



# City of Fredericksburg

## REGULAR CITY COUNCIL MEETING AGENDA

MONDAY, APRIL 18, 2022 ~ 6:00 P.M.

LAW ENFORCEMENT CENTER

1601 E. MAIN STREET

FREDERICKSBURG, TEXAS 78624

Charlie Kiehne, Mayor  
Tom Musselman, Councilmember  
Bobby Watson, Councilmember

Jerry Luckenbach, Councilmember  
Kathy O'Neill, Councilmember  
Kent Myers, City Manager

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The City of Fredericksburg City Council will meet in a regular session on Monday, April 18, 2022 at 6:00 p.m. This meeting will be held in person and livestream on our YouTube Channel.

Link to City of Fredericksburg YouTube Channel [Fredericksburg, Texas USA - YouTube](https://www.youtube.com/c/FredericksburgTexasUSA)  
(<https://www.youtube.com/c/FredericksburgTexasUSA>)

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### 1. CALL TO ORDER

### 2. INVOCATION

(Jamey Day, Pastor at Faith Baptist Church)

### 3. PLEDGE OF ALLEGIANCE

### 4. EMPLOYEE RECOGNITIONS

### 5. PUBLIC COMMENTS ON ITEMS ON THE AGENDA

The City Council welcomes citizen participation and comments at all City Council Regular Meetings.

#### A. Written Comments: to be submitted remotely:

- i. Must be received by 3 p.m. on April 18, 2022
- ii. Complete the Citizen Comment Form online at [www.fbgtx.org](http://www.fbgtx.org); or
- iii. Email your comments to [CitizenComments@fbgtx.org](mailto:CitizenComments@fbgtx.org); or
- iv. Complete a Citizen Comment Form located inside the Public Access entrance at 126 W. Main Street, Fredericksburg, Texas, and place in the box marked Citizen Comment Form.

Copies of the submitted comments will be provided to the City Council and made public on the City website under the "[April 18, 2022](#), City Council Regular Meeting" tab.

#### B. Verbal Comments:

- i. Sign up in-person between 5:30 p.m. and 6 p.m. at the Law Enforcement Center in order to comment.
- ii. You will be limited to 3 minutes to speak.

- iii. If any citizen has handouts for these should be provided to the City Secretary prior to speaking. If you wish the City Council to receive your handouts for the meeting, please provide 10 copies, if not the City Council will receive your handouts the following day.

## **6. CONSENT**

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

- A. Consider approval of City Council Minutes for: (Shelley Goodwin, City Secretary).
  - i. April 4, 2022 Regular Meeting  
(Agenda Packet Pages 5-10)
  - ii. February 10, 2022 Work Session Meeting  
(Agenda Packet Pages 11-16)

## **7. ORDINANCES AND RESOLUTIONS**

- A. Consider the approval of Ordinance 2022-20 amending Appendix A – Fee Schedule, of the Code of Ordinances, to establish a fee to defray costs of collecting delinquent Municipal Court Fines, Fees, Court Costs, and other debts, pursuant to Article 103.0031 of the Texas Code of Criminal Procedure (City Council may waive the second reading) (Kent Myers, City Manager).  
(Agenda Packet Pages 17-20)
  
- B. Consider the approval of Resolution 2022-07R responding to the application of Atmos Energy Corporation – Midtex Division, to increase rates under the Gas Reliability Infrastructure Program; suspending the effective date of this rate application for forty-five days; authorizing the City to continue to participate in a coalition of cities known as the "Atmos Texas Municipalities;" determining that the meeting at which the Resolution was adopted complied with the Texas Open Meetings Act; making such other findings and provisions related to the subject; and declaring an effective date (Kent Myers, City Manager).  
(Agenda Packet Pages 21-26)

## **8. OTHER ACTION ITEMS AND UPDATES**

- A. Consider approval of the FY2021-2022 Audited Financial Statements and Independent Auditors Report (Laura Hollenbeck, Finance Director).  
(Agenda Packet Pages 27-108)
  
- B. Consider the approval of the Construction Manager at Risk Services Proposal with JK Bernhard Construction for the Market Square Redevelopment Commission Project.(Andrea Schmidt, Parks Director).  
(Agenda Packet Pages 109-120)
  
- C. Consider the approval and award a bid to JM Pipeline, LLC for the Water and Sanitary Sewer Main Replacement Project construction in an amount not to exceed \$600,000 (Kris Kneese, Assistant Public Works Director).  
(Agenda Packet Pages 121-124)
  
- D. Consider and discuss approval of a contract with Perdue Brandon pursuant to Article 103.001, Texas Code of Criminal Procedure, said contract being for the collection of court fine and fees owed to the City, and notice of which is provided with the agenda in accordance with Section 2254.1036 of the Government Code (Kent Myers, City Manager).

(Agenda Packet Page 125-135)

- E. Consider the approval of agreements with Texas Center for Wine and Culinary Arts (FlavoryTX): (Kent Myers, City Manager)
  - i. Lease Agreement for property located at the University Center
  - ii. Chapter 380 Economic Development Agreement(Agenda Packet Pages 136-162)

- F. Consider the award of the 2022 Hotel Occupancy Tax (HOT) recipient funding (Shelley Goodwin, City Secretary)  
(Agenda Packet Pages 163-164)

**9. PUBLIC COMMENTS ON ITEMS NOT LISTED ON THE AGENDA.**

**10. CITY MANAGER'S REPORT**

A. City Council/County Commissioners Meeting-April 26

B. Police Chief Recruitment Process

C. Development Services Department Update.

**11. COUNCIL COMMENTS**

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

**12. ITEMS FOR FUTURE AGENDA**

(Agenda Packet Page 165)

**13. EXECUTIVE SESSION**

The City Council will recess its open meeting and reconvene in Executive Session pursuant to Texas Government Code Sections 551.074 (Personnel Matters) and Section 551.071 (Consultation with Attorney):

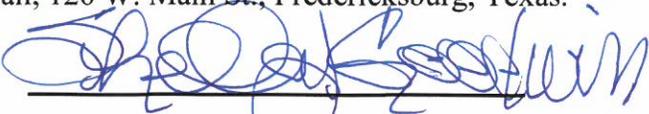
- A. Consider and discuss the appointment, evaluation, and/or duties of a public officer or employee, specifically the City Attorney (Section 551.074), and
- B. Consider and discuss Jeanette Hormuth and Jerry Farley v. Linda Langerhans, in her official capacity as presiding officer, Mayor of the City of Fredericksburg, Texas, pending in the 216th District Court (551.071)

**14. BUSINESS ITEM**

The City Council will reconvene into Regular Session upon the conclusion of the Executive Session, the City Council may take action on any item posted in Executive Session, as necessary.

**15. ADJOURN**

This is to certify that I, Shelley Goodwin, posted this Agenda at 9:00 a.m. on April 14, 2022, on the bulletin board of the City of Fredericksburg City Hall, 126 W. Main St., Fredericksburg, Texas.



Shelley Goodwin, TRMC  
City Secretary

**NOTICE PURSUANT TO GOVERNMENT CODE SEC. 2254.1036**

WHEREAS, the CITY OF FREDERICKSBURG, TEXAS ("City"), will consider entering into a contingent fee contract with the law firm of Perdue Brandon Fielder Collins & Mott, LLP ("Firm") and hereby posts this notice pursuant to Sec. 2254.1036 of the Government Code.

WHEREAS, this notice shall be posted before or at the time of giving the written notice required by Government Code Sec. 551.041 for a meeting described by Sec. 2254.1036(2) of the Government Code and shall announce the following:

A. The City is pursuing a contract with the Firm for the collection of delinquent fines and fees owed to the City and through this contract the City seeks to increase recovery of its delinquent debts in as expeditious a manner as possible. GOVT. CODE § 2254.1036(1)(A).

B. The City believes the Firm has the competency, qualifications, and experience necessary to fulfill this contract. GOVT. CODE § 2254.1036(1)(B). The Firm has collected delinquent government receivables for over fifty (50) years, including the collection of delinquent fines and fees. The Firm currently has fourteen (14) primary offices and multiple satellite offices throughout Texas, Florida, Tennessee, Georgia, New Mexico, Kansas, and Oklahoma. It employs more than 400 individuals, including 55 attorneys. It uses a multi-office, fully integrated team approach allowing the City access to all its offices and resources. Its collection team consists of long-term Firm employees, including attorneys, call center associates, paralegals, law clerks, legal secretaries, collection support personnel and information technology experts. The Firm utilizes proprietary collection software that can be tailored to meet any special need the City may have. This proprietary software also automates many aspects of the collection process, such as: account/debtor research, mailings and phone calls, return mail and address updates, payment notification and processing and work-flow.

C. The nature of any relationship between the City and the Firm is as follows. GOVT. CODE § 2254.1036(1)(C).

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The Firm does not currently nor has previously represented the City.

D. The City is unable to perform the collection of its delinquent fines and fees. GOVT. CODE § 2254.1036(1)(D). The City currently does not have adequate support staff, computer software/programming, or experience to internally conduct these collection services and acquiring these will result in substantial expense to the City.

E. These collection services cannot be provided for an hourly fee. GOVT. CODE § 2254.1036(1)(E). The Criminal Code allows the assessment of a percentage-based fee to recover the costs of collecting delinquent fines and fees. This percentage-based fee is assessed only against the debtor and not the City or taxpayers of the City. The collection of delinquent fines and fees is a high volume practice, requiring a significant amount of research, mailing, and handling of outbound/inbound calls. An hourly fee for such work will likely exceed amount of delinquent fines and fees due. Moreover, the City will bear the cost of these hourly fees and not the debtor, because

the Criminal Code does not expressly authorize the City to pay for collection services based on an hourly fee.

E. The City believes this contingent fee contract is in its best interest. GOVT. CODE § 2254.1036(1)(F). Under the contingent fee contract, the Firm will be paid the amount of the percentage-based collection fee, regardless the number of hours the Firm spends researching, contacting and mailing to collect the delinquent debt. Additionally, the percentage-based collection penalty is a pass-through expense to the debtor and not an expense to the City or taxpayers in the City.

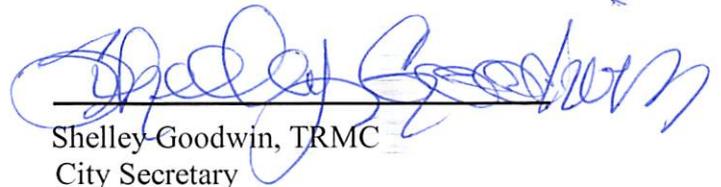
Executed this the 13<sup>th</sup> day of April, 2022.



CHARLIE KIEHNE, Mayor

On Behalf of the City of Fredericksburg, Texas

This is to certify that I, Shelley Goodwin, posted this Agenda at 9 a.m. on April 14, 2022, on the bulletin board of the City of Fredericksburg City Hall, 126 W. Main St., Fredericksburg, Texas.



Shelley-Goodwin, TRMC  
City Secretary



# CITY OF FREDERICKSBURG

## MINUTES OF CITY COUNCIL REGULAR MEETING APRIL 4, 2022

The City of Fredericksburg City Council held their regular session on Monday, April 4, 2022 at 6 p.m. This meeting was held in person at the Law Enforcement Center and live streamed on the Fredericksburg YouTube Channel.

### Members Present:

Mayor Charlie Kiehne  
Councilmember Jerry Luckenbach  
Councilmember Tom Musselman  
Councilmember Bobby Watson  
Councilmember Kathy O'Neill

### Members Absent:

No one was absent.

### City Staff Present:

Kent Myers, City Manager  
Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities  
Daniel Jones, City Attorney  
Steve Wetz, Police Chief  
Brian Vorauer, Patrol Lieutenant  
Eric Whiting, Information Technology Director  
Lea Feuge, Public Information Officer  
Andrea Schmidt, Parks Director  
Anna Hudson, Historic Preservation Officer  
Leslie Ball- Embrey, Administrative Assistant  
Jennifer Krupa, City Events Coordinator  
Shelley Goodwin, City Secretary

### 1. CALL TO ORDER

Mayor Kiehne called the regular meeting of the Fredericksburg City Council to order at 6:00 p.m. on Monday, April 4, 2022.

### 2. INVOCATION

Constable Ken Moore, resident, led the Invocation.

### 3. PLEDGE OF ALLEGIANCE

Dr. Jim Linley led the Pledge of Allegiance.

### 4. PROCLAMATION

Mayor Kiehne read and presented the Proclamation to Les Metzler. He proclaimed April 10-16, 2022 as National Public Safety Telecommunicators Week

## **5. EMPLOYEE RECOGNITIONS**

Kent Myers, City Manager, stated he had received the following recognitions:

- Shelley Goodwin, City Secretary, for receiving her Certified Municipal Clerk with Institute of International Municipal Clerk.
- Chase Moore, Police Officer for going above and beyond during a rescue a local resident.
- Teamwork with Leslie Ball-Embrey, Rebekka Goff, Michael Rhodes and Adrian Flores during the shredding of 2,400 pounds of documents with expired retention schedules.
- Finance Department for receiving Government Finance Officers Associations Award.
- Developments Services for their hard work with getting STRs set up on Granicus

## **6. PUBLIC COMMENTS ON ITEMS ON THE AGENDA**

Mayor Kiehne announced that the City Council had received 1 written comment.

Jason Lutz, City resident, thanked the City employees, City Councilmembers, and residents for his time with the City.

Jeannette Hormuth, City resident, spoke regarding hiring a City Manager.

## **7. CONSENT**

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

- A. Consider approval of City Council Minutes for March 21, 2022 Regular Meeting**
- B. Consider the approval of a request from the Kraut Run event coordinator to close W. Travis St. from N. Crockett to N. Adams from 6 a.m. to 12 p.m. on Saturday, October 1, 2022.**
- C. Consider the approval of a request from the Oktoberfest event coordinator for the following:**
  - i. The complete closure of Adams Street between Main and Austin beginning on Wednesday, September 28, 2022, at 7 a.m. through Monday, October 3, 2022, at 3 p.m.**
  - ii. The complete closure of Austin Street between Crockett and Adams beginning Thursday, September 29, 2022, at 7 a.m. until Monday, October 3, 2022, at 12 p.m.**
  - iii. The use of the parking on Crockett Street across from City Hall and next to Broadway Bank beginning on Friday, September 30, 2022, at 5 p.m., until Sunday, October 2, 2022, at 8 p.m.**
  - iv. The use of the drive-in bay area behind City Hall Annex 1 (corner of Crockett & Austin Street) beginning Friday, September 30, 2022, at 5 p.m., until Sunday, October 2, 2022, at 10 p.m.**
- D. Consider the approval of a request from the Fredericksburg Food and Winefest event coordinator to close parking lane and one southbound lane of Adams Street adjacent to Marktplatz between Main Street and Austin Street beginning on Thursday, October 20, 2022, at 7 a.m. until Monday, October 24, 2022, at noon.**
- E. Consider the approval of a request from the Craft Beer Festival event coordinator to close the parking lane and one southbound lane adjacent to Marktplatz on Adams**

**Street beginning on Friday, June 10, 2022, at 7 a.m. until Monday, June 13, 2022, at noon.**

Kent Myers, City Manager, stated he is obtaining from any discussions related to STR, due to his recent filing of an STR application for his home. He noted Agenda Item 7. A. Minutes involve STRs, so he will not be participating in the Consent Agenda and left the room.

**Motion:** A motion was made by Councilmember Musselman, seconded by Councilmember Luckenbach, to approve Consent Agenda item 6. A.- E. The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

## **8. RESOLUTIONS**

- A. Consider the approval of Resolution 2022-06R appointing individuals to fill vacancies in the membership of the City's Planning and Zoning Commission, Historic Review Board, and Zoning Board of Adjustment (Historic Review Board) (to be considered after the Executive Session).**

**Motion:** (Following Executive Session) A motion was made by Councilmember Musselman, seconded by Councilmember Luckenbach, to approve Resolution 2022-06R appointing Amy Slaughter to fill vacancy on the Historic Review Board (created by the resignation of Mike Penick). The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

## **9. OTHER ACTION ITEMS AND UPDATES**

- A. Consider approval of the purchase and installation of new Christmas lighting for Marktplatz from Décor IQ for \$110,501.68**

Andrea Schmidt, Park Director, reviewed the history of the lighting on the MarketPlatz and the bid process.

Kent Myers, City Manager, stated the Christmas lights are budgeted from our Tourism Fund.

**Motion:** A motion was made by Councilmember Luckenbach, seconded by Councilmember Watson, to approve the purchase and installation of new Christmas lighting for Marktplatz from Décor IQ for \$110,501.68. The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

- B. Consider and receive a report on Fort Martin Scott and the Former Texas Rangers Heritage Center Museum**

This report will be held at another meeting.

- C. Consider and discuss the 2022 Hotel Occupancy Tax (HOT) applications**

The applicants provided a brief statement regarding their applications and events.

Daniel Jones, City Attorney, stated he reviewed the applications and feels they all meet the qualifications.

Kent Myers, City Manager, announced that the City Council will award the HOT funding at their April 18, 2022 Regular Meeting.

## **10. PUBLIC COMMENTS ON ITEMS NOT LISTED ON THE AGENDA.**

Ruben Aguilar, City resident, spoke regarding what is occurring in the United States.

Mo Saiidi, City resident, spoke on behalf of Stoneridge and suggestion for the STR permit.

Tom Marschall, City resident, spoke regarding the City's need for a physical.

MaryLynn Marschall, City resident, spoke regarding the City Council and American Rescue Funds job.

Jeannette Hormuth, City resident, spoke regarding the City Council process and American Rescue Funds.

Isla Rope, City resident, spoke regarding Law Enforcement.

## **11. CITY MANAGER'S REPORT**

### **A. City Council/County Commissioners Meeting-April 26**

Kent Myers, City Manager, reviewed the proposed discussion items for the upcoming City Council/County Commissioners Meeting to be held at 8:30 a.m. on April 26, 2022, in the Fire Training Room:

- Proposed new Fire Station site
- Communication System Fire/EMS technology Plan
- Update on Sports Parks
- Housing Coordinator Report

### **B. Mid-Year Budget Process**

Kent Myers, City Manager, reviewed the budget amendment process and the possible upcoming amendments.

### **C. Granicus STR Services**

Anna Hudson, Historic Preservation Officer, indicated that the City expects to take online payments and reservation beginning Tuesday, April 5, 2022.

### **D. Police Chief Recruitment Process**

Kent Myers, City Manager, reviewed the process for hiring a new Police Chief. He noted there are three in-house applicants. He also stated there would be a Meet and Greet, and the public will have an opportunity to ask questions. This will occur at the Cardinal Room on Monday, April 11, 2022, at 6 p.m.

### **E. Development Services Department Update**

Clinton Bailey, Assistant City Manager/Public Works and Utilities Director, reviewed the projects moving forward and a few projects being delayed until a new director is hired. He noted he is hoping to find a replacement quickly. He also stated he would provide a Plan of assignments for the Department.

## **12. COUNCIL COMMENTS**

Mayor Kiehne thanked everyone for their hard work in making the Touch-a-Truck a successful event.

## **13. ITEMS FOR FUTURE AGENDAS**

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

## **14. EXECUTIVE SESSION**

**The City Council will recess its open meeting and reconvene in Executive Session pursuant to Texas Government Code Section 551.086 (Certain Public Power Utilities: Competitive Matters), (551.074 (Personnel Matters) and Section 551.071 (Consultation with Attorney):**

- A. Consider and discuss assignment of the City’s right of first refusal under the GenTex Agreement to LCRA, as a competitive matter related to the City’s public power utility (Sec. 551.086), and**
- B. Consider and discuss the appointment, evaluation, and/or duties of a public officer or employee, specifically the City Manager (Section 551.074), and**
- C. Consider and discuss the appointments to fill vacancy on Historic Review Board (Section 551.074).**

**Motion:** A motion was made by Councilmember Musselman, seconded by Councilmember Watson, to go out of the Regular Meeting and into Executive Session at 7:41 p.m. The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

**Motion:** A motion was made by Councilmember Watson, seconded by Councilmember Musselman, to go out of the Executive Session and into the Regular Meeting at 8:39 p.m. The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

#### **14. BUSINESS ITEM**

**The City Council then took up Agenda Item 8.A.**

**Motion:** A motion was made by Councilmember Musselman, seconded by Councilmember O’Neill, to approve the Assignment of the City’s Right of First Refusal under the GenTex Agreement to LCRA. The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

**Motion:** A motion was made by Councilmember Musselman, seconded by Councilmember O’Neill, to approve the first amendment to the City Manager’s Employment agreement with Kent Myers. The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

**Motion:** A motion was made by Councilmember Luckenbach, seconded by Councilmember Watson, to approve the Employment Agreement with Clinton Bailey to start as City Manager effective May 1, 2022. The City Council voted five (5) for, and none (0) opposed. The motion carried unanimously.

#### **15. ADJOURN**

**Motion:** A motion was made by Councilmember Watson, seconded by Councilmember O’Neill, to adjourn the Monday, April 4, 2022, City Council Regular Meeting at 8:45 p.m. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

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Charlie Kiehne  
Mayor

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Shelley Goodwin, TRMC  
City Secretary





## CITY OF FREDERICKSBURG

### MINUTES OF CITY COUNCIL AND PLANNING AND ZONING COMMISSION JOINT MEETING FEBRUARY 10, 2022

The City of Fredericksburg City Council and Planning and Zoning Commission met in a Work Session on Thursday, February 10, 2022, at 10 a.m. This meeting was held remotely via Zoom Teleconferencing, and in-person at the University Center-HEB Room, 2818 US 290 Fredericksburg, Texas.

#### **City Council Members Present:**

Mayor Charlie Kiehne  
Councilmember Jerry Luckenbach  
Councilmember Tom Musselman  
Councilmember Kathy O'Neill  
Councilmember Bobby Watson

#### **Planning and Zoning Commission Member Present:**

Janice Menking, Chairman  
Tim Dooley, Vice-Chairman  
Jim Jarreau, Commissioner  
Emily Kirchner, Commissioner  
Jeff Lawrence, Commissioner  
Polly Rickert, Commissioner  
Cindy Scroggins, Commissioner  
Steve Thomas, Commissioner  
Daryl Whitworth, Commissioner (left the meeting at 2:10 p.m. and returned at 3:26 p.m.)

#### **Members Absent:**

None

#### **City Staff Present:**

Kent Myers, City Manager  
Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities  
Daniel Jones, City Attorney  
Jason Lutz, Development Services Director  
Brian Vorauer, Police Lieutenant Patrol Division  
Braxton Roemer, Police Lieutenant Special Services  
Aaron Anderegg, IT Specialist  
Cody Oris, IT Specialist  
Anna Hudson, Historic Preservation Officer  
Leslie Embrey-Ball  
Shelley Goodwin, City Secretary

#### **1. CALL TO ORDER**

Mayor Kiehne called the regular meeting of the Fredericksburg City Council and Planning and Zoning Ordinance to order at 10:02 a.m. on Thursday, February 10, 2022, at the University

Center. Mayor Kiehne announced a quorum of the City Council and Planning and Zoning Ordinance present.

## **2. PLEDGE OF ALLEGIANCE**

Councilmember Tom Musselman lead the Pledge of Allegiance.

## **3. Proposed Changes to the City Zoning Ordinance affecting the operation of Short-Term Rentals (STRs) and amending site development regulations in multiple zoning districts.**

### **A. Receive a report on the most recent draft of the Ordinance by Jason Lutz, Development Services Director.**

Jason Lutz, Development Services Director, reviewed the changes to the draft Ordinance.

### **B. Public comments**

Ed Laughlin, City resident, stated he is a Short-Term Rental owner and only present to learn about the changes.

Donna Mittel owner of Guest Haus Schmidt, spoke about the history of Short-Term Rental and the need for allowing Short Term Rentals in R1, R2, and in the History District.

Lance Branch spoke regarding the effects the proposed changes to the Short-Term Rentals requirements would have on his rental.

Jessica Mittel, City resident, spoke regarding Short-Term Rental and Sunday Houses history in Fredericksburg and the effect the proposed Short-Term Rental requirements would have on the City.

Roger Norman, City resident, spoke regarding the number of Short-Term Rentals and the percentage of homes.

Carmen Armstrong, City resident, spoke regarding the issues with Short-Term Rentals.

Mary Gallagher, City resident, spoke regarding the Short-Term Rentals' effects on the City's Visioning and Quality of Life.

Bill Synder, City resident, spoke regarding Single Family Residential (R 1) and the Short-Term Rental's effects on R 1.

