year ended September 30, 2016, the City purchased a Case 621 F Wheel Loader for use in the Streets and Drainage Department under capital lease, with a cost of \$ 143,004 and an effective interest rate of 2.94%. Current requirements for principal and interest expenditures accounted for in the Streets and Drainage Department of the General Fund were \$27,759 and \$2,533 respectively.

During the year ended September 30, 2016, the City purchased a Gradall D152 2x4 for use in the Streets and Drainage Department under capital lease, with a cost of \$ 244,544 and an effective interest rate of 2.94%. Current requirements for principal and interest expenditures accounted for in the Streets and Drainage Department of the General Fund were \$47,469 and \$4,331 respectively.

On April 15, 2016, the City entered into an operating lease for fifty- five (55) Yamaha golf cars from April 15, 2016 through March 15, 2019, which calls for thirty-six (36) monthly payments of \$ 3,750.

During the year ended September 30, 2015, the City purchased a John Deere Top Dresser for \$ 14,200, under capital lease, with an effective interest rate of 4.00%. Current requirements for principal and interest expense accounted for in the Golf Course fund were \$3,703 and \$131, respectively.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Capital Leases (continued)

During the year ended September 30, 2016, the City purchased a Toro Greens Master (greens mower) 3150-Q w/attachments for \$ 34,785, under capital lease, with an effective interest rate of 3.59%. The lease calls for forty-eight (48) monthly payments of \$777 with final payment on August 31, 2020. Current requirements for principal and interest accounted for in the Golf Course fund were \$8,560 and \$788 respectively.

Operating Leases

Lessor

The City leases various office space as well as park and community house rentals as lessor. These leases are considered operating leases for accounting purposes and are reported as income in the General Fund. The office leases are on a month-to-month basis. The park and community house rentals are based upon usage.

Operating lease and rental income for the year ended September 30, 2018 was as follows:

Office lease Income	\$ 29,713
Office rental income	\$ 71,015

Lessee

During the year ended September 30, 2015, the City entered into a 5 year operating lease agreements for copy machines, meters, and maintenance which calls for monthly payments of \$397 and \$381.

During the year ended September 30, 2018, the City entered into a 5 year operating lease agreements for copy machines and a digital mailing system which calls for monthly payments of \$625 and \$153

Operating lease expense for the year ended September 30, 2018 was \$18,671

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2018, is as follows:

	Receivable Fund			Totals
	General Fund	Non-major Governmental Funds	Water and Sewer Fund	
Payable Fund				
Governmental activities				
General fund	\$ 132,730	\$ 300		\$ 133,030
Nonmajor governmental funds	300	76,123		76,423
<i>Total governmental activities</i>	<u>133,030</u>	<u>76,423</u>		<u>209,453</u>
Business-type activities				
Water and sewer Fund			56,607	56,607
<i>Total business-type activities</i>	-	-	<u>56,607</u>	<u>56,607</u>
<i>Net interfund totals</i>	<u>\$ 133,030</u>	<u>\$ 76,423</u>	<u>\$ 56,607</u>	<u>\$ 266,060</u>

	Transfers in			Net
	General Fund	Non-major Governmental Funds	Water and Sewer Fund	
Transfers out				
Governmental activities				
General fund	\$ 502,749	\$ 358,106		\$ 860,855
Nonmajor governmental funds	358,106			358,106
<i>Total governmental activities</i>	<u>860,855</u>	<u>358,106</u>		<u>1,218,961</u>
Business-type activities				
Water and sewer Fund			502,749	502,749
<i>Total business-type activities</i>	-	-	<u>502,749</u>	<u>502,749</u>
<i>Net interfund totals</i>	<u>\$ 860,855</u>	<u>\$ 358,106</u>	<u>\$ 502,749</u>	<u>\$ 1,721,710</u>

Amounts recorded as interfund receivables and payables are considered to be temporary loans and will be repaid during the following fiscal year.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City of Freeport participates as one of 883 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issue a publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmars.org.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options.

Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of member's deposits and interest.

A summary of plan provisions for 2016 and 2017 for the City are as follows:

	Plan Year 2016	Plan Year 2017
Employee deposit rate:	7%	7%
Matching ratio (City to employee):	2 to 1	2 to 1
Years required for vesting:	5	5
Service retirement eligibility:	20 years at any age; 5 years at age 60 and above	20 years at any age; 5 years at age 60 and above
Updated Service Credit:	100% repeating transfers	100% repeating transfers
Annuity Increase to retirees:	70% of CPI repeating	70% of CPI repeating
Supplemental death benefit – active employees and retirees:	Yes	Yes

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Employees Covered by Benefits Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	108
Active employees	<u>120</u>
Total	295

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2018, the City made contributions of 14.36% for the months in 2017 and 14.25% for the months in 2018. The City's contributions to TMRS for the year ended September 30, 2018, were \$929,815 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%

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

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal ("EAN") actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
U.S. equities	17.5%	4.55%
International equities	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real estate	10.0%	4.75%
Real return	10.0%	4.15%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Basis of Allocation

Pension items are allocated between governmental activities and business type activities on the basis of employee payroll funding. For the year ended September 30, 2018, those percentages were 99% and 1%, respectively, which approximated the prior year's allocations.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 25,080,819	\$ 19,568,981	\$ 5,511,838
Changes for the year:			
Service cost	1,069,778		1,069,778
Interest	1,693,736		1,693,736
Difference between expected and actual experience	462,205		462,205
Contributions - employer		944,578	(944,578)
Contributions - employee		464,589	(464,589)
Net investment income		2,709,724	(2,709,724)
Benefit payments, including refunds, of employee contributions	(1,046,653)	(1,046,653)	
Administrative expense		(14,056)	14,056
Other charges		(712)	712
Net changes	<u>2,179,066</u>	<u>3,057,470</u>	<u>(878,404)</u>
Balance at 12/31/2017	<u>\$ 27,259,885</u>	<u>\$ 22,626,451</u>	<u>\$ 4,633,434</u>

Sensitivity of the Net Pension Liability

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

	Current Single Rate		
	1% Decrease to 5.75%	Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	\$ 9,058,233	\$ 4,633,434	\$ 1,088,364

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$1,225,974.

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ 13,145	\$ (360,320)
Change in assumptions	10,303	
Difference in projected and actual earnings on pension plan earnings		(578,892)
Contributions subsequent to the measurement date	<u>646,581</u>	
Total	<u>\$ 670,029</u>	<u>\$ (939,212)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$646,581 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the City's financial statements September 30, 2018). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2018	\$ 161,669
2019	89,289
2020	(194,607)
2021	(277,765)
2022	
Thereafter	
Total	<u>\$ (221,414)</u>

Texas Emergency Services Retirement System

Plan Description and Provisions

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Due to the insignificance of the amounts and the time required to make such calculations, the City has opted not to record the transactions required to implement GASB No. 68 for the TESRS Pension Plan to the current year financial statements.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees.

Benefits Provided

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

Employees Covered by Benefits Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	20
Active employees	120
Total	185

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2018, the City made contributions of 0.15% for the months in 2017 and 0.14% for the months in 2018. The City's contributions to TMRS for the year ended September 30, 2018, were \$929,815 and were equal to the required contributions.

CITY OF FREEPORT, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

TMRS Supplemental Death Benefits Fund (continued)

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB Statement No.75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the total OPEB liability, as of December 31, 2016, using a discount rate of 3.78%.

Net OPEB Liability

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%

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

Basis of Allocation

OPEB items are allocated between governmental activities and business type activities on the basis of employee payroll funding. For the year ended September 30, 2018, those percentages were 99% and 1%, respectively, which approximated the prior year's allocations.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

TMRS Supplemental Death Benefits Fund (continued)

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
Balance at 12/31/2016	\$ 274,359
Changes for the year:	
Service cost	10,618
Interest on Total OPEB Liability	10,509
Changes in assumptions or other inputs	26,796
Benefit payments	(3,318)
Net changes	<u>44,605</u>
Balance at 12/31/2017	<u>\$ 318,964</u>

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	<u>1% Decrease to 2.21%</u>	<u>Current Discount Rate 3.31%</u>	<u>1% Increase to 4.31%</u>
City's Total OPEB Liability			
TMRS SDB Plan	\$ 387,999	\$ 318,964	\$ 265,678

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2018, the City recognized OPEB expense of \$25,803

As of September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 22,120	\$
Total	<u>\$ 22,120</u>	<u>\$</u>

CITY OF FREEPORT, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

TMRS Supplemental Death Benefits Fund (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2019	\$ 4,676
2020	4,676
2021	4,676
2022	4,676
2023	3,416
Total	<u>\$ 22,120</u>

Retiree Healthcare

Plan Description

The City of Freeport maintains, through TML MultiState Intergovernmental Employee Benefits Pool (IEBP), a health risk pool established pursuant to Texas Local Government Code Chapter 172, Texas Government Code Chapter 791, and the Texas Trust Code to provide health care benefits coverage for employees and retirees and dependents of employees and retirees, of Texas political subdivisions under an interlocal agreement. The City is currently offering health benefits coverage through IEBP which allows the extension of benefits to retirees of the City. The City provides health benefits coverage to its retirees through IEBP and the cost of such coverage be paid for by the City to a maximum of \$750 per month; any additional amount will be the responsibility of the retiree. An employee who is under 60 years of age and has been covered by TMRS (Texas Municipal Retirement System) for at least 20 years, or an employee who is 60 years or older and has been covered by TMRS for at least 5 years. The employee must also work for the City for a period of eight continuous years and meet the definition of retiree for purposes of the ordinance. The Interlocal Agreement in effect between the City and IEBP, adopted September 8, 2014, provides that the Board of Trustees may adopt rules and regulations which may amend this plan in the future. Other coverage's will be as established by the TML MultiState Intergovernmental Employee Benefits Pool Board of Trustees.

Financial Statements

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal costs each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The unfunded actuarial accrued liability is \$340,161 as of December 31, 2014, which is when the last actuarial valuation was performed.

CITY OF FREEPORT, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 10 - Deferred Compensation Plan

The City offers its employees the opportunity to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is an additional retirement savings option for the City employees; however, no contributions will be made by the City. The retirement plan is offered to public service personnel only.

Note 11 - Industrial Contract Agreements

The City three Industrial Development Agreements: Brazosport IDA (Interlocal with Lake Jackson and Clute), Freeport IDA, and Freeport LNG. Brazosport IDA and Freeport IDA, are calculated based on property values or CPI – whichever is greater. Freeport LNG Industrial District payments are made in accordance to a payment schedule outline in the agreement. The amount received under this contract and various other industrial district contracts during the year ended September 30, 2018 was \$ 5,971,351 and is reported in the General Fund.

Note 12 - Subsurface Lease Agreement

The City entered into a subsurface lease agreement with the Dow Chemical Corporation in July 2017. The terms of the lease agreement is July 31, 2017 through July 31, 2037 with an option to extend the term for an additional 5 years through July 31, 2042. The City will receive a total of \$8,000,000 throughout the life of the lease. The amount received under this contract during the year ended September 30, 2018 was \$5,500,000.

Note 13 - Water Supply Contract

The City entered into a water supply contract with the Brazosport Water Authority on February 20, 1987. The contract term is forty years and may not be terminated as long as bonds are outstanding. The City agrees to take and pay for, whether taken or not, 2 million gallons of water per day. The actual supply of water under this contract started in March, 1989.

Note 14 - Joint Venture

The City is party to an agreement with the City of Oyster Creek to share costs associated with the operation of a sewer treatment plant. The plant went on-line during the fiscal year ended September 30, 1989. The percentage for sharing the operating expenses is determined based upon meter flow calibrations. For the year ended September 30, 2018, the City of Freeport's portion of these expenses \$73,825.

During the year ended September 30, 2003, the City began a joint venture with the City of Clute, City of Lake Jackson, and the SPCA for an animal shelter. The shelter is located in Lake Jackson and provides programs for the claiming and adoption of lost or abandoned animals for the three cities. The term of the agreement is from March 1, 2003 through February 28, 2023. The City and Clute contributed \$ 150,000 each and the SPCA contributed \$ 250,000 for a total of \$ 550,000 to Lake Jackson for the design, construction, and furnishing of the \$ 1,100,000 facility. The City pays each year for administrative operating costs. For the year ended September 30, 2018, the City paid \$111,950 for their portion of the operating costs.

CITY OF FREEPORT, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 15 - Commitments and Contingencies

Litigation and Other Contingencies

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

Note 16 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Texas Municipal League's General Liability Fund. In addition, the City participates in the Texas Municipal League's Workers Compensation Fund to insure the City for workers compensation claims. The Texas Municipal League is not intended to operate as an insurance company but rather as contracting mechanism by which the city provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation and adjustment services in the handling of claims. Premiums are based on the estimated City payroll risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City has not significantly reduced insurance coverage in the last three years.

Note 17 - Prior Period Adjustment

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." – This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in time liability that is reflected on the employer's financial statements for any actuarially underfunded portion of benefits earned to date. The implementation of GASB Statement No. 75 resulted in restatement of beginning net position for removal of the OPEB liability previously recorded under GASB Statement No. 45, the recording of the total OPEB liability under Statement No. 75, and the beginning deferred outflow for contributions made after the measurement date.

CITY OF FREEPORT, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 17 - Prior Period Adjustment (continued)

For the year ended September 30, 2018, the City reclassified the Golf Course and Ambulance business-type activities as part of the general fund

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>General Fund</u>
Ending Net Position at September 30, 2017, as previously reported	\$ 15,900,775	\$ 8,131,975	\$ 6,955,417
Change in presentation:			
Reclassified Golf Course BTA as part of general fund	(471,576)	471,576	(830,369)
Reclassified Ambulance service BTA as part of general fund	341,259	(341,259)	(193,833)
Change in Accounting Standards:			
Adoption of GASB No. 75			
Less: net OPEB liability as of September 30, 2017	(270,959)	(3,400)	
Net prior period adjustments	<u>(401,276)</u>	<u>126,917</u>	<u>(1,024,202)</u>
Beginning Net Position as of October 1, 2017, as restated	<u>\$ 15,499,499</u>	<u>\$ 8,258,892</u>	<u>\$ 5,931,215</u>

Note 18 - Subsequent Events

The City entered into three capital leases subsequent to September 30, 2018. In November 2018 the City entered into a lease for a John Deere mower costing \$58,975 which will be paid in equal installments monthly for 5 years. The City entered into two capital leases in December 2018. The first lease is a street sweeper costing \$206,268 which will be paid annually in four installments of \$54,914. The second lease is for a fire truck costing \$799,918 which will be paid annually in 5 installments of \$173,445.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FREEPORT, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (GAAP BASIS)

For the Year Ended September 30, 2018

	2018			Variance Positive (Negative)	2017
	Original Budget	Final Budget	Actual		Actual
Revenues					
Taxes:					
Property taxes	\$ 2,213,311	\$ 2,213,311	\$ 2,079,806	\$ (133,505)	\$ 1,996,289
Sales and use taxes	3,090,100	3,090,100	2,802,128	(287,972)	2,169,097
Industrial district	5,665,000	5,665,000	5,971,351	306,351	649,696
Fines and forfeitures	447,000	447,000	494,649	47,649	415,275
Licenses and permits	200,500	200,500	146,470	(54,030)	210,068
Intergovernmental	195,800	311,482	146,660	(164,822)	5,000
Charges for services	2,258,050	2,292,664	2,249,824	(42,840)	2,097,920
Investment earnings	20,000	20,000	174,914	154,914	60,161
Miscellaneous	192,645	223,834	400,587	176,753	200,880
Lease income	5,638,716	5,689,578	5,767,361	77,783	
Total Revenues	19,921,122	20,153,469	20,233,750	80,281	7,804,386
Expenditures					
Current:					
General government:	2,238,857	2,246,357	2,004,917	241,440	
Public safety	7,383,627	7,514,753	6,898,256	616,497	
Economic Development		15,000	15,000		
Streets and drainage	2,333,155	2,966,201	1,906,959	1,059,242	
Sanitation	936,000	936,000	962,293	(26,293)	
Service Center	202,175	202,175	154,297	47,878	
Culture and Recreation	3,680,511	3,792,447	3,499,870	292,577	
Debt Service:					
Principal	97,958	97,958	91,352	6,606	73,045
Interest and other charges	2,589	2,589	7,057	(4,468)	
Total Expenditures	16,874,872	17,773,480	15,540,001	2,233,479	73,045
Revenues over (under) expenditures	3,046,250	2,379,989	4,693,749	2,313,760	7,731,341
OTHER FINANCING SOURCES (USES)					
Transfers out	(502,749)	(502,749)	(502,749)		(539,155)
Total other financing sources (uses)	(502,749)	(502,749)	(502,749)	---	(539,155)
Changes in fund balance	2,543,501	1,877,240	4,191,000	2,313,760	7,192,186
Fund Balances - Beginning	5,931,308	5,931,308	5,931,308		23,906,784
Fund Balances - Ending	\$ 8,474,809	\$ 7,808,548	\$ 10,122,308	\$ 2,313,760	\$ 31,098,970

CITY OF FREEPORT, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Year Ended September 30, 2018

General Budget Policies

The original budget is adopted by the City Council prior to the beginning of the fiscal year for the General Fund and Debt Service Fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Transfers of appropriations between departments require the approval of the City Council.