Belinda McDonnell, City resident, spoke regarding the STR Alliance's work regarding Short-Term Rentals and encouraged the City Council to work with them. She also reviewed the recent court rulings.

Randy Briley, City resident, spoke regarding the penalties on page 81 of the proposed ordinance and who should receive citations.

Tammy Pack, City resident, recommended the City Council slow down and see the outcome of the current cases in the Supreme Court before taking action.

Leslie Spraggins, City resident, spoke regarding treatment the homeowners receive compared to the difference from Short-Term Rentals regarding noise.

Timothy Ellis Riley, City resident, spoke regarding the noise ordinance that was recently passed.

David Turpin, City resident, spoke regarding the benefits Short-Term Rentals have on the City and its effects on Single Family Residentials.

Jason Kemp, City resident, spoke regarding the need to Grandfather or provide a CUP process for those Short-Term rentals in the middle of the process.

Tami Smith, City resident, spoke regarding the need to work together to benefit both residents and Short-Term Rentals.

Jeff Morin, City resident, spoke regarding the benefits of the new Granicus software the City Council approved Monday.

Mo Saiidi, City resident, spoke regarding the need to work with the STR Alliance on the proposed changes.

Ken Carr, City resident, stated he feels the City no longer has R1; it's now become Commercial. He feels the City needs an R-1 District without STRs that are not owner-occupied.

Sonia Rivero, City resident, spoke regarding the loss of neighborhoods in Fredericksburg. She stated she does support owner-occupied STRs in R1 District.

Carol Hammerson., City resident, stated she supports owner-occupied STRs in R1. She stated she feels that Short-Term Rental owners should pay for mediation when issues in the neighborhood arise and create a process for appeals.

Emily Read stated she has worked with others on a creative solution regarding the penalties process. She encouraged the City Council to take their time and change the Short-Term Rental requirements in phases.

Emily Baehr stated she feels it is wrong to remove owner property rights. She encouraged the City to enforce the Ordinances that were already on the books.

Milton Buckelew stated he feels families are moving to the subdivisions with deed restrictions. He encouraged the City Council to slow it down and let the Code Enforcement work.

Jim Roeder, City resident, stated he owns a guest house on his property and believes it comes down to the integrity of the owners and the moral character of the guest.

Laurie Jenschke, City resident, stated she is an owner of a B&B in R1. She stated she is tired of people moving into Fredericksburg and trying to change the City.

George Studor, City resident, stated he knows his neighbors, and now people have sold their homes, and those homes have become Short-Term Rental.

Mike Mahony, City resident, stated he doesn't support adding a CUP process in R1. If you want to change zoning in R1, then do it properly.

Councilmember O'Neill stated she wanted everyone to know she lives in the City and has lived here since 2003.

Mayor Kiehne recessed the Joint Workshop at 11:30 a.m.

Mayor Kiehne reconvened the Joint Workshop at 12:30 p.m. Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities, reviewed the next steps. He explained his role as a monitor and the process used for the remainder of the meeting.

Daniel Jones, City Attorney, reviewed the potential conflicts of interest for several Planning and Zoning Commission members. He also reviewed the burden of conflict to report, and failing to do so could result in criminal charges.

**C. Consider and discuss key questions related to the proposed changes to zoning ordinance.**

- i. Single Family Residential District (R-1)**
  - a. Land uses**
  - b. Conditional Use Permit (CUP)**
- ii. Mixed-Use Residential District (R- 2)**
  - a. Land uses**
  - b. Conditional Use Permit (CUP)**
- iii. Historic Overlay District**
  - a. Land Uses**
  - b. Conditional Use Permit (CUP)**
  - c. Density**
- iv. Enforcement/Penalties**
  - a. Number of violations/types**
  - b. Suspension of permits**
  - c. Revocation of permits**
- v. Conditional Use Permit (CUP) criteria**
- vi. Other Short-Term Rental (STR) issues.**

Jason Lutz, Development Service Director, reviewed the topics he needs directions on.

Commissioners Lawrence and Rickert filed an affidavit of conflict and did not participate in any discussions related to continuing a nonconforming use (they left the dais). Commissioner Rickert, Scroggins, and Lawrence filed an affidavit of conflict and did not participate in any discussions related to enforcement/penalties (they left the dais).

The following items were agreed upon by consensus:

- Buffer Zone for R1 zoning
- R1 zoning STRs and B&B by right and owner-occupied CUP (unoccupied-not by right)
- R2 zoning outside of Historic District – unoccupied by right
- R2 zoning STRs facilities with 8 units 10,000-foot lot are okay next to commercial and use the CUP process
- Matrix tiers for violations, implementing rules, and revocation is the last result.
- Add an appeal process.
- Lower density in Historic District
- Section 5.400 3. Change to 600 Commercial and 200 residential and rework Section B.

**D. Consider an update on next steps in the process.**

Daniel Jones, City Attorney, reviewed the timeline process related to adoption after public hearings.

Kent Myers, City Manager, announced that STRs would be converted to Granicus on April 1, 2022. He also noted that the first STR public hearing is scheduled for February 16, 2022.

**4. ADJOURN**

**Motion:** A motion was made by Councilmember Musselman, seconded by Councilmember Watson, to adjourn the Thursday, February 10, 2022, City Council and Planning and Zoning Commission Work Session at 3:55 p.m. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

With no other business for the Planning and Zoning Commission, Janice Menking, Chairman adjourned the Thursday, February 10, 2022, City Council and Planning and Zoning Commission Work Session at 3:55 p.m.

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Charlie Kiehne  
Mayor

---

Shelley Goodwin, TRMC  
City Secretary





## CITY COUNCIL MEMO

---

**DATE:** April 12, 2022

**TO:** Mayor and City Council

**FROM:** Kent Myers, City Manager

**SUBJECT:** Fees for Municipal Court Collections

---

**Summary:**

The attached fee ordinance would impose an additional fee of 30% of the delinquent amount owed to Municipal Court after 60 days. This fee would cover the costs for a collection firm hired by the City to collect the delinquent account.

**Recommendation:**

It is recommended that the attached ordinance be approved.

---

**Background / Analysis:**

If the City Council approved the contract for collection services that is included on the City Council agenda, then the fees established by the attached ordinance would be added on the delinquent account to cover the costs for these services

**Attachments:**

Proposed Fee Ordinance

---

The City of Fredericksburg

Department Approval

City Manager Approval

City Attorney Approval

The City of Fredericksburg

**ORDINANCE NO. 2022-20**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS, AMENDING APPENDIX A – FEE SCHEDULE, OF THE CODE OF ORDINANCES, TO ESTABLISH A FEE TO DEFRAY COSTS OF COLLECTING DELINQUENT MUNICIPAL COURT FINES, FEES, COURT COSTS, AND OTHER DEBTS, PURSUANT TO ARTICLE 103.0031 OF THE TEXAS CODE OF CRIMINAL PROCEDURE.**

**WHEREAS**, Article 103.0031 of the Texas Code of Criminal Procedure authorizes the City of Fredericksburg (“City”) to contract with a private attorney for the collection of delinquent court-imposed fines, fees, court costs, and other debts, and to impose an additional fee in the amount of thirty percent (30%) on each debt or account receivable that is more than sixty (60) days past due and which has been referred to an attorney for collection; and

**WHEREAS**, the City has determined that it is in the public interest to ensure the prompt payment of delinquent court-imposed fines, fees, court costs, and other debts as provided by Article 103.0031, Texas Code of Criminal Procedure; and

**WHEREAS**, the City, pursuant to Article 103.0031, Texas Code of Criminal Procedure, has entered into a contract with a private law firm, Perdue Brandon Fielder Collins & Mott, LLP (Perdue Brandon), to provide services for the collection of delinquent court-imposed fines, fees, court costs, restitution, and other debts.

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

**Section 1.** That Appendix A - Fee Schedule, of the Code of Ordinances, is hereby amended by the creation and addition of an Article 23.500, to read as follows:

**Article 23.500 - Fee for Municipal Court Collections.**

In accordance with Article 103.0031 of the Texas Code of Criminal Procedure, there is hereby imposed an additional fee of thirty percent (30%) on all delinquent Municipal Court debts and accounts receivables, including but not limited to fines, fees, court costs, restitution, and other debts, that are more than sixty (60) days past due and that have been referred to a private attorney or a public or private vendor for the provision of collection services.

*{End of code text}*

**Section 2. Severability or Invalidity.** If any provision of this ordinance or the application hereof to any person or circumstance is held invalid, such invalidity shall not affect other

provisions or applications of the ordinance which can be given effect without defeating the purpose or objective of the provisions, and to this end, the provisions of this ordinance are declared to be severable.

**Section 3. Repealer.** All ordinances and parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

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

PASSED AND APPROVED on this the \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Charlie Kiehne, Mayor  
City of Fredericksburg, Texas

ATTEST:

\_\_\_\_\_  
Shelley Goodwin, TRMC  
City Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Daniel D. Jones, City Attorney



## CITY COUNCIL MEMO

---

**DATE:** April 12, 2022

**TO:** Mayor and City Council

**FROM:** Kent Myers, City Manager

**SUBJECT:** Suspension of Rate Increase-Atmos Energy

---

**Summary:**

Atmos has proposed a rate increase that, if approved, will increase both residential and commercial gas rates for all local users of their services. The City has an opportunity to delay this increase for a period of 45 days to allow our consultant additional time to review this increase and make recommendations to the State Railroad Commission.

**Recommendation:**

It is recommended that the attached resolution be approved which will suspend the proposed Atmos Energy rate increase for 45 days.

---

**Background / Analysis:**

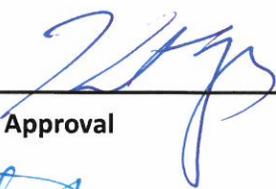
The City of Fredericksburg is a member of the coalition of cities known as Atmos Texas Municipalities. This Coalition generally works together to review and offer positions on proposed increases in rates charged by Atmos. Attached to this report is an Agenda Information Sheet that explains the recent proposed increase in Atmos rates and our ability to delay this increase in order for our consultant to have time to conduct a limited review of the rate application.

**Attachments:**

The City of Fredericksburg

Proposed Resolution  
Agenda Information Sheet

---

  
**Department Approval**

  
**City Manager Approval**

  
**City Attorney Approval**

**The City of Fredericksburg**

**RESOLUTION NO. 2022-07R**

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

WHEREAS, on or about February 25, 2022 Atmos Energy Corporation – MidTex Division (“Atmos Energy”) filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program (“GRIP”), which if approved, results in an increase in the monthly customer charges as follows:

<b>Rate Schedule</b>	<b>Current Customer Charge</b>	<b>Proposed 2021 Interim Rate Adjustment</b>	<b>Adjusted Customer Charge</b>	<b>Increase Per Bill</b>
<b>Rate R – Residential Sales</b>	\$30.99 per customer per month	\$5.15 per customer per month	\$36.14 per customer per month	\$5.15
<b>Rate C – Commercial Sales</b>	\$81.27 per customer per month	\$16.47 per customer per month	\$97.74 per customer per month	\$16.47
<b>Rate I (Industrial) &amp; Rate T (Transportation)</b>	\$1,463.50 per customer per month	\$309.07 per customer per month	\$1,772.57 per customer per month	\$309.07

WHEREAS, Atmos Energy’s application, if approved by the Railroad Commission, will result in a systemwide increase in Atmos Energy’s revenue of about \$128.36 million, of which ATM’s portion is about \$12.81 million; and

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

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

**WHEREAS**, the effective date proposed by Atmos Energy is April 26, 2022 but a suspension by the City will mean that the rate increase cannot go into effect prior to June 10, 2022; and

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

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

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

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

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

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

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

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

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

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

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

**PASSED AND APPROVED** this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY SECRETARY





## CITY COUNCIL MEMO

---

**DATE:** April 18, 2022

**TO:** Mayor and City Council

**FROM:** Laura Hollenbeak, Finance Director

**SUBJECT:** Audited Financial Statements and Independent Auditors Report

---

### **Summary:**

The accounting firm of ABIP, P. C. has performed an audit of the City's Annual Financial Statements for the fiscal year ended September 30, 2021. The financial statements are the responsibility of the City's administration. The auditor's responsibility is to express an opinion on the financial results presented based on their audit. At Monday's City Council meeting our auditing firm will present a summary report on our Annual Financial Statements for the period ending September 30, 2021.

Michael Del Toro, CPA, will present an overview of the City's financials and answer questions regarding the audit and the financial statements. The presentation will be approximately ten minutes. If you have any questions after reviewing the audit report, please email your questions to me by Thursday, April 14, at noon, so I can forward to Janet in time to research prior to Monday's meeting.

### **Recommendation:**

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

---

### **Background / Analysis:**

The City of Fredericksburg

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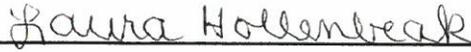
Agenda Packet Page 27

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

**Attachments:**

Annual Financial Report for the Fiscal Year Ended September 30, 2021

---

 _____ <b>Department Approval</b>	 _____ <b>City Manager Approval</b>
 _____ <b>City Attorney Approval</b>	

The City of Fredericksburg

DRAFT

# CITY OF FREDERICKSBURG, TEXAS

ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2021

**abip**

CPAs | ADVISORS

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

DRAFT



**CITY OF FREDERICKSBURG, TEXAS**

**DRAFT**

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**CITY OF FREDERICKSBURG, TEXAS**

**DRAFT**

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**FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fredericksburg, Texas (the City) as of and for the year ended September 30, 2021, 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fredericksburg, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of changes in other postemployment benefits (OPEB) liability and related ratios, related schedules of contributions for net pensions and OPEB liabilities, schedule of TESRS net pension liability and related ratios, and schedule of contributions for the TESRS liability, 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.

San Antonio, Texas  
April 18, 2022

## CITY OF FREDERICKSBURG, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&amp;A)

For the year ended September 30, 2021

As management of the City of Fredericksburg, Texas, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- ❖ The assets and deferred outflows of resources of the City of Fredericksburg exceeded its liabilities and deferred inflows of resources as of September 30, 2021 by \$56,330,950 (net position). Of this amount, \$2,788,401 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- ❖ The City's total net position increased by \$1,644,839.
- ❖ As of the close of the current fiscal year, the City of Fredericksburg's governmental funds reported combined fund balances of \$15,762,891 of which \$13,923,726 was unassigned and is available for spending at the City's discretion.
- ❖ As of September 30, 2021, unassigned fund balance for the general fund was \$13,923,726 or 78% of the current year's total general fund expenditures of \$17,952,416. The City's fund balance policy is to carry a 25% reserve of the general fund's expenditures. At the end of the fiscal year the City exceeded this policy by \$9,435,622.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Government-Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

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

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

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

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

**Notes to the Financial Statements**

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

**Other Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Fredericksburg, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,330,950 as of September 30, 2021, compared to \$54,686,111 as of September 30, 2020.

## NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets:</b>						
Current and other assets	\$ 18,301,496	\$ 12,722,581	\$ 24,095,136	\$ 29,165,102	\$ 42,396,632	\$ 41,887,683
Capital assets	22,599,086	23,401,267	50,136,351	43,996,765	72,735,437	67,398,032
<b>Total assets</b>	<b>40,900,582</b>	<b>36,123,848</b>	<b>74,231,487</b>	<b>73,161,867</b>	<b>115,132,069</b>	<b>109,285,715</b>
<b>Deferred outflows of resources</b>	<b>1,445,163</b>	<b>1,105,218</b>	<b>1,162,920</b>	<b>840,164</b>	<b>2,608,083</b>	<b>1,945,382</b>
<b>Liabilities:</b>						
Current liabilities	3,651,475	2,886,226	6,449,907	5,757,058	10,101,382	8,643,284
Net pension liability	8,606,088	5,905,743	6,982,766	4,450,663	15,588,854	10,356,406
OPEB liability	435,900	369,197	356,086	285,361	791,986	654,558
Noncurrent liabilities	6,366,076	7,301,581	27,111,627	28,043,291	33,477,703	35,344,872
<b>Total liabilities</b>	<b>19,059,539</b>	<b>16,462,747</b>	<b>40,900,386</b>	<b>38,536,373</b>	<b>59,959,925</b>	<b>54,999,120</b>
<b>Deferred inflows of resources</b>	<b>825,786</b>	<b>875,100</b>	<b>623,491</b>	<b>670,766</b>	<b>1,449,277</b>	<b>1,545,866</b>
<b>Net position:</b>						
Net investment in capital assets	16,014,677	16,022,784	29,429,805	17,570,990	45,444,482	33,593,774
Restricted for long-term debt	201,049	26,420	5,944,320	4,872,284	6,145,369	4,898,704
Restricted for capital projects	-	-	317,082	12,808,993	317,082	12,808,993
Restricted for other	1,635,616	1,635,616	-	-	1,635,616	1,635,616
Unrestricted	4,609,078	2,206,399	(1,820,677)	(457,375)	2,788,401	1,749,024
<b>Total net position</b>	<b>\$ 22,460,420</b>	<b>\$ 19,891,219</b>	<b>\$ 33,870,530</b>	<b>\$ 34,794,892</b>	<b>\$ 56,330,950</b>	<b>\$ 54,686,111</b>

By far, the largest portion of the City's net position (81%) reflects its investments in capital assets (land, buildings, equipment, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position \$2,788,401 may be used to meet the government's ongoing obligation to citizens and creditors.

**Analysis of the City's Operations**

The following table provides a summary of the City's operations for the year ended September 30, 2021. Governmental activities increased the City's net position by \$2,569,201. Business-type activities decreased the City's net position by \$924,362.

## STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 2,486,189	\$ 1,200,681	\$ 27,684,491	\$ 24,724,629	\$ 30,170,680	\$ 25,925,310
Operating grants and contributions	441,352	2,073,990	-	-	441,352	2,073,990
General revenues:						
Property taxes	5,003,918	4,949,935	-	-	5,003,918	4,949,935
Sales taxes	7,962,705	6,344,922	-	-	7,962,705	6,344,922
Hotel occupancy taxes	5,468,043	3,378,715	-	-	5,468,043	3,378,715
Other taxes	867,358	746,642	-	-	867,358	746,642
Miscellaneous	151,236	338,419	-	-	151,236	338,419
Investment earnings	19,106	42,387	35,455	181,669	54,561	224,056
Total revenues	<u>22,399,907</u>	<u>19,075,691</u>	<u>27,719,946</u>	<u>24,906,298</u>	<u>50,119,853</u>	<u>43,981,989</u>
Expenses:						
Administration	2,221,899	2,413,625	-	-	2,221,899	2,413,625
Police	6,399,284	6,333,764	-	-	6,399,284	6,333,764
Fire	1,624,594	1,633,396	-	-	1,624,594	1,633,396
Streets	2,926,645	2,510,689	-	-	2,926,645	2,510,689
Parks and recreation	2,806,609	2,589,366	-	-	2,806,609	2,589,366
Tourism	3,375,372	2,860,967	-	-	3,375,372	2,860,967
Health	295,649	295,094	-	-	295,649	295,094
Food and wine festival	52,264	141,246	-	-	52,264	141,246
Emergency management	201,503	168,605	-	-	201,503	168,605
Development services	976,703	1,119,510	-	-	976,703	1,119,510
Municipal court	238,596	218,780	-	-	238,596	218,780
Engineering	276,170	303,232	-	-	276,170	303,232
Electric	-	-	12,282,851	10,537,984	12,282,851	10,537,984
Water and sewer	-	-	7,071,071	6,977,517	7,071,071	6,977,517
Golf	-	-	280,601	211,335	280,601	211,335
Landfill	-	-	3,316,622	3,182,171	3,316,622	3,182,171
EMS	-	-	3,617,695	3,247,338	3,617,695	3,247,338
Drainage utilities	-	-	776,418	567,324	776,418	567,324
Total expenses	<u>21,395,288</u>	<u>20,588,274</u>	<u>27,345,258</u>	<u>24,723,669</u>	<u>48,740,546</u>	<u>45,311,943</u>
Increase (decrease) in net position before transfers	1,004,619	(1,512,583)	374,688	182,629	1,379,307	(1,329,954)
Gain on retirement of assets	107,010	20,460	158,522	(367,241)	265,532	(346,781)
Transfers	<u>1,457,572</u>	<u>921,873</u>	<u>(1,457,572)</u>	<u>(921,873)</u>	<u>-</u>	<u>-</u>
Change in net position	2,569,201	(570,250)	(924,362)	(1,106,485)	1,644,839	(1,676,735)
Net position:						
Net position - beginning	19,891,219	20,578,616	34,794,892	36,077,098	54,686,111	56,655,714
Prior period adjustment	<u>-</u>	<u>(117,147)</u>	<u>-</u>	<u>(175,721)</u>	<u>-</u>	<u>(292,868)</u>
Net position - ending	<u>\$ 22,460,420</u>	<u>\$ 19,891,219</u>	<u>\$ 33,870,530</u>	<u>\$ 34,794,892</u>	<u>\$ 56,330,950</u>	<u>\$ 54,686,111</u>

As a whole, the government's net position decreased by \$1,644,839 during the current fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

**Governmental Funds**

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

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$15,762,891. Refer to page 16 of this report for a more detailed presentation of governmental fund balances.

The general fund is the primary operating fund of the City. The total fund balance of the general fund was \$15,559,342 of which \$13,923,726 is unassigned. Unassigned fund balance is the amount available for any purpose.

The fund balance of the City’s general fund increased by \$4,799,887 during the current fiscal year. The budget estimated a net change in fund balance of \$(127,564), a positive variance of \$4,927,451.

**Proprietary Funds**

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

Unrestricted net position of the City’s enterprise funds at the end of the year amounted to \$(1,820,677). Net position of the City’s enterprise funds decreased by \$924,362 in the current year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$72,735,437 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and infrastructure.

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

Fire department machine and equipment	\$	13,973
Police vehicles		250,213
Street improvements / sidewalks		101,009
Engineering projects		21,962
Tourism projects		28,755
Emergency management equipment		10,715
Park improvements		524,718
Electric system improvements		1,271,909
Water department machinery/ equipment		868,698
Water / wastewater system improvements		7,213,192
Solid waste department machinery /equipment		172,368
EMS department machinery / equipment		13,973
Totals	\$	<u>10,491,485</u>

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

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had a total outstanding bonded debt of \$28,010,000. The entire amount of debt is backed in full faith and credit of the City.

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

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

**PROPERTY TAXES**

**General Fund Property Tax Rate**

In the budget for fiscal year-end September 30, 2021, the adopted property tax rate decreased to \$.2208 from the prior year per \$100 of assessed valuation.