CITY OF FREEPORT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios
Last Four Measurement Years

	<u>Measurement Year 2017</u>	<u>Measurement Year 2016</u>	<u>Measurement Year 2015</u>	<u>Measurement Year 2014</u>
Total pension liability:				
Service cost	\$ 1,069,778	\$ 941,887	\$ 867,502	\$ 749,370
Interest	1,693,736	1,586,800	1,511,254	1,424,774
Difference between expected and actual experience	462,205	(31,959)	276,833	(132,087)
Change in assumptions			116,881	
Benefit payments, including refunds of employee contributions	(1,046,653)	(906,817)	(874,894)	(856,501)
Net change in total pension liability	<u>2,179,066</u>	<u>1,589,911</u>	<u>1,897,576</u>	<u>1,185,556</u>
Total pension liability - beginning	25,080,519	23,490,608	21,593,032	20,407,476
Total pension liability - ending (a)	<u>\$ 27,259,585</u>	<u>\$ 25,080,519</u>	<u>\$ 23,490,608</u>	<u>\$ 21,593,032</u>
Plan fiduciary net position:				
Contributions - employer	\$ 944,578	\$ 773,757	\$ 699,079	\$ 600,889
Contributions - employee	464,589	409,932	385,600	348,367
Net investment income	2,709,724	1,221,694	26,362	962,281
Benefit payments, including refunds of employee contributions	(1,046,653)	(906,817)	(874,894)	(856,501)
Administrative expense	(14,056)	(13,803)	(16,057)	(10,047)
Other	(712)	(1,044)	(792)	(826)
Net change in plan fiduciary net position	<u>3,057,470</u>	<u>1,483,719</u>	<u>219,298</u>	<u>1,044,163</u>
Plan fiduciary net position - beginning	19,568,681	18,084,962	17,865,664	16,821,501
Plan fiduciary net position - ending (b)	<u>22,626,151</u>	<u>19,568,681</u>	<u>18,084,962</u>	<u>17,865,664</u>
Net pension liability - ending (a) - (b)	<u>\$ 4,633,434</u>	<u>\$ 5,511,838</u>	<u>\$ 5,405,646</u>	<u>\$ 3,727,368</u>
Plan fiduciary net position as a percentage of total pension liability	83.00%	78.02%	76.99%	82.74%
Covered employee payroll	\$ 6,636,342	\$ 5,846,596	\$ 5,501,315	\$ 4,976,675
Net pension liability as a percentage of covered employee payroll	69.82%	94.27%	98.26%	74.90%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF FREEPORT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Contributions
Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 912,207	\$ 773,757	\$ 699,079	\$ 677,622
Contribution in relation of the actuarially determined contribution	\$ 912,207	\$ 773,757	\$ 699,079	\$ 677,622
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	\$ 6,461,534	\$ 5,846,596	\$ 5,501,315	\$ 4,976,675
Contributions as a percentage of covered employee payroll	14.1%	13.2%	12.7%	13.6%

CITY OF FREEPORT, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2018

Notes to Required Supplementary Information:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	30 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	2.75%
Salary Increases:	3.5% to 10.5% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

CITY OF FREEPORT, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFIT (UNAUDITED)

Schedule of Changes in Total OPEB Liability and Related Ratios

	Measurement Year 2017
Total OPEB liability:	
Service cost	\$ 10,618
Interest	10,509
Change in assumptions	26,796
Benefit payments, including refunds of employee contributions	<u>(3,318)</u>
Total change in total OPEB liability	44,605
Total OPEB liability - beginning	<u>274,359</u>
Total OPEB liability - ending (a)	<u>\$ 318,964</u>
Covered employee payroll	\$ 6,636,342
Total OPEB liability as a percentage of covered employee payroll	4.81%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

COMBINING STATEMENTS

CITY OF FREEPORT, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2018

	<u>Debt Service Fund</u>	<u>Hotel/Motel Tax</u>	<u>Economic Development Corporation</u>
Assets			
Cash and cash equivalents	\$ 25,265	\$	\$ 69,772
Receivables (net of allowance for uncollectibles)	31,717	1,391	246,165
Due from other funds	38,812	2,055	
Total Assets	<u>\$ 95,794</u>	<u>\$ 3,446</u>	<u>\$ 315,937</u>
Liabilities			
Accounts payable	\$	\$	\$ 14,844
Due to other funds			78,071
Total Liabilities			<u>92,915</u>
Deferred Inflows of Resources			
Unavailable revenues	31,716		
Total Deferred Inflows of Resources	<u>31,716</u>		
Fund Balances			
Restricted:			
Debt service	64,078		
Capital projects			
Economic Development		3,446	223,022
Unassigned			
Total Fund Balances	<u>64,078</u>	<u>3,446</u>	<u>223,022</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 95,794</u>	<u>\$ 3,446</u>	<u>\$ 315,937</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2018

	<u>Beach Maintenance</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ (9,680)	\$ 1,706	\$ 87,063
Receivables (net of allowance for uncollectibles)			279,273
Due from other funds		52,323	93,190
Total Assets	<u>\$ (9,680)</u>	<u>\$ 54,029</u>	<u>\$ 459,526</u>
Liabilities			
Accounts payable	\$ 1,845	\$	\$ 16,689
Due to other funds			78,071
Total Liabilities	<u>1,845</u>		<u>94,760</u>
Deferred Inflows of Resources			
Unavailable revenues			31,716
Total Deferred Inflows of Resources			<u>31,716</u>
Fund Balances			
Restricted:			
Debt service			64,078
Capital projects		54,029	54,029
Economic Development			226,468
Unassigned	(11,525)		(11,525)
Total Fund Balances	<u>(11,525)</u>	<u>54,029</u>	<u>333,050</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ (9,680)</u>	<u>\$ 54,029</u>	<u>\$ 459,526</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	<u>Debt Service Fund</u>	<u>Hotel/Motel Tax</u>	<u>Economic Development Corporation</u>
Revenues			
Taxes:			
Property taxes	\$ 571,549	\$	\$
Sales and use taxes		11,360	1,072,577
Investment earnings	478		
Miscellaneous			4,476
Total Revenues	<u>572,027</u>	<u>11,360</u>	<u>1,077,053</u>
Expenditures			
Current:			
Culture and recreation			
Economic development		10,500	199,625
Debt service:			
Principal	812,961		525,000
Interest and other charges	128,635		15,750
Total Expenditures	<u>941,596</u>	<u>10,500</u>	<u>740,375</u>
Other Financing Sources (Uses)			
Transfers in	358,106		
Transfers out			(358,106)
Total other financing sources (uses)	<u>358,106</u>		<u>(358,106)</u>
Changes in Fund Balances	(11,463)	860	(21,428)
Fund Balances - Beginning of Year	<u>75,541</u>	<u>2,586</u>	<u>244,450</u>
Fund Balances - End of Year	<u>\$ 64,078</u>	<u>\$ 3,446</u>	<u>\$ 223,022</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	<u>Beach Maintenance</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues			
Taxes:			
Property taxes	\$	\$	\$ 571,549
Sales and use taxes			1,083,937
Investment earnings			478
Miscellaneous	8,318		12,794
Total Revenues	<u>8,318</u>		<u>1,668,758</u>
Expenditures			
Current:			
Culture and recreation	23,022		23,022
Economic development			210,125
Debt service:			
Principal			1,337,961
Interest and other charges			144,385
Total Expenditures	<u>23,022</u>		<u>1,715,493</u>
Other Financing Sources (Uses)			
Transfers in			358,106
Transfers out			(358,106)
Total other financing sources (uses)			
Changes in Fund Balances	(14,704)		(46,735)
Fund Balances - Beginning of Year	3,179	54,029	379,785
Fund Balances - End of Year	<u>\$ (11,525)</u>	<u>\$ 54,029</u>	<u>\$ 333,050</u>

See Notes to Basic Financial Statements.

CITY OF FREEPORT, TEXAS**DEBT SERVICE FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL (GAAP BASIS)***For the Year Ended September 30, 2018*

	2018			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes:				
Property taxes	\$ 579,420	\$ 579,420	\$ 571,549	\$ (7,871)
Investment earnings	-	-	478	478
Total Revenues	<u>579,420</u>	<u>579,420</u>	<u>572,027</u>	<u>(7,393)</u>
Expenditures				
Debt Service:				
Principal	811,808	811,808	812,961	(1,153)
Interest and other charges	130,236	130,236	128,635	1,601
Total Expenditures	<u>942,044</u>	<u>942,044</u>	<u>941,596</u>	<u>448</u>
 Revenues over (under) expenditures	 (362,624)	 (362,624)	 (369,569)	 (6,945)
Other Financing Sources (Uses)				
Transfers in	362,924	362,924	358,106	(4,818)
Total other financing sources (uses)	<u>362,924</u>	<u>362,924</u>	<u>358,106</u>	<u>(4,818)</u>
 Net changes in fund balances	 300	 300	 (11,463)	 (11,763)
Fund Balances - Beginning	<u>75,541</u>	<u>75,541</u>	<u>75,541</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 75,841</u>	<u>\$ 75,841</u>	<u>\$ 64,078</u>	<u>\$ (11,763)</u>



City Council Agenda Item #2

Title: Presentation of the Investment Report for the quarter ended December 31, 2018

Date: July 1, 2019

From: Stephanie Russell, Finance Director

Staff Recommendation: N/A

This report is presented for informational purposes. No Council Action is required.

Item Summary:

This report reflects that on December 31, 2018, the City's total portfolio of \$10,380,986 was managed in compliance with the PFIA and the City's investment policies.

Background Information:

The Public Funds Investment Act (PFIA), Texas Government Code, Chapter 2256 states that no less than quarterly, the Investment Officer(s) shall prepare and submit to the governing body a written report of investment transactions for all funds covered by the Act for the preceding reporting period. Presentation of this report fulfills that requirement.

Special Considerations: N/A

Financial Impact: N/A

Board or 3rd Party recommendation: N/A

Supporting Documentation:

Quarterly Investment Report



City of Freeport

**FY2018-2019
Quarterly Investment Report
Period Ending December 31, 2018**



Management Summary

In accordance with the City's Investment Policy, the Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary is prepared in a manner consistent with the requirements of Section 2256.023 of the PFIA which should allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy.

The City invests cash that is not immediately needed for operations in TexPool and Securities issued by Agencies of the Federal Government as allowed by the Public Funds Investment Act and the City's Investment Policy.

As of December 31, 2018, the City's cash and investments were as follows:

Investment Category	Book Value	Percentage	Weighted Average Maturity (Days)
Cash in Demand Accounts	\$ 2,910,260	28.03%	1.00
Government Pools	\$ 7,470,726	71.97%	1.00
Certificates of Deposit	\$ -	0.00%	0.00
TOTAL	\$ 10,380,986	100.00%	1.00

The portfolio is highly liquid with over \$10 million or 100% available immediately.

Interest rates on investments range from 2.32 % to 2.42%. While these rates have increased from 2.07% the previous quarter, they are fairly low for the overall market. Staff anticipates the City will see higher interest rates proposed during the Primary Depository Request for Applications.

Compliance: The City requires its depository banks to provide collateral for all deposits in excess of Federal Deposit Insurance. As of December 31, 2018, the market value of collateral pledged to the City by Texas Gulf Bank through the Baker Bond Accounting was \$4,012,958.90, 150% of deposits.

Market Value: The City currently holds no investments in which the book value differs from the market value. For all holdings, the book value is equal to the market value.



Quarterly Investment Report

September 30, 2019 - December 31, 2018

G/L	Description	Book Value	Current Interest Rate	Yield to Maturity	Maturity Date	Days to Maturity	Beginning Market Value for Period	Changes to Market Value	Ending Market Value for Period	Interest Paid YTD
Cash in Demand Accounts										
99-101-000	Operating Account	\$ 2,789,459	2.32%	2.32%	Demand	1	\$ 1,496,495	\$ 1,292,965	\$ 2,789,459	\$ 8,212
87-101-000	Clearing Fund 87	\$ 73,331	2.32%	2.32%	Demand	1	\$ 54,061	\$ 19,270	\$ 73,331	\$ 423
15-101-000	Golf Fund	\$ -	2.32%	2.32%	Demand	1	\$ 3,349	\$ (3,349)	\$ -	\$ 11
64-101-000	Capital Purchase DS	\$ 2,751	2.32%	2.32%	Demand	1	\$ 12,726	\$ (9,976)	\$ 2,751	\$ 324
65-101-000	COO2008 \$3.3M DS	\$ 10,838	2.32%	2.32%	Demand	1	\$ 10,773	\$ 66	\$ 10,838	\$ 66
56-101-043	Water and Sewer I&S	\$ 11,085	2.32%	2.32%	Demand	1	\$ 11,022	\$ 63	\$ 11,085	\$ 63
	Historical Museum	\$ 22,796	2.32%	2.32%	Demand	1	\$ 22,871	\$ (75)	\$ 22,796	\$ -
	Total Cash in Demand Accounts	\$ 2,910,260					\$ 1,611,297	\$ 1,298,962	\$ 2,910,260	\$ 9,099
Invested in Government Pools										
Multiple	TexPool	\$ 7,470,726	2.42%	2.42%	Demand	1	\$ 9,525,828	\$ (2,055,102)	\$ 7,470,726	\$ 44,898
	Total Invested in Pools	\$ 7,470,726					\$ 9,525,828	\$ (2,055,102)	\$ 7,470,726	\$ 44,898
	TOTAL ALL INVESTMENTS	\$ 10,380,986					\$ 11,137,125	\$ (756,140)	\$ 10,380,986	\$ 53,997

Investment schedules presented per the provisions of the Texas Code Chapter 2256 (Public Funds Investment Act) and the City's Investment Policy.

The City requires its depository banks to provide collateral for all deposits in excess of Federal Deposit Insurance. As of December 31, 2018, the market value of collateral pledged by Baker Bond Accounting to the City was \$4,012,958.90, 150% of deposits.

Unrealized gain/loss is the difference between the market value of the City's securities and what it paid for them. Gains and losses are realized only when a security is sold prior to maturity. Since it is the City's practice to hold all securities to maturity, it is unlikely that unrealized gains and losses will be realized. As of December 31, 2018, the City had no unrealized gains or losses.

Investment Category	Book Value	Percentage	Weighted Average Maturity (Days)
Cash in Demand Accounts	\$ 2,910,260	28.03%	1.00
Government Pools	\$ 7,470,726	71.97%	1.00
Certificates of Deposit	\$ -	0.00%	0.00
TOTAL	\$ 10,380,986	100.00%	1.00

Stephanie Russell

Stephanie Russell, Investment Officer

6/26/2019

Date

State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the City Council of Freeport, Texas met on Monday, June 17, 2019 at 6:00 p.m. at the Freeport Police Department, Municipal Court Room, 430 North Brazosport Boulevard, Freeport Texas for the purpose of considering the following agenda items:

City Council: Mayor Troy Brimage
Councilman Brooks Bass
Councilman Ken Green
Councilwoman Sandra Loeza
Councilman Roy E. Yates

Staff: Tim Kelty, City Manager
Laura Tolar, Asst. City Secretary/Special Projects Coordinator
Wallace Shaw, City Attorney
Nat Hickey, Property Manager
Brian Dybala, Golf Course Director
Chris Motley, Fire Chief
Ray Garivey, Police Chief
Danny Gillchrist, Police Captain
Stephanie Russell, Finance Director
Loni Kershaw, Human Resources Director
Betty Wells, Accounts Payable
Courtland Holman, Economic Development Director
Billy Shoemaker, Building Department Director
Jerry Meeks, Veolia

Visitors:	Kenny Hayes	Nicole Mireles
	Sam Reyna	Sabrina Brimage
	Manning Rollerson	Melanie Oldham
	Desiree Pearson	Tommy Pearson
	Keith Stumbaugh	Jennifer Hawkins
	Ruben Arias	Ilene Arias
	Abigail Arias	Ethan Arias
	Larry Fansher	Mario Murira
	Kyle Hammonds	Angie Williams

Call to order.

Mayor Troy Brimage called the meeting to order at 6:00 p.m.

Citizen's Comments

Manning Rollerson addressed council concerning a call to the police department that his wife made and racial slurs he said was made by a city employee.

PRESENTATIONS/ANNOUNCEMENTS: Announcements by Mayor, City Council and/or Staff

Recognition of Department Head for outstanding lifesaving effort.

Police Chief Ray Garivey was presented with a certificate recognizing his lifesaving efforts of performing CPR on a gentleman having a heart attack and credited with helping to save his life.

Employee of the Month

City employee Betty Wells was presented with a certificate recognizing her as Employee of the Month for May 2019.

CONSENT AGENDA

Consideration and possible action on the approval of City Council meeting minutes from June 3, 2019.

Consideration of approving Resolution No. 2019- 2591 reappointing qualified person to the Charter Review Board of said City; Rita Cundieff.

On a motion by Councilman Bass, seconded by Councilwoman Loeza, with all present voting "Aye", Council unanimously approved the consent agenda.

REGULAR SESSION

Consideration and possible action on approval of an agreement with Bryan Mound Strategic Petroleum Reserve for the provision, operation, and maintenance of a sanitary sewer force main serving the facility

City Manager Tim Kelty stated that Bryan Mound Strategic Petroleum Reserve had approached the City. They will be responsible for engineering and construction.

Councilman Brooks Bass asked if we could handle the increase.

Jerry Meeks with Veolia Water stated that it would be no problem.

Councilman Bass asked if Bryan Mound was aware that their cost would go up as our costs go up.

Mr. Kelty replied yes.

On a motion by Councilman Bass, seconded by Councilman Green, with all present voting "Aye", Council unanimously approved an agreement with Bryan Mound Strategic Petroleum Reserve for the provision, operation, and maintenance of a sanitary sewer force main serving the facility.

Consideration of approving Resolution No. 2019-2592 approving the conveyance of property owned by the City of Freeport on Bryan Beach conveyed from the Texas Parks and Wildlife Department back to Texas Parks & Wildlife and re-conveying a portion back to the City

This item was tabled.

Consideration and possible action on Resolution No. 2019-2593 authorizing the Mayor to sign an agreement with the City of Surfside Beach for the sale of potable water

Mr. Kelty stated that Surfside will be responsible for design and construction.

There will be a ten percent surcharge.

On a motion by Councilman Bass, seconded by Councilman Green, with all present voting "Aye", Council unanimously approved an agreement with the City of Surfside Beach for the sale of potable water.

Consideration of Ordinance No. 2019-2575 adopting an amendment to the budget for the 2018-2019 fiscal year.

Finance Director Stephanie Russell stated that there were additions of revenue and expenditures in this budget amendment.

Larry Fansher asked the amount of sponsorship for the Billfish Classic.

Mayor Brimage stated that this tournament is a great event for the City. Approximately \$40,000 of fuel will be purchased specifically for this tournament taking place July 16-21.

On a motion by Councilman Bass, seconded by Councilwoman Loeza, with all present voting "Aye", Council unanimously approved Ordinance No. 2019-2575 adopting an amendment to the budget for the 2018-2019 fiscal year.

Discuss and consider approving Ordinance No. 2019-2576 authorizing a rate increase for solid waste

Stephanie Russell told council that our costs for solid waste has increased but the increase had not been extended to residents.

Customers would need to be billed \$25.25 to cover the cost of the City. Currently residents are paying \$22.78. She said that the contract expires in 2021.

On a motion by Councilman Bass, seconded by Councilwoman Loeza, with all present voting "Aye", Council unanimously approved Ordinance No. 2019-2576 authorizing a rate increase for solid waste.

Consideration of approving Resolution No. 2019-2590 authorizing the submission of a Community Block Grant Disaster Recovery application to the Texas General Land Office and authorizing the City Manager to act as the City's Executive Officer and authorized representative in all matters pertaining to the City's Participation in the CDBG-DR Program

Fire Chief Chris Motley stated that the proposed project is on Slaughter Road because it was underwater during Hurricane Harvey.

On a motion by Councilman Bass, seconded by Councilman Yates, with all present voting "Aye", Council unanimously approved Resolution No. 2019-2590 authorizing the submission of a Community Block Grant Disaster Recovery application to the Texas General Land Office and authorizing the City Manager to act as the City's Executive Officer and authorized representative in all matters pertaining to the City's Participation in the CDBG-DR Program.

Consideration and Possible Action Authorizing the City Manager to Execute any and All Documents Necessary to Effectuate an Agreement for Governmental Accounting Standards Board (GASB) Statement No. 75 actuarial valuation under the Shared Services arrangement provided by Gabriel, Roeder, Smith & Co (GRS) and North Central Texas Council of Governments (NCTCOG)

Finance Director Stephanie Russell stated that GASB requires post-employment benefits. GRS is very familiar with the requirements. She added that the city will not be compliant in the audit regarding this.

On a motion by Councilwoman Loeza, seconded by Councilman Bass, with all present voting "Aye", Council unanimously approved authorizing the City Manager to Execute any and All Documents Necessary to Effectuate an Agreement for Governmental Accounting Standards Board (GASB) Statement No. 75 actuarial valuation under the Shared Services arrangement provided by Gabriel, Roeder, Smith & Co (GRS) and North Central Texas Council of Governments (NCTCOG).

Consideration of and action on a Resolution No. 2019-2594 requesting to participate in the Texas Comptroller of Public Accounts Cooperative Purchasing Program

Stephanie Russell stated that this is another Cooperative Purchasing program that we are not in. She would like it to become part of it.

On a motion by Councilman Bass, seconded by Councilwoman Loeza, with all present voting "Aye", Council unanimously approved Resolution No. 2019-2594 requesting to participate in the Texas Comptroller of Public Accounts Cooperative Purchasing Program.

Consideration and Possible Action Authorizing the City Manager to Execute any and All Documents Necessary to Effectuate an Agreement for Municipal Advisor Services with Masterson Advisors LLC

Mr. Kelty said that financial advisors would recommendations on how to structure debt.

Stephanie Russell stated that they work with many cities and also work with the Port Freeport.

On a motion by Councilwoman Loeza, seconded by Councilman Bass, with all present voting "Aye", Council unanimously approved authorizing the City Manager to Execute any and All Documents Necessary to Effectuate an Agreement for Municipal Advisor Services with Masterson Advisors LLC.

Discuss and consider approving a general services agreement with Freese & Nichols

Mr. Kelty stated that we would have reasonable rates and we have a lot of projects needing to be completed. The contract will expire in June 2020.

On a motion by Councilman Bass, seconded by Councilman Green, with all present voting "Aye", Council unanimously approved a general services agreement with Freese & Nichols.

WORK SESSION:

Mayor Brimage said that the Parks Department is doing a great job. There are lots of people enjoying the FCH Pavilion Park with the new additions. He added that he we had demolished the Freeport Community House because of the poor condition it was in but that we will be building a state of the art building in it's place. He would also like a legislative update.

Councilman Ken Green asked staff to monitor the waterfront in Ward A. He said people are fishing and leaving a lot of trash behind.

Councilman Brooks Bass announced he was excited about the new engineers. He stated that there are some alleys that are creating dams and not allowing water to flow. He added that he was curious about the timeline for the interlocal street work.

Councilwoman Sandra Loeza had nothing to report.

Councilman Yates requested an update on the Urban Renewal Area.

City Manager Tim Kelty announced that he would be bringing in mid July information regarding the insurance bids.

Update on reports / concerns from Department heads

Golf Course Director Brian Dybala thanked council again for the new pavilion. He stated they are getting more tournaments.

Building Department Director said that Waste Connections were working on getting caught up. He added that we had seven new house permits.

Finance Director Stephanie Russell stated the auditors are finishing up the audit.

EDC Director Courtland Holman announced that he was speaking to three medical facilities, working on a new EDC website and working with two firms to market in the US and Europe.

Fire Chief Chris Motley reminded everyone that we are going into hurricane season and that there is an upcoming expo at the fair grounds.

There was no executive session.

Executive Session regarding personnel matters (Legal Counsel/City Attorney) in accordance with Vernon's Texas Government Code Annotated, Chapter 551, 551.074

The executive session item was discussed in open session.

Mr. Kelty said that he had interviewed the top two firms per councils direction. Mr. Kelty suggested we use Chris Duncan for our legal services. His retainer will be \$5,500 per month and will cover everything except lawsuits. The agreement will be for one year and will auto renew.

On a motion by Councilman Yates, seconded by Councilman Green, with all present voting "Aye", Council unanimously approved an agreement with Chris Duncan for legal services.

Adjourn

On a motion by Councilwoman Loeza, seconded by Councilman Green, with all present voting "Aye", Mayor Brimage adjourned the meeting at 7:17 PM.

Mayor, Troy Brimage
City of Freeport, Texas

Assistant City Secretary, Laura Tolar
City of Freeport, Texas

State of Texas

County of Brazoria

City of Freeport

BE IT REMEMBERED, that the City Council of Freeport, Texas met on Saturday, June 22, 2019 at 8:00 a.m. at the Dow Heritage House, 303 East Park Avenue, Freeport Texas for the purpose of considering the following agenda items:

City Council: Mayor Troy Brimage
Councilman Brooks Bass
Councilman Ken Green
Councilwoman Sandra Loeza
Councilman Roy E. Yates

Staff: Tim Kelty, City Manager
Laura Tolar, Asst. City Secretary/Special Projects Coordinator
Chris Duncan, City Attorney
Nat Hickey, Property Manager
Brian Dybala, Golf Course Director
Chris Motley, Fire Chief
Ray Garivey, Police Chief
Stephanie Russell, Finance Director
Loni Kershaw, Human Resources Director
Courtland Holman, Economic Development Director
Billy Shoemaker, Building Department Director
Clarisa Molina, Administrative Assistant
Donna Fisher, Human Resources Clerk

Visitors: Margaret McMahan Nicole Mireles
Sam Reyna David Towers
Ed Garcia Melanie Oldham

Call to order.

Mayor Troy Brimage called the meeting to order at 8:00 a.m.

WORK SESSION:

Mayor Brimage said he believes we have a successful team. He asked citizen comments to be respectful.

Mr. Kelty said this would be an annual effort moving forward.

Each department director presented their departmental strategic plan to the audience.

Each member of council discussed areas of importance.

Mayor Brimage said that of course infrastructure was number one priority and felt that a bond would need to be issued and proposed for the bond election several items including reconstruction of the Community House in some fashion. He also stressed the importance of the continued development of the Community House park like the sand volleyball court. In support of the idea of building a City Hall Complex at O.A Flemming property, he addressed the current moisture problem at City Hall, the vacancies on the second floor and the \$300,000 fix to the A/C, saying it would have been better spent on a new Municipal Complex. He stated that he was concerned about the poor condition of the old police station on Avenue A. He further added the importance of rooftops in the city, rooftops being the key to future retail economic development. He said that at ICSC we were told by Golden Coral that they required \$60 million in annual sales in the city to even consider putting a restaurant here. He pointed out the importance of development on the waterfront. Fire Station #2 needs to be manned in a way to give better response to residents who reside on the north side of town. He concluded with the importance for City Hall to make presentations to the right people as this is our opportunity to get a jump start.

Councilman Brook Bass stated that Mayor Brimage said it all. He made it clear that Water and Sewer were his number one concern. He noted that he has concerns over our waster water treatment plant. He said there is one component of the plant that he hasn't seen turn in five months. Also, alleys need focus.

Councilwoman Sandra Loeza stated that the EDC needs to be aggressive and be pushing for Freeport to get noticed. She stated we have a new engineer and water/sewer, streets and drainage need to be examined. She concluded that she agrees with everything that has already been mentioned and she is proud of the city department heads and city staff.

Councilman Roy Yates asked about the \$5 million the city has received and the payment schedule for the remaining money the city would receive in connection to the Golf Course. Finance Director Stephanie Russell stated that in addition to the initial payments the city will receive payments on an annual basis totaling about \$2.4 million over 20 years. He said we need to move as fast as we can regarding economic development. He mentioned that the master plan that was developed hasn't meant much. He added that the plan for City Hall is a good plan and we can make it happen. He advised we need guidance on how to spend the money and get a plan together pretty quick.

Councilman Ken Green stated that he has very much enjoyed the strategic planning meeting and appreciate how hard everyone has worked.

Stephanie Russell informed everyone about the 2019-2020 budget schedule and we should be adopting the budget on September 2, 2019.

Adjourn

On a motion by Councilwoman Loeza, seconded by Councilman Yates, with all present voting "Aye", Mayor Brimage adjourned the meeting at 11:23 AM.

Mayor, Troy Brimage
City of Freeport, Texas

Assistant City Secretary, Laura Tolar
City of Freeport, Texas



City Council Agenda Item #4

Title: Resolution 2019-2595 designating Parks Director Kim Townsend to act on the City’s behalf with the General Land Office and authorize the city manager to execute any and all documents related to the application process

Date: July 1, 2019

From: Kim Townsend, Parks Director

Staff Recommendation:

Staff recommends council designate Kim Townsend to act on the City’s behalf and authorize the city manager to execute any documents related to the annual application process.

Item Summary:

Annually the City of Freeport submits an application to the Texas General Land Office for maintenance funding of Bryan Beach from its Beach Maintenance Fund Program.

Background Information:

Since 2012, the City of Freeport has annually approved a resolution and submitted an application to the General Land Office to receive funds for beach maintenance.

Special Considerations:

N/A

Financial Impact:

The financial impact will consist of the reimbursement of funds that are to maintain the public beach. The City receives approximately \$6,800 annually for maintenance.

Board or 3rd Party recommendation:

N/A

Supporting Documentation:

Resolution 2019-2595

RESOLUTION 2019-2595

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS, DESIGNATING PARKS AND REC DIRECTOR, KIM TOWNSEND TO ACT FOR AND ON BEHALF OF THE CITY OF FREEPORT IN DEALING WITH THE TEXAS GENERAL LAND OFFICE FOR THE PURPOSE OF APPLYING FOR STATE ASSISTANCE TO CLEAN AND MAINTAIN THE PUBLIC BEACH.