**Tax Rate, Levy and Collection History**

<u>Fiscal Year Ended September 30,</u>	<u>Tax Rate</u>	<u>General Fund</u>	<u>Interest and Sinking Fund</u>	<u>Tax Levy</u>	<u>Percentage of Current Collections</u>	<u>Percentage of Collections</u>
2021	0.2208	0.1846	0.0362	\$ 4,969,206	93.94%	99.24%
2020	0.2273	0.1898	0.0375	4,913,299	93.32%	99.67%
2019	0.2256	0.1880	0.0376	4,422,710	92.29%	99.76%
2018	0.2256	0.1627	0.0629	4,255,938	93.94%	99.86%
2017	0.2400	0.2025	0.0375	3,893,409	92.87%	99.90%
2016	0.2313	0.1761	0.0552	3,545,858	92.65%	99.90%
2015	0.2482	0.1992	0.0490	3,495,943	93.40%	99.92%
2014	0.2600	0.1879	0.0721	3,439,885	92.52%	99.90%
2013	0.2647	0.1940	0.0707	3,420,570	92.03%	99.90%
2012	0.2444	0.1917	0.0527	3,172,700	92.20%	99.90%
2011	0.2365	0.1794	0.0571	3,059,441	91.92%	99.91%

CITY OF FREDERICKSBURG, TEXAS

BUDGET COMPARISON

For the years ended 2021 and 2020

	Budget Year		Increase (Decrease)	Increase (Decrease)
	2021-2022	2020-2021		
<b>Revenues:</b>				
General fund	\$ 24,557,018	\$ 18,551,681	\$ 6,005,337	32.37%
Electric	12,405,968	11,251,711	1,154,257	10.26%
Water and sewer	9,387,361	8,389,541	997,820	11.89%
Golf	148,724	139,614	9,110	6.53%
Landfill	2,740,896	2,753,521	(12,625)	-0.46%
EMS	3,803,575	2,906,717	896,858	30.85%
Drainage	618,950	619,900	(950)	-0.15%
Emergency management	241,885	209,438	32,447	15.49%
Debt service	720,198	819,215	(99,017)	-12.09%
Internal service fund	<u>2,798,698</u>	<u>2,014,297</u>	<u>784,401</u>	<u>38.94%</u>
Total revenues	<u>57,423,273</u>	<u>47,655,635</u>	<u>9,767,638</u>	<u>20.50%</u>
<b>Expenditures:</b>				
<b>General fund:</b>				
Administrative	10,793,488	6,232,668	4,560,820	73.18%
Police	6,348,274	5,640,275	707,999	12.55%
Fire	2,157,105	1,626,821	530,284	32.60%
Street	2,501,142	2,196,755	304,387	13.86%
Park	3,286,962	2,233,508	1,053,454	47.17%
Development services	1,247,163	888,804	358,359	40.32%
Health	250,849	231,189	19,660	8.50%
Municipal court	283,959	191,145	92,814	48.56%
Engineering	270,882	252,830	18,052	7.14%
Food and wine festival	<u>170,100</u>	<u>76,360</u>	<u>93,740</u>	<u>122.76%</u>
Total general fund expenditures	<u>27,309,924</u>	<u>19,570,355</u>	<u>7,739,569</u>	<u>39.55%</u>
Electric	12,608,652	12,300,153	308,499	2.51%
Water and sewer	19,875,911	22,226,507	(2,350,596)	-10.58%
Golf	148,724	139,614	9,110	6.53%
Landfill	2,641,304	2,818,462	(177,158)	-6.29%
EMS	3,803,575	2,906,717	896,858	30.85%
Drainage	738,001	642,359	95,642	14.89%
Emergency management	241,885	209,438	32,447	15.49%
Debt service	814,252	812,841	1,411	0.17%
Internal service fund	<u>2,779,753</u>	<u>1,975,200</u>	<u>804,553</u>	<u>40.73%</u>
Total expenditures	<u>70,961,981</u>	<u>63,601,646</u>	<u>7,360,335</u>	<u>11.57%</u>
Budgeted revenues in excess (deficiency) of expenditures	<u>\$ (13,538,708)</u>	<u>\$ (15,946,011)</u>	<u>\$ 2,407,303</u>	

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**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

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

The sets of statements include:

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

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

CITY OF FREDERICKSBURG, TEXAS

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STATEMENT OF NET POSITION

September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Busines-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
<b>Assets:</b>				
Cash and cash equivalents	\$ 14,077,914	\$ 19,946,981	\$ 34,024,895	\$ 1,423,320
Investments - current	600,000	650,000	1,250,000	-
Tax receivables (net of allowances for uncollectibles):	1,435,633	-	1,435,633	-
Internal balances	514,562	(514,562)	-	-
Intergovernmental receivable	1,673,387	149,721	1,823,108	-
Due from others	-	2,740,899	2,740,899	-
Inventories	-	1,122,097	1,122,097	-
Prepaid expenses	-	-	-	83,230
Property and equipment (net of depreciation):				
Land	7,583,656	1,126,948	8,710,604	-
Buildings	4,215,009	3,393,013	7,608,022	-
Improvements	8,876,233	9,352,414	18,228,647	1,409
Machinery and equipment	1,924,188	36,263,976	38,188,164	54,833
<b>Total assets</b>	<b>40,900,582</b>	<b>74,231,487</b>	<b>115,132,069</b>	<b>1,562,792</b>
<b>Deferred outflows of resources:</b>				
Deferred outflow related to TMRS pension	1,317,475	1,076,241	2,393,716	-
Deferred outflow related to TESRS pension	21,584	-	21,584	-
Deferred outflow related to TMRS OPEB	106,104	86,679	192,783	-
<b>Total deferred outflows of resources</b>	<b>1,445,163</b>	<b>1,162,920</b>	<b>2,608,083</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 42,345,745</b>	<b>\$ 75,394,407</b>	<b>\$ 117,740,152</b>	<b>\$ 1,562,792</b>

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

CITY OF FREDERICKSBURG, TEXAS

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STATEMENT OF NET POSITION

September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Busines-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
Liabilities and net position:				
Liabilities:				
Accounts payable	\$ 1,233,723	\$ 1,879,907	\$ 3,113,630	\$ 88,398
Accrued payroll	129,329	364,432	493,761	11,754
Intergovernmental payable	78,462	298,970	377,432	-
Accrued interest payable	30,954	127,267	158,221	-
Unearned revenues	1,106,079	-	1,106,079	-
Other current liabilities	-	1,410,021	1,410,021	-
Net pension liability - TMRS	8,547,910	6,982,766	15,530,676	-
Net pension liability - TESRS	58,178	-	58,178	-
OPEB liability - TMRS	435,900	356,086	791,986	-
Noncurrent liabilities:				
Due within one year	1,072,928	2,369,310	3,442,238	-
Due in more than one year	<u>6,366,076</u>	<u>27,111,627</u>	<u>33,477,703</u>	-
Total liabilities	<u>19,059,539</u>	<u>40,900,386</u>	<u>59,959,925</u>	<u>100,152</u>
Deferred inflows of resources:				
Deferred inflow related to TMRS pension	739,237	603,881	1,343,118	-
Deferred inflow related to TESRS	62,544	-	62,544	-
Deferred inflow related to TMRS OPEB	<u>24,005</u>	<u>19,610</u>	<u>43,615</u>	-
Total deferred inflows of resources	<u>825,786</u>	<u>623,491</u>	<u>1,449,277</u>	-
Net position:				
Net investment in capital assets	16,014,677	29,429,805	45,444,482	-
Restricted for:				
Long-term debt	201,049	5,944,320	6,145,369	-
Capital projects	-	317,082	317,082	-
Tourism	1,618,673	-	1,618,673	-
Court technology	16,943	-	16,943	-
Unrestricted	<u>4,609,078</u>	<u>(1,820,677)</u>	<u>2,788,401</u>	<u>1,462,640</u>
Total net position	<u>22,460,420</u>	<u>33,870,530</u>	<u>56,330,950</u>	<u>1,462,640</u>
Total liabilities, deferred inflows of resources and net position				
	<u>\$ 42,345,745</u>	<u>\$ 75,394,407</u>	<u>\$ 117,740,152</u>	<u>\$ 1,562,792</u>

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

CITY OF FREDERICKSBURG, TEXAS

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STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary government:</b>			
<b>Governmental activities:</b>			
Municipal court	\$ 238,596	\$ 172,604	\$ -
Administration	2,221,899	13,569	211,942
Tourism	3,375,372	-	139,093
Engineering	276,170	-	-
Police	6,399,284	909,413	37,876
Fire	1,624,594	-	-
Emergency management	201,503	-	52,441
Streets	2,926,645	-	-
Parks	2,806,609	912,016	-
Health	295,649	112,250	-
Food and wine festival	52,264	28,770	-
Development services	976,703	337,567	-
<b>Total governmental activities</b>	<b>21,395,288</b>	<b>2,486,189</b>	<b>441,352</b>
<b>Business-type activities:</b>			
Electric	12,282,851	12,190,429	-
Water	7,071,071	9,533,759	-
Golf	280,601	124,693	-
Landfill	3,316,622	2,941,244	-
EMS	3,617,695	2,268,315	-
Drainage	776,418	626,051	-
<b>Total business-type activities</b>	<b>27,345,258</b>	<b>27,684,491</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 48,740,546</b>	<b>\$ 30,170,680</b>	<b>\$ 441,352</b>
<b>Component unit:</b>			
Fredericksburg Convention and Visitor Bureau	\$ 2,684,041		
<b>General revenues:</b>			
<b>Taxes:</b>			
Property taxes			
Sales tax			
Hotel occupancy tax			
Other taxes			
Miscellaneous revenue			
Investment earnings			
Transfers in (out)			
Gain on retirement of capital assets			
<b>Total general revenues</b>			
<b>Change in net position</b>			
Net position - beginning of year			
Net position - end of year			

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

Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-Type Activities	Total	Fredericksburg Convention and Visitor Bureau
\$ (65,992)	\$ -	\$ (65,992)	
(1,996,388)	-	(1,996,388)	
(3,236,279)	-	(3,236,279)	
(276,170)	-	(276,170)	
(5,451,995)	-	(5,451,995)	
(1,624,594)	-	(1,624,594)	
(149,062)	-	(149,062)	
(2,926,645)	-	(2,926,645)	
(1,894,593)	-	(1,894,593)	
(183,399)	-	(183,399)	
(23,494)	-	(23,494)	
(639,136)	-	(639,136)	
<u>(18,467,747)</u>	<u>-</u>	<u>(18,467,747)</u>	
-	(92,422)	(92,422)	
-	2,462,688	2,462,688	
-	(155,908)	(155,908)	
-	(375,378)	(375,378)	
-	(1,349,380)	(1,349,380)	
-	(150,367)	(150,367)	
-	<u>339,233</u>	<u>339,233</u>	
<u>(18,467,747)</u>	<u>339,233</u>	<u>(18,128,514)</u>	
			\$ (2,684,041)
5,003,918	-	5,003,918	-
7,962,705	-	7,962,705	-
5,468,043	-	5,468,043	-
867,358	-	867,358	-
151,236	-	151,236	3,116,979
19,106	35,455	54,561	-
1,457,572	(1,457,572)	-	-
<u>107,010</u>	<u>158,522</u>	<u>265,532</u>	<u>-</u>
<u>21,036,948</u>	<u>(1,263,595)</u>	<u>19,302,024</u>	<u>3,116,979</u>
2,569,201	(924,362)	1,644,839	432,938
<u>19,891,219</u>	<u>34,794,892</u>	<u>54,686,111</u>	<u>1,029,702</u>
<u>\$ 22,460,420</u>	<u>\$ 33,870,530</u>	<u>\$ 56,330,950</u>	<u>\$ 1,462,640</u>

CITY OF FREDERICKSBURG, TEXAS

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BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2021

	Major Funds	Nonmajor Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
<b>Assets:</b>				
Cash and cash equivalents	13,759,640	\$ -	\$ 224,781	\$ 13,984,421
Investments	600,000	-	-	600,000
Taxes receivable (net of allowances for uncollectibles)	1,364,419	-	-	1,364,419
Receivable (net of allowances)	71,214	-	-	71,214
Intergovernmental receivables	1,673,387	-	-	1,673,387
Due from other funds	541,342	2,500	5,289	549,131
<b>Total assets</b>	<b>\$ 18,010,002</b>	<b>\$ 2,500</b>	<b>\$ 230,070</b>	<b>\$ 18,242,572</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,029,182	\$ -	\$ -	\$ 1,029,182
Wages and salaries payable	129,329	-	-	129,329
Compensated absences	6,470	-	-	6,470
Intergovernmental payable	78,462	-	-	78,462
Due to other funds	5,548	-	29,021	34,569
Deferred revenues	1,106,079	-	-	1,106,079
<b>Total liabilities</b>	<b>2,355,070</b>	<b>-</b>	<b>29,021</b>	<b>2,384,091</b>
<b>Deferred inflows of resources:</b>				
Unearned revenue - property taxes	95,590	-	-	95,590
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Debt service	-	-	201,049	201,049
Capital improvements	-	2,500	-	2,500
Court technology	16,943	-	-	16,943
Tourism	1,618,673	-	-	1,618,673
Unassigned	13,923,726	-	-	13,923,726
<b>Total fund balances</b>	<b>15,559,342</b>	<b>2,500</b>	<b>201,049</b>	<b>15,762,891</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 18,010,002</b>	<b>\$ 2,500</b>	<b>\$ 230,070</b>	<b>\$ 18,242,572</b>

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

CITY OF FREDERICKSBURG, TEXAS

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

September 30, 2021

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 15,762,891

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

The City uses an internal service fund for health self insurance.  
The assets and liabilities are included in the governmental activities. (111,048)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 22,599,086

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 95,590

Accrued vacation leave payable is not due and payable in the current period and, therefore not reported in the funds. (845,625)

Long-term liabilities, which includes certificates of obligation bonds, general obligation bonds, premiums and capital lease payable, are not due and payable in the current period and, therefore, not reported in the funds. (6,586,909)

Net pension liability, other postemployment benefit liability, and related deferred inflows and outflows of resources are not due and payable in the current period and, therefore, not reported in the funds. (8,422,611)

Accrued interest payable on general obligation bonds are not due and payable in the current period and, therefore, not reported in the funds. (30,954)

NET POSITION OF GOVERNMENTAL ACTIVITIES -  
STATEMENT OF NET POSITION \$ 22,460,420

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

CITY OF FREDERICKSBURG, TEXAS

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

For the year ended September 30, 2021

	Major Funds	Nonmajor Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
<b>Revenues:</b>				
General property taxes	\$ 4,199,111	\$ -	\$ 824,047	\$ 5,023,158
General sales and use taxes	7,962,705	-	-	7,962,705
Hotel occupancy taxes	5,468,043	-	-	5,468,043
Other taxes	521,266	-	-	521,266
Franchise fees	346,092	-	-	346,092
License and permits	337,567	-	-	337,567
Fines	110,064	-	-	110,064
Pavilion and camping fees	734,348	-	-	734,348
Rentals	145,813	-	-	145,813
Intergovernmental revenue	723,365	-	-	723,365
Grants	35,081	-	-	35,081
Investment earnings	18,551	85	193	18,829
Other revenues	992,539	-	-	992,539
<b>Total revenues</b>	<b>21,594,545</b>	<b>85</b>	<b>824,240</b>	<b>22,418,870</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Municipal court	194,486	-	-	194,486
Administration	1,276,731	-	-	1,276,731
Tourism	3,324,463	-	-	3,324,463
Police	5,055,149	-	-	5,055,149
Fire	1,336,943	-	-	1,336,943
Emergency management	197,826	-	-	197,826
Streets	1,866,458	-	-	1,866,458
Parks and recreation	2,100,795	-	-	2,100,795
Health	236,908	-	-	236,908
Food and wine festival	52,264	-	-	52,264
Development services	819,158	-	-	819,158
Engineering	209,472	-	-	209,472
<b>Debt service:</b>				
Principal	309,035	-	640,000	949,035
Interest	21,383	-	172,840	194,223
Capital outlay	951,345	-	-	951,345
<b>Total expenditures</b>	<b>17,952,416</b>	<b>-</b>	<b>812,840</b>	<b>18,765,256</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,642,129</b>	<b>85</b>	<b>11,400</b>	<b>3,653,614</b>
<b>Other financing sources (uses):</b>				
Sale of real and personal property	100,186	-	-	100,186
Transfers in	2,290,250	-	163,229	2,453,479
Transfers out	(1,232,678)	(163,229)	-	(1,395,907)
Capital leases	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,157,758</b>	<b>(163,229)</b>	<b>163,229</b>	<b>1,157,758</b>
<b>Net change in fund balances</b>	<b>4,799,887</b>	<b>(163,144)</b>	<b>174,629</b>	<b>4,811,372</b>
<b>Fund balances at beginning of year</b>	<b>10,759,455</b>	<b>165,644</b>	<b>26,420</b>	<b>10,951,519</b>
<b>Fund balances at end of year</b>	<b>\$ 15,559,342</b>	<b>\$ 2,500</b>	<b>\$ 201,049</b>	<b>\$ 15,762,891</b>

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

CITY OF FREDERICKSBURG, TEXAS

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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, 2021

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 4,811,372

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

The City uses an internal service fund to charge the cost of health insurance. The net income (loss) of this fund is consolidated into governmental activities. (63,040)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$951,345 did not exceed capital outlay (\$1,760,350) and gain on disposal of \$6,824, (802,181)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (19,240)

The repayment and issuance of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position. 955,667

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

Change in net pension liability, other postemployment benefits liability, and related deferred inflows and outflows do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (2,377,789)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 56,539

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,569,201

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

CITY OF FREDERICKSBURG, TEXAS

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STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,155,573	14,164,731	\$ 120,553
Investments	-	400,000	-
Due from other funds	633,345	-	-
Intergovernmental receivable	26,690	41,608	264
Accounts receivable (net of allowance)	1,095,620	850,754	2,206
Inventory	<u>796,730</u>	<u>325,367</u>	<u>-</u>
Total current assets	<u>4,707,958</u>	<u>15,782,460</u>	<u>123,023</u>
<b>Noncurrent assets:</b>			
Property and equipment:			
Land	89,475	522,525	305,399
Buildings	4,285,526	2,795,738	1,771,506
Improvements	-	-	3,207,056
Machinery and equipment	10,606,670	55,614,047	539,851
Less: accumulated depreciation	<u>(10,226,238)</u>	<u>(19,530,558)</u>	<u>(3,151,356)</u>
Total noncurrent assets	<u>4,755,433</u>	<u>39,401,752</u>	<u>2,672,456</u>
<b>Deferred outflow of resources:</b>			
Deferred outflow - TMRS pension	247,985	316,565	3,316
Deferred outflow - OPEB	<u>19,972</u>	<u>25,495</u>	<u>268</u>
Total deferred outflow of resources	<u>267,957</u>	<u>342,060</u>	<u>3,584</u>
Total assets and deferred outflow of resources	<u>\$ 9,731,348</u>	<u>\$ 55,526,272</u>	<u>\$ 2,799,063</u>

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

Business-Type Activities - Enterprise Funds				Governmental
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 2,294,202	\$ 479,990	\$ 731,932	\$ 19,946,981	\$ 93,493
250,000	-	-	650,000	-
633,345	-	259	1,266,949	-
1,385	76,681	3,093	149,721	-
267,592	471,115	53,612	2,740,899	-
-	-	-	1,122,097	-
<u>3,446,524</u>	<u>1,027,786</u>	<u>788,896</u>	<u>25,876,647</u>	<u>93,493</u>
209,549	-	-	1,126,948	-
107,770	368,666	-	9,329,206	-
6,164,572	32,759	5,187,959	14,592,346	-
4,177,864	1,571,611	492,287	73,002,330	-
(9,020,950)	(1,455,888)	(4,529,489)	(47,914,479)	-
<u>1,638,805</u>	<u>517,148</u>	<u>1,150,757</u>	<u>50,136,351</u>	<u>-</u>
207,763	271,588	29,024	1,076,241	-
16,733	21,873	2,338	86,679	-
<u>224,496</u>	<u>293,461</u>	<u>31,362</u>	<u>1,162,920</u>	<u>-</u>
<u>\$ 5,309,825</u>	<u>\$ 1,838,395</u>	<u>\$ 1,971,015</u>	<u>\$ 77,175,918</u>	<u>\$ 93,493</u>

CITY OF FREDERICKSBURG, TEXAS

DRAFT

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

September 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,025,257	\$ 765,306	\$ 131
Accrued payroll	81,350	110,732	972
Intergovernmental payable	37,458	-	-
Accrued interest payable	11,440	112,295	-
Due to other funds	91,800	79,700	1,266,690
Other current liabilities	481,161	906,660	-
Capital leases payable	221,285	509,307	-
Bonds payable - current maturity:			
Revenue bonds	<u>270,000</u>	<u>885,000</u>	<u>-</u>
Total current liabilities	<u>2,219,751</u>	<u>3,369,000</u>	<u>1,267,793</u>
<b>Noncurrent liabilities:</b>			
Bonds payable:			
Revenue bonds	1,485,000	19,555,000	-
Capital leases payable	668,578	449,527	-
Net pension liability - TMRS	1,608,949	2,053,903	21,515
OPEB liability	82,048	104,739	1,098
Unamortized premiums on bonds	-	780,450	-
Compensated absences	177,901	202,048	3,553
Closure and post-closure liability	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>4,022,476</u>	<u>23,145,667</u>	<u>26,166</u>
<b>Total liabilities</b>	<u>6,242,227</u>	<u>26,514,667</u>	<u>1,293,959</u>
<b>Deferred inflows of resources:</b>			
Deferred inflow - TMRS pension	139,144	177,625	1,861
Deferred inflow - OPEB	<u>4,518</u>	<u>5,768</u>	<u>61</u>
Total deferred inflow of resources	<u>143,662</u>	<u>183,393</u>	<u>1,922</u>
<b>Net position:</b>			
Net investment in capital assets	2,110,570	21,608,845	2,672,456
Restricted for long-term debt	186,810	5,757,510	-
Restricted for capital projects	-	-	-
Unrestricted	<u>1,048,079</u>	<u>1,461,857</u>	<u>(1,169,274)</u>
Total net position	<u>3,345,459</u>	<u>28,828,212</u>	<u>1,503,182</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 9,731,348</u>	<u>\$ 55,526,272</u>	<u>\$ 2,799,063</u>

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

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 24,474	\$ 35,377	\$ 29,362	\$ 1,879,907	\$ 204,541
75,939	85,115	10,324	364,432	-
6,873	254,639	-	298,970	-
1,074	1,271	1,187	127,267	-
24,800	313,821	4,700	1,781,511	-
22,200	-	-	1,410,021	-
81,497	96,423	90,856	999,368	-
-	-	-	1,155,000	-
<u>236,857</u>	<u>786,646</u>	<u>136,429</u>	<u>8,016,476</u>	<u>204,541</u>
-	-	-	21,040,000	-
-	-	-	1,118,105	-
1,347,993	1,762,093	188,313	6,982,766	-
68,741	89,857	9,603	356,086	-
-	-	-	780,450	-
143,061	143,705	5,866	676,134	-
3,711,880	-	-	3,711,880	-
<u>5,271,675</u>	<u>1,995,655</u>	<u>203,782</u>	<u>34,665,421</u>	<u>-</u>
<u>5,508,532</u>	<u>2,782,301</u>	<u>340,211</u>	<u>42,681,897</u>	<u>204,541</u>
116,577	152,389	16,285	603,881	-
<u>3,786</u>	<u>4,948</u>	<u>529</u>	<u>19,610</u>	<u>-</u>
<u>120,363</u>	<u>157,337</u>	<u>16,814</u>	<u>623,491</u>	<u>-</u>
1,557,308	420,725	1,059,901	29,429,805	-
-	-	-	5,944,320	-
317,082	-	-	317,082	-
<u>(2,193,460)</u>	<u>(1,521,968)</u>	<u>554,089</u>	<u>(1,820,677)</u>	<u>(111,048)</u>
<u>(319,070)</u>	<u>(1,101,243)</u>	<u>1,613,990</u>	<u>33,870,530</u>	<u>(111,048)</u>
<u>\$ 5,309,825</u>	<u>\$ 1,838,395</u>	<u>\$ 1,971,015</u>	<u>\$ 77,175,918</u>	<u>\$ 93,493</u>

CITY OF FREDERICKSBURG, TEXAS

DRAFT

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

For the year ended September 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Operating revenues:			
Electric sales	\$ 11,881,144	\$ -	\$ -
Water sales	-	4,540,572	-
Sewer sales	-	3,668,654	-
Garbage collection and tipping fees	-	-	-
EMS fees	-	-	-
Drainage utilities	-	-	-
Licenses and permits	27,153	32,465	-
Rents and royalties	50,848	1,461	-
Other revenue	231,284	1,290,607	124,693
Total operating revenues	<u>12,190,429</u>	<u>9,533,759</u>	<u>124,693</u>
Operating expenses:			
Salaries and wages	1,167,168	1,490,276	15,428
Employee benefits	1,026,741	1,197,751	10,833
Contracted services	73,471	56,713	-
Other operating expenses	9,602,342	1,762,696	137,122
Depreciation	370,153	1,808,492	104,038
Total operating expenses	<u>12,239,875</u>	<u>6,315,928</u>	<u>267,421</u>
Operating income (loss)	<u>(49,446)</u>	<u>3,217,831</u>	<u>(142,728)</u>
Nonoperating revenues (expenses):			
Investment income	8,898	16,336	12
Interest expense	(42,976)	(801,052)	(13,180)
Amortization of bond premium	-	45,909	-
Bond issuance cost	-	-	-
Transfers to other funds	(1,100,300)	(858,100)	-
Transfers from other funds	-	-	139,604
Contributed capital	-	-	33,022
Gain (loss) on sale of fixed assets	-	23,900	-
Total nonoperating revenues (expenses)	<u>(1,134,378)</u>	<u>(1,573,007)</u>	<u>159,458</u>
Changes in net position	(1,183,824)	1,644,824	16,730
Total net position - beginning	<u>4,529,283</u>	<u>27,183,388</u>	<u>1,486,452</u>
Total net position - ending	<u>\$ 3,345,459</u>	<u>\$ 28,828,212</u>	<u>\$ 1,503,182</u>