ON THIS Monday, July 1, 2019, the City Council of the City of Freeport, Texas convened in the regular meeting, notice of the convening of which was duly posted in accordance with the Texas Open Meetings Act, when among other business the City adopted the following resolution:

A resolution in connection with application of the City of Freeport, Bryan Beach for State assistance in cleaning and maintaining public beach for the period of September 1, 2019 to August 31, 2020.

WHEREAS, the Beach Maintenance Fund Program under the administration of the Texas General Land Office, Austin, Texas, requires each city making application for assistance in cleaning and maintaining public beaches to submit supportive documents: and,

WHEREAS, the city shall enter a resolution directing Kim Townsend to make application for funds and vesting that official with full authority to act for purpose of the program.

NOW, THEREFOR, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREEPORT, BRAZORIA COUNTY, TEXAS;

That the City of Freeport, Bryan Beach apply for state assistance in cleaning and maintaining the public beach under Section 61.076, Natural Resources Code; and

That Kim Townsend shall be vested with full authority to act for purpose of the program.

That any and all fees collected by reimbursement shall be utilized only and specifically for the program of beach maintenance.

READ, PASSED AND APPROVED this 1st day July, 2019.

Mayor Troy T. Brimage
City of Freeport, Texas

Laura Tolar, City Secretary
City of Freeport, Texas



City Council Agenda Item #5

Title: Consideration and possible action on approval of a Resolution authorizing the conveyance of land near Bryan Beach back to Texas Parks and Wildlife Department and re-conveying land from Texas Parks and Wildlife Department back to the City of Freeport.

Date: July 1, 2019

From: Tim Kelty, City Manager

Staff Recommendation: Staff recommends approval of the resolution.

Item Summary: The resolution authorized the reconveyance of land around Bryan beach back to the Texas Parks and Wildlife Department, contingent upon TPWD re-conveying part of the land back to the City of Freeport.

Background Information: In 2005, the Texas Parks and Wildlife Department gave the city for free Deed Without Warrantee on an 878-acre tract of land at the Brazos river along Bryan Beach, for use as public parkland. The only stipulation was that the city use the land for public parkland in perpetuity. Under the terms of the agreement the land would revert to TPWD if the City failed to do so. The issue arose because the rear 355 acres of the site has been used as a dredge disposal site for the US Army Corps of Engineers (USACE) in maintenance of the Gulf Intercostal Waterway. With the recent expiration of their agreement to use it as such, TxDOT has been working with TPWD for the acquisition of that site as a permanent dredge disposal site. According to TPWD since the city has allowed the dredge disposal to continue and not maintained that area as a Public Park it is subject to reversion to them.

Special Considerations: TPWD has said that if the city agrees to voluntarily convey the 355 acres back to them (Not requiring them to take legal action) they would re-convey the front 523 acres, and has recognized in the attached letter that the current use of that area qualifies as such use.

Board or 3rd Party recommendation: None

Supporting Documentation: Resolution and letter from TPWD

RESOLUTION NO. 2019-2592

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS, MAKING FINDINGS OF FACT; APPROVING THE CONVEYANCE OF PROPERTY DESCRIBED HEREIN FROM THE CITY OF FREEPORT TO THE TEXAS PARKS AND WILDLIFE DEPARTMENT AND THE CONVEYANCE OF PROPERTY DESCRIBED HEREIN FROM THE TEXAS PARKS AND WILDLIFE DEPARTMENT TO THE CITY OF FREEPORT; CONTAINING A SEVERANCE CLAUSE; AND PROVIDING THAT THIS RESOLUTION SHALL TAKE EFFECT AND BE IN FORCE FROM AND AFTER ITS PASSAGE AND ADOPTION;

WHEREAS, the City of Freeport, Texas a City in Brazoria County received real property in the area known as Bryan Beach from the Texas Parks and Wildlife Department (TPWD) through a 2005 Deed Without Warranty and a 2010 Correction Deed Without Warranty (collectively referred to as "conveyances"), such instruments respectively recorded in the records of Brazoria County, Texas as Document #2005009436 and Document #2010009884. The conveyances purported to transfer approximately 878 acres of land previously known as Bryan Beach State Park and depicted in the map attached as Exhibit A. TPWD transferred this land to the City of Freeport without compensation and subject to reversion of ownership to TPWD, should the land not be used for public park purposes.

WHEREAS, an approximately 355-acre portion of the conveyed Bryan Beach tract known as Placement Area 88 (PA 88), which is more fully described in the attached Exhibit B, following the conveyance has continued, as it had prior to the conveyance, to be used, under agreement by the United States Army Corps of Engineers (USACE) as a Gulf Intracoastal Waterway dredge disposal site or placement area since at least the 1940s, and according to TPWD has not been used by the City of Freeport for public park purposes and therefore according to TPWD ownership of PA 88 must revert back to TPWD.

WHEREAS, the Texas Department of Transportation (TXDOT) is the non-federal sponsor of the Gulf Intracoastal Waterway and is responsible for acquiring lands, easements, and right of ways associated with placement areas.

WHEREAS, TPWD is working with TXDOT to effectuate the reversion of ownership of and obtain clear title to PA 88 to allow conveyance and continued use by USACE as a Gulf Intracoastal Waterway dredge disposal site.

WHEREAS, upon a conveyance of PA 88 described in Exhibit B by the City of Freeport to TPWD, TPWD has agreed to contemporaneously re-convey to the City of Freeport, subject to public park purposes, the approximately 523 acres depicted in the map attached as Exhibit C.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS:

First, The City of Freeport is authorized to execute a Deed without Warranty conveying any interest it may have in the approximately 355-acre PA 88 tract, more fully described in Exhibit B, to Texas Parks and Wildlife Department, this authorization being contingent upon TPWD agreeing to convey by Deed Without Warranty by Texas Parks and Wildlife Department the approximately 523 acres depicted in the map attached as Exhibit C to the City of Freeport, and that the City of Freeport is authorized to accept such Deed Without Warranty depicted as Exhibit C.

Second, in the event any section or provision of this resolution is found to be unconstitutional, void or inoperative by the final judgment of a court of competent jurisdiction, such defective provision, if any, is hereby declared to be severable from the remaining sections and provisions of this ordinance and such remaining sections and provisions shall remain in full force and effect.

Third, this resolution shall take effect and be in force from and after its passage and adoption.

PASSED AND APPROVED this _____ day of _____ 2019.

CITY OF FREEPORT, TEXAS

Troy T. Brimage, Mayor
City of Freeport, Texas

ATTEST:

Laura Tolar, Acting City Secretary
City of Freeport

Approved as to Form only:

Wallace Shaw, City Attorney
City of Freeport TX

**Exhibit A
Bryan Beach**

"New" Brazos River

Subject Tract
~878 acres

GIWW

Gulf of Mexico

EXHIBIT B

A 355.26 acre parcel of land being out of a tract of land owned by the State of Texas, Texas Parks and Wildlife Dept., for the Bryan Beach State Park site, said parcel being in the Henry Burt Survey Abstract - 151 and the D. Gilliland Survey Abstract - 196, Brazoria County, Texas and being more particularly described by metes and bounds as follows:

Beginning at a Texas Parks and Wildlife Dept. monument, said monument being a brass cap set in concrete on the southwest corner of the C. Areola Survey Abstract - 141, said monument also being the northwest corner of lot 6 of Partition of the Gilliland Survey recorded in Vol. 3, page 394 of the Deed records of Brazoria County, said monument having Texas Plane Coordinates, S.C. Zone, X=3,161,022.80, Y=406,425.75.

Thence North 54°33'48" East along the north line of lot 6 a distance of 397.63 feet to a point for corner, said point also being the northeast corner of this tract and lot 6,

Thence South 35°26'27" East along east line of lot 6 a distance of 3416.92 feet to a point for corner said point being the southeast corner of this tract,

Thence South 60°22'50" West a distance of 2223.76 feet to an angle point,

Thence South 82°41'39" West a distance of 3931.92 feet to a point for corner, said point being the westernmost corner of this tract,

Thence North 18°51'08" West a distance of 826.31 feet to a point for angle, said point also being on the southerly right-of-way line of the Gulf Intracoastal Waterway.

Thence North 22°49'27" East along said right-of-way line a distance of 1232.3 feet to a point,

Thence North 51°34'15" East along said south right-of-way line a distance of 2472.73 feet to a point for corner,

Thence North 38°25'45" West along said right-of-way line a distance of 124.56 feet to a point for corner, said point also being the beginning of a curve to the right, having a radius of 2341.00 feet, and an arc length of 457.22 feet, the chord for which bears North 65°34'20" East, 456.49 feet,

Thence along said arc and said south right-of-way line 457.22 feet to the end of said curve and to the beginning of a curve to the left, having a radius of 2641.00 feet, and an arc length of 793.53 feet, the chord for which bears North 62°33'32" East, 790.57 feet,

Thence along said arc and said south right-of-way line 793.53 feet to the end of curve,

Thence North 53°57'05" East along said right-of-way a distance of 310.06 feet to a point for corner, said point also being on the west line of the C. Areola Survey Abstract - 141,

Thence South 35°26'39" East along said west line a distance of 82.60 feet to a Texas Parks and Wildlife Dept. monument having Texas Plane coordinates S.C. Zone, X=3,160,976.53, Y=406,490.62,

Thence South 35°30'00" East along said west line a distance of 79.68 feet to the Point of Beginning.

The above described parcel of land contains 355.26 acres.

Exhibit C Bryan Beach

"New" Brazos

City Park
523 acres

Placement Area 88
355 acres

GIWW

Gulf of Mexico



Life's better outside.™

June 13, 2019

Commissioners

Ralph H. Duggins
Chairman
Fort Worth

S. Reed Morlan
Vice-Chairman
Houston

Arch "Beaver" Aplin, III
Lake Jackson

Oliver J. Bell
Cleveland

Anna B. Galo
Laredo

Jeanne W. Latimer
San Antonio

James H. Lee
Houston

Dick Scott
Wimberley

Kelcy L. Warren
Dallas

Lee M. Bass
Chairman-Emeritus
Fort Worth

T. Dan Friedkin
Chairman-Emeritus
Houston

Carter P. Smith
Executive Director

Tim Kelty, City Manager
City of Freeport
200 West Second Street
Freeport, Texas 77541

Via Electronic Mail

Re: Former Bryan Beach State Park Property; Affirmation of City of Freeport's Use for Park Purposes

Dear Mr. Kelty:

Texas Parks and Wildlife Department (TPWD) appreciates your assistance in resolving outstanding title issues associated with TPWD's previous attempted transfer of approximately 878 acres of land comprising the former Bryan Beach State Park (Property) to the City of Freeport (City). A 355-acre portion of the State Park land was a dredge spoil placement area used by the U.S. Army Corps of Engineers to dispose of material dredged from the Gulf Intracoastal Waterway. Due to a deed requirement that the Property must be used for park purposes or revert to TPWD, ownership of the dredge spoil area never transferred to the City. I understand that the City Council will soon consider a resolution confirming reversion of the 355 acres and accepting the conveyance by TPWD of the remaining approximately 523 acres.

This letter is to affirm that TPWD has determined that the City's development and management of the 523 acres as a park is sufficient to meet deed requirements that the land be used for park purposes. Should the City desire, TPWD is happy to entire into a memorandum of agreement with the City to document the parties' shared understanding of park purposes.

Should you have any questions, please contact me at (512) 389-4520 or at ted.hollingsworth@tpwd.texas.gov.

Sincerely,


Ted Hollingsworth
Land Conservation Director



City Council Agenda Item #6

Title: Consideration and possible action on approval of resolution authorizing the City Manager to establish the position of Assistant City manager and appoint an individual to serve in that capacity.

Date: 07/1/2019

From: Tim Kelty, City Manager

Staff Recommendation: Staff recommends approval of the resolution.

Item Summary: Under the City's current organizational structure, the City Manager has 14 direct reports, (15 if you count Jerry Meeks and the utility department) The optimal span of control is 5. However, with strong departmental leadership 9 have been managed in the past effectively.

This resolution authorizes the City Manager to establish and fill the position of Assistant City Manager and assign management of such departments and directors as may be beneficial for the overall management and operations of the city.

Background Information: It is the intention of the City Manager to promote Stephanie Russell to Assistant City Manager and assign her to oversee: Finance, Utilities, Court, Human Resources, Museum, Community Development (aka Building and Code), and the Golf course. She would continue in the dual role of Finance Director. The overall management team of directors would continue to function as a team, however the specific directors would report directly to the Assistant City Manager.

The City Manager would retain direct oversight over: Assistant City Manager, Police, Fire, Street and Drainage, Parks and Recreation, Economic Development, City Secretary, and IT

Special Considerations: Ms. Russell served in this dual role capacity of ACM/Finance Director in her last position prior to coming to the city of Freeport.

Board or 3rd Party recommendation: None

Financial Impact: It is intended that this position would be an exempt position salaried at \$120,000 per year.

Supporting Documentation: Resolution, Current proposed structure, Job Description

RESOLUTION NO. 2019-2596

A Resolution of the City Council of the City of Freeport, Texas recognizing authorization of the City Manager to appoint an assistant city manager.

Whereas, the City Council desires to have the city government run in a manner that is effective and efficient for the benefit of citizens of Freeport; and

Whereas, the City Council desires to recognize the authority of the City Manager to exercise his discretion and sound judgment to make decisions regarding employees and staffing; and

Whereas, the City Council specifically finds that the authority of the City Manager to appoint an assistant city manager is consistent with the duties and powers of the City Manager as set forth in the City Charter; and

Whereas, the City Council recognizes the City Manager's authority to appoint and remove any employee of the City under Section 4.01 and the prohibition of City Council from interfering with such appointment under Section 3.08, as all contained in the City Charter.

Now therefore, be it resolved by the City Council of the City of Freeport, Texas that:

The City Manager is hereby authorized to appoint an assistant city manager and serve in such position under his direct supervision and at his discretion.

READ, PASSED AND ADOPTED THIS _____ DAY OF JUNE, 2019.