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

Business-Type Activities - Enterprise Funds				Governmental Activities
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ -	\$ -	\$ -	\$ 11,881,144	\$ -
-	-	-	4,540,572	-
-	-	-	3,668,654	-
2,938,442	-	-	2,938,442	-
-	1,654,152	-	1,654,152	-
-	-	622,958	622,958	-
-	-	-	59,618	-
-	-	-	52,309	-
<u>2,802</u>	<u>614,163</u>	<u>3,093</u>	<u>2,266,642</u>	<u>2,573,638</u>
<u>2,941,244</u>	<u>2,268,315</u>	<u>626,051</u>	<u>27,684,491</u>	<u>2,573,638</u>
982,434	1,395,946	136,085	5,187,337	-
765,110	1,104,883	229,274	4,334,592	-
34,994	14,329	176	179,683	-
945,288	895,711	83,611	13,426,770	3,036,955
<u>586,990</u>	<u>205,127</u>	<u>325,754</u>	<u>3,400,554</u>	<u>-</u>
<u>3,314,816</u>	<u>3,615,996</u>	<u>774,900</u>	<u>26,528,936</u>	<u>3,036,955</u>
<u>(373,572)</u>	<u>(1,347,681)</u>	<u>(148,849)</u>	<u>1,155,555</u>	<u>(463,317)</u>
9,434	134	641	35,455	277
(1,806)	(1,699)	(1,518)	(862,231)	-
-	-	-	45,909	-
-	-	-	-	-
(275,700)	-	(56,100)	(2,290,200)	-
-	693,024	-	832,628	400,000
-	-	-	33,022	-
<u>67,200</u>	<u>34,400</u>	<u>-</u>	<u>125,500</u>	<u>-</u>
<u>(200,872)</u>	<u>725,859</u>	<u>(56,977)</u>	<u>(2,079,917)</u>	<u>400,277</u>
(574,444)	(621,822)	(205,826)	(924,362)	(63,040)
<u>255,374</u>	<u>(479,421)</u>	<u>1,819,816</u>	<u>34,794,892</u>	<u>(48,008)</u>
<u>\$ (319,070)</u>	<u>\$ (1,101,243)</u>	<u>\$ 1,613,990</u>	<u>\$ 33,870,530</u>	<u>\$ (111,048)</u>

CITY OF FREDERICKSBURG, TEXAS

DRAFT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended September 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 12,064,044	\$ 9,405,168	\$ 126,798
Cash payments to employees for services	(1,612,448)	(2,096,078)	(20,841)
Cash payments for suppliers	<u>(9,664,508)</u>	<u>(1,481,195)</u>	<u>(231,790)</u>
Net cash provided (used) by operating activities	<u>787,088</u>	<u>5,827,895</u>	<u>(125,833)</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating transfers out	(1,100,300)	(858,100)	-
Operating transfers in	<u>-</u>	<u>-</u>	<u>172,626</u>
Net cash provided (used) by noncapital financing activities	<u>(1,100,300)</u>	<u>(858,100)</u>	<u>172,626</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(1,271,910)	(8,048,868)	(33,021)
Capital lease proceeds	1,114,373	-	-
Debt issuance proceeds	-	-	-
Principal paid on capital debt	(499,909)	(1,497,954)	-
Interest paid on capital debt	(36,136)	(817,559)	(13,180)
Proceeds from the sale of capital assets	<u>-</u>	<u>23,900</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(693,582)</u>	<u>(10,340,481)</u>	<u>(46,201)</u>
<b>Cash flows from investing activities</b>			
Interest received on investments	8,898	16,335	11
Net increase (decrease) in cash and cash equivalents	(997,896)	(5,354,351)	603
Cash and cash equivalents, beginning	<u>3,153,469</u>	<u>19,519,082</u>	<u>119,950</u>
Cash and cash equivalents, ending	<u>\$ 2,155,573</u>	<u>\$ 14,164,731</u>	<u>\$ 120,553</u>

SCHEDULE OF NONCASH ACTIVITIES

Actuarially determined change in net pension/OPEB liability	\$ 87,297	\$ 106,655	\$ 1,096
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The accompanying notes are an integral part of these financial statements.

Business-Type Activities - Enterprise Funds				Governmental
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ 2,906,612	\$ 2,129,256	\$ 621,887	\$ 27,253,765	\$ 2,578,383
(1,411,546)	(1,922,275)	(199,605)	(7,262,793)	-
<u>(519,072)</u>	<u>(424,654)</u>	<u>(51,136)</u>	<u>(12,372,355)</u>	<u>(3,101,664)</u>
<u>975,994</u>	<u>(217,673)</u>	<u>371,146</u>	<u>7,618,617</u>	<u>(523,281)</u>
(275,700)	-	(56,100)	(2,290,200)	-
<u>-</u>	<u>693,024</u>	<u>-</u>	<u>865,650</u>	<u>400,000</u>
<u>(275,700)</u>	<u>693,024</u>	<u>(56,100)</u>	<u>(1,424,550)</u>	<u>400,000</u>
(172,368)	(13,973)	-	(9,540,140)	-
-	-	-	1,114,373	-
-	-	-	-	-
(216,969)	(96,961)	(89,522)	(2,401,315)	-
(6,194)	(2,950)	(2,686)	(878,705)	-
<u>67,200</u>	<u>34,400</u>	<u>-</u>	<u>125,500</u>	<u>-</u>
<u>(328,331)</u>	<u>(79,484)</u>	<u>(92,208)</u>	<u>(11,580,287)</u>	<u>-</u>
9,435	133	641	35,453	277
381,398	396,000	223,479	(5,350,767)	(123,004)
<u>1,912,804</u>	<u>83,990</u>	<u>508,453</u>	<u>25,297,748</u>	<u>216,497</u>
<u>\$ 2,294,202</u>	<u>\$ 479,990</u>	<u>\$ 731,932</u>	<u>\$ 19,946,981</u>	<u>\$ 93,493</u>
\$ 67,117	\$ 94,128	\$ 27,471	\$ 383,764	\$ -

CITY OF FREDERICKSBURG, TEXAS

DRAFT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended September 30, 2021

	Business-Type Activities - Enterprise Funds		
	Electric	Water	Golf
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (49,446)	\$ 3,217,831	\$ (142,728)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	370,153	1,808,492	104,038
(Increase) decrease in operating assets:			
Accounts receivable	(103,449)	(90,736)	2,206
Interfund receivables	47,331	-	-
Due from other governments	(22,937)	(37,855)	(101)
Inventories	(97,402)	(46,085)	-
Increase (decrease) in operating liabilities:			
Accounts payable	14,521	(286,137)	(5)
Wages payable	10,333	12,773	122
Interest payable	-	-	-
Due to other funds	18,400	16,400	(94,663)
Due to other governments	4,673	-	-
Compensated absences payable	2,539	(18,692)	(414)
Net pension/OPEB liability	568,590	597,869	5,712
Landfill closure liability	-	-	-
Other current liabilities	<u>23,782</u>	<u>654,035</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 787,088</u>	<u>\$ 5,827,895</u>	<u>\$ (125,833)</u>

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

Business-Type Activities - Enterprise Funds				Governmental
Landfill	EMS	Drainage	Enterprise Fund Total	Internal Service Fund
\$ (373,572)	\$ (1,347,681)	\$ (148,849)	\$ 1,155,555	\$ (463,317)
586,990	205,127	325,754	3,400,554	-
(33,247)	(103,660)	(1,071)	(329,957)	4,745
47,331	-	-	94,662	-
(1,385)	(35,399)	(3,093)	(100,770)	-
-	-	-	(143,487)	-
10,837	7,882	32,651	(220,251)	(64,709)
11,182	5,122	3,913	43,445	-
-	-	-	-	-
6,200	247,713	-	194,050	-
293	229,791	-	234,757	-
10,100	(10,261)	(375)	(17,103)	-
314,717	583,693	162,216	2,232,797	-
394,448	-	-	394,448	-
<u>2,100</u>	<u>-</u>	<u>-</u>	<u>679,917</u>	<u>-</u>
<u>\$ 975,994</u>	<u>\$ (217,673)</u>	<u>\$ 371,146</u>	<u>\$ 7,618,617</u>	<u>\$ (523,281)</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies

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

Reporting entity

## Component unit

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

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

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

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

Government-wide and fund financial statements

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

## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)Government-wide and fund financial statements (continued)

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)Measurement focus, basis of accounting, and financial statement presentation (continued)

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

The City reports the following major governmental fund:

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)Measurement focus, basis of accounting, and financial statement presentation (continued)

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

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

Cash and investments

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

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

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

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

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

Level 2 - Inputs to the valuation methodology include:

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

## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)Cash and investments (continued)

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

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

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

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

Accounts receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of the interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no balances that were considered "advanced to/from other funds" at September 30, 2021. All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

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

Inventories and prepaid items

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

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

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets, (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets such as equipment are defined as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

Compensated absences

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

Long-term obligations

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

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

## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)Fund balance

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

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

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

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

## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(1) Summary of significant accounting policies (continued)Net position

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

Use of estimates

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

Pensions

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

Other postemployment benefits (OPEB)

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

Reclassifications

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

**CITY OF FREDERICKSBURG, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**September 30, 2021**

(2) Stewardship, compliance and accountability

Budgetary information

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

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

(3) Deposits and investments

As of September 30, 2021, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Investments recorded as cash equivalents		
TexPool - valued at amortized cost	\$ 476,297	34
Total investments recorded as cash equivalents	476,297	
Cash at bank	33,543,468	
Cash on-hand	5,130	
Total cash and cash equivalents	<u>\$ 34,024,895</u>	
Investments		
Certificates of deposits - valued at amortized cost	<u>\$ 1,250,000</u>	280
Portfolio weighted average maturity		212

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

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(3) Deposits and investments (continued)

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

*Custodial credit risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2021, the City had cash deposits at the bank of \$33,834,234. The total fair market value of pledged securities held as collateral amounted to \$39,466,89. In addition, \$250,000 of the deposits are covered by FDIC coverage.

*Credit risk.* It is the City's policy to limit its investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investments as of September 30, 2021, were rated as follows:

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

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

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

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

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(4) Receivables

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

	Government Funds		Enterprises Funds					Totals
	General	Electric	Water	Golf	Landfill	EMS	Drainage	
Taxes	\$ 2,792,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,792,864
Due from other governments	262,840	26,690	41,608	264	1,385	76,681	3,093	412,561
Customer accounts	68,442	1,139,237	874,761	2,206	329,951	545,284	55,091	3,014,972
Interest	2,771	-	4	-	17	-	-	2,792
Gross receivables	3,126,917	1,165,927	916,373	2,470	331,353	621,965	58,184	6,223,189
Less: allowance for uncollectibles	17,897	43,617	24,011	-	62,376	74,169	1,479	223,549
Net total receivables	<u>\$ 3,109,020</u>	<u>\$ 1,122,310</u>	<u>\$ 892,362</u>	<u>\$ 2,470</u>	<u>\$ 268,977</u>	<u>\$ 547,796</u>	<u>\$ 56,705</u>	<u>\$ 5,999,640</u>

(5) Capital assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,583,656	\$ -	\$ -	\$ 7,583,656
Total capital assets, not being depreciated	<u>7,583,656</u>	<u>-</u>	<u>-</u>	<u>7,583,656</u>
Capital assets, being depreciated:				
Buildings	9,741,333	306,600	(20,028)	10,027,905
Improvements other than buildings	21,188,995	369,844	(67,706)	21,491,133
Equipment	8,381,812	274,901	(249,721)	8,406,992
Total capital assets, being depreciated	<u>39,312,140</u>	<u>951,345</u>	<u>(337,455)</u>	<u>39,926,030</u>
Less accumulated depreciation:				
Buildings	(5,515,571)	(316,828)	19,503	(5,812,896)
Improvements other than buildings	(11,766,125)	(908,349)	59,574	(12,614,900)
Equipment	(6,212,833)	(535,173)	265,202	(6,482,804)
Total accumulated depreciation	<u>(23,494,529)</u>	<u>(1,760,350)</u>	<u>344,279</u>	<u>(24,910,600)</u>
Total capital assets being depreciated, net	<u>15,817,611</u>	<u>(809,005)</u>	<u>6,824</u>	<u>15,015,430</u>
Governmental activities capital assets, net	<u>\$ 23,401,267</u>	<u>\$ (809,005)</u>	<u>\$ 6,824</u>	<u>\$ 22,599,086</u>

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(5) Capital assets (continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,126,948	\$ -	\$ -	\$ 1,126,948
Total capital assets, not being depreciated	<u>1,126,948</u>	<u>-</u>	<u>-</u>	<u>1,126,948</u>
Capital assets, being depreciated:				
Buildings and improvements	9,010,441	318,765	-	9,329,206
Improvements other than buildings	14,591,300	1,046	-	14,592,346
Equipment	<u>63,869,034</u>	<u>9,220,329</u>	<u>(87,033)</u>	<u>73,002,330</u>
Total capital assets, being depreciated	<u>87,470,775</u>	<u>9,540,140</u>	<u>(87,033)</u>	<u>96,923,882</u>
Less accumulated depreciation:				
Buildings and improvements	(5,717,213)	(218,980)	-	(5,936,193)
Improvements other than buildings	(4,944,181)	(295,751)	-	(5,239,932)
Equipment	<u>(33,939,564)</u>	<u>(2,885,823)</u>	<u>87,033</u>	<u>(36,738,354)</u>
Total accumulated depreciation	<u>(44,600,958)</u>	<u>(3,400,554)</u>	<u>87,033</u>	<u>(47,914,479)</u>
Total capital assets being depreciated, net	<u>42,869,817</u>	<u>6,139,586</u>	<u>-</u>	<u>49,009,403</u>
Business-type capital assets, net	<u>\$ 43,996,765</u>	<u>\$ 6,139,586</u>	<u>\$ -</u>	<u>\$ 50,136,351</u>

Depreciation expense was charged to the governmental functions as follows:

Governmental activities:	
Administration	\$ 131,516
Police	322,167
Fire	53,576
Streets	798,204
Parks	416,936
Health	1,373
Engineering	18,129
Emergency management	3,677
Tourism	<u>14,772</u>
Total depreciation expense - governmental activities	<u>\$ 1,760,350</u>

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(5) Capital assets (continued)

Business-type activities		
Electric		\$ 370,153
Water and sewer		1,808,492
Golf		104,037
Landfill		586,990
EMS		205,127
Drainage utilities		<u>325,755</u>
Total depreciation expense - business-type activities		<u>\$ 3,400,554</u>

(6) Interfund receivables, payables and transfers

	<u>Due To</u>	<u>Due From</u>
General fund:		
Electric - in lieu of taxes	\$ -	\$ 91,800
Water - in lieu of taxes	-	79,700
Landfill - in lieu of taxes	-	24,800
Drainage - in lieu of taxes	-	4,700
EMS	-	313,821
Drainage	259	-
Emergency management	-	-
Debt service	5,289	26,521
Electric fund:		
General fund - in lieu of taxes	91,800	-
Golf	-	633,345
Water and sewer fund:		
General fund - in lieu of taxes	79,700	-
Golf fund:		
Electric	633,345	-
Landfill	633,345	-
Landfill:		
General fund - in lieu of taxes	24,800	-
Golf	-	633,345
EMS:		
General fund	313,821	-
Drainage fund:		
General fund	-	259
General fund - in lieu of taxes	4,700	-
Debt service:		
General fund	26,521	5,289
Capital projects	2,500	-
Capital projects:		
Debt service	<u>-</u>	<u>2,500</u>
Total due to / due from	<u>\$ 1,816,080</u>	<u>\$ 1,816,080</u>

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

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

The balances of \$633,345 due to the electric fund and the solid waste fund represent amounts that were lent to the golf course to fund 2011-12 renovations to the golf course. The note's terms include a 1% annual interest rate and a twenty year amortization period with a 10/1/2034 maturity date.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:		
Electric	\$ 1,100,300	\$ -
Water and sewer	858,100	-
Landfill	275,700	-
Drainage	56,100	-
EMS	-	693,024
Golf	-	139,604
Internal service fund		400,000
Debt service fund:		
Capital projects fund	163,229	-
Capital projects fund:		
Debt service fund	-	163,229
Electric fund:		
General fund	-	1,100,300
Water and sewer fund:		
General fund	-	858,100
Landfill:		
General fund	-	275,700
Drainage fund:		
General fund		56,100
EMS:		
General fund	693,024	-
Golf:		
General fund	139,604	-
Internal service fund:		
General fund	<u>400,000</u>	<u>-</u>
<b>Total transfers</b>	<b><u>\$ 3,686,057</u></b>	<b><u>\$ 3,686,057</u></b>

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

**CITY OF FREDERICKSBURG, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**September 30, 2021**

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

In the year ended September 30, 2021, the City made payments from various funds to the general fund in lieu of taxes. GASB 34 requires that these payments be treated as transfers. Transfers were made from the following funds:

Electric	\$	863,800
Water and sewer		737,000
Landfill		228,900
Drainage		<u>56,100</u>
Total	\$	<u>1,885,800</u>

**(7) Capital leases – direct borrowing**

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

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 187,723	\$ 1,040,985
2023	109,347	690,704
2024	109,347	227,376
2025	109,347	227,376
2026	109,347	-
Thereafter	<u>109,347</u>	<u>-</u>
Total minimum lease payments	734,458	2,186,441
Less: amount representing interest	<u>49,146</u>	<u>68,968</u>
Present value of minimum lease payments	<u>\$ 685,312</u>	<u>\$ 2,117,473</u>

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(8) Long-term liabilities

The long-term liability activity for the year ended September 30, 2021, was as follows:

	Outstanding October 1, 2020	Increases	Decreases	Balance September 30, 2021	Amounts Due in One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,135,000	\$ -	\$ (150,000)	\$ 1,985,000	\$ 155,000
Unlimited tax notes	4,320,000	-	(490,000)	3,830,000	500,000
Add: unamortized premiums	94,470	-	(7,873)	86,597	7,873
<b>Total bonds payable</b>	<b>6,549,470</b>	<b>-</b>	<b>(647,873)</b>	<b>5,901,597</b>	<b>662,873</b>
Capitalized leases	994,657	-	(309,345)	685,312	172,739
Compensated absences	913,487	166,980	(228,372)	852,095	237,316
<b>Total governmental activities</b>	<b>8,457,614</b>	<b>166,980</b>	<b>(1,185,590)</b>	<b>7,439,004</b>	<b>1,072,928</b>
<b>Business-type activities:</b>					
<b>Revenue bonds and notes:</b>					
Revenue bonds	21,290,000	-	(850,000)	20,440,000	885,000
Revenue tax notes	2,020,000	-	(265,000)	1,755,000	270,000
Add: unamortized premium	826,359	-	(45,909)	780,450	45,909
<b>Total revenue bonds and notes</b>	<b>24,136,359</b>	<b>-</b>	<b>(1,160,909)</b>	<b>22,975,450</b>	<b>1,200,909</b>
Capitalized leases	2,289,416	1,114,373	(1,286,316)	2,117,473	999,368
Compensated absences	693,237	156,204	(173,307)	676,134	169,033
<b>Total business-type activities</b>	<b>27,119,012</b>	<b>1,270,577</b>	<b>(2,620,532)</b>	<b>25,769,057</b>	<b>2,369,310</b>
<b>Total long-term liabilities</b>	<b>\$ 35,576,626</b>	<b>\$ 1,437,557</b>	<b>\$ (3,806,122)</b>	<b>\$ 33,208,061</b>	<b>\$ 3,442,238</b>

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(8) Long-term liabilities (continued):

Governmental activities long-term liabilities at September 30, 2021, consisted of the following:

Series	Governmental Activities		
	Original Issue	Interest Rate	Debt Outstanding
2012 general obligation bonds - privately placed	\$ 3,200,000	2.88%	\$ 1,985,000
2016 limited tax notes - privately placed	1,530,000	1.39%	695,000
2017 tax and limited pledge rev CO's	<u>3,530,000</u>	3.00%	<u>3,135,000</u>
Totals	<u>\$ 11,864,164</u>		<u>\$ 5,815,000</u>

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

Business-type activities long-term liabilities at September 30, 2021, consisted of the following:

Series	Business-Type Activities		
	Original Issue	Interest Rate	Debt Outstanding
2018 revenue bonds	\$ 17,305,000	2.07-3.87%	\$ 15,670,000
2020 revenue refunding bonds - privately placed	5,120,000	1.850%	4,770,000
2020 revenue notes - privately placed	<u>2,300,000</u>	1.775%	<u>1,755,000</u>
Totals	<u>\$ 35,175,836</u>		<u>\$ 22,195,000</u>

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2021, are as follows:

Fiscal Year	Governmental Activities								
	Bonds Payable			Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 155,000	\$ 96,400	\$ 251,400	\$ 500,000	\$ 62,852	\$ 562,852	\$ 655,000	\$ 159,252	\$ 814,252
2023	160,000	91,675	251,675	510,000	53,105	563,105	670,000	144,780	814,780
2024	165,000	86,800	251,800	165,000	45,674	210,674	330,000	132,474	462,474
2025	170,000	81,775	251,775	170,000	40,855	210,855	340,000	122,630	462,630
2026	175,000	76,599	251,599	175,000	35,892	210,892	350,000	112,491	462,491
2027-2031	950,000	300,120	1,250,120	950,000	99,978	1,049,978	1,900,000	400,098	2,300,098
2032-2036	1,115,000	140,920	1,255,920	210,000	3,021	213,021	1,325,000	143,941	1,468,941
2037	<u>245,000</u>	<u>4,287</u>	<u>249,287</u>	-	-	-	<u>245,000</u>	<u>4,287</u>	<u>249,287</u>
Totals	<u>\$ 3,135,000</u>	<u>\$ 878,576</u>	<u>\$ 4,013,576</u>	<u>\$ 2,680,000</u>	<u>\$ 341,377</u>	<u>\$ 3,021,377</u>	<u>\$ 5,815,000</u>	<u>\$ 1,219,953</u>	<u>\$ 7,034,953</u>

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(8) Long-term liabilities (continued):

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2021, are as follows:

Fiscal Year	Business-Type Activities								
	Bonds Payable			Privately Placed Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 525,000	\$ 653,825	\$ 1,178,825	\$ 630,000	\$ 116,066	\$ 746,066	\$ 1,155,000	\$ 769,891	\$ 1,924,891
2023	550,000	631,075	1,181,075	725,000	104,568	829,568	1,275,000	735,643	2,010,643
2024	570,000	611,475	1,181,475	740,000	91,379	831,379	1,310,000	702,854	2,012,854
2025	600,000	586,500	1,186,500	750,000	77,920	827,920	1,350,000	664,420	2,014,420
2026	620,000	556,000	1,176,000	765,000	64,234	829,234	1,385,000	620,234	2,005,234
2027-2031	3,625,000	2,270,850	5,895,850	2,045,000	176,351	2,221,351	5,670,000	2,447,201	8,117,201
2032-2036	6,005,000	1,312,100	7,317,100	870,000	16,187	886,187	6,875,000	1,328,287	8,203,287
2037-2038	3,175,000	128,300	3,303,300	-	-	-	3,175,000	128,300	3,303,300
Totals	\$ 15,670,000	\$ 6,750,125	\$ 22,420,125	\$ 6,525,000	\$ 646,705	\$ 7,171,705	\$ 22,195,000	\$ 7,396,830	\$ 29,591,830

(9) Defined benefit pension plan

Plan description

The City participates as one of 895 plans in the defined benefit cash balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the system with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

Benefits provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contribution and interest.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(9) Defined benefit pension plan (continued)

Benefits provided (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

**Employees covered by benefit terms**

At the December 31, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	112
Inactive employees entitled to but not yet receiving benefits	66
Active employees	<u>171</u>
Total	<u>349</u>

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal (EAN) actuarial cost method. The City’s contribution rate is based on 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 compensation during the fiscal year. The contribution rates for the City were 22.11% and 16.45% for calendar years 2021 and 2020 respectively. The City’s contributions to TMRS for the year ended September 30, 2021 and 2020 were \$2,309,826 and \$1,589,343 and were equal to the required contributions in 2021 and 2020, respectively.