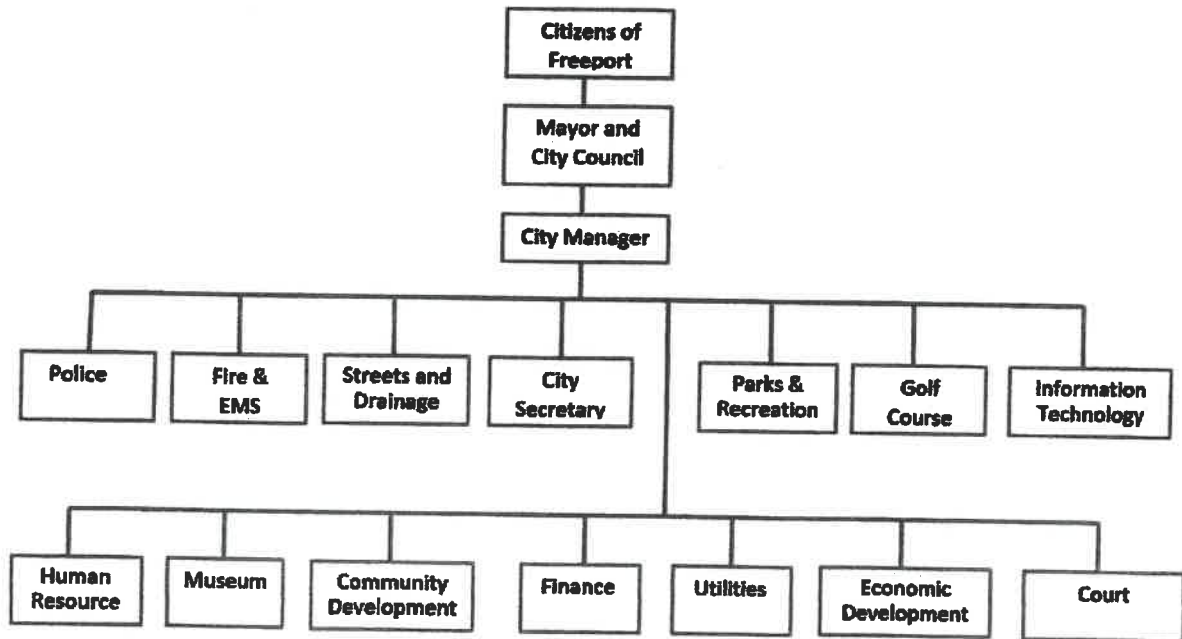
Troy Brimage, Mayor

ATTEST:

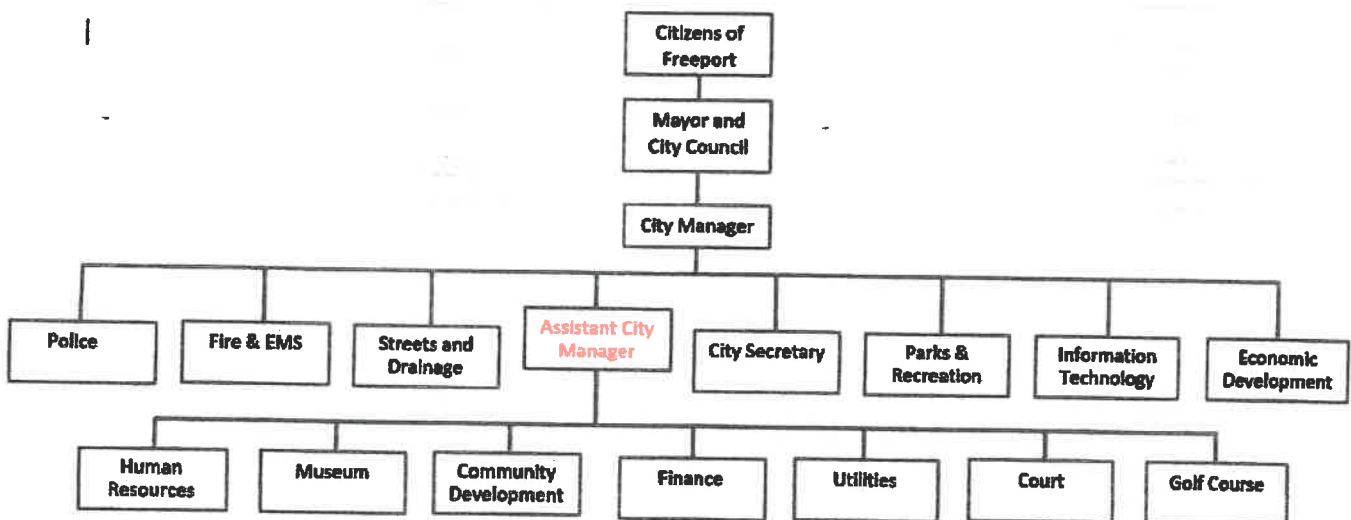
Laura Tolar, City Secretary

Personnel Summary

Current Organizational Structure



Under the current organizational structure, the City Manager is directly over all departments and maintains 15 direct reports. This is proposed to change to the following:





200 W 2nd Street, Freeport, TX 77541 ** 979-233-3526 ** FAX 979-233-3205 ** www.freeport.tx.us

POSITION TITLE: Assistant City Manager
DEPARTMENT: General Administration
RATE CLASS: Salary/Administrative Exemption
REPORTS TO: City Manager
SHIFT: 8AM-5PM, M-F (May be changed at the discretion of the City of Freeport and will fluctuate as job necessitates)

EDUCATION/EXPERIENCE REQUIREMENTS: Bachelor's degree in public or business administration, political science, or closely related fields. Prefer MPA/MBA. Three years of progressively responsible managerial experience, or equivalent combination of education and experience. Considerable administrative or professional experience in local government.

JOB SUMMARY: Responsibilities include: executive level leadership related to City functionality as a whole, and over all departments as may be assigned. Must be a politically astute public servant, serving the needs of citizens, elected officials, and city employees in the effective, efficient and ethical execution of city governance. Is also responsible for providing highly responsible and complex administrative support to the City Manager, as well as all other city departments.

SPECIAL SKILLS: Proficient use of office equipment and PCs. Excellent interpersonal communication skills as well as highly skilled writing and phone etiquette abilities are required. Must have a demonstrated ability to maintain good employee relations and be able to maintain confidentiality. Must be proficient in computerized accounting functions and procedures. Excellent typing, records management, and documentation skills are required. Knowledgeable in payroll and Human Resource related laws, practices, and policies.

DUTIES & RESPONSIBILITIES: *Duties include but are not limited to:*

- Manages the work of assigned personnel; delegates and reviews work assignments; hires, trains, and evaluates personnel
- Works closely with the City Manager and the executive team to define and accomplish established strategic goals and objectives and execute successful business strategies

Revised: 06/27/2019 by Human Resource

- Develops support systems that encourage cross functional cooperation and support initiative taking
- Establishes goals, objectives, budgets, resource allocations, and expenditures for assigned departments
- Prepares and presents Commission reports, performance evaluations, memos, and other similar types of documents
- Makes recommendations to the City Manager; formulates, interprets, and implements City policies and administrative regulations
- Works with department directors in the development of department budgets and management of funds received
- Provides leadership on strategic planning/projects and goals, through project management and preparation/delivery of oral and written reports to boards, commission, citizen groups and City staff
- Provides general coordination and policy guidance on major municipal projects or problem areas; coordinates activities with divisions
- Serve as project manager for projects of varying complexity and duration;
- Maintain relations with residents, businesses, developers, and council;
- Participate and collaborate in the development of strategic and business strategies;
- Proactively monitor and evaluate the effectiveness of service method delivery and workflow process;
- Manage city departments as assigned by the City Manager;
- Resolve customer complaints;
- Participate and assist in the development and management of the annual operating budget;
- Promote an effective, responsive, value based organizational culture;
- Develop and/or assist in the development and implementation of new programs or enhancements to existing programs, and in operational analysis and recommendations for organizational structure;
- Actively participate in the development of the city's strategic goals and plans;
- Actively take part in the advancement and promotion of developing and maintaining effective methods of customer service and communications;
- Promote and improve the city's communication and citizen engagement strategies;
- Assist the City Manager in the development of strategies for negotiating contracts and economic development agreements;
- Handle media relations in a crisis or emergency situation; speak with reporters as a representative for the city;
- Monitors federal and state legislative bases.
- Participates in preparing the City's legislative programs for sessions of Congress and state legislature. Prepares briefs and discussion points for the City Manager, Mayor and Council as needed. Track bills related to the City.
- Oversees special projects as assigned;
- Serving as Acting City Manager in the absence of the City Manager;
- Serve as Department Director as needed or assigned;
- Performs other duties as assigned

OTHER DUTIES: This job description is intended to describe the general nature of work performed by the Assistant City Manager and is not intended to be all-inclusive. All employees are expected to perform tasks as assigned by their supervisor.

PHYSICAL/MENTAL REQUIREMENTS:

Physical: Must be able to pass a physical examination and drug screen. Maintain a valid Texas driver's license and be able to travel. Must be able to lift a minimum of 15 lbs. Must also be able to sit, stand, type, and/or write for extended periods of time. Must be able to attend occasional night meetings and/or work an extended workday if necessary.

Mental: Must maintain the ability to work well with others as well as the general public in a variety of situations. Must be able to multi-task, work under time constraints, problem solve, and prioritize. Must also be able to maintain confidentiality and resolve conflicts. This position requires the ability to make independent and sound judgments.

All municipal employees will be expected to show and maintain a high level of initiative, enthusiasm, and motivation towards the improvement of ALL aspects of the Freeport community. Employees will also be expected to be available for work, to report to work in a dependable and timely fashion, and to be physically and mentally fit to do their assigned work.

Employee Signature

Date



City Council Agenda Item #7

Title: Consideration and Possible Action regarding a Resolution Establishing an Employee Benefits Trust

Date: July 1, 2019

From: Stephanie Russell, Finance Director

Staff Recommendation:

Staff recommends approving the resolution to establish an employee benefits trust.

Item Summary:

This item is to establish an Employee Benefits Trust to save the City from paying taxes imposed on insurance premiums per Chapter 222.002 of the Texas Insurances Code. The proposed nonprofit trust assigns City Council as the Trustees to provide employees, and qualified retirees and their dependents with life disability, sickness, accident, and other health benefits either directly or through the purchase of insurance. The City will then make premium payments to the insurance providers through the Trust.

Background Information:

Chapter 222.002 of the Texas Insurance Code creates an annual tax that is imposed on insurers for gross premiums received from their policyholders. Gross premiums paid by a municipality are exempt from the tax being collected by their insurer, if the municipality establishes either a single entity benefit trust or participates in a Chapter 172 risk pool. The City was previously exempt by participating in a pool with TML for health benefits. However, based on the results from the recent Request for Proposals, staff will be recommending a new carrier which has prompted the creation of the Trust to maintain its exemption.

Special Considerations:

N/A

Financial Impact:

The Trust will save the City from paying taxes associated with insurance premiums.

Board or 3rd Party recommendation:

N/A

Supporting Documentation:

Resolution

RESOLUTION NO. 2019-2597

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREEPORT, TEXAS, AUTHORIZING THE CREATION OF AN EMPLOYEE BENEFIT TRUST, DESIGNATING THE MEMBERS OF THE CITY OF FREEPORT'S CITY COUNCIL TO BE TRUSTEES, AND AUTHORIZING THE TRUST TO PURCHASE VARIOUS FORMS OF INSURANCE FOR THE BENEFIT OF CITY OFFICERS, EMPLOYEES, QUALIFIED RETIREES, AND THEIR DEPENDENTS.

WHEREAS, the City provides health insurance benefits to its employees.

WHEREAS, the establishment of an Employee Benefits Trust will benefit the City in future cost savings under the Texas Department of Insurance Code 222.002.

WHEREAS, the City Council hereby finds that the proposed Employees Benefits Trust is in the best interest of the citizens of Freeport and should be approved.

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

Section 1. The facts and statements contained in the preamble are hereby found to be true and correct and are incorporated herein and made a part hereof for all purposes.

Section 2. That the City Council hereby authorizes the creation of an Employee Benefits Trust, designating all members of the City Council to be Trustees, and authorizing the Trust to purchase various forms of insurance for the benefit of city officers, employees, qualified retirees, and their dependents as set out in Exhibit "A" attached hereto.

Section 3. This Resolution shall become effective immediately upon its passage.

DULY PASSED, APPROVED AND ADOPTED on this the 1st day of July 2019.

Troy Brimage, Mayor
City of Freeport, Texas

ATTEST:

Laura Tolar, Interim City Secretary
City of Freeport, Texas

DECLARATION OF TRUST

I.

The City of Freeport¹ ("City") as settlor, designates the members of the City of Freeport City Council² to be Trustees and declares that the City holds in trust the funds described in Schedule A attached hereto and incorporated herein by reference, which is the property of the City and all substitutions and additions to such funds, for the purpose of providing life disability, sick accident, and other health benefits to the City's officers, employees, and qualified retirees and their dependents.

II. PURPOSE

This is a nonprofit trust created for the purpose of providing City officers employees, and qualified retirees and their dependents with life disability, sickness, accident, and other health benefits either directly or through the purchase of insurance and to perform operations in furtherance thereof.

III. DURATION

The Trust shall continue until terminated by operation of law or by majority vote of the Trustees.

IV. TRUSTEES: COMPOSITION, OFFICERS, COMPE SATION, AND MEETING

COMPOSITION. The Trustees are the members of the City of Freeport City Council, and the term of each Trustee is cotemporaneous with his or her term of office as a Member of the City Council. Whenever a Trustee ceases to be a member of the City of Freeport City Council, the person succeeding him or her in office will serve as a successor Trustee of the Trust.

OFFICERS. The Mayor shall serve as Chairman and shall preside at meetings of the Trustees and shall have all such other powers as are conferred herein or by majority vote of the

¹ The Settlor is the entity establishing the trust and may also be a Chapter 172 Pool, a county, a hospital district, or a county or municipal hospital

² The Trustees will govern the operations of the trust and may also be the Trustee of a Chapter 172 Pool, members of a County Commissioners Court, or members of the Board of Directors of a hospital district or of a municipal or county hospital.

Trustees. The Mayor Pro Tern shall serve as Vice Chairman and shall preside at meetings of the Trustees whenever the Chairman is absent. The Secretary shall rotate, coinciding with the City of Freeport's Fiscal Year, between the Council members, skipping the Mayor Pro Tern, beginning with Place 1. The Secretary will oversee the preparation of meeting agendas, giving notice of meetings to the Trustees, and the minutes of the meetings of the Trustees.

COMPENSATION. The Trustees shall be reimbursed for all reasonable and necessary expenses incurred by them in the performance of their duties and will otherwise receive no compensation for their service as Trustees.

MEETINGS. A meeting of the Trustees may be called by the Chairman or on written request to the Chairman by two or more Trustees. Trustees shall have at least three days written notice of any meeting. For purposes of this section, electronic mail notice is written notice.

V.

RIGHTS, POWERS, AND DUTIES OF TRUSTEES; QUORUM AND VOTING

RIGHTS, POWERS, AND DUTIES. In addition to all other powers and duties conferred on them by this Trust document and imposed or authorized by law, the Trustees shall have the following powers and duties:

1. The Trustees shall carry out all of the duties necessary for the proper operation and administration of the Trust on behalf of the covered persons and shall have all the powers necessary and desirable for the effective administration of the affairs of the Trust.
2. The Trustees have the general power to make and enter into all contracts and agreements necessary or convenient to carry out any of the powers granted by this Trust document or by law or to effectuate the purpose of the Trust. All such contracts and agreements or any other legal documents herein authorized shall be approved by the Trustees and signed by the Chairman on behalf of the Trust. The Trustees may also designate another Trustee to sign such documents
3. The Trustees shall use the Trust's funds to accomplish the purpose of the Trust, as described in Paragraph II herein, and to operate and administer the Trust solely in the interest of the covered City officers, employees, and qualified retirees and dependents thereof and for the exclusive purpose of providing benefits to such persons and defraying the reasonable expenses of administration of the Trust. To this end, the Trustees may purchase life,

disability, or accident and health insurance to provide coverage for participating City officers, employees, and qualified retirees and their dependents. The Trustees may also adopt a health benefits plan that covers eligible City officers, employees, and qualified retirees, and their dependents.

4. The Trustees may accept contributions to the Trust funds from any source including contributions from covered persons receiving benefits from the Trust.
5. The Trustees shall be authorized to contract with any qualified organization to perform any of the functions necessary for providing life, disability, sick, accident, and other health benefits, including but not limited to excess loss insurance, stop loss insurance, claims administration, and administrative services. When required by law or desired by the Trustees, the Trustees may seek sealed competitive bids or sealed competitive proposals with respect to contracts required to carry out the operations of the Trust and to effect the purpose of the Trust.
6. The Trustees shall arrange for the investing of the funds of the Trust so as to keep the same invested according to law and at the best interest rates obtainable for the benefit of the covered persons. The Trustees may hire money managers and shall adopt an investment policy for its own use and that of its agents in making investments. The Trustees shall select a depository for the Trust's funds and provide for the proper security of any and all investments. The Trustees shall designate signatories for the Trust's depository accounts.
7. The City of Freeport may purchase insurance for the Trustees and any other fiduciaries appointed by the Trustees and for the City of Freeport to cover liability or losses occurring by reason of the act or omission of any one or more of the Trustees or any other fiduciary appointed by them. Any insurance purchased by the City of Freeport must give the insurer recourse against the Trustees or other fiduciaries concerned for breach of any fiduciary obligation or fiduciary duty owed to the Trust.
8. The Trustees shall arrange for proper accounting and reporting procedures for the Trust's funds and shall also provide for an annual audit of the Trust's financial affairs by a certified public accountant.
9. The Trustees may retain legal counsel to represent the Trust and the Trustees in all legal proceedings as well as to advise the Trust and the Trustees on all matters pertaining to the operation and administration of the Trust.