Net pension liability

The City’s net pension liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return *	6.75%, net of pension plan investment expense, including inflation
* Presented net of pension plan investment expense, including inflation	

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(9) Defined benefit pension plan (continued)

Net pension liability (continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the general employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	<u>100.00%</u>	

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(9) Defined benefit pension plan (continued)

Net pension liability (continued)

**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 member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in net pension liability**

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2020:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2019	\$ 54,933,378	\$ 44,724,456	\$ 10,208,922
Changes for the year:			
Service cost	1,846,917	-	1,846,917
Interest	4,037,770	-	4,037,770
Changes in current period benefits	4,932,372	-	4,932,372
Difference between expected and actual experience	269,471	-	269,471
Changes of assumptions	-	-	-
Contributions - employer	-	1,746,763	(1,746,763)
Contributions - employee	-	646,152	(646,152)
Net investment income	-	3,394,685	(3,394,685)
Benefit payments, including refunds of employee contributions	(1,940,785)	(1,940,785)	-
Administrative expense	-	(21,967)	21,967
Other changes	-	(857)	857
Net changes	<u>9,145,745</u>	<u>3,823,991</u>	<u>5,321,754</u>
Balance at December 31, 2020	<u>\$ 64,079,123</u>	<u>\$ 48,548,447</u>	<u>\$ 15,530,676</u>

CITY OF FREDERICKSBURG, TEXAS

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NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(9) Defined benefit pension plan (continued)

Net pension liability (continued)

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

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

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's net pension liability	\$ 24,163,402	\$ 15,530,676	\$ 8,375,173

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained on the internet at [www.tnrs.com](http://www.tnrs.com).

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

For the year ended September 30, 2021, the City recognized pension expense of \$6,888,379.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 578,581	\$ 44,536
Changes in actuarial assumptions	-	36,745
Difference between projected and actual investment earnings	-	1,261,837
Contributions subsequent to the measurement date	1,815,135	-
Total	<u>\$ 2,393,716</u>	<u>\$ 1,343,118</u>

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(9) Defined benefit pension plan (continued)

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

The City reported \$1,815,315 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>		
2022	\$	(279,562)
2023		167,799
2024		(621,117)
2025		(31,657)
2026		-
Thereafter		-
Total	\$	<u>(764,537)</u>

(10) Texas Emergency Services Retirement System

Background and reporting entity

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(10) Texas Emergency Services Retirement System (continued)

Background and reporting entity (continued)

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

Schedule of participating department allocations

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

Participating department contributions for the fiscal year ended August 31, 2021 were used for purposes of preparing the allocation schedule. Adjustments were made in the following circumstances, with the treatment detailed below:

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

TESRS has prepared the schedule of collective pension amounts. The collective pension expense based on TESRS' fiscal year ended August 31, 2021 is shown in the following table:

Service cost	\$ 8,451
Interest	60,387
Projected earnings on pension plan investments	(50,232)
Amortization of differences between projected and actual earnings on plan investments	(15,633)
Amorization of changes of assumptions	(144)
Amortizations of differences between expected and actual experience	(4,218)
Pension plan administrative expense	1,458
Changes in benefit provisions	-
Total pension expense	\$ 69

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(10) Texas Emergency Services Retirement System (continued)

Schedule of participating department allocations (continued)

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to TESRS pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ 2,302
Changes in actuarial assumptions	-	79
Difference between projected and actual investment earnings	-	54,478
Contributions subsequent to the measurement date	<u>15,900</u>	<u>-</u>
Total	<u>\$ 15,900</u>	<u>\$ 56,859</u>

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

<u>Fiscal Year Ended August 31,</u>		
2022	\$	(15,367)
2023		(9,464)
2024		(17,858)
2025		<u>(14,170)</u>
Total	\$	<u>(56,859)</u>

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

The participating department's proportionate share of the collective pension expense for its fiscal year ended between September 1, 2020 and August 31, 2021 is equal to the collective pension expense multiplied by the participating department's allocation percentage for TESRS's fiscal year ended August 31, 2021 as shown in the schedule of participating department allocations. The City's allocation percentage is 0.543%. The proportionate share of the City's net pension liability at September 30, 2021 was \$58,178. Contributions at fiscal year September 30, 2021 were \$33,330.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(11) Other postemployment benefit plan

Plan description

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

Benefit provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or 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).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. 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 City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The contribution rate for the City was 0.24% for calendar years 2021 and 2020. The City's contributions to TMRS were \$26,934 and \$24,400 for the SDBF program for the fiscal year ended September 30, 2021 and 2020, respectively, and were equal to the required contributions.

**Employees covered by benefit terms**

At the December 31, 2020 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>171</u>
Total	<u>290</u>

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(11) Other postemployment benefit plan (continued)

OPEB liability

The City's total OPEB liability of \$791,986 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF FREDERICKSBURG, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(11) Other postemployment benefit plan (continued)

OPEB liability (continued)

Changes in the OPEB liability:

Balance at December 31, 2019	\$	654,558
Changes for the year:		
Service cost		26,923
Interest on the OPEB liability		18,311
Changes of benefit terms		-
Difference between expected and actual experience		(9,196)
Change of assumptions		105,698
Benefit payments		<u>(4,308)</u>
Net changes		<u>137,428</u>
Balance at December 31, 2020	\$	<u>791,986</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
<u>\$ 969,736</u>	<u>\$ 791,986</u>	<u>\$ 655,222</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$76,657.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(11) Other postemployment benefit plan (continued)

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

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ 23,362
Changes in actuarial assumptions	172,864	20,253
Contributions subsequent to the measurement date	<u>19,919</u>	<u>-</u>
Total	<u>\$ 192,783</u>	<u>\$ 43,615</u>

The City reported \$19,919 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of OPEB for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to the OPEB liability will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	
2021	\$ 31,423
2022	31,423
2023	24,950
2024	29,156
2025	12,297
Thereafter	<u>-</u>
Total	<u>\$ 129,249</u>

## CITY OF FREDERICKSBURG, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2021

(12) Risk management

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims and judgements is only reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2021.

(13) Contingent liabilities

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

(14) Closure and post-closure care costs

State and federal laws and regulations require that the City of Fredericksburg place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability must be recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill capacity used to date. Estimated liability for landfill closure and post-closure care costs has a balance of \$3,465,009 at September 30, 2021, which is based on 87.03% usage of current open cells and 49.71% usage of the entire landfill. The landfill is expected to be filled to capacity in 2043. The estimated total current cost of the landfill closure and post-closure care is based on a third party completing the actual work. The amount includes costs for equipment, facilities, and services required to close, monitor, and maintain the landfill as if purchased at September 30, 2021. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

(15) Subsequent events

The City has evaluated subsequent events through April 18, 2022, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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CITY OF FREDERICKSBURG, TEXAS

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

For the year ended September 30, 2021

	Budget Amounts		GAAP Basis	Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 4,185,200	\$ 4,179,421	\$ 4,199,111	\$ 19,690
General sales and use taxes	5,500,000	6,688,370	7,962,705	1,274,335
Hotel occupancy tax	3,465,319	3,465,319	5,468,043	2,002,724
Other taxes	355,000	466,229	521,266	55,037
Franchise fees	343,000	352,900	346,092	(6,808)
License and permits	206,400	214,400	337,567	123,167
Fines	110,900	110,900	110,064	(836)
Pavilion and camping fees	499,000	714,000	734,348	20,348
Rentals	111,750	111,750	145,813	34,063
Intergovernmental revenue	781,278	781,278	723,365	(57,913)
Grants	19,600	58,600	35,081	(23,519)
Investment earnings	65,260	65,260	18,551	(46,709)
Other revenues	841,793	1,041,283	992,539	(48,744)
<b>Total revenues</b>	<b>16,484,500</b>	<b>18,249,710</b>	<b>21,594,545</b>	<b>3,344,835</b>
<b>Expenditures:</b>				
Municipal court	189,961	200,150	194,486	5,664
Engineering	238,596	243,321	209,472	33,849
Administration	1,348,164	1,310,534	1,276,731	33,803
Tourism	3,309,403	3,309,403	3,324,463	(15,060)
Police	5,389,008	5,501,375	5,055,149	446,226
Fire	1,447,175	1,479,486	1,336,943	142,543
Emergency management	213,250	213,250	197,826	15,424
Streets	1,999,655	2,171,864	1,866,458	305,406
Parks	2,083,413	2,240,510	2,100,795	139,715
Health	230,105	261,475	236,908	24,567
Food and wine festival	76,360	76,360	52,264	24,096
Development services	884,620	1,091,465	819,158	272,307
Debt service:				
Principal	305,708	305,708	309,035	(3,327)
Interest and fiscal charges	19,968	19,968	21,383	(1,415)
Capital outlays	677,519	925,137	951,345	(26,208)
<b>Total expenditures</b>	<b>18,412,905</b>	<b>19,350,006</b>	<b>17,952,416</b>	<b>1,397,590</b>

CITY OF FREDERICKSBURG, TEXAS

DRAFT

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

**For the year ended September 30, 2021**

	Budget Amounts		GAAP Basis	Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,928,405)	\$ (1,100,296)	\$ 3,642,129	\$ 4,742,425
Other financing sources (uses):				
Sale of real and personal property	52,000	52,000	100,186	48,186
Transfers in	2,067,181	2,067,181	2,290,250	223,069
Transfers out	(1,146,449)	(1,146,449)	(1,232,678)	(86,229)
Proceeds from capital leases	-	-	-	-
Total other financing sources (uses)	<u>972,732</u>	<u>972,732</u>	<u>1,157,758</u>	<u>185,026</u>
Net change in fund balance	<u>(955,673)</u>	<u>(127,564)</u>	<u>4,799,887</u>	<u>4,927,451</u>
Fund balance - beginning of year	<u>10,759,455</u>	<u>10,759,455</u>	<u>10,759,455</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,803,782</u>	<u>\$ 10,631,891</u>	<u>\$ 15,559,342</u>	<u>\$ 4,927,451</u>

CITY OF FREDERICKSBURG, TEXAS

DRAFT

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

**For the measurement year ended December 31,**

	Measurement Year				
	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
Service cost	\$ 1,846,917	\$ 1,495,978	\$ 1,190,542	\$ 1,074,769	\$ 1,004,489
Interest (on the total pension liability)	4,037,770	3,451,697	2,981,765	2,674,435	2,528,093
Changes of benefit terms	4,932,372	4,413,316	1,917,387	-	-
Difference between expected and actual experience	269,471	517,459	(104,329)	301,986	(47,068)
Change of assumptions	-	(63,087)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,940,785)</u>	<u>(1,713,855)</u>	<u>(1,630,273)</u>	<u>(1,316,569)</u>	<u>(1,388,695)</u>
Net change in total pension liability	9,145,745	8,101,508	4,355,092	2,734,621	2,096,819
Total pension liability - beginning	<u>54,933,378</u>	<u>46,831,870</u>	<u>42,476,778</u>	<u>39,742,157</u>	<u>37,645,338</u>
Total pension liability - ending (a)	<u>\$ 64,079,123</u>	<u>\$ 54,933,378</u>	<u>\$ 46,831,870</u>	<u>\$ 42,476,778</u>	<u>\$ 39,742,157</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 1,746,763	\$ 1,216,750	\$ 961,243	\$ 931,010	\$ 843,151
Contributions - employee	646,152	520,884	500,649	488,976	455,757
Net investment income	3,394,685	5,990,998	(1,202,616)	4,877,963	2,235,297
Benefit payments, including refunds of employee contributions	(1,940,785)	(1,713,855)	(1,630,273)	(1,316,569)	(1,388,695)
Administrative expense	(21,967)	(33,845)	(23,238)	(25,272)	(25,238)
Other	<u>(857)</u>	<u>(1,019)</u>	<u>(1,214)</u>	<u>(1,282)</u>	<u>(1,360)</u>
Net change in plan fiduciary net position	3,823,991	5,979,913	(1,395,449)	4,954,826	2,118,912
Plan fiduciary net position - beginning	<u>44,724,456</u>	<u>38,744,543</u>	<u>40,139,992</u>	<u>35,185,166</u>	<u>33,066,254</u>
Plan fiduciary net position - ending (b)	<u>\$ 48,548,447</u>	<u>\$ 44,724,456</u>	<u>\$ 38,744,543</u>	<u>\$ 40,139,992</u>	<u>\$ 35,185,166</u>
Net pension liability (a) - (b)	<u>\$ 15,530,676</u>	<u>\$ 10,208,922</u>	<u>\$ 8,087,327</u>	<u>\$ 2,336,786</u>	<u>\$ 4,556,991</u>
Plan fiduciary net position as a percentage of total pension liability	75.76%	81.42%	82.73%	94.50%	88.53%
Covered payroll	<u>\$ 10,608,762</u>	<u>\$ 10,417,674</u>	<u>\$ 10,012,971</u>	<u>\$ 9,779,519</u>	<u>\$ 9,115,142</u>
Net pension liability as a percentage of total covered payroll	146.39%	98.00%	80.77%	23.89%	49.99%

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

CITY OF FREDERICKSBURG, TEXAS

DRAFT

TMRS NET PENSION LIABILITY  
SCHEDULE OF CONTRIBUTIONS\*

For the year ended September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 2,309,826	\$ 1,589,343	\$ 1,146,021	\$ 958,161	\$ 914,856
Contributions in relation to the actuarially determined contributions	<u>2,309,826</u>	<u>1,589,343</u>	<u>1,146,021</u>	<u>958,161</u>	<u>914,856</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,769,197</u>	<u>\$ 10,608,762</u>	<u>\$ 10,307,595</u>	<u>\$ 10,003,972</u>	<u>\$ 9,685,874</u>
Contributions as a percentage of covered payroll	21.45%	14.98%	11.12%	9.58%	9.45%

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

CITY OF FREDERICKSBURG, TEXAS

DRAFT

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

For the measurement year ended August 31,

	Measurement Year				
	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
City's proportion of the net pension liability	0.543%	0.585%	0.640%	0.731%	0.716%
City's proportionate share of net pension liability	<u>\$ 58,178</u>	<u>\$ 147,484</u>	<u>\$ 181,412</u>	<u>\$ 158,265</u>	<u>\$ 171,852</u>
Plan fiduciary net position as a percentage of the total pension liability	83.20%	83.20%	80.20%	84.26%	81.40%

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

CITY OF FREDERICKSBURG, TEXAS

DRAFT

TESRS NET PENSION LIABILITY  
SCHEDULE OF CONTRIBUTIONS\*

For the year ended September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 33,330	\$ 35,130	\$ 37,374	\$ 55,956	\$ 45,710
Contributions in relation to the actuarially determined contributions	<u>33,330</u>	<u>35,130</u>	<u>37,374</u>	<u>55,956</u>	<u>45,710</u>
Contribution deficiency (excess)	<u>\$ -</u>				

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

CITY OF FREDERICKSBURG, TEXAS

DRAFT

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

For the measurement year ended December 31,

	Measurement Year			
	2020	2019	2018	2017
<b>OPEB liability</b>				
Service cost	\$ 26,924	\$ 17,710	\$ 22,029	\$ 18,581
Interest (on the OPEB liability)	18,311	19,783	18,323	17,987
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(9,196)	(12,748)	(14,581)	-
Change of assumptions	105,698	107,513	(39,852)	43,885
Benefit payments **	<u>(4,308)</u>	<u>(4,167)</u>	<u>(4,006)</u>	<u>(4,890)</u>
Net change in OPEB liability	137,429	128,091	(18,087)	75,563
OPEB liability - beginning	<u>654,557</u>	<u>526,466</u>	<u>544,553</u>	<u>468,990</u>
OPEB liability - ending	<u>\$ 791,986</u>	<u>\$ 654,557</u>	<u>\$ 526,466</u>	<u>\$ 544,553</u>
Covered payroll	<u>\$ 10,608,762</u>	<u>\$ 10,417,674</u>	<u>\$ 10,012,971</u>	<u>\$ 9,779,519</u>
OPEB liability as a percentage of total covered payroll	7.47%	6.28%	5.26%	5.57%

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

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

CITY OF FREDERICKSBURG, TEXAS

DRAFT

OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY  
SCHEDULE OF CONTRIBUTIONS\*

For the year ended September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 26,934	\$ 24,400	\$ 23,429	\$ 22,286
Contributions in relation to the actuarially determined contributions	<u>26,934</u>	<u>24,400</u>	<u>23,429</u>	<u>22,286</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,769,197</u>	<u>\$ 10,608,762</u>	<u>\$ 10,307,595</u>	<u>\$ 10,003,972</u>
Contributions as a percentage of covered payroll	0.25%	0.23%	0.23%	0.22%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

(1) Budget information

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

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

(2) Schedule of contributions – net pension liability

**Valuation date:**

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

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.5% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post Retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-Retirement: PUB (10) mortality tables, with the Public Safety table used for males and the general employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other information:**

Increased employee contributions rate from 5% to 6%.

CITY OF FREDERICKSBURG, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

(3) Schedule of contributions – other postemployment benefit liability

**Valuation date:**

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

**Methods and assumptions used to determine Contribution rates:**

Inflation	2.50%
Salary increases	3.5% to 11.50% including inflation
Discount rate *	2.00%
Retiree' share of benefit related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

**Other information:**

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.



## CITY COUNCIL MEMO

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**DATE:** April 18, 2022

**TO:** Mayor and City Council

**FROM:** Andrea Schmidt, Parks & Recreation Director

**SUBJECT:** Consider approving a Construction Manager At Risk Services proposal with JK Bernhard Construction for the Marktplatz Redevelopment Commission Project

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**Summary:**

In September of 2018, City Council approved the Market Square Redevelopment Commission to move forward with plans to develop the northwest corner of Marktplatz. This project will include renovating the City Hall Annex drive thru to add a meeting room, restrooms, and plaza areas.

In October of 2019, City Council approved a professional services contract with Stan Klein. He and his staff have been working on plans over the last year as the Commission worked on fundraising for the project.

The total project budget is estimated to be between \$900,000 and \$1.2 million. An RFP for construction manager at risk services was advertised in March with a deadline of April 4<sup>th</sup>. Two companies submitted proposals: JK Bernhard Construction and Zuber Construction.

The project architect, engineer, city staff and Market Square Redevelopment Commission Chairmen met and are recommending JK Bernhard Construction to be approved for the project. This was based on the proposal fee and previous experience with this construction company.

**Recommendation:**

Consider approving a Construction Manager at Risk Services Proposal with JK Bernhard Construction for the Marktplatz Redevelopment Commission Project.

The City of Fredericksburg

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**Background / Analysis:**

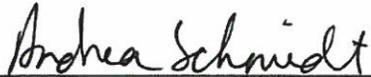
The City has budgeted \$400,000 for this phase of the project from the Tourism Fund. The remainder of the funds for this phase, approximately \$935,000, was raised by the Market Square Redevelopment Commission. Most of these funds are currently at the Community Foundation of the Texas Hill Country and can be withdrawn when needed.

Once the construction manager at risk is approved, the Architect and Construction Company will meet to discuss the project schedule. We hope to break ground this summer on the project.

**Attachments:**

Bid proposal summary, Project information packet, Current plans

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Department Approval



City Manager Approval



City Attorney Approval

The City of Fredericksburg

BID PROPOSAL SUMMARY TABULATION SHEET

Monday, April 4, 2022



CONSTRUCTION MANAGER AT RISK FOR THE  
 Site Development & Adaptive Reuse of Drive thru Bank  
 Market Square  
 115 N. Crocket Street  
 Fredericksburg, Texas

2:00 PM

Architect's Project No. 19-17

Number	Name of Company	Proposal Fee		1. Performance & Paymt. Bond	2. Organizational Chart	3. Key Personnel	4. Technical Competence	5. Cost Control Methods	6, 7 & 8. No Response Required	9. Cost Savings Response	10. Change Order Mark-up	Remarks
		Phase 1 Bidding/Project	Phase 2 Construction/Management									
1	JK Bernhard Const. Kerrville, Texas	\$6,345	\$95,200	Yes	Yes	Yes	Yes	Yes	Yes	All to Owner	TBD	
2	Zuber Construction Kerrville, Texas	\$10,000	10.00%	Yes	Yes	Yes	Yes	Yes	Yes	100% to Owner Phase 1 - 50/50 Phase 2	10.00%	

**INVITATION AND INFORMATION**

**FOR**

**Construction Manager @ Risk w/ Guaranteed Max Services**  
for the  
**MARKET SQUARE REDEVELOPMENT COMMISSION**

**SITE DEVELOPMENT AND  
ADAPTIVE REUSE OF DRIVE-THRU BANK**  
115 N. CROCKET STREET, FREDERICKSBURG, TEXAS



**REQUEST FOR PROPOSALS FOR  
CONSTRUCTION MANAGER-AT-RISK**

February 15, 2022

**CONSTRUCTION MANAGEMENT-AT-RISK PROPOSALS  
for the  
MARKET SQUARE REDEVELOPMENT COMMISSION  
SITE DEVELOPMENT AND ADAPTIVE REUSE OF DRIVE-THRU  
BANK**

115 N. Crocket Street, Fredericksburg, Texas

RFP Submittals must be received on or before:  
April 4, 2022, 2:00 PM  
RFP'S WILL BE OPENED PRIVATELY: After 2:00 PM

Sealed RFP's must be hand-delivered or emailed to:

City of Fredericksburg  
126 West Main Street  
Fredericksburg, Texas  
Attn: Andrea Schmidt  
Email – [aschmidt@fbgtx.org](mailto:aschmidt@fbgtx.org)

The 75% complete construction documents may be examined via Dropbox or copies can

be received from:

Andrea Schmidt  
Parks Director

City of Fredericksburg  
Fredericksburg, Texas 78624  
1-830- 990-2018

Or

Architects Office at:  
Stan Klein, NCARB

405 W. Live Oak  
Fredericksburg, TX 78624  
830-456-6018

[stanklein.architect@gmail.com](mailto:stanklein.architect@gmail.com)

A set of such documents may be obtained by interest Offerors from the Architect (no deposit required). The Owner reserves the right to waive any informality or to reject any or all Proposals. By submission of his Proposal, Offeror agrees to waive all rights to claims against City of Fredericksburg, or persons authorized by the City of Fredericksburg, including the Architects, for any damages whatsoever arising from the Owner's or said person's evaluation of the Offeror's Proposal and/or qualifications to perform this specific project. No Offeror may withdraw their Proposal within thirty (30) days after the actual date of the opening thereof.

**CONSTRUCTION MANAGER'S QUESTIONNAIRE**  
for the  
**MARKET SQUARE REDEVELOPMENT COMMISSION**  
**SITE DEVELOPMENT AND ADAPTIVE REUSE OF DRIVE-THRU BANK**  
115 N. CROCKET STREET, FREDERICKSBURG, TEXAS

Proposers are requested to submit a complete response to each of the below listed items. Responses requiring additional space should be brief and submitted as an attachment to your proposal form. Please reference each response by its item number indicated below.

**CRITERION:** The Proposer's capability to perform the construction management services for the project, including Proposer's demonstrated capability and financial resources to perform the work in the time projected:

Name of the company (Proposer):  
(Address of office that would be providing service:)

1. Provide your performance and payment-bonding limits available currently.
2. Provide an organizational chart depicting roles and responsibilities of your company and personnel for this project.
3. Name all key personnel who will be part of the construction management team for this project and provide their cities of residence. Provide summary resumes for proposed team members, including their specific experiences.
4. Describe your firm's demonstrated technical competence and management.
5. Describe your cost control methods for the pre-construction and construction phases. How do you develop cost estimates and how often are they updated?
6. The general parameters for developing the pricing proposal include the following:
  - a. A construction project lasting approximately nine (6 to 9) months.
  - b. Cost of CM-at-Risk to provide project insurance and bonding requirements.
7. The proposal price shall provide the following:

- a. Phase I - Project Bidding Phase – Fee for providing competitive bid sub-contractor prices and total bid price. Note that three sub-contract prices should be provided in final delivery of bid.
- b. Phase II – Construction - Overhead and Profit Fee: Provide a lump sum or a percentage of the construction cost of the work (lump sum fee is preferred).

Total estimated construction cost, including the Construction Manager-at-Risk General Conditions, Overhead & Profit (OHP), reimbursable expenses, and construction expenses, for a project of \$900,000 to \$1,220,000.

8. **General Conditions Reimbursable Items:** The following general conditions items shall be furnished by the Construction Manager-at-Risk and shall be reimbursed at actual cost as part of the cost of the work due to the nature of the work.
  1. Builders Risk Insurance
  2. Owner Protective/O.C.P. Insurance Mold/Environmental Insurance
  3. General Liability & Umbrella Insurance
  4. Labor and Material Payment Bond Performance Bond
  5. Building permits and service utility tap fees.
9. Respondent's proposal shall include for how cost savings would be handled, resulting from negotiations with various trade contractors, redesign and/or other Innovations (value engineering), contractor's line-item budgeted contingency money that is not spent, and other cost savings that might occur during the preparation of the Guaranteed Maximum Price and during construction.
10. Respondent's philosophy and proposed methodology on their mark-up for change orders that might be executed during the project.