10. The Trustees have the authority to terminate the Trust at any time.

11. Upon termination of the Trust, the Trustees shall provide for the payment of Trust obligations, debts, losses, and other liabilities and shall provide for the disposition of the remaining Trust funds in accordance with Paragraph IX herein.

QUORUM ANO VOTING. A majority of the Trustees shall constitute a quorum for the transaction of business at any meeting of the Trustees and the vote of a majority of the Trustees present shall be required for approval or any action at such meeting. The vote of such majority of the Trustees at such meeting shall constitute action of the Trustees as a group.

VI. BENEFICIARIES

The beneficiaries of the Trust are the City officers, employees, and qualified retirees and their dependents who are covered by a life, disability, sick, accident, or other health benefits plan purchased or adopted by the Trust (also called "covered persons" herein). Beneficiaries may make contributions to the Trust for use by the Trustees in fulfilling the purposes of the Trust. No beneficiary shall have any claim against the funds or any other property of the Trust. The rights and interests of the beneficiaries are limited to the insurance or health benefits specified in any policy purchased, or plan adopted by the Trustees.

VII. TRUST FUNDS

The Trust funds consist of the funds described in Schedule A hereto as provided by the Settlor to institute this Trust, future contributions by the Settlor, beneficiary contributions, investment income, and any other money or property which shall come into the hands of the Trustees in connection with the administration of the Trust. The Trustees may use the Trust's funds as follows:

1. to pay all expenses which the Trustees consider necessary in establishing the Trust and in administering the Trust and all reasonable expenses incurred by the Trustees in the performance of their duties as defined to be those allowed under Section

- 222.002(c)(5)(A) [Texas Insurance Code] and or permitted by the State Comptroller of the State of Texas in its role as the administrator of this legislation;
2. to pay premiums on any insurance policies allowed under Section 222.002(c)(5)(A) [Texas Insurance Code] purchased by the Trust;
 3. to make authorized investments;
 4. to pay claims under any health benefits plan adopted by the Trustees;

**VIII.
LIABILITY OF TRUSTEES AND OFFICERS**

The Trustees shall use ordinary care and reasonable diligence in the exercise of their powers and the performance of their duties hereunder; and they shall not be liable for any mistake of judgment or other action made, taken or omitted by them in good faith, nor for any action taken or omitted by any agent, employee or independent contractor selected with reasonable care; nor for loss incurred through investment of the Trust funds or failure to invest. No Trustee shall be liable for any action taken or omitted by any other Trustee. No Trustee shall be required to give a bond or other security to guarantee the faithful performance of his or her duties hereunder. To the fullest extent permitted by law: (a) the City of Freeport shall indemnify each Trustee who was, is, or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding ("*Proceeding*"), any appeal therein, or any inquiry or investigation preliminary thereto, by reason of the fact that the Trustee is or was a Trustee; (b) the City of Freeport shall pay or reimburse a Trustee for expenses incurred (i) in advance of the final disposition of a Proceeding to which such Trustee was, is or is threatened to be made a party, and (ii) in connection with such Trustee's appearance as a witness or other participation in any Proceeding.

IN WITNESS WHEREOF, the undersigned parties declare that no funds since the inception of said Employee Benefits Trust, were used or diverted for any purpose than those allowed by Section 222.002 of the Texas Insurance Code.

**IX.
AMENDMENT, REVOCATION AND TERMINATION**

This Declaration of Trust and the Trust created herein shall terminate when and if required by operation of law. The Trustees shall have the power to amend, modify, terminate or revoke, in whole or in part, this Declaration of Trust and the Trust created herein by majority vote at a duly

called meeting at which a quorum is present. Notwithstanding the foregoing, the Trustees shall have no power to amend Paragraph II of this Declaration of Trust. Beneficiaries of the Trust shall have no right to amend this Declaration of Trust, and their approval shall not be a condition or requirement for an authorized amendment by the Trustees.

Upon termination of the Trust, the Trustees shall pay all obligations, debts, losses, and other liabilities of the Trust. Thereafter, the Trustees shall first use the remaining trust funds to pay covered claims of persons covered under the City's health benefits plan that may be in effect at the time of termination of the Trust and, then, either apply any remaining balance of the funds for the benefit of those covered persons in such manner as the Trustees determine shall best carry out to purposes of this Trust or pay such balance over to such covered persons on a per capita basis. Notwithstanding the foregoing, the Trustees, upon termination of the Trust and payment of all Trust obligations may, by vote of a majority of the Trustees, transfer the remaining funds or any portion thereof to the trustees of any trust or trusts established for a substantially similar purpose to be applied for uses substantially similar to those set forth in Paragraph [I] herein.

X. GOVERNING LAW

This Declaration of Trust and the Trust created herein shall be construed and governed by the laws of the State of Texas in force from time to time.

XI. MISCELLANEOUS

Whenever the context so admits and such treatment is necessary to interpret this Declaration of Trust in accordance with its apparent intent, the use herein of the singular shall include the plural, and vice versa, and the use of the feminine, masculine, or neuter gender shall be deemed to include the other genders.

The captions or headings above the various Paragraphs of this Declaration of Trust have been included only to facilitate the location of the subjects covered by each Paragraph but shall not be used in construing this Declaration of Trust.

If any clause or provision of this Declaration of Trust proves to be or is adjudged invalid or void for any reason, such invalid or void clause, provision, or portion shall not affect the whole,

but the balance of the provisions hereof shall remain operative and shall be carried into effect insofar as is legally possible.

IN WITNESS WHEREOF, the undersigned parties have executed this Declaration of Trust, **consisting of nine (9) pages and Schedule A** attached hereto, on the dates of their respective acknowledgments below. By joining in the execution of this Declaration of Trust, the Trustees acknowledge receipt of the property described in Schedule A, signify acceptance of the Trust created hereunder, and covenant that the Trust will be executed with all due fidelity. This Trust is effective as of the last date of signature below.

Mayor Troy Brimage, Settler

Ken Green, Trustee

Brooks Bass, Trustee

Sandra Loeza, Trustee

Roy Yates, Trustee

THE STATE OF TEXAS §

§

COUNTRY OF BRAZORIA §

This instrument was acknowledged before me on _____, by Mayor Troy Brimage, Settler.

Notary Public, State of Texas

Print Name: _____

THE STATE OF TEXAS §

§

COUNTRY OF BRAZORIA §

This instrument was acknowledged before me on _____, by Ken Green, Trustee.

Notary Public, State of Texas

Print Name: _____

THE STATE OF TEXAS §

§

COUNTRY OF BRAZORIA §

This instrument was acknowledged before me on _____, by Brooks Bass, Trustee.

Notary Public, State of Texas

Print Name: _____

THE STATE OF TEXAS §

§

COUNTRY OF BRAZORIA §

This instrument was acknowledged before me on _____, by Sandra Loeza, Turstee.

Notary Public, State of Texas

Print Name: _____

THE STATE OF TEXAS §

§

COUNTRY OF BRAZORIA §

This instrument was acknowledged before me on _____, by Roy Yates, Trustee.

Notary Public, State of Texas

Print Name: _____

Schedule A

The following is a list of the assets initially transferred by the City of Freeport, Settlor, to the Trust:

City of Freeport's first month (October 2019) contributions for Employee, Dependent, and Retiree Medical/Pharmacy Benefits, Dental Benefits, Life Insurance Benefits, Vision, and Short-Term Disability Benefits.



City Council Agenda Item #8

Title: Consideration and possible action on Change order #3 to the Contract with Sorrell Construction for the 2019 Concrete Street repair project.

Date: July 1, 2019

From: David Hoelewyn, Director of Streets and Drainage

Staff Recommendation:

Staff recommends approval of the Change order.

Item Summary:

At the March 18 Council meeting Council approved a \$993,000 contract with Sorrell Construction for the 2019 Concrete street reconstruction project. Included on the list of streets to be reconstructed were parts of Victoria Street, Yaupon Street, Skinner Street, Pecan Street, and Yellowstone & North Avenue

Change order #1 were approved by Council on April 15, 2016. The cost of Change order #1 was \$35,770.00.

Change order #3 is for repairs to 3 deteriorating catch basins on the west side of Pecan Street from 8th to 11th street. Sorrell Construction quoted \$3,000.00 per inlet. The total cost of the Change order #3 is \$9,000.00

Background Information:

All catch basins in this proposed street repair are 50+ years old. Staff recommends that all the damaged catch basins be replaced before the new concrete streets are installed. We do not want to have to cut into a new concrete street to repair a faulty catch basin. Having Sorrell Construction construct the replacement is recommended from both a scheduling standpoint and also so that there is only one party to hold accountable if there are any issues down the road.

When the project was awarded the catch basins were not included because the damage wasn't visible until tops were removed.

There could also be more deteriorating basins on the East side of Pecan. This will be determined when work begins on the East side.

Financial Impact: The total cost of change orders number 3 is \$9,000.00

Board or 3rd Party recommendation: None

Supporting Documentation: Change order quote from Sorrel construction



June 21, 2019

City of Freeport Street Department
200 West 2nd. Street
Freeport Texas 77541

Attention: David Hoelewyn, Street Department Director

Subject: City of Freeport – existing inlet repair on Pecan street requested by David

Sorrell has been requested to quote removing and replacing existing inlets determined to need replacement by Freeport street department.

Scope:

1. Contact street department to inspect inlets and determine which one's to remove and replace.
2. Remove and dispose of the existing inlet, saving the frame and grate for reuse.
3. Construct the new inlet to the proper line and grade to provide drainage to the street.
4. Place a concrete block out around the inlet for future maintenance needs.

Sorrell has inspected the existing inlets and have found 3 that need to be removed and replaced. There are 2 additional inlets at 10th on the west side that are bad but are outside of the proposed paving replacement by inches.

Please issue the change order to cover inlet repair on Pecan Street.

Sorrell's quote for each removal and replacement is \$3000.00

Total for 3 inlets is \$9000.00

Respectfully,

Sorrell Construction Equipment & Materials, LLC

Don Barrett

Don Barrett, Chief Estimator and Senior Project Manager
Cell, 979-299-8668, office 979-233-6655, email don@sorrelltx.com



City Council Agenda Item #9

Title: Consideration of a approving the cost to re-roof Museum/Brazosport College

Date: July 1, 2019

From: LeAnn Strahan, Museum Manager

Staff Recommendation:

After reviewing all bids, it is my recommendation that we award Jaco Roofing & Construction the re-roof job. Total cost for labor and materials of the DuroLast roof system is \$59,600.00 with a 20-year warranty.

Item Summary:

We are dealing with extensive leaks at the museum and college lease space. With each heavy rain event, we incur more and more damages and expenses. Patching the roof has proven to be ineffective, as the water finds new ways to get inside. The best possible solution is a full re-roof with a guaranteed warranty.

Background Information:

The museum has roof leaks along the building seams. Recently, additional leaks have included the recessed light fixtures with water pouring into the gift shop area. The college has continuous issues with leaking in the hallway. However, this most recent rain caused a leak in one of the classrooms that damaged one of the instructor computers and keyboard.

Special Considerations

N/A

Financial Impact:

This item was not previously budgeted for this fiscal year. We will request a budget adjustment for the full amount of the awarded bid at the next City Council meeting.

Board or 3rd Party recommendation:

N/A

Supporting Documentation:

Please review the following proposals:

1. Jaco Roofing & Construction, Inc.
2. Holden Roofing
3. Brazos Industries



PROPOSAL

June 13, 2019

Freeport Historical Museum
311 East Park Ave.
Freeport, TX 77541

RE: DURO-LAST MECHANICALLY FASTENED ROOF SYSTEM OVER EXISTING ROOF @ FREEPORT HISTORICAL MUSEUM, 311 EAST PARK AVE., FREEPORT, TX – APPROXIMATELY 14,559 SQ. FT. WITH PARAPET WALLS (SEE ATTACHED ROOF LAYOUT)

Attn: LeAnn Strahan

We hereby propose to furnish the necessary labor, material, equipment, insurance and supervision to install a 20-year labor and material, Duro-Last warranted roof system on the above referenced project. This proposal is based on utilizing the following material and qualifications:

1. Duro-Last nominal 50 mil. white PVC reinforced membrane.
2. Duro-Last 4" fascia bar with metal snap-on trim.
3. Underlayment: Duro-Guard ½" ultra fold.
4. Duro-Last accessories to make system complete such as but not limited to pre-fabricated curbs, boots, parapets sheets, screws, caulk, plates and etc. per Duro-Last Roofing, Inc. manufacturer's specifications.

Qualifications/Clarifications:

1. Walkpads are included 10 each 30"x60".
2. Proposal based on overlaying of existing roof.
3. Wood blocking is included.
4. If required, any HVAC, plumbing, electrical, etc. that may need to be moved or disconnected and reconnected (other than normal roofing practice) will need to be done by a subcontractor of Owner's choice at Owner's expense.
5. Jaco Roofing & Construction, Inc. is not responsible for existing building conditions; Although Jaco Roofing & Construction, Inc. will take standard caution in loading the roof prior to installation, some leaks may occur due to the existing condition of the roof. Jaco Roofing & Construction, Inc. will not be responsible for leaks or possible interior damage.
6. Jaco Roofing & Construction, Inc. is not responsible for the calibration, recalibration, readjustment and/or testing on any electronic equipment such as but not limited to satellite dish, camera security, communication equipment, GPS devices, or recertification of lightning rods (grounding system).
7. This proposal is intended and shall become in its entirety part of, as if attached and/or written into any other purchase order, contract, or letter of acceptance, written or issued by the owner and is intended and agreed upon to be an integral part of any contract agreement between the parties. There shall be no changes, exclusions, or revisions made to the proposal without explicit agreement and acknowledgement by Jaco Roofing and Construction, Inc.
8. Windstorm inspection is included for roof system only; HVAC or other components are not included in certification.
9. City permit is included; State and local taxes are not included.
10. Quotation based on Jaco's Standard Insurance Limits; 1 Million General Liability, 2 Million General Aggregate with 5 Million Excess/Umbrella Liability, 1 Million Automobile Liability.

1725 S. Velasco – Angleton, TX 77515
(979)265-6101
Fax (979) 265-6448

"Duro-Last Preferred Contractor"
1-800-265-JACO
www.jacoroofting.com
info@jacoroofting.com

Mailing Address:
P. O. Box 937
Clute, TX 77531

- 11. Payment terms: One half of contract amount due upon acceptance and signing of contract; progress billing thereafter of 100% labor and material stored or utilized on project. All invoices are due on/or before 10 days after receipt unless otherwise agreed upon.
- 12. Price subject to change if not accepted within 20 days of quote date due to fluctuation of material market.
- 13. Buyer can cancel this contract within 3 days without penalty.

TOTAL PROPOSAL \$59,600.00

Alternate for repair only: Coat approximately 1,200 sq. ft. of roof areas and caulk back side of clay parapet tiles; install ARP material over divider wall approximately 20 lineal feet; no warranty. Total Alternate Proposal \$4,800.00

Respectfully Submitted,

JACO ROOFING & CONSTRUCTION, INC.



Glen Christensen
President

Agreed and Accepted:

By:

(Authorized Signing Officer)

(Printed Name)

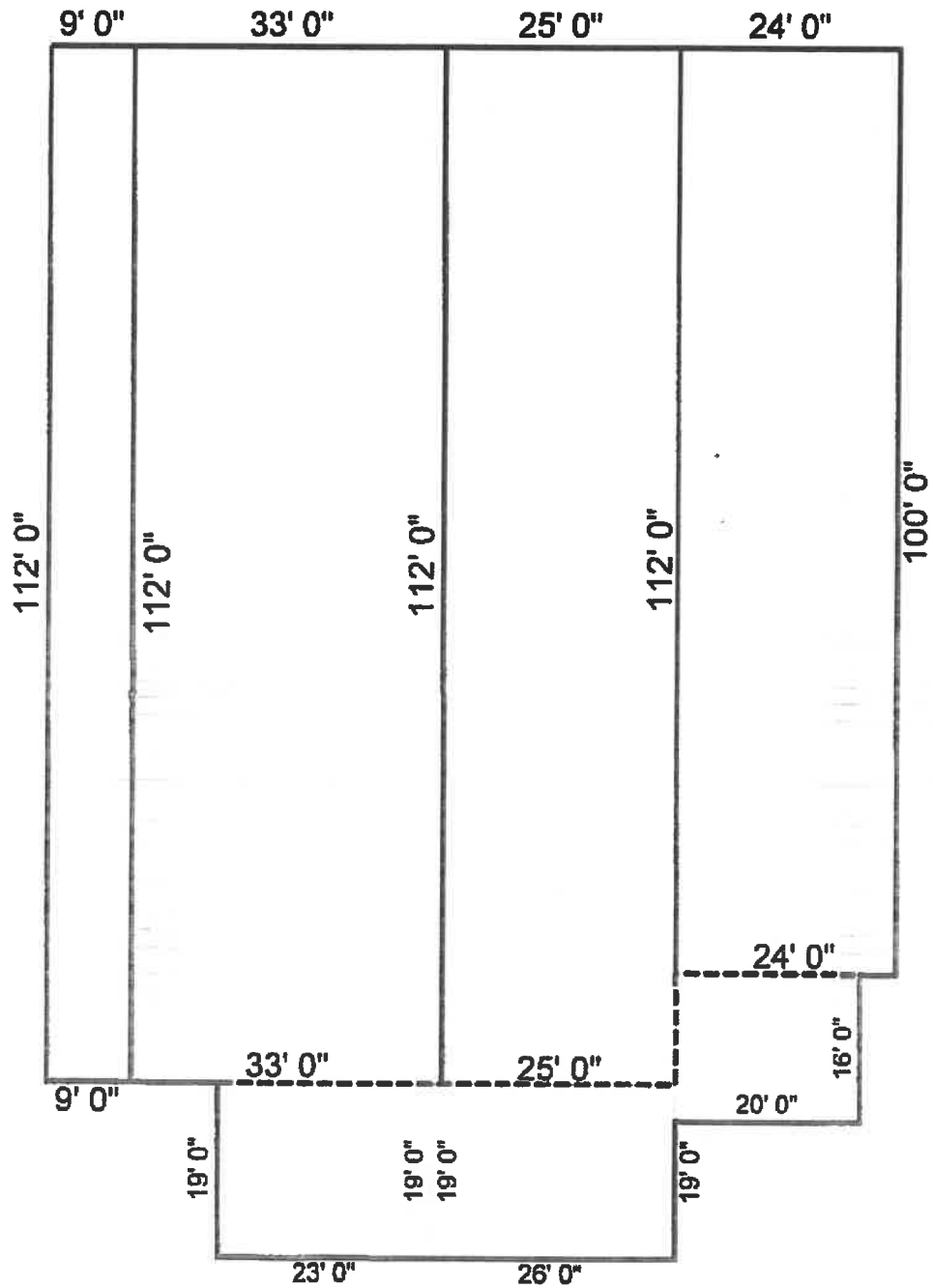
(Title)

(Date)

Drawing Report

Freeport Museum Freeport Tx - Base Bid

Section: Entire Job
Page: Recover Modified--50mil 1/2"FF 15yr



ROOFING PROPOSAL



P.O. Box 955 • Richmond, Texas 77406-0955
(281) 344-9083 • (713) 771-1487 • Toll Free 1-888-553-1318



Control No. _____
Job No. 1045
P. O. No. _____
Date 06 / 12 / 19

- Repair Re-Roof
 New Construction
 Built Up Metal

Proposal Submitted To:

Work To Be Performed At (Premises):

Name City of Freeport Attn: LeAnn and Kim
Street 500 Brazosport Blvd.
City, State, Zip Freeport Tx. 77541
Material Location lstrahan@freeport.tx.us

Street 311 East Park Ave (Museum) and (College)
City, State, Zip Freeport Tx. 77541
Telephone (979) 549-8132
(Work/Mobile) (979) 233-3306

UPON ACCEPTANCE BY YOU, THIS PROPOSAL WILL BECOME A LEGALLY BINDING "CONTRACT" INCLUDING ALL THE PROVISIONS ON THE REVERSE SIDE.

Holden Roofing, Inc. ("Holden") proposes to perform the work and furnish the materials below for the price stated in this Contract to City of Freeport Attn: LeAnn and Kim ("You")

Scope of Work:

Due to the overall condition of the roof and the fact that the leaks may be traveling and providing a warranty for repairs is not possible we prefer to submit re-roof proposals.

The proposal below does NOT include the lower porch overhangs which appear to have a newer roof on them. Due to the condition of the overall roof we propose to bid a 60 mil Mule Hide TPO (Thermalplastic Polyolefin) retrofit roof system using the old modified roof system as the base. We will roof to wind code and a WPI-2/8 will be issued. We will clean and prepare the existing roof for application. We will install a 1.5" ISO insulation recovery board and mechanically fasten thru to roof deck. I would really recommend we add an 1/8" engineered taper insulation system installed on 1/2 of the roof to help move standing water towards drainage please add \$5100.00 to pricing below. Install 60 mil Mule Hide TPO membrane in white and mechanically fasten, all seams will be heat welded using robots. TPO will run over parapet walls, any necessary termination flashing is included. Cut edge sealant will be used at edges and overlaps as needed. Cut off mastic behind all turn bars and transitions. We will TPO flash all penetrations as needed. We will offer a twenty year NDL warranty thru Mule Hide and a three year warranty thru Holden. We will pull permit as needed. The job will take several days weather permitting. Past customer discount considered.
Proposal price is \$25,985.11

The proposal price below for the adjacent college roof which is almost identical to the museum roof. Process is the same as listed above. If this needs to be bid separately please advise. The proposal price for it is \$25,805.64 I also highly recommend the 1/8 engineered taper system for \$5100.00 additional.

Payment Terms (in addition to terms on reverse side):

1/2 down and balance due in full upon completion of the roof. No later than 15 day NET. Please provide a copy of your tax exemption certificate.

Holden Roofing, Inc. agrees to furnish the materials and services specified above for the price and on the terms stated in this Contract. Any additions or alterations to the scope of specified work, including soffit, fascia, rafters and siding during installation, or changes in materials are binding only upon execution by You and Holden Roofing, Inc. of a separate written change order stating the additional price to be paid for the addition or alteration. You agree that Holden Roofing, Inc. shall be entitled as an original contractor to a mechanic's lien to ensure payment for the work performed under this Contract. **You may cancel this contract at anytime prior to Midnight of the Third Business Day after date of this transaction. See attached notice of cancellation form for explanation.**

Acceptance of Proposal

Respectfully submitted for Holden Roofing Inc. Chris Garrett
(This proposal is withdrawn if not accepted within 30 days). The prices, specifications, terms and conditions included in this Contract are acceptable and are hereby accepted. Holden is authorized to do the specified work.

Accepted this 06 / 12, 2019. Signature X For City of Freeport Attn: LeAnn

Holden Roofing

ADDITIONAL CONTRACT PROVISIONS

ALL OF THE PROVISIONS ON THE FRONT AND BACK OF THIS CONTRACT ARE MATERIAL TERMS OF THIS CONTRACT AND APPLY TO THE WORK TO BE PERFORMED UNDER THIS CONTRACT BETWEEN "YOU" AND HOLDEN ROOFING, INC. ("HOLDEN")

PAYMENTS

1. Payment is due in full at Holden's offices in Rosenberg, Texas upon completion of the work. For work that will extend more than 30 days on site, payment for materials used and work completed is due and payable on the tenth (10th) day of the month following the month in which the work was performed or materials delivered to your site. Holden will invoice You approximately monthly but your total payment obligations shall not be diminished or released in the event you do not receive an invoice.
2. Payments not received by Holden within five (5) calendar days of the due date are deemed in default and shall bear interest from the date due at the lesser of 15% per annum or the maximum rate of interest permitted by law. In addition to principal amounts and interest owed, You agree to pay Holden's reasonable collection costs, including attorney fees and filing fees, if Holden places any amount in default for collection. Once approved, Holden is to re-roof within sixty (60) days of insurance company approval. In the event that you want to delay repairs past sixty (60) days, a deposit of 30% is required.

BE SAFE - AVOID HAZARDS TO YOU AND YOUR PROPERTY

3. Roofing work involves construction and demolition and can result in falling debris. You agree not to enter or permit guests or invitees to enter under the work area while work is ongoing. HOLDEN IS NOT RESPONSIBLE FOR INJURIES TO YOU OR YOUR GUESTS OR INVITEES WHO ENTER THE WORK AREA.
4. Replacing Your roof is a dirty job. Dust and debris will enter your attics and the space between your roof and internal ceilings. Use care in lowering attic stairs or in removing ceiling tiles after re-roofing to avoid any overlooked debris that may fall.
5. Your landscaping is important to us and we will try to avoid damage, but some damage may occur during roof tear-off and construction. You agree that we are not responsible for damage to landscaping resulting from normal construction activities.
6. You agree to provide Holden and material distributors unobstructed access to your driveway/parking improvements while work is in progress. The equipment and materials used in replacing a roof are heavy. You agree that Holden is not responsible for driveway and curb damage that results from settling, compression, or inadequate support of your driveway and curbs.

CONSTRUCTION MATTERS NOT INCLUDED

7. Replacing a roof frequently exposes pre-existing structural problems. You agree that repairing preexisting structural problems is not a part of this Contract and Holden is not obligated to make such repairs. The appearance of preexisting deflections from sagging rafters or trusses may be accentuated by a new roof system and You agree that Holden is not responsible if this occurs.
8. Building Codes and good building practices require that air conditioning, water and electric lines and pipes be located a safe distance below roof decking. You agree that Holden is not responsible for nail penetrations to air conditioning, water or electric lines or pipes that are located less than 3" below the bottom surface of the roof deck or any resulting damages.
9. Fiberglass shingles installed in cold weather may not lay completely flat immediately. This characteristic is more prevalent with heavier shingles. You agree that Holden is not responsible for changes in appearance resulting from this characteristic of fiberglass shingles.
10. Properly installing a new roof may (and frequently does) require the removal and replacement of existing flashing. During installation, siding and other exterior wall surfacing (e.g., stucco) adjacent to the flashing that is old, worn or deteriorated may break, crack or tear. You agree that Holden is not responsible for any consequential damage to siding resulting from replacing flashing.
11. Removing and replacing an old roof creates vibration that may be transmitted throughout the house. YOU AGREE TO REMOVE ITEMS HANGING FROM INSIDE AND OUTSIDE WALLS, SOFFETS AND CEILINGS. You agree that Holden is not responsible for damage caused to or by falling items. Holden is not responsible for nailpops or hairline cracks in sheetrock.
12. It may be necessary or prudent to remove roof-mounted equipment (e.g., satellite dishes, antennas, solar panels, weather stations, etc.). You agree to have removed and reinstalled/adjusted at Your cost roof mounted equipment. Holden may remove such equipment if you do not, but will have no obligation to reinstall or align the equipment, including satellite dishes.
13. You agree to retain a qualified, licensed electrician to disconnect and connect electrical accessories (e.g., powered vents) attached to the roof. Our installers are not licensed electricians.
14. Replacement of deteriorated decking, fascia boards, roof jacks, ventilators, flashing or other materials, unless otherwise specifically stated on the front of this Contract, is not included in the Contract. Holden is not obligated to perform such work, unless You and Holden make a separate written agreement. If such work is necessary to protect the roof or insure the roof's integrity, You agree to have such work performed before Holden completes the roof. You agree that Holden is not responsible for work performed by other contractors.

WARRANTY AND LIMITATIONS

15. Please Cooperate. We want you to be a satisfied customer. We warrant that our installers will perform their work in a good and workmanlike manner and that our roof will be free from leaks caused by defects in our installers workmanship for the time stated on the face of this Contract. We will provide labor to repair roofing system components we installed but our liability is limited to performing such repairs, WHICH IS THE SOLE REMEDY AVAILABLE UNDER THIS CONTRACT. This warranty applies to completed repair work, but only as to the roof area where Holden performed the repair. If you sell the house during the warranty period, Holden will honor this labor warranty to the new owner until the sooner of one year from the date you sell your house or the end of the time stated on the face of this contract. Extended Warranty periods may be available to the new owner subject to agreement in writing by Holden and the new owner and payment of a fee for such extended warranty period.
16. Roofing materials are separately warranted by the manufacturer. Holden will transfer all such warranties to you upon payment in full. You agree to complete the manufacturer's warranty documentation and submit it to the manufacturer.
17. You agree to notify us within 72 hours of discovering a leak and to take reasonable immediate actions to prevent further damage. Holden will send a representative to any reported leak. Multiple inspections may be necessary to determine the cause of a leak. You agree to cooperate with such inspections by providing Holden reasonable access at reasonable times to the interior and exterior of your property to investigate a leak.
18. YOU RELEASE HOLDEN FROM AND AGREE NOT TO PURSUE CLAIMS AGAINST HOLDEN FOR ENVIRONMENTAL CONDITIONS, INCLUDING (BUT NOT LIMITED TO) THE PRESENCE OF MOLD, CLAIMED TO BE CAUSED OR WORSENERED BY MOISTURE, LEAKS OR WATER. EVEN IF SUCH CONDITIONS ARE CLAIMED TO BE CAUSED BY ANY NEGLIGENCE OF HOLDEN OR ITS INSTALLERS.
19. You agree that Holden is not responsible for damages from fire, windstorm, hail, tornadoes, hurricanes or other hazards to work in progress or completed work, even if it occurs during the warranty period, absent a separate written agreement signed by You and Holden before work is commenced. You agree to maintain in force a policy of Homeowner's insurance covering casualty to your property from such conditions. Holden's limited warranty does not apply to damage or to repairs resulting from any of the foregoing events and Holden shall have no obligation to repair or replace roof components damaged by such events. You agree that when shingle specifications are exceeded by wind or any other force, any labor warranty is void.

EXCEPT AS SPECIFICALLY WRITTEN HERE THERE ARE NO WARRANTIES EXPRESS, OR IMPLIED, INCLUDING WARRANTIES OF FITNESS OR MERCHANTABILITY, MADE OR APPLICABLE TO THIS CONTRACT.

CANCELLATION AND ASSIGNMENT

20. YOU MAY CANCEL THIS CONTRACT AT ANY TIME PRIOR TO MID-NIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. Please see attached Notice of Cancellation for an explanation of this right. If you cancel this contract later than the third business day after you sign the contract, you agree to pay Holden City of Freeport Alt: LeAnn and Kim as reasonable and just compensation, not as penalty. This contract cannot be cancelled after Holden commences the work. This contract is non-transferable and you may not assign or delegate any of your contract rights or obligations. There are no third party beneficiaries intended in making this contract.

DISPUTE RESOLUTION

21. Upon the request of any party, either before or after a legal proceeding is initiated, any claim or dispute regarding this Contract or the performance of services or furnishing of materials under this Contract shall be resolved by binding arbitration to be conducted according to the Commercial Arbitration Rules of the American Arbitration Association and all statutes of limitation that would apply in a judicial proceeding. The arbitrators' award may be entered and reduced to judgment in any court of competent jurisdiction in the County where the work was done or Fort Bend County, Texas.
22. This Contract may only be modified in writing signed by both You and Holden. Neither party is relying on any statements or representations, oral or in writing, not expressly written in this Contract, all such statements and representations being immaterial and not surviving execution of this Contract. This Contract is performable in Texas and shall be governed and enforced according to the laws of the state of Texas. If any provision of this Contract is determined to be unenforceable, such determination shall not affect the remaining terms of the Agreement, which shall remain fully effective and enforceable.