End of Questionnaire



**FEE PROPOSAL FORM**  
for the  
**MARKET SQUARE REDEVELOPMENT COMMISSION**  
**SITE DEVELOPMENT AND ADAPTIVE REUSE OF DRIVE-THRU BANK**  
115 N. Crockett Street, Fredericksburg, Texas

**COMPETITIVE SEALED PROPOSAL FORM FOR CONSTRUCTION  
MANAGER AT RISK SERVICES**

To: City of Fredericksburg  
126 W. Main Street  
Fredericksburg, Texas  
Attn: Andrea Schmidt  
Email – [aschmidt@fbgtx.org](mailto:aschmidt@fbgtx.org)

In accordance with this Request for Proposal dated March 15, 2:00 PM the following is an itemization of all proposed fees:

**FEE PROPOSAL:**

PHASE I – PROJECT BIDDING PHASE \$ \_\_\_\_\_

PHASE II – CONSTRUCTION

CONSTRUCTION MANAGER-AT-RISK FEE: \$ \_\_\_\_\_  
(Preferred lump sum fee)

Or

PERCENTAGE FEE \_\_\_\_\_

**ADDENDA:**

The Undersigned acknowledges receipt of Addenda No. (s): \_\_\_\_\_

By submitting this proposal, the undersigned agrees to:

1. Accept the rights of the Owner to reject any or all proposals, to waive formalities and to accept a proposal which the Owner deems to be in the best interests.
2. Having acted fairly and independently in arriving at the proposal which is submitted herein without collusion with any party to obtain information or gain any favoritism that would in any way limit competition or give an unfair advantage over other responders of the award of this proposal.

Submitted by: \_\_\_\_\_  
\_\_\_\_\_

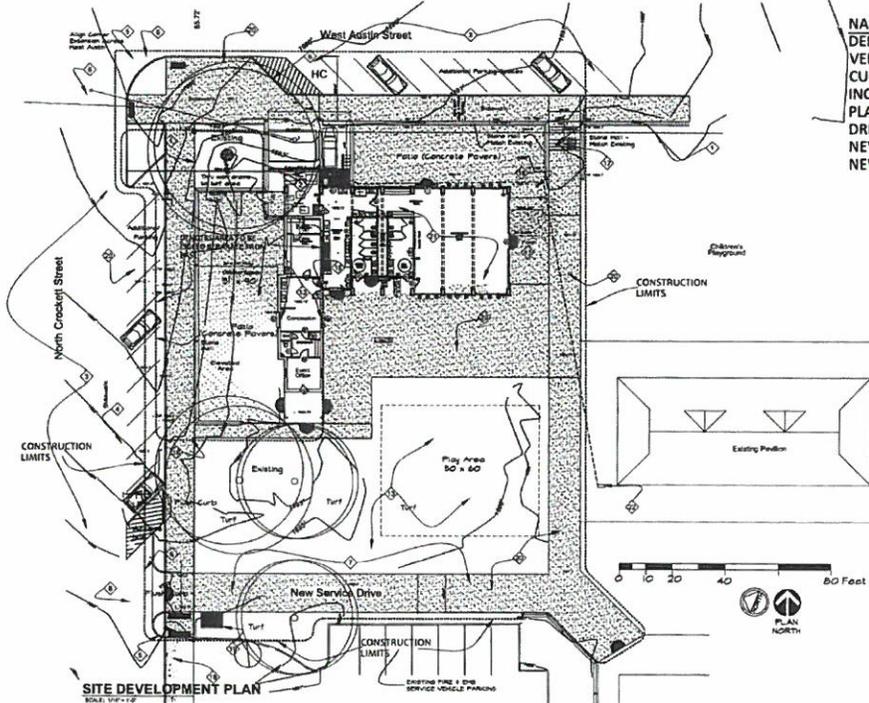
Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Company Seal

END OF PROPOSAL

**MARKET SQUARE REDEVELOPMENT COMMISSION  
SITE DEVELOPMENT AND ADAPTIVE REUSE OF DRIVE-THRU BANK**  
115 N. CROCKETT STREET, FREDERICKSBURG, TEXAS



**NARRATIVE DESCRIPTION:** THE SCOPE OF WORK INCLUDES DEMOLITION OF EXISTING INTERIOR DRIVE THRU CONCRETE VEHICLE LANES, EQUIPMENT, CONCRETE & ASPHALT PAVING, CURBS AND OLD BANKING INFRASTRUCTURE. NEW WORK INCLUDES NEW SITE SIDEWALKS, STONE WALLS, CONCRETE PLAZAS, STEPS, NEW PUBLIC RESTROOMS, CONVERSION OF DRIVE THRU SPACE INTO MULTI-USE MEETING SPACE WITH NEW GLASS AND PLASTER WALL ENCLOSURES, CITY STORAGE, NEW MECHANICAL, ELECTRICAL & PLUMBING SERVICE.

- GENERAL NOTES**
- OWNER: CITY OF FREDERICKSBURG
  - WORKING: PUBLIC FACILITY
  - SITE: ALL REQUIREMENTS AS SET OUT HEREIN. PERFORM BY THE TRADE.
  - ACCESSIBILITY STANDARDS

- KEYED NOTES**
- SITE PLAN ONLY**
1. PROPERTY LINE
  2. EXISTING ELECTRICAL SERVICE & PAD RELOCATED TRANSFORMER
  3. NEW DIAGONAL FINISHING
  4. NEW CONCRETE CURB
  5. RASBED TRUCKED CURBS
  6. FURNISH CURB ACCESS TO SIDEWALK & SERVICE DRIVE
  7. NEW SERVICE DRIVE AND CONCRETE SUB BASE AND PAVING SURFACING
  8. NEW PAVEMENT SIDEWALKS BY SLOPE NO GREATER THAN 1% MAX.
  9. NEW STONE WALL, 4" PITCHED GAP TO MATCH EXISTING ON MARKET SQUARE
  10. NEW STEPS IN STEEL, PAINTED HAND RAIL TO MATCH EXISTING HANDRAIL AT NORTHEAST CORNER OF SQUARE
  11. NEW CONCRETE FLOOR IN HP METAL SHOP AND STEEL COLUMN
  12. NEW CONCRETE FLOOR IN LOCKERS OVERHEAD ACCORDIAN DOORS
  13. NEW TUFF AREA
  14. NEW CONCRETE 8" x 8" CONCRETE DUMPSTER PAD
  15. NEW RASBED UNDER TO CONCRESSION AREA
  16. ROCK
  17. NEW PAINTED STEEL HANDRAIL AND STEPS TO MATCH EXISTING AT EAST SIDE OF THE LARGE PAVILLION
  18. EXISTING SERVICE DRIVE
  19. NEW CONCRETE PAD FOR DUMPSTER
  20. NEW CONCRETE PAVEMENT TO MATCH EXISTING - TYPICAL
  21. EXISTING DRIVE THRU BANK BUILDING CONVERTED INTO NEW USE
  22. NEW MECHANICAL ROOM USE RINK EQUIPMENT CONNECTION

**75% PROGRESS SET**

Joint Venture

**SK ARCHITECTS**  
ARCHITECTS

**Stan Klein Architect LLC**  
Architect & Preservation Consultant

**PRELIMINARY**

THESE DOCUMENTS ARE FOR REVIEW ONLY AND ARE NOT BEING USED FOR CONSTRUCTION. ADDITIONAL REVIEW REQUIRED. SEE ALSO PROJECT ARCHITECT NUMBER 8710

**MARKET SQUARE REDEVELOPMENT COMMISSION  
SITE DEVELOPMENT AND ADAPTIVE  
REUSE OF DRIVE THRU BANK**

115 N. CROCKETT STREET, FREDERICKSBURG, TX

PROJECT #	7517
SITE	830101
DATE	11/18/2018
SCALE	

SITE PLAN

**A-0**









## CITY COUNCIL MEMO

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**DATE:** April 18, 2022

**TO:** Mayor and City Council

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

**SUBJECT:** Water and Sanitary Sewer Main Replacement Project - Construction Contract Award

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**Summary:**

Receive construction contract bids for the Water and Sanitary Sewer Main Replacement Project.

**Recommendation:**

City staff recommends awarding the Water and Sanitary Sewer Main Replacement Project construction contract to JM Pipeline, LLC in an amount not to exceed \$600,000 (\$300,000 for water and \$300,000 for sanitary sewer).

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**Background / Analysis:**

The City's utility system includes undersized and aging water and sanitary sewer infrastructure throughout town. This infrastructure includes 2 inch water mains and 4 inch sanitary sewer mains, which are undersized to provide fire protection (water) and in many cases the source for leaks (water) and sewer blockages.

To resolve the undersized and aging water and sanitary sewer infrastructure, City Staff created a project and developed a set of project bid documents. The bid documents were set up similar to the annual sidewalk contract, where the bid is based on unit price to construct a specific detail, with many different details bid. With this type of contract, City Staff can select an area of town, usually a couple of blocks,

The City of Fredericksburg

issue a work order to the contractor, which is based on the unit bid amount for the specific detail, and strategically start replacing water and sanitary sewer mains around town.

The order in which the mains will be replaced will be based on a number of factors including;

- Fire flow, fire hydrant spacing, and/or water pipe network connections
- The street paving project
- Areas with known water leaks
- Areas with known sewer issues, including broken clay piping, sewer blockages, etc

In March, the bid documents were publicly advertised for 3 weeks, with a bid opening on March 30, 2022. The City received two bids for the project, but only one qualifying bid. The bid tabulation is included below. The one qualifying bid was submitted by JM Pipeline LLC.

For FY2022, City Council budgeted \$300,000 for water main replacement and \$300,000 for sanitary sewer main replacement in the Water Department budget.

Additionally, the bid documents were set up for an annually renewal up to five years, if mutually agreed upon by the City and Contractor, as well as funds allocated by City Council for the fiscal year.

City Staff recommends awarding the Water and Sanitary Sewer Main Replacement Project construction contract to JM Pipeline LLC in an amount not to exceed \$600,000.

**Attachments:**

- Project Bid Tabulation Sheet

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 _____ <b>Department Approval</b>	 _____ <b>City Manager Approval</b>
 _____ <b>City Attorney Approval</b>	

**The City of Fredericksburg**



**BID OPENING FORM**  
**City of Fredericksburg - Water and Sanitary Sewer Main Replacement Project**  
**3/30/22 11:00:00 AM**

Contractor	Bid Bond	Acknowledgement of Addenda	Subtotal Bid Amount (\$)	
JM Pipeline, LLC	■	■	\$826,511.00	
Rocking Q Construction, LLC	■	■	\$698,874.00	Bid does not qualify. Bid only good through April 8th, 2022





## CITY COUNCIL MEMO

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**DATE:** April 12, 2022

**TO:** Mayor and City Council

**FROM:** Kent Myers, City Manager

**SUBJECT:** Contract for Collection Services-Delinquent Municipal Court Fines and Fees

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**Summary:**

The Municipal Court Judge Shelley Becker has proposed the attached contract for services for collection of delinquent Municipal Court fines and fees. This collection firm is currently providing these services to numerous other Municipal Courts. The City Attorney has review and approved the attached contract.

**Recommendation:**

It is recommended that the attached contract for services for collection of delinquent Municipal Court fines and fees be approved.

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**Background / Analysis:**

To improve collections of delinquent fines and fees, our Municipal Court Judge has requested that the City contract with an outside collections firm. She has identified the firm as Perdue, Brandon, Fielder, Collins & Mott LLP as qualified and experienced in collecting these delinquent payments for other cities. The costs for these services (30% of the outstanding fines and fees) would be added to the payments if the ordinance included on this agenda is adopted by the City Council.

Judge Becker will attend the meeting to present additional information and respond to any questions from the City Council.

The City of Fredericksburg

**Attachments:**

Proposed Collections Contract

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Department Approval

  
City Manager Approval

  
City Attorney Approval



A. Perdue Brandon agrees to refer all payments and correspondence directly to the court that has assessed or levied the fines, fees, and court costs being collected pursuant to this Contract. Neither party will have any obligation to the other with regards to returned accounts.

B. Perdue Brandon agrees to use its best efforts to collect the delinquent accounts received from the City and to comply with all provisions of state and federal law and regulations promulgated pursuant thereto in the rendition of collection services contemplated by this Contract.

C. If requested by the City, Perdue Brandon agrees to provide legal advice to the City on its delinquent collection accounts.

D. Perdue Brandon will make its proprietary Automated Assistant program and all of the reports therein, and as developed, available to the City's designated staff at no charge during the term of this Contract.

E. Perdue Brandon agrees that it will utilize other defendant contact methods as allowable by law and approved by the court as new technology is developed.

#### **SECTION IV. COLLECTION FEE**

The City agrees to pay Perdue Brandon as follows:

(1) No charge for the collected fines, fees, and court costs referred to Perdue Brandon by the City imposed on all unadjudicated offenses committed on or before June 18, 2003.

(2) Thirty percent (30%) of the collected fines, fees, and court costs referred to Perdue imposed on all adjudicated offenses committed on or before June 18, 2003; and

(3) Thirty percent (30%) of the collected fines, fees, and court costs referred to Perdue imposed on all offenses occurring after June 18, 2003.

The thirty percent (30%) collection fee shall be added to the amount owed by a defendant that is more than 60 days past due pursuant to Article 103.0031, Texas Code of Criminal Procedure.

#### **SECTION V. EXCEPTIONS TO THE COLLECTION FEE**

Pursuant to Article 103.0031(d), Texas Code of Criminal Procedure, the Firm shall not collect from or hold liable a defendant the percentages referred to in Section IV. COLLECTION FEE, if the defendant has been determined by the court of original jurisdiction to be indigent, or has insufficient resources or income, or is otherwise unable to pay all or part of the underlying fine or costs. As provided for in subsection (b) of Article 103.0031, the collection fee does not apply to a case that has been dismissed by a court of competent jurisdiction or to any amount that has been satisfied through time-served credit or community service.

The collection fee shall, however, be applied to any balance remaining after a partial credit for time served or community service if the balance is more than sixty (60) days past due.

## SECTION VI. METHOD OF PAYMENT

Absent an agreement otherwise, the City shall calculate and receive the amount of any collection fee due to Perdue Brandon. Said fee shall be paid to Perdue Brandon by check on a monthly basis. All compensation shall become the property of Perdue Brandon at the time of payment.

## SECTION VII. COMMENCEMENT AND TERMINATION OF CONTRACT

This Contract shall commence on May 1, 2022 and continue in full force and effect until May 1, 2025. Either party to this agreement shall have the right to terminate this agreement by giving the other party thirty (30) days written notice of their desire and intention to terminate this Contract. Upon termination, Perdue Brandon shall have an additional six (6) months to complete work on all delinquent accounts referred from the City prior to the date of termination and will be entitled to compensation on such accounts if collected. On May 1, 2025, this contract and all its terms and conditions shall automatically renew and be effective for an additional one (1) year term and thereafter continues to renew automatically for a one (1) year term until terminated by either party as provided herein.

## SECTION VIII. INDEMNIFICATION

Perdue Brandon shall indemnify, hold harmless and defend City against any claim of liability or loss incurred by City to the extent caused by the Firm's acts or omissions in the performance of this Contract that constitute negligent or willful acts or are errors or omissions. Such indemnity includes, without limitation, any judgment against City, attorney fees and necessary litigation expenses.

## SECTION IX. NOTICES

For purposes of sending notice under the terms of this Contract, all notices from the City shall be sent to the Firm by certified United States mail, or delivered by hand or courier, and addressed as follows:

Perdue Brandon Fielder Collins & Mott, LLP  
Attn: Carlos Arce  
**BY U.S. MAIL OR BY COURIER DELIVERY:**  
613 NW Loop 410, Ste. 550  
San Antonio, Texas 78216  
(210) 998-3230

All notices from Perdue shall be sent to the City by certified United States mail, or delivered by hand or courier, and addressed as follows:

City of Fredericksburg  
Attn: City Manager  
126 W Main Street  
Fredericksburg, TX 78264  
(830) 997-7521

#### **SECTION X. VENUE AND CONTROLLING LAW**

This Contract is made and is to be interpreted under the laws of the State of Texas. Venue for any disputes involving this Contract shall be in the appropriate courts in Gillespie County, Texas.

#### **SECTION XI. ACCEPTANCE OF EMPLOYMENT**

In consideration of the terms and compensation herein stated, Perdue Brandon hereby accepts said employment and undertakes performance of said Contract as set forth above. The parties agree and acknowledge that Perdue Brandon is not an employee of City, the City shall not be liable for withholding employment related taxes for Perdue Brandon, and Perdue Brandon shall not acquire any benefits, privileges or rights under any benefit program offered by City for the benefit of City employees.

#### **SECTION XII. SEVERABILITY**

Every provision of this Contract is intended to be severable. If any term or provision hereof is hereafter deemed by a court of competent jurisdiction to be illegal, invalid, void or unenforceable, for any reason or to any extent whatsoever, such illegality, invalidity, or unenforceability shall not affect the validity of the remainder of this Contract, it being intended that such remaining provisions shall be construed in a manner most closely approximating the intention of the parties with respect to the illegal, invalid, void or unenforceable provision or part thereof.

This Contract is executed on behalf of the City by the presiding officer of its governing body who is authorized to execute this instrument by Ordinance heretofore passed and recorded in its minutes. This Contract may be executed in any number of counterparts, and each counterpart shall be deemed an original for all purposes. Signed facsimiles or electronically signed Contracts executed on behalf of the City by the presiding officer of its governing body authorized to execute this instrument shall be binding and enforceable.

#### **SECTION XIII. STATUTORY COMPLIANCE**

The Firm hereby represents and warrants that at the time of this Contract neither the Law Firm, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Law Firm: (i) engages in business with Iran, Sudan, or any foreign terrorist organization pursuant to Subchapter F of Chapter 2252 of the Texas Government Code; or (ii) is a company listed by the Texas Comptroller pursuant to Section 2252.153 of the Texas Government Code. The

term “foreign terrorist organization” has the meaning assigned to such term pursuant to Section 2252.151 of the Texas Government Code.

By signing and entering into the Contract, the Firm verifies, pursuant to Chapter 2271 and Chapter 2274 (as added by Senate Bill 13, 87<sup>th</sup> Legislature Regular Session) of the Government Code, it does not boycott Israel or boycott energy companies and will not boycott Israel or boycott energy companies during the term of this Contract. “Boycott Israel” has the meaning assigned by Section 808.001, Government Code. “Boycott energy company” has the meaning assigned by Section 809.001, Government Code.

By signing and entering into the Contract, the Firm verifies, pursuant to Chapter 2274 (as added by Senate Bill 19, 87<sup>th</sup> Legislature Regular Session) of the Government Code, that it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate during the term of this Contract against a firearm entity or firearm trade association. “Discriminate against a firearm entity or firearm trade association” has the meaning assigned by Section 2274.001(3), Government Code.

The Firm further verifies that all notices, postings, statements, miscellaneous requirements, and conditions precedent contained within Subchapter C of Chapter 2254 and 2274 of the Texas Government Code, and more specifically Section 2254.1036, have been satisfied.

IN CONSIDERATION of the terms and compensation here stated, Perdue Brandon hereby accepts said terms of this contract and undertakes the performance of this contract as specified herein.

WITNESS the signature of all parties hereto this \_\_\_\_ day of \_\_\_\_\_, 2022.

**CITY OF FREDERICKSBURG, TEXAS**

By: \_\_\_\_\_  
CHARLIE KIEHNE, Mayor

**PERDUE BRANDON FIELDER COLLINS & MOTT, LLP**

By: \_\_\_\_\_  
CARLOS ARCE, Partner

ATTESTED TO:

\_\_\_\_\_  
SHELLEY GOODWIN, City Secretary

**Agenda Item:**

Discussion on action to approve a contract with Perdue Brandon pursuant to Article 103.001, Texas Code of Criminal Procedure, said contract being for the collection of court fine and fees owed to the City, and notice of which is provided with the agenda in accordance with Section 2254.1036 of the Government Code.

**Written Findings as to the Collections Contract with Perdue, Brandon, Fielder, Collins & Mott, LLP:**

The City Council for the City of Fredericksburg, pursuant to Section 2254.1036, of the Government Code, hereby finds the following to be true: 1) there is a substantial need for the legal services specified in said contract; 2) these legal services cannot be adequately performed by the attorneys and supporting personnel of the City of Fredericksburg; and 3) these legal services cannot reasonably be obtained from attorneys in private practice under a contract providing only for the payment of hourly fees, without regard to the outcome of the matter, because of the nature of the matter for which these services will be obtained or because City of Fredericksburg does not have funds to pay the estimated amounts required under a contract providing only for the payment of hourly fees.

Therefore, this City Council hereby approves the contract by and between City of Fredericksburg and Perdue Brandon Fielder Collins & Mott, LLP, for professional legal services regarding the collection of delinquent fines and fee with services to be paid in accordance with Texas Code of Criminal Procedure.

APPROVED and EXECUTED this the \_\_\_\_ day of \_\_\_\_\_, 2022.

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CHARLIE KIEHNE, Mayor

On Behalf of the City of Fredericksburg, Texas





## CITY COUNCIL MEMO

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**DATE:** April 12, 2022

**TO:** Mayor and City Council

**FROM:** Kent Myers, City Manager

**SUBJECT:** Lease Agreement and Economic Development Agreement-Texas Center for Wine and Culinary Arts (FlaveryTX)

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**Summary:**

The City is proposing a lease agreement and Economic Development Agreement with the Texas Center for Wine and Culinary Arts (FlaveryTX) for property located at the University Center.

**Recommendation:**

It is recommended that the attached lease and Economic Development Agreement be approved.

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**Background / Analysis:**

The development of the Texas Center for Wine and Culinary Arts, which was recently rebranded as FlaveryTX, has been discussed for location at the University Center campus for over five years. In fact, the facility is included in the University Center Master Plan that was adopted on September 18, 2017. Since that time, the TCWCA Board had prepared by-laws, hired an architectural firm, rebranded their facility and started initial fund-raising for this facility. Once they get the attached lease and Economic Development agreement approved by the City Council, they are prepared to embark on a major fund-raising campaign to fund this facility.

The attached lease agreement and Economic Development Agreement has been prepared by the City Attorney in consultation with Ernie Loeffler who is a member of the TCWCA Board. The lease agreement

The City of Fredericksburg

has also been approved by the University Center Foundation Board as required by our current agreement for property located on the University Center Campus. The lease involves 5.11 acres which has been surveyed by TCWCA and is shown on the attached map.

As required by the proposed lease agreement the City would be responsible for off-site improvements as listed below. These improvements would need to be funded in future years once the project is fully funded by TCWCA. The only item that would need to be funded this year would be site clearing which City Engineering staff has estimated at a total cost of \$16,530.

The other improvements that would be funded in the future include the following:

- Sanitary Sewer Services-\$135,180 (includes 20% contingency)
- Electric Services-\$136,000 (includes a terminal pole, transformer, wiring and conduit)
- Water Services-The water line currently reaches the boundary of the site so it is served. However, depending on the final layout of the site, the Fire Marshal may require a water line extension to serve an additional fire hydrant. It is estimated that it will cost a total of \$208,985 to extend the water line across the tract to serve an additional hydrant as well as to loop the water system.

The City and TCWCA had previously discussed the possibility of funding both street and sidewalk improvements. However, it has been determined that these improvements will not need to be included.

**Attachments:**

Proposed Lease with the Texas Center for Wine and Culinary Arts (FlavoryTX)

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**Department Approval**

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**City Manager Approval**

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**City Attorney Approval**

**GROUND LEASE  
BETWEEN  
THE CITY OF FREDERICKSBURG  
AND  
TEXAS CENTER FOR WINE AND CULINARY ARTS**

This Ground Lease (the "Lease") is entered into by and between the Texas Center for Wine and Culinary Arts ("Tenant"), a Texas nonprofit organized as a 501(c)(3) entity, and the City of Fredericksburg, Texas, a home rule city and municipal corporation ("Landlord").

RECITALS

WHEREAS, the Landlord owns a tract of land containing 68.09 acres of land more or less, commonly known as the Hill Country University Center (the "Campus"); and

WHEREAS, the Tenant desires to develop a wine and culinary arts education center (the "Center"), upon a tract of land containing 5.11 acres of land more or less, located within the Campus; and

WHEREAS, the Center is a part of the overall development plan (the "Master Plan") for the Campus, and the Parties wish to provide for the development of improvements in a manner consistent with the Master Plan, and accordingly have entered into this Ground Lease; and

WHEREAS, the Parties have additionally entered into a separate Chapter 380 Economic Development agreement, related to the construction and development of the Center.