BRAZOS

INDUSTRIES

Veteran Owned Company

COMMERCIAL – INDUSTRIAL – ROOFING – SHEETMETAL – INSULATION - COATINGS

ROOFING PROPOSAL

Date: 06/21/2019

To: Freeport Museum
311 E Park St.
Freeport, TX 77541

From: Dustin Madar
Brazos Industries
113 E. Main Street
Clute, Texas 77531

Re: Freeport Museum – 3 Course Seams – 20 Year GSP Coating System – Correcting Slop

We propose to furnish all materials, labor supervision, insurance and everything necessary to do the following work according to the specification's recommendations of the material manufacture

1. Perform all work in accordance with OSHA guidelines
2. Set up equipment (ladders, pressure washer.... etc.) to complete job.
3. Pressure wash and dry 11,100 sqft of existing roof to prepare surface for 3 course fabric, foam and coating application.
4. Install 3 course fabric to existing modified roof seams, 4950 lf.
5. Install GSP's #3 Closed Cell Polyurethane Foam in two lifts to raise roof area 3" to stop ponding in 939 sqft.
6. Install GSP Silicone Base Coat @ 17 mils, 11,100 sqft.
7. Install GSP Silicone Top Coat @ 17 mils, 11,100 sqft.
8. Install Granules at 45 lbs./sq, 110 sqs.
9. Remove all debris created from project.
10. Provide Owner with Brazos Industries TWO-Year Workmanship Warranty on work completed
11. Provide Owner with GSP TWENTY-Year manufacture warranty, no dollar limit.

For The Sum of ... \$98,698.73 + applicable taxes

Owner recognizes that if moisture has entered the dwelling prior to the contractor beginning work, contractor is not liable for property damage or bodily injury claims allegedly resulting from insect damage or fungus and mold infestation. I have seen and understand the terms and conditions of the standard warranty issued by Brazos Industries.

All materials are guaranteed to be as specified. All work to be completed in a workman like manner according to standard roofing practices. Any alteration or deviation from specifications outlined above involving extra cost will be executed only upon written approval, and will become an extra charge over and above the estimate. Agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado and other necessary insurance. Our workers are fully covered by workman's compensation insurance.

DEM

Dustin E. Madar

Note: This proposal may be withdrawn by us if not accepted within 60 days.

Date of Acceptance: _____

Signature: _____

ACCEPTANCE OF PROPOSAL – The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

113 E Main Street Clute, TX 77531 / Office (409) 965-0011 / Fax (409) 948-1511 / Mobile (832) 791-8372
E-mail: d.madar@brazos-industries.com



City Council Agenda Item #10

Title: A RESOLUTION OF THE CITY COUNCIL FREEPORT, TEXAS, AUTHORIZING THE SUBMISSION OF A COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY (CDBG-DR) APPLICATION TO THE TEXAS GENERAL LAND OFFICE AND AUTHORIZING THE CITY MANAGER TO ACT AS THE CITY’S EXECUTIVE OFFICER AND AUTHORIZED REPRESENTATIVE IN ALL MATTERS PERTAINING TO THE CITY’S PARTICIPATION IN THE CDBG-DR PROGRAM.

Date: July 1, 2019

From: Christopher D. Motley, Fire Chief

Staff Recommendation: Staff requests authorization from council a resolution to authorize Timothy Kelty, City Manager, as an authorized representative in the city’s participation in the CDBG-DR project

Item Summary: The City of Freeport received an award letter for a Community Development Block Grant – Disaster Recovery (CDBG-DR funds from Hurricane Harvey distributed by Houston Galveston Area Council (HGAC) for local infrastructure. The awarded amount of \$193,271.00 is allotted for local infrastructure activities to address economic revitalization or infrastructure activates that contribute to long term recovery and restoration of housing.

Background Information: City of Freeport Waste Water Treatment Plant (WTP) on Floodgate Road had received damages from Hurricane Harvey. The cause of damages was from heavy rainfall causing high water inflow into the plant at three times its capacity, washing material into the spiral separator and causing the spiral to jam and break. The City utilized contract labor with purchased equipment to make needed repairs at the WTP to being facility back to its pre-disaster design and function.

The Resolution # 2019-2598 Waste Water Treatment Plant improvements replace Resolution # 2019-2590 Slaughter Road water treatment plant. The changes are at the recommendation from the grant writer that a door to door survey would be required to determine the Low to Moderate Income level (LMI). Due to the fact that the Slaughter Road water treatment plant provides water services to the Freeport Extended Stay.

Repair/replace:

- A. 1 each aluminum Spiral separator
- B. 1. Each Hycor model HLS Heliserve unit

C. 1 each Hycor Prod # H-00011945Z lower aluminum spiral unit and brush

Total: \$11,904.35

Special Considerations: The WTTP Spiral separator parts and the device are no longer produced by the manufacture.

Financial Impact: The estimated financial expense within the scope of work for this project is being prepared by the Engineer and Veolia Water. At this time, the replacement of the spiral separator device, labor, engineering fees and grant writer expenses will work within the grant budget. The overage above the CDBG DR funds can be addressed through existing maintenance budget.

Hurricane Harvey Reimbursable Expenses: Hurricane Harvey recovery expenses in equipment only \$11,904.35 of the cost to pre-disaster conditions

Board or 3rd Party recommendation: Recommendation from Grant Works in the grant application process for Hurricane Harvey CDBG-DR projects, the application needs to be used for local infrastructure projects that have been impacted by Hurricane Harvey with a supporting FEMA reimbursement claim. The City of Freeport WTTP was severely impact from Hurricane Harvey from rainfall received in the area.

Supporting Documentation: Resolution No. 2019-2598

RESOLUTION 2019-2598

A RESOLUTION OF THE CITY COUNCIL FREEPORT, TEXAS, AUTHORIZING THE SUBMISSION OF A COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY (CDBG-DR) APPLICATION TO THE TEXAS GENERAL LAND OFFICE AND AUTHORIZING THE CITY MANAGER TO ACT AS THE CITY'S EXECUTIVE OFFICER AND AUTHORIZED REPRESENTATIVE IN ALL MATTERS PERTAINING TO THE CITY'S PARTICIPATION IN THE CDBG-DR PROGRAM.

WHEREAS, the City of Freeport, TX desires to develop a viable community, including decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low-to-moderate income; and

WHEREAS, certain conditions exist related to Hurricane Harvey, an eligible federally declared disaster in 2017, which represent a threat to the public health, safety and welfare; and

WHEREAS, it is necessary and in the best interests of to apply for funding under the CDBG-DR Program;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL of FREEPORT, TEXAS:

1. That a CDBG-DR application is hereby authorized to be filed with the Texas General Land Office for funding consideration under the Hurricane Harvey Disaster Recovery Program.
2. That the application be for \$193,271.00 of grant funds to provide sewer system improvements at the city's main waste water treatment plant on Floodgate Road.
3. That the City Manager is designated as the Chief Executive Officer and Authorized Representative to act in all matters in connection with this application and participation in the CDBG-DR Program.
4. That the City Manager is designated to oversee all grant activities so as to ensure there are no Conflicts of Interest.
5. That all funds will be used in accordance with all applicable federal, state, local and programmatic requirements including but not limited to procurement, environmental review, labor standards, real property acquisition, and civil rights requirements.
6. That contributing funds in the amount of \$0.00 in cash are committed by the City Council toward application activities;

Passed and approved this 1st day of July, 2019.

Troy Brimage, Mayor
City of Freeport, TX

Date

ATTEST:

(Name and Title)

Date

**City Manager Study Group
Legislative Update
Dallas
May 31, 2019**

Bennett Sandlin
TMI

2019 Session Summary

- Explicit effort to preempt cities in lieu of state authority across the board seems to be declining slightly
- All so-called "super-preemption" bills died, for example
- But trend to try and politicize cities is on the increase
- One example of this is increased use of population brackets in bills

*Preempt
Special Session
Bill Preemption*

Preemption Bills

- No lemonade stand ordinances, probably preempts regulation of raw milk sales as well (HB 234 by Krause, 9/1/19)
- City can't regulate rabbit carcasses (HB 410 by White, 9/1/19)
- Can't regulate farmers markets (HB 1694 by Lambert, 9/1/19)
- No city regulation of most cottage food operations (SB 572 by Kolkhorst, 9/1/19)
- No "adverse" government action against a person for religious reasons (save Chick fil A) (SB 1978 by Hughes, 9/1/19)

...More Preemption

- Can't regulate electric bikes (HB 2188 by Frullo, 9/1/19)
- City can't prohibit dogs in outdoor portions of restaurants (SB 476 by Hancock, 9/1/19)
- Cities can't hire contingent fee attorneys without AG approval subject to appeal to SOAH (HB 2826 by Bonnen, 9/1/19)
- No new red light camera contracts (HB 1631 by Stickland, immediate effect)
- No city regulation of weapons of any type (HB 3231 by Clardy, 9/1/19)

Revenue Cap

- SB 2: 3.5% rollback rate cap on cities
- De minimus relief for cities under 30,000 population: can adopt rate that levies \$500,000 *
- 3-year "banking"
- Bad CO provision removed
- Effective January 1, 2020

1/3/2019
 FY 2019
 SB 2
 FY 2021

City/County Caps are a Smokescreen

- Real issue with property taxes is school funding
- Current budget states school taxes "shall" increase by 7% each year; next budget calls for 6.1%
- Doing so allowed state to reduce state funding to schools by \$800 million this biennium
- Meanwhile, budget rider drove up school property taxes \$6.9 billion
- There is a property tax crisis—it's caused by state and we're the collateral damage
- H.B. 3 would buy-down school taxes by \$2.7 billion, not enough but a good start

Economic Development / Caps Link

- Bill extend Ch. 312 tax abatement by 10 years: HB 3143 by Murphy, 9/1/19. New hearing and 30-day notice requirements added.
- How viable are 312 agreements in light of a 3.5% cap?
- 380 agreements almost unworkable as they count directly against rollback rate

Debt

- HB 477 by Murphy. Adds one item to ballot (that taxes will be used to pay the debt) and requires a voter guide and new notice requirements. 9/1/19
- Single specific purpose for each bond proposition (SB 30 by Birdwell, 9/1/19)

Sales Tax

- ATV sales taxes—state won't register them unless proof of state and local use taxes paid (HB 1543 by Springer, 9/1/19)

Annexation / ETJ

- No unilateral annexation in all counties (HB 347 by King, effective immediately)

Land Use

- Must approve/disapprove (vs "act on") subdivision plat applications w/i 30 days or deemed approved; (HB 3167 by Oliverson, 9/1/19)
- Required digital mapping for home rule cities (SB 1303 by Bettencourt—9/1/19)
- 3/4s vote of council required for non-consensual historic landmark designation (HB 2496 by Cyrier, effective immediately)

Elections

- City can remove deceased candidates from ballot up to printing of ballot (HB 1067 by Ashby, immediately effective)
- Runoff ballot candidate order must be same relative to original ballot order (HB 88 by Swanson, 9/1/19)
- Other than disaster displacement, candidates to show eligibility must have made an effort to return to residence after a temporary absence (HB 831 by Huberty, 1/1/20)
- For November elections, can't have early voting place that isn't a county voting place, unless all county places in city are designated by city (HB 1048 by Guillen, effective immediately)

Open Meetings

- Attempt to fix recent court case declaring conspiracy crime of Open Meetings Act unconstitutional (SB 1640 by Watson—effective immediately)
- Must allow public to comment in public meetings (HB 2840 by Canales, 9/1/19)
- Expands emergency powers under Open Meetings Act (SB 494 by Huffman, 9/1/19)

Public Information

- If a city has a website, requires meeting, election, and other info to be posted on it (HB 305 by D. Paul, 9/1/19)
- Bill to expand third party vendors and contractors of cities subject to open records (SB 943 by Watson, 1/1/20)
- City officials must forward city business on cell phones to PIA officer (SB 944 by Watson, 9/1/19)
- Information about parades and concerts paid for with public funds are open records (HB 81 by Canales, effective immediately)

Right of Way Fees

- Providers don't have to pay both cable and telecom franchise fees—can drop the lowest (SB 1152 by Hancock, 9/1/19)
- Bill is unconstitutional and will result in litigation by cities and perhaps TML

Workers Comp Issues

- Firefighter cancers—expand from 3 to 11 cancers covered (SB 2551 by Hinojosa, effective immediately)
- Add police to presumption statute other than cancers (SB 1582 by Lucio, 9/1/19)
- PTSD caused by multiple events (HB 2143 by J. Turner, 9/1/19)

Online Sales Taxes

- US Supreme Court ruled in our favor recently
- Comptroller issued rules October 19, believes no legislation strictly required to begin state and city collection
 - \$500,000 threshold vs \$100,000 in *Wayfair*
 - October 1, 2019 start date for collection
- Comptroller-recommended legislation (HB 2153 by Burrows—10/1/19) affects city share
 - Blended rate instead of individual city rates
 - Cities collect based on current sales tax collections, not actual deliveries from out-of-state retailers
 - TML must stay clear of these city-vs-city sourcing issues
- Bills would shift all sourcing, including in-state, to destination if goods sold at certain “marketplaces” (HB 1525 by Burrows—10/1/19)

Purchasing and Contracting

- Contractors not liable for specification defects in road construction (HB 2899 by Leach, effective immediately)
- Some relief from can't-boycott-Israel contracting bill from 2017 (HB 793 by P. King—effective immediately)
 - Company must have 10 or more employees
 - Contract must have value over \$100,000
- City contracts using state money can't require union participation (HB 985 by Hancock, 9/1/19)

City Fees

- Building permit fees may not be tied to value of building or cost of construction (HB 852 by Holland—immediately effective)
- Cities must choose some other criteria such as square footage

Building Codes and Regulations

- City can't regulate building materials authorized by national building codes with limited exceptions (HB 2439 by Phelan, 9/1/19)

Plumbing

- All state plumbing licensing and regulations to end Sep. 1 because sunset bill, SB 621, didn't pass
- Leadership says cities get to regulate industry

Public Safety

- Emergency radio infrastructure revolving loan program (HB 2952 by Guillen, 9/1/19)
- Mosquito control waiver during emergency (SB 1113 by Lucio, 9/1/19)
- Mutual aid law enforcement agreements need not be with just neighboring cities (HB 1789 by Tinderholt, effective immediately)

Utilities

- All gas utilities must replace cast iron delivery pipes with plastic by 2021 (HB 866 by Anchia)

Employment

- All city officials and employees with access to government computer systems must complete annual cybersecurity training; can be offered in-house (HB 3834 by Capriglione, effective immediately)

Good Bills for Cities

- Automatic allocation of sporting goods sales taxes to parks (SB 26 and SJR 24 by Kolkhorst—on November ballot)
- Mandatory notice to city of radioactive discharges (HB 2203 by Miller, effective immediately)
- Rock climbing protected under Tort Claims Act (HB 687 by Guillen and SB 230 by Perry, effective immediately)

Cutting Room Floor

- Cities can't lobby or join associations that do
- Short-term rental regulation preemption
- Working conditions ordinance preemption
- Costly disease notice by animal shelters
- Broad "super preemption" bills
- Confusing financial information on bond ballots
- State or district judge approval of ballot propositions

...More Cutting Room Floor

- 6 chickens for every backyard
- No arrests for Class C misdemeanors
- Must release ETJ on petition
- AG can settle city lawsuits
- 145% required offer in eminent domain
- Limitations on issuance of COs
- Email notification of city fees
- Must use county polling places at May election