AGREEMENT

NOW THEREFORE, in consideration of the mutual agreements set forth in this Lease, and other good and valuable consideration, the receipt of which are hereby acknowledged, the Landlord and Tenant (collectively, the "Parties" and individually, a "Party") hereby agree as follows:

**ARTICLE 1**

**PREMISES, USE, DEVELOPMENT AND EASEMENTS**

1.01 **Property.** Landlord hereby does lease, let and demise unto Tenant, and Tenant hereby does lease and rent from Landlord, upon and subject to the provisions of this Lease, the tract of land containing 5.11 acres of land more or less (the "Property"), located within the Campus, specifically identified in the survey map and description in Exhibit "A" attached hereto.

1.02 **Use.** The Tenant shall use the Property solely for the construction and operation of

the planned Texas Center for Wine and Culinary Arts, including educational and teaching facilities for food, beverage and culinary arts programs, and related administrative offices and support space.

1.03 **Development.** Tenant shall construct approximately 18,000 square feet of improvements, to consist of teaching facilities for food, beverage and culinary programs, administrative offices and support space. Required parking shall be provided. The building(s) may be constructed at one time or in three phases over ten years as follows (order of construction to be determined by Tenant):

- a. Teaching/research winery and related spaces – approximately 9,000 sq. ft.
- b. Culinary kitchen and event space - approximately 7,300 sq. ft.
- c. Administrative spaces – approximately 1,700 sq. ft.

Such construction shall commence on or before five (5) years from the Effective Date, with construction of at least one phase completed within twenty-four (24) months from the date that ground is broken on the Property. All phases of construction must be completed within ten (10) years from the Effective Date of this Agreement.

1.04 **Easements/ Utilities.** The Landlord will construct, at its sole cost, the necessary infrastructure to supply Center with water and sewer service and electric service, and Tenant will construct, at its sole cost, the onsite infrastructure for such utilities or other needed utilities for the Center. Tenant shall obtain approval from Landlord's utility department for the placement of all utilities. Tenant shall utilize water, sewer, waste collection and electric utilities and services provided by Landlord for the entire Term of this Lease or any extension thereof. The rates thereof will be the rates established by Landlord for its commercial or educational customers citywide.

1.06 **Reservation of parking.** Landlord and Tenant will mutually cooperate on the use of parking facilities to be located on the Property for the benefit of civic uses in the City and/or for the benefit of events at the Campus or Fort Martin Scott.

## **ARTICLE 2**

### **TERM**

2.01 **Term.** The term of this Lease (the "Term") shall commence on [REDACTED] (the "Effective Date"), and shall end on the last day of the calendar month which is December 31, 2061. Tenant shall have the right to extend the Term of this Lease for one renewal term of up to forty (40) years (the "Renewal Term"), provided that the City may revoke the Tenant's option to renew under this Section 2.01, by giving the Tenant written notice of said revocation no less than five (5) years before the termination date of the Term. Tenant shall exercise such renewal option, if at all, by giving written notice to Landlord not less than one (1) year prior to the expiration of the Term. The Renewal Term shall be upon the same covenants, conditions and provisions as provided in this Lease, subject to any written amendments

mutually agreed to by the Parties. Tenant may not exercise such renewal right if at the time of exercise an event of default by Tenant exists hereunder or an event exists that, with the giving of notice or passage of time, or both, would constitute an event of default by Tenant hereunder. Tenant's right to renew or extend the Term is personal to Tenant and may not be assigned to any other party without Landlord's prior written consent. If Tenant affirmatively exercises its right to renew and extend the Term, then this Lease shall continue in full force and effect under all the terms, provisions and conditions herein set forth, with normal Rent.

### **ARTICLE 3** **RENT**

3.01 **Rent.** Commencing on the Effective Date, Tenant shall pay to Landlord an initial rent ("Rent") of \$500.00 in advance, for the entire initial Term of this Lease.

### **ARTICLE 4** **IMPOSITIONS, UTILITIES**

4.01 **Impositions.** The term "Impositions" shall mean all taxes (ad valorem and otherwise), assessments, use and occupancy taxes, water and sewer charges, rates and rents, charges for public utilities, excises, levies, license fees, and other charges by any public authority, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever, which shall or may during the Term be assessed, levied, charged, confirmed or imposed by any public authority upon or accrued or become a lien on (i) the Property or any part thereof; (ii) the rent and income received by or for the account of Tenant from any person or entity or for any use or occupancy of the Property; (iii) such franchises, licenses, and permits as may be pertinent to the use of the Property; or (iv) any documents to which the Tenant is a party creating or transferring an interest in the Property; all of which impositions shall be the responsibility of the Tenant.

4.02 **Tenant's Obligation.** During the Term, Tenant will pay as and when the same shall become due all Impositions directly to the governmental authority or other person entitled to receive payment thereof and provide Landlord with reasonable evidence that such Impositions have been paid in a timely manner. Where any Imposition that Tenant is obligated to pay may be paid pursuant to applicable law in installments, Tenant may pay such Imposition in installments as and when such installments become due. Tenant shall, if so requested, deliver to Landlord evidence of due payment of all Impositions Tenant is obligated to pay hereunder, upon request by Landlord.

4.03 **Tax Contest.** Tenant may, at its sole cost and expense, contest the validity or amount of any Imposition for which it is responsible, in which event the payment thereof may be deferred to the extent permitted by applicable law during the pendency of such contest, if diligently prosecuted. Provided, however, Tenant shall not permit the same to become delinquent or allow any Imposition to remain unpaid for such length of time as would permit the Property, or any part thereof, to be sold or seized by any governmental authority for the

nonpayment of the same.

4.04 **Utilities.** Tenant shall pay all charges for gas, electricity, light, heat, air conditioning, power, telephone, cable, internet service and other communication services, and all other utilities and similar services rendered or supplied to the Property, and all water, rents, sewer service charges, or other similar charges levied or charged against, or in connection with, the Property.

4.05 **Other Costs.** Except as expressly provided in this Lease or in a separate written agreement between the Parties, the Landlord shall not be required to make any expenditure, incur any obligation, or incur any liability of any kind whatsoever in connection with this Lease or the financing, ownership, construction, maintenance, operation, or repair of the Property. Landlord shall not be required to incur any expense in connection with the Property without its prior written consent.

## **ARTICLE 5 IMPROVEMENTS**

5.01 **Condition of Development Land.** Tenant acknowledges that it is leasing the Center land in its current condition, "AS IS, WHERE IS, WITH ALL FAULTS", and that Landlord is making no representations as to the land or the suitability for Tenant's purposes. Tenant having made its own investigations with regard thereto. Tenant is responsible for all studies, remediation or compliance with any law, rule or order applicable to the land or its construction, except as expressly provided in this Lease and as expressly provided in Section 2.01 of the separate written agreement between the Parties entitled *Chapter 380 Economic Development Agreement Between the City of Fredericksburg and Texas Center for Wine and Culinary Arts*.

5.02 **Construction of New Improvements.**

(a) Tenant may remove any of the improvements constructed by it, provided that the Tenant plans to construct new replacement improvements of at least equal value and utility, which replacement improvements shall be subject to Landlord's prior approval, which shall not be unreasonably withheld if the other conditions of this Lease are satisfied. As a condition precedent to demolishing or removing any existing improvements, Tenant shall deliver to Landlord a completion guaranty, executed by a person or entity satisfactory to Landlord in its sole discretion, guaranteeing the timely and lien free completion of construction of the replacement improvements.

5.03 **Alterations.** At any time and from time to time during the Term, Tenant may perform such alteration, renovation, repair, refurbishment, and other work with regard to the improvements as Tenant may elect, provided that the same is done in accordance with the Construction Standards set forth in Section 5.04 below.

5.04 **Construction Standards and Liens.**

(a) All construction, development, alteration, renovation, repair, restoration,

refurbishment, or other work with regard to the initial improvements and any replacements thereof shall be performed in accordance with the following "Construction Standards":

(1) Prior to commencement of any such work (except for Minor Alterations as provided below), Landlord shall have received and approved a construction schedule and complete plans and specifications for the proposed improvements or work, including, as applicable, site plans, drainage plans, exterior elevations, exterior building materials, signage and any other items that will be visible from the exterior of the improvements. Landlord shall have been given not less than fifteen (15) business days from Landlord's receipt thereof, to review and comment on the construction schedule and the plans and specifications. Such time period is independent of any ordinance imposed time schedules for site plan review, building permit application and the like.

(2) Tenant may perform routine renovation, repair, refurbishment and other work with regard to the improvements that does not alter the exterior appearance, the structural integrity or size of the improvements (e.g. interior common area paint and carpet, repair of tenant and interior common area spaces, and roof repairs not affecting the exterior appearance of the improvements), without first obtaining Landlord's prior approval.

(3) All such work shall be performed in a good and workmanlike manner in accordance with i) the Master Plan, ii) good industry practice for the type of work in question; and iii) all applicable laws. After commencement, such work shall be prosecuted with reasonable diligence and continuity to its completion.

(b) Tenant shall have no right, authority, or power to bind Landlord or any interest of Landlord in the Campus, the Center for any claim for labor or for material or for any other charge or expense incurred in performing any alteration, renovation, repair, restoration, refurbishment, or other work with regard thereto, nor to render Landlord's interest in the Property liable for any lien or right of lien for any labor, materials, or other charge or expense incurred in connection therewith. Tenant shall not be the agent of Landlord with respect to, or general contractor for, any such alterations, renovations, repairs, restorations, refurbishments or other work. If any liens or claims for labor or materials supplied or claimed to have been supplied to the Property shall be filed, Tenant either (i) shall promptly pay and release or bond such liens to Landlord's reasonable satisfaction or otherwise obtain the release or discharge thereof, or (ii) may contest the validity thereof, provided that Tenant provides to Landlord reasonable assurance that any such lien may not be foreclosed or otherwise enforced prior to the conclusion of such contest or Tenant otherwise provides to Landlord a bond or reasonable assurance for payment thereof. Landlord shall have the right, but not the obligation, to pay, release or obtain a bond to protect against such liens and claims following not less than fifteen (15) days prior written notice to Tenant, and Tenant shall reimburse Landlord on demand for any such amounts paid together with interest thereon at the interest rate described in Article 15 from the date of such payment until paid.

(c) Landlord shall not be liable to Tenant, any subtenant or any other person for any loss, claim or demand asserted on account of Landlord's exercise of its approval rights under this Lease. Such approvals by Landlord shall not be construed as representing that any alterations, repairs, or refurbishments will be done in a workmanlike manner, nor shall such approvals relieve Tenant of its obligations under this Lease.

5.05 **Ownership of Improvements.** During the Term all improvements shall be solely the property of Tenant, but upon expiration or termination of the Term, or any extended Term, such improvements shall be the property of Landlord, free and clear of all claims of Tenant. All personal property of Tenant that remains on the Property after the expiration or termination of the Term shall be deemed abandoned and, at Landlord's election, may be retained by Landlord as Landlord's property, disposed of by Landlord, without accountability, in such manner as Landlord deems fit (including having such property stored at the risk and expense of Tenant if Landlord has notified Tenant in writing that Landlord requires such items to be removed and Tenant fails to remove such items), or required by Landlord's written notice to Tenant to be removed by Tenant. No later than the expiration or termination of the Term, Tenant shall have the right to remove any or all personal property located on the Property, provided that resulting damage or injuries to the Property and Improvements are remedied at the expense of the Tenant.

## ARTICLE 6

### **USE, MAINTENANCE, AND REPAIRS**

#### 6.01 **Use/ Sublease.**

(a) Tenant may sublease space in the improvements upon the Property to an institution of higher education (including general academic institutions and community, state and technical colleges) without the prior written consent of Landlord, and then only for the uses set forth in this Lease, and for no other uses. Except as set forth in the preceding sentence, the Tenant shall have no right to sublease space in the improvements upon the Property without the prior written consent of Landlord, and then only for the uses set forth in this Lease, and for no other uses. It is understood and agreed that this prohibition shall not prevent Tenant from permitting third parties from offering services to students on the Campus such as food service, book stores, and the like on the Property in accordance with Article 11 below.

(b) Tenant shall not use or occupy the Property, permit the Property to be used or occupied, nor do or permit anything to be done in or on the Property in a manner which would (i) in any way make void or voidable any insurance then in force with respect thereto, (ii) make it impossible to obtain the insurance required to be furnished by Tenant hereunder, (iii) constitute a public or private nuisance, or (iv) violate any applicable Federal, State, or local law or regulation.

#### 6.02 **Maintenance and Repairs.**

(a) Tenant shall take good care of the Property, make all reasonable repairs thereto, interior and exterior, and structural and nonstructural, and shall maintain and keep the Property and

the sidewalks, curbs, and the entire grounds upon the Property in such good order, repair, and condition. Landlord shall have no obligation to maintain or repair the Property.

Article 7

**INTENTIONALLY DELETED**

ARTICLE 8

**INSURANCE AND INDEMNITY**

8.01 **Property Insurance.** Tenant will, at its cost and expense, keep and maintain in force the following policies of insurance:

(a) Insurance on the improvements constructed upon the Property against loss or damage by fire and against loss or damage by any other risk, in amounts sufficient to provide coverage for the full insurable value of the improvements; the policy for such insurance shall have a replacement cost endorsement or similar provision. "Full insurable value" shall mean actual replacement value (exclusive of cost of excavation, foundations, and footings below the surface of the ground or below the lowest basement level); and

(b) Builder's risk policies on any construction. Tenant may satisfy this requirement through policies required to be maintained by its contractor.

8.02 **Liability Insurance.** Tenant will, at its sole cost and expense, keep and maintain in force commercial general liability insurance, including contractual liability specifically applying to the provisions of this Lease and completed operations liability, with a combined single limit of not less than ONE MILLION DOLLARS AND NO/100 (\$1,000,000.00), such limit to be increased if requested by Landlord (but no more frequently than once every three (3) years) by an amount which may be commercially reasonable at the time, taking into account the height and type of the improvements, their construction, location, use and occupancy.

8.03 **Policies.** All insurance maintained in accordance with the provisions hereof shall be in form and issued by companies reasonably satisfactory to Landlord. All property policies shall be carried in the name of Tenant. All property policies shall expressly provide that any loss thereunder may be adjusted with Tenant and its mortgagee, if any, who shall agree to receive and disburse all proceeds as set forth in Section 9.02. All liability insurance policies shall name Landlord as an additional insured and shall include contractual liability endorsements. No cancellation, non-renewal or material modification will occur without thirty (30) days prior written notice by the insurer to Landlord. Tenant shall furnish Landlord with certificates of insurance reasonably satisfactory to Landlord, with new certificates of insurance or other evidence of insurance to be delivered no later than thirty (30) days prior to the expiration of the current policies. Any and all property insurance policies required to be

maintained pursuant to this Lease shall, if they do not automatically permit the waivers of subrogation contained herein, be endorsed to reflect the waivers of subrogation provided for herein.

8.04 **Tenant's Indemnity.** SUBJECT TO SECTION 8.05, TENANT SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS LANDLORD AND ITS AFFILIATES, MEMBERS, OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES AND AGENTS (THE "INDEMNIFIED PARTIES") FROM AND AGAINST, AND TENANT SHALL BE RESPONSIBLE FOR, ANY AND ALL LIABILITIES (INCLUDING STRICT LIABILITY), ACTIONS, DEMANDS, PENALTIES, FINES, LOSSES, COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' AND EXPERTS' FEES AND EXPENSES), SUITS, AND COSTS OF ANY SETTLEMENT OR JUDGMENT, WHETHER ARISING IN EQUITY, AT COMMON LAW, OR BY STATUTE, OR UNDER THE LAW OF CONTRACTS, TORTS (INCLUDING NEGLIGENCE AND STRICT LIABILITY WITHOUT REGARD TO FAULT) OR PROPERTY, OF EVERY KIND AND CHARACTER (INCLUDING CLAIMS FOR PERSONAL INJURY, BODILY INJURY, EMOTIONAL DISTRESS, REAL AND PERSONAL PROPERTY DAMAGE AND ECONOMIC LOSS), ALL OF WHICH ARE HEREINAFTER COLLECTIVELY CALLED "CLAIMS", WHICH MAY NOW OR IN THE FUTURE BE BROUGHT OR INSTITUTED OR ASSERTED ON ACCOUNT OF OR GROWING OUT OF OR ARISING FROM (I) ANY FAILURE ON THE PART OF TENANT AND ITS AFFILIATES, PARTNERS, OFFICERS, MANAGERS OR AGENTS, INVITEES, SUBTENANTS OR LICENSEES (THE "TENANT PARTIES") TO COMPLY WITH THE PROVISIONS OF THIS LEASE, OR TO COMPLY WITH THE PROVISIONS OF APPLICABLE LAW APPLICABLE TO THE PROPERTY, OR (II) ANY AND ALL INJURIES OR DAMAGES, INCLUDING DEATH, TO PERSONS OR PROPERTIES RELATING TO THE CONDITION, USE OR OCCUPANCY OF THE PROPERTY, INCLUDING THE ALTERATION, REPAIR OR MAINTENANCE OF ANY IMPROVEMENTS, **NOTWITHSTANDING THE NEGLIGENCE OR STRICT LIABILITY (WITHOUT REGARD TO FAULT) OF ANY OF THE INDEMNIFIED PARTIES** EXCEPT, IN THE CASE OF EACH INDEMNIFIED PARTY, TO THE EXTENT THAT THE CLAIMS ARE PROVEN TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. WITHOUT RELIEVING TENANT OF ITS OBLIGATIONS UNDER THIS SECTION, THE INDEMNIFIED PARTIES, AT THEIR ELECTION AND EXPENSE, MAY DEFEND OR PARTICIPATE IN THE DEFENSE OF ANY CLAIMS WITH ATTORNEYS AND REPRESENTATIVES OF THEIR OWN CHOOSING. TENANT SHALL BE RELIEVED OF ITS OBLIGATION OF INDEMNITY TO THE EXTENT, AND ONLY TO THE EXTENT, OF THE AMOUNT ACTUALLY RECOVERED FROM ONE OR MORE INSURANCE CARRIERS AND EITHER PAID TO LANDLORD OR PAID FOR LANDLORD'S BENEFIT IN REDUCTION OF ANY CLAIMS.

8.05 **Subrogation.** Landlord hereby waives (on behalf of itself and any person holding

through right of subrogation) any and all rights of recovery, claim, action or cause of action against Tenant, its affiliates, partners, officers, employees, managers and agents (each a “Tenant Release Party”) for any loss or damage that may occur to the Improvements and to Landlord’s interest in any other property located on the Property, whether real, personal or mixed, regardless of cause or origin, **INCLUDING THE NEGLIGENCE OR OTHER MISCONDUCT OF ANY TENANT RELEASE PARTY** to the extent such loss is covered (or is required under this Lease to be covered) in whole or in part by insurance. Tenant hereby waives (on behalf of itself and any person holding through right of subrogation) any and all rights of recovery, claim, action or cause of action against Landlord, its affiliates, members, directors, officers, employees, managers and agents (each a “Landlord Release Party”) for any loss or damage that may occur to the Improvements and to all property of Tenant or its subtenants located on the Property, whether real, personal or mixed, regardless of cause or origin, **INCLUDING THE NEGLIGENCE OR OTHER MISCONDUCT OF ANY LANDLORD RELEASE PARTY** to the extent such loss is covered (or is required under this Lease to be covered) in whole or in part by insurance. Nothing contained in this Section is intended or shall be construed to create any liability that would not otherwise exist in the absence of this Section.

## **ARTICLE 9** **CASUALTY LOSS**

### **9.01 Tenant’s Obligation to Restore.**

(a) Should the improvements be partially destroyed by fire or other casualty, Tenant shall promptly repair, replace, restore and reconstruct the same to substantially the form in which it existed prior to such casualty, with at least as good workmanship and quality as the improvements being repaired, replaced, restored or reconstructed, all in compliance with the provisions of this Article and the Construction Standards set forth above, provided, however, the same shall be complete within one (1) year following the date of destruction.

(b) Should the improvements be wholly destroyed by fire or other casualty, or destroyed to such an extent that Tenant reasonably determines that it would be uneconomic to cause the same to be restored and replaced, then Tenant shall not be obligated to restore, rebuild or replace the improvements and this Lease shall terminate as though the date of such destruction was the date of expiration of the Term. In the event of a casualty loss where the improvements will not be restored or replaced, all insurance proceeds shall first be applied to pay the cost of demolishing the improvements and leveling, cleaning and otherwise putting the Property in a good order and condition, and secondly to discharge any mortgage and any proceeds in excess thereof shall be to Tenant.

9.02 **Deposit of Funds Where Clean Up is Required.** In the event of destruction or damage by casualty where Tenant will not be rebuilding the Improvements, all property damage insurance proceeds shall be deposited with the holder of the mortgage; if there is no mortgage, such proceeds shall be deposited with a title company mutually satisfactory to

Landlord and Tenant for disbursement for property clean up. The insurance proceeds will be disbursed to Tenant after delivery of evidence reasonably satisfactory to the Landlord that (i) such clean-up has been completed, and that no lien has been placed or will be placed on the Property. At the option of Tenant, such proceeds may be advanced in monthly installments. Each installment (except the final installment) shall be advanced in an amount equal to the cost of the work completed since the last prior advance (or since commencement of work as to the first advance). The final disbursement, which shall be in an amount equal to the balance of the insurance proceeds, shall be made upon inspection by Landlord and its determination that the clean-up is complete. If the cost of any such clean-up is to be in excess of the insurance proceeds, Tenant will, upon request of Landlord give satisfactory assurance that the funds required to meet such deficiency will be available to Tenant for such purpose.

9.03 **Notice of Damage.** Tenant shall immediately notify Landlord of any destruction or material damage to the Property.

## **ARTICLE 10** **CONDEMNATION**

10.01 **Total Taking.** Should the entire Property be taken (which term, as used herein, shall include any conveyance in avoidance or settlement of eminent domain, condemnation, or other similar proceedings) by any governmental authority or other entity than Landlord, under the right of eminent domain, condemnation, or similar right, then this Lease shall terminate as of the date of first possession by the condemning authority, and the award therefor will be distributed as follows: (i) first, to the payment of all reasonable fees and expenses incurred in collecting the award; and (ii) second, the balance of the award shall be equitably apportioned between Landlord and Tenant based on the then respective fair market values of each party's real property interests, taking into account the then present value of Landlord's reversionary interest in the entire Property after expiration of the originally stated Term, but without regard to Tenant's rights to extend the Term. After the determination and distribution of the condemnation award as herein provided, this Lease shall terminate.

10.02 **Partial /Temporary Taking.** If a portion of the Property or Tenant's rights under this Lease is taken by any governmental authority other than Landlord, under the right of eminent domain, condemnation, or similar right, this Lease shall continue in effect as to the remainder thereof unless, in Tenant's reasonable judgment, so much of the Property is taken as to make it economically unsound to use the remainder for the uses and purposes contemplated hereby, whereupon this Lease shall terminate as of the date of taking of possession by the condemning authority in the same manner as if the whole of the Property had thus been taken, and the award therefor shall be distributed as provided in Section 10.01 above. In the event of a partial taking where this Lease is not terminated, and as a result thereof Tenant will need to restore, repair, or refurbish the remainder of the Property in order to put them in a useable condition, then the award shall first be apportioned to pay the expenses incurred in collecting the award, and then for payment of such restoration, repair and refurbishment work in accordance with the provisions of Section 9.02, and any remainder

apportioned to Landlord. If the whole or any portion of the Property shall be taken for temporary use or occupancy, the Term shall not be reduced or affected. Except to the extent Tenant is prevented from so doing pursuant to the terms of the order of the condemning authority, Tenant shall continue to perform and observe all of the other covenants, agreements, terms, and provisions of this Lease. In the event of any temporary taking, Tenant shall be entitled to receive the entire amount of any award therefor unless the period of temporary use or occupancy extends beyond the expiration of the Term, in which case such award, after payment to Landlord therefrom for the estimated cost of restoration of the Property to the extent that any such award is intended to compensate for damage to the Property, shall be apportioned between Landlord and Tenant as of the day of expiration of the Term.

10.03 **Voluntary Dedication.** Tenant shall have no right to voluntarily dedicate any portion of the Property to public use without Landlord's prior written consent.

10.04 **Notice of Taking, Cooperation.** Tenant shall immediately notify Landlord of the commencement of any eminent domain, condemnation, or other similar proceedings with regard to Property. Landlord and Tenant covenant and agree to fully cooperate in any condemnation, eminent domain, or similar proceeding in order to maximize the total award receivable in respect thereof.

## **ARTICLE 11**

### **ASSIGNMENT, TRANSFERS AND SUBLETTING**

11.01 **Restrictions on Tenant's Right to Assign.**

(a) Except as expressly authorized in Section 6.01 of this Lease, Tenant shall not sell, assign, or otherwise transfer, whether voluntarily, involuntarily or by operation of law, its leasehold estate in the Property, or any portion thereof, without Landlord's prior written consent. Tenant may mortgage, pledge or otherwise encumber its leasehold estate in the Property in the manner provided for in Section 12.01.

(b) The provisions of this Section shall also apply to a foreclosure by a mortgagee or a conveyance to a mortgagee (or its affiliate) in lieu of foreclosure, and to a subsequent transfer by the mortgagee or its affiliate if it is the purchaser at such foreclosure sale or sale in lieu of foreclosure. Landlord will not unreasonably withhold its consent to a transferee which will be operating a general wine and culinary arts institution of higher learning fulfilling the purpose of this Lease.

(c) No transfer or encumbrance, regardless of whether Landlord has consented to the same, shall release Tenant (or any previous Transferee) from liability for the performance of all of Tenant's obligations under this Lease.

11.02 **Tenant's Right to Sublease.** All subleases shall specifically provide that the subtenant's rights thereunder are subject to Landlord's rights under this Lease.

11.03 **Assignment by Landlord.** Landlord may transfer or encumber all or any part of Landlord's interest herein. In the event of any transfer of title to the Property, the transferor shall automatically be released from all of the obligations of the Landlord under this Lease accruing from and after the date of such transfer. The covenants and obligations of Landlord contained in this Lease shall be binding on Landlord, its successors and assigns, only during and in respect to their respective successive periods of ownership.

## **ARTICLE 12** **TENANT'S FINANCING**

12.01 **Tenant's Right to Encumber.** Tenant shall have the right, from time to time, to encumber the leasehold estate with a deed of trust, mortgage or other lien instruments to secure borrowings of Tenant, subject to the provisions of this Article. Any such mortgage, deed of trust and/or other lien instruments and the indebtedness secured thereby are herein collectively referred to as a mortgage and the holder or other beneficiary thereof is herein referred to as the mortgagee. The mortgage shall not encumber the Landlord's interest, nor shall the mortgage exceed the value of Tenant's improvements.

### 12.02 **Mortgagee Provisions.**

(a) If Tenant encumbers the leasehold estate, then Tenant shall notify Landlord thereof, providing with such notice the name and mailing address of the mortgagee in question, and Landlord shall, upon request, acknowledge receipt of such notice, and for so long as the mortgage in question remains in effect the following shall apply: Any transferee subsequent to the mortgagee must be a general institution of higher learning which will fulfill the purposes of this lease. Landlord will have the unrestricted right to approve any such transferee.

(b) In the event of a default on the part of Tenant or any mortgagor having an interest in the Property, Landlord shall have the option to pay the mortgage and cancel the lease, or in the event of foreclosure or deed transfer in lieu thereof to repurchase such interest for the amount owed to the mortgagee under the mortgage or security documents, subject to the limitations set forth above as to the maximum mortgage amount. In the event of default or other transfer to the mortgagee, mortgagee shall give copies of each notice to the Landlord of Tenant's default. Landlord shall have sixty (60) days following the end of Tenant's cure period to elect to pay the indebtedness and succeed to all of mortgage interest in the Property.

(c) Nothing contained this Section shall prevent Landlord's pursuing monetary damages or injunctive relief relating to Tenant's default.

12.03 **Modifications.** If any prospective mortgagee requires modifications, to the provisions of this Lease as a condition to granting a mortgage, Landlord shall not unreasonably withhold

its consent to such modifications, provided that Landlord shall not be required to consent to any such modification that would change the purposes for which this Lease is granted or decrease Landlord's rights or increase its burdens or obligations hereunder.

**ARTICLE 13**  
**WARRANTY OF PEACEFUL POSSESSION**

13.01 Landlord covenants that Tenant, on paying the Rent and performing and observing the covenants and agreements provided to be performed by Tenant under this Lease, shall and may peaceably and quietly have, hold, occupy, use, and enjoy the Property during the Term, and may exercise all of its rights hereunder, subject only to the provisions of this Lease and applicable law. Landlord agrees to warrant and forever defend Tenant's right to such occupancy, use, and enjoyment and the title to the Property against the claims of any and all persons whomsoever lawfully claim the same, or any part thereof, by, through or under Landlord, but not otherwise, subject only to provisions of this Lease and applicable law.

**ARTICLE 14**  
**EVENT OF DEFAULT AND REMEDIES**

14.01 **Event of Default.** Each of the following shall be an "Event of Default" by Tenant hereunder and a material breach of this Lease:

- (a) Tenant fails to pay any sum payable by Tenant to Landlord or any third party under this Lease on the date upon which the same is due to be paid, and such default continues for forty- five (45) days after Tenant has been given a written notice specifying such default;
- (b) Tenant fails to timely complete construction of the improvements;
- (c) Tenant ceases operation of an institution of higher learning facilities for food, beverage and culinary arts programs for a period of one year;
- (d) Tenant fails to keep, perform, or observe any of the covenants, agreements, terms, or provisions contained in this Lease that are to be kept, performed or observed by Tenant, and Tenant fails to remedy the same within forty-five (45) days after Tenant has been given a written notice specifying such default; provided, however, that if a default can be cured but by its nature cannot be cured within such forty-five (45) day time period, and if Tenant has commenced curing such default within such time period and thereafter diligently pursues such cure to completion, such forty- five (45) day cure period shall be extended for the period of time necessary for Tenant to cure such default;
- (e) If an involuntary petition shall be filed against Tenant under any bankruptcy or insolvency law or under the reorganization provisions of any law of like import or if a receiver of Tenant, or of all or substantially all of the property of Tenant, shall be appointed without acquiescence, and such petition or appointment is not discharged or stayed within sixty (60)

days after the happening of such event; or

(f) If Tenant shall make an assignment of its property for the benefit of creditors or shall file a voluntary petition under any bankruptcy or insolvency law, or seek relief under any other law for the benefit of debtors.

14.02 **Remedies.** If an Event of Default occurs, then Landlord may, at any time thereafter prior to the curing thereof and without waiving any other remedies hereunder or available to Landlord at law or in equity (with Landlord's remedies being cumulative), terminate this Lease by giving Tenant written notice thereof, in which event this Lease and the leasehold estate and all interest of Tenant and all parties claiming by, through, or under Tenant shall automatically terminate upon the effective date of such notice; and Landlord, its agents or representatives, shall have the right, without further demand or notice, to reenter and take possession of the Property and remove all persons and property therefrom with or without process of law, without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of Rent or existing breaches hereof. In the event of such termination, Tenant shall be liable to Landlord for all expenses and attorney's fees incurred by Landlord in enforcing its rights hereunder.

14.03 **Landlord's Default** If Landlord shall fail to keep, perform or observe any of the covenants, agreements, terms or provisions contained in this Lease that are to be kept, performed or observed by Landlord (other than payment of money) and Landlord shall fail to remedy the same within forty-five (45) days after Landlord shall have been given a written notice specifying the same; provided, however, that if a non-monetary default can be cured but by its nature cannot be cured within such forty-five (45) day time period, and if Landlord has commenced curing such default within such time period and thereafter diligently pursues such cure to completion, such forty-five (45) day cure period shall be extended for the period of time necessary for Landlord to cure such default; then in such event Tenant may enforce the performance of this Lease and collect its costs, including attorney's fees, in so enforcing its rights hereunder.

## **ARTICLE 15** **MISCELLANEOUS**

15.01 **Notices.** Any notice provided for or permitted to be given hereunder must be in writing and may be given by (i) depositing same in the United States Mail, postage prepaid, registered or certified, with return receipt requested, addressed as set forth in this Section, or (ii) delivering the same to the party to be notified in person or through a reliable courier service. Notice given in accordance herewith shall be effective upon receipt at the address of the addressee, as evidenced by the executed postal receipt or other receipt for delivery. For purposes of notice the addresses of the parties hereto shall, until changed, be as follows:

*To Landlord:*

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

With a copy to:

City of Fredericksburg  
Attn: City Attorney  
126 W. Main Street  
Fredericksburg, Texas 78624

To Tenant:

Texas Center for Wine and Culinary Arts  
Attn: Chairperson  
P.O. Box 818  
Fredericksburg, Texas 78624

The parties hereto shall have the right from time to time to change their respective addresses for purposes of notice hereunder to any other location within the United States by giving ten (10) days advance notice to such effect in accordance with the provisions of this Section.

15.02 **Performance of Other Party's Obligations.** If either Party fails to perform or observe any of its covenants, agreements, or obligations hereunder for a period of forty-five (45) days after notice of such failure is given by the other Party, then the other Party shall have the right, but not the obligation, at its sole election (but not as its exclusive remedy), to perform or observe the covenants, agreements, or obligations which are asserted to have not been performed or observed at the expense of the failing Party and to recover from the failing Party all costs and expenses incurred in connection with attempting to do so, together with interest thereon at the maximum current prime rate of interest as quoted by the *Wall Street Journal* (If such publication ceases to be available a comparable index will be chosen by the party which is to receive the interest) from the date expended until repaid. Notwithstanding the foregoing, if either Party determines, in its reasonable good faith judgment that an emergency, involving imminent danger of injury or death to persons or damage to property, exists due to the other Party's failure to observe or perform its covenants, agreements, and obligations hereunder, then such Party may immediately perform or observe the covenants, agreements and obligations which give rise to such emergency at the expense of the failing Party and recover from the failing Party all costs and expenses incurred in connection with attempting to do so, together with interest thereon at the interest rate stated above from the date expended until repaid. Any performance by a Party pursuant to this Section shall not constitute a waiver of the other Party's failure to perform or observe.

15.03 **Modification and Non-Waiver.** No variations, modifications, or changes herein or hereof shall be binding upon any Party hereto unless set forth in a writing executed by it or by a duly authorized officer or agent. No waiver by either Party of any breach or default of any term, condition, or provision hereof, shall be deemed a waiver of any other or subsequent breaches or defaults of any kind, character, or description under any circumstance. No waiver of any breach or default of any term, condition, or provision hereof shall be implied from any action of any Party, and any such waiver, to be effective, shall be set out in a written instrument signed by the waiving Party.

15.04 **Governing Law.** This Lease shall be construed and enforced in accordance with the laws of the State of Texas, and venue shall be in Gillespie County, Texas.

15.05 **Estoppel Certificate.** Landlord and Tenant shall execute and deliver to each other, promptly upon any request therefor by the other Party, or by any permitted mortgagee, a certificate addressed as indicated by the requesting Party and stating:

- (a) whether or not this Lease is in full force and effect;
- (b) whether or not this Lease has been modified or amended in any respect, and submitting copies of such modifications or amendments;
- (c) whether or not there are any existing defaults hereunder known to the Party executing the certificate, and specifying the nature thereof;
- (d) whether or not any particular Article, Section, or provision of this Lease has been complied with to the knowledge of the Party executing the certificate; and
- (e) such other matters as may be reasonably requested.

15.06 **Severability.** If any provision of this Lease or the application thereof to any person or entity or circumstance shall, at any time or to any extent, be invalid or unenforceable, and the basis of the bargain between the parties hereto is not destroyed or rendered ineffective thereby, the remainder of this Lease, or the application of such provision to persons or entities or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

15.07 **Attorney Fees.** If litigation is instituted by either Party to enforce, or to seek damages for the breach of any provision hereof, the prevailing Party therein shall be promptly reimbursed by the other Party for all attorneys' fees reasonably incurred by the prevailing Party in connection with such litigation.

15.08 **Surrender of Property; Holding Over.** Upon termination or expiration of this Lease, Tenant shall peaceably surrender the Property in good order, repair, and condition. Upon such termination or expiration Landlord may, without further notice, enter upon, reenter,

possess, and repossess itself of the Property by force, summary proceedings, ejectment, or otherwise, and may dispossess and remove Tenant from the Property and may have, hold, and enjoy the Property and all rental and other income therefrom, free of any claim by Tenant with respect thereto. If Tenant does not surrender possession of the Property at the end of the Term, such action shall not extend the Term, and Tenant shall be a tenant at sufferance. Landlord shall not be deemed to have accepted a surrender of the Property by Tenant, or to have extended the Term, other than by execution of a written agreement specifically so stating.

15.09 **Relation of Parties.** It is the intention of Landlord and Tenant to hereby create the relationship of landlord and tenant, and no other relationship whatsoever is hereby created. Nothing in this Lease shall be construed to make Landlord and Tenant partners or joint ventures or to render either Party hereto liable for any obligation of the other.

15.10 **Force Majeure.** As used herein "Force Majeure", shall mean the occurrence of any event (other than failure to obtain financing for, failure to refinance, or cessation of disbursements under existing financing for, the purchase, repair, or ownership of the Property or improvements or lawsuits between parties comprising Tenant) which prevents or delays the performance by Landlord or Tenant of any obligation imposed upon it hereunder and the prevention or cessation of which event is beyond the reasonable control of the obligated Party. If either Party shall be delayed, hindered, or prevented from performance of any of its obligations by reason of Force Majeure (and Tenant shall not otherwise be in default hereunder), then the time for performance of such obligation shall be extended for the period of such delay. The Term of this Lease may not be extended by Force Majeure.

15.11 **Recordation.** Landlord and Tenant will, at the request of either Party, promptly execute an instrument in recordable form constituting a memorandum of this Lease, to be filed for record in the Office of the County Clerk of Gillespie County, Texas, solely to give record notice of the existence of this Lease. No such memorandum shall in any way vary, modify or supersede this Lease. Except in connection with actual litigation between the Parties, this Lease shall not be filed for record.

15.12 **Successors and Assigns.** This Lease shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns. Whenever a reference is made herein to either Party, such reference shall include the party's permitted successors and assigns.

15.13 **Inspection.** Landlord shall have the right, upon giving reasonable prior notice, to enter upon the Property at all reasonable times to inspect same.

15.14 **Landlord's Joinder.** Landlord agrees to join with Tenant in the execution of such applications for permits and licenses from any governmental authority as may be reasonably necessary or appropriate to effectuate the intents and purposes of this Lease, provided that no such application shall constitute an encumbrance of or with respect to the Property, and Landlord shall not incur or become liable for any expenses or obligation as a result thereof.

15.15 **No Third Parties Benefitted.** Except as herein specifically and expressly otherwise provided with regard to notices, opportunities to cure defaults, right to execute a new lease, and rights governing public properties, the terms and provisions of this Lease are for the sole benefit of Landlord and Tenant, and no third party whatsoever is intended to benefit herefrom.

15.16 **Survival.** Any terms and provisions of this Lease pertaining to rights, duties, or liabilities extending beyond the expiration or termination of this Lease, including indemnification obligations relating to events or conditions that occur or exist prior to such expiration or termination, shall survive the expiration or termination of this Lease.

15.17 **Use of Landlord's Name.** Tenant shall not use Landlord's name in any advertising or promotional material relating to the Property without Landlord's prior written consent, but Tenant may make reference to this Lease and to Landlord in legally operative documents, as Tenant shall deem reasonably necessary. Tenant shall not name or rename any of the improvements without Landlord's prior written approval.

15.18 **Interest.** If any amount required to be paid by one Party to the other Party pursuant to this Lease is not paid when due, such amount shall bear interest at the interest rate described in Section 15.02 from the date due until the date paid in full.

15.19 **Limit on Damages.** EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, NOTWITHSTANDING ANYTHING IN THIS LEASE OR UNDER LAW OR EQUITY TO THE CONTRARY, EXCEPT FOR INTEREST CHARGEABLE HEREUNDER, NEITHER PARTY HERETO SHALL BE LIABLE TO THE OTHER FOR ANY INDIRECT, CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES OR FOR ANY LOST REVENUES OR PROFITS ARISING OUT OF THIS LEASE OR RELATING TO THE PREMISES, INCLUDING THE NEGLIGENCE OF THE PARTY AGAINST WHOM THE CLAIM WOULD BE MADE.

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

TEXAS CENTER FOR WINE AND CULINARY ARTS ("Tenant")

By: \_\_\_\_\_ Date: \_\_\_\_\_

Ernie Loeffler, Chairman

City of Fredericksburg, Texas (“Landlord”)

By: \_\_\_\_\_ Date: \_\_\_\_\_

Kent Myers, City Manager

**CHAPTER 380 ECONOMIC DEVELOPMENT AGREEMENT  
BETWEEN  
THE CITY OF FREDERICKSBURG  
AND  
TEXAS CENTER FOR WINE AND CULINARY ARTS**

WHEREAS, this Chapter 380 Economic Development Agreement (“Agreement”) is made and entered into by and between the Texas Center for Wine and Culinary Arts (“Center”), organized under the laws of the State of Texas as a 501(c)(3), and the City of Fredericksburg, Texas, a home rule city and municipal corporation (“City”); and

WHEREAS, the City is authorized by Chapter 380 of the Texas Local Government Code to make grants of public resources to promote state and local economic development and to stimulate business and commercial activity in Fredericksburg; and

WHEREAS, the City, acting by and through the City Council of the City of Fredericksburg, has authorized the City Manager to make a grant of the public resources hereinafter described to Center to locate its buildings and facilities in Fredericksburg and make capital investments in the real property hereinafter described (collectively referred to as the “Project”), all with the intent to enhance the food, beverage and culinary arts in Fredericksburg and Gillespie County and thereby increasing visitation and related expenditures; and

WHEREAS, locating the Texas Center for Wine and Culinary Arts in Fredericksburg will further state and local economic development and stimulate business and commercial activity in Fredericksburg, and will serve and further the public purposes for which the City exercises its economic development authority.

NOW THEREFORE, in consideration of the mutual agreements set forth in the Agreement, and other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

**1. CENTER’S OBLIGATIONS**

1.01 The Center will locate and construct its new facilities on the appropriate 5.51 acre tract hereinafter known as the “Property”. The Property is described as being 5.51 acres of land more or less at the eastern edge of the Hill Country University Center site, being more particularly described on Exhibit “A”, a copy of which is attached hereto and made a part hereof, that will serve as the Texas Center for Wine and Culinary Arts. Such center shall be constructed in accordance with the site plan to be approved by the parties hereto prior to the commencement of construction or as such site plan may be amended with approval of the Parties.

**1.02 Operation of Texas Center for Wine and Culinary Arts.** Center shall construct the following improvements upon the Property in the time period as follows:

Construct approximately 18,000 square feet of improvements, to consist of teaching facilities for food, beverage and culinary programs, administrative offices and support space. Required parking shall be provided. The building(s) may be constructed at one time or in three phases over ten years as follows (order of construction to be determined by current organizational priorities and possible donor preference):

- Teaching/research winery and related spaces – approximately 9,000 sq. ft.
- Culinary kitchen and event space - approximately 7,300 sq. ft.
- Administrative spaces – approximately 1,700 sq. ft.

Such construction shall start on or before five (5) years from the date hereof with construction of at least one phase completed within eighteen (18) months of the date that ground is broken on the site. All phases of construction must be completed within ten (10) years from the Effective Date of this Agreement.

Throughout the term of the ground lease, which is executed by the parties in connection with this Project, the Center agrees to operate and maintain the Texas Center for Wine and Culinary Arts and to locate its administrative headquarters in the proposed building(s) in the City of Fredericksburg and maintain its headquarters in the City during the term hereof. The Center shall be operated for and open to the public as is described in the accompanying ground lease.

**1.03 Compliance with the Agreement.** If Center fails to comply with the preceding sections 1.01 and 1.02 and stipulations set forth in the ground lease, the City may terminate this Agreement.

**1.04 Coordination of efforts.** In addition to its own efforts, Center shall make best efforts to work with surrounding organizations such as The Hill Country University Center Foundation, Texas Tech University, the Gillespie County Economic Development Commission, Fredericksburg Convention and Visitor Bureau, Fredericksburg Chamber of Commerce, and other appropriate organizations, to expand its effectiveness as a regional educational resource and to enhance tourism. Projected economic impact for the Center is set forth on Exhibit "B", a copy of which is attached hereto and made a part hereof.

Center shall make best efforts to employ residents of the Fredericksburg area for its new full-time jobs with the understanding that to the extent possible, the Center will also seek to utilize volunteers.

**1.05 Local Business Participation/Equal Employment Opportunities.** In an effort to further stimulate and positively impact the local economy, Center shall use its best efforts to provide local businesses, on a non-discriminatory basis, an equal opportunity to participate as suppliers for materials and services purchased by Center, and they shall adhere to all applicable fair employment policies and practices.

**1.06 Compliance with City Regulations.** For the construction of leasehold improvements to the Property, or the construction or remodeling of any future facilities in the City's planning jurisdiction during the term of this Agreement, Center will comply with all City Code regulations in effect at the time any site plan application is filed, and Center waives any vesting under Chapter 245 related to the execution of this Agreement. If during the term of the Agreement the Center's development does not comply with City's regulations in effect at the time any site plan application is filed for such development, after written notice and reasonable opportunity to cure the deficiency, this Agreement may be terminated at the option of the City, by giving the Center written notice of said termination.

**1.07 Certificate of Compliance and Inspection.**

- A. Center shall deliver to the City before January 31 of each year, beginning one year from the start of operations and continuing during the term of this Agreement an accounting of use of the Center.
- B. The City, and/or its representative(s) including third-parties contracted by the City, has the right to inspect all relevant records of Center as are reasonably necessary to verify compliance with all requirements of this Agreement. Inspections shall be preceded by at least a two week notice in writing to Center.

**1.08 Failure to Meet Obligations.** In the event that Center fails to fulfill its obligations under the performance terms above, after receipt of notice and expiration of the cure period described below, the City may, at its option, terminate this Agreement, whereupon the City shall require the payment of rent as set forth in the accompanying lease agreement, and Center shall not be entitled to receive any further payment forgiveness or installation of utilities or other of the City's obligations under this Agreement; provided, that the foregoing shall not be deemed or construed to release the City from its obligations for any prior year during which Center did fulfill its obligations under the performance guidelines above.

**2. Party Obligations**

**2.01 Economic Development Incentive.** As consideration for Center's performance of its obligations under this Agreement, City shall:

- A. grant a long-term lease of 40 years to the Center of the above-described property at nominal rent;
- B. at the City's cost:
  - 1. extend public electricity, water and sanitary sewer lines to the property if needed;

2. clear the site of dead trees, cedar and underbrush within six months of the start of the lease;

3. contract for any archeological studies that need to be done on the site. This shall be performed by the City in time to accommodate the Center's design and construction schedule.

C. waive the following fees associated with the development of the site including tap fees, platting fees, and building permit fees;

The Center will provide its annual financial statement and financial project review to the City annually during the month of February until such time as the Texas Center for Wine and Culinary Arts is open to the public and operations are commenced.

The City is not obligated to fulfill its obligations for any year in which the City has determined that Center has failed to fulfill an obligation or condition applicable to it for such year and has provided written notice to Center of such determination.

### **3. General Terms**

**3.01 Effective Date and Term.** Unless terminated earlier as provided herein, this Agreement shall commence on the date of execution by both Parties for an Initial Term of forty (40) years, and shall terminate on September 30, 2061. The Center may optionally renew this Agreement for one Renewal Term of up to forty (40) years, provided that the City may revoke the Center's option to renew under this Section 3.01, by giving the Center written notice of said revocation no less than five (5) years before the termination date of the Initial Term. Tenant shall exercise such renewal option, if at all, by giving written notice to Landlord not less than one (1) year prior to the expiration of the Initial Term. The Renewal Term shall upon the same covenants, conditions and provisions as provided in this Agreement, subject to any written amendments mutually agreed to by the Parties.

**3.02 Payments Subject to Future Appropriation.** This Agreement shall not be construed as a commitment, issue, pledge or obligation of any specific taxes or tax revenue for payment to Center.

A. All payments or expenditures made by the City under this Agreement are subject to the City's annual appropriation of funds for such payments or expenditures to be paid in the budget year for which they are made.

B. The expenditures and forgiven payments under this Agreement, if paid, shall be made solely from annual appropriations of the City as may be legally set aside for the implementation of Article III, Section 52a of the Texas Constitution or Chapter 380 of the

Local Government Code, or any other economic development or financing program authorized by statute or home rule powers of the City under applicable Texas law, subject to any applicable limitations or procedural requirements.

- C. In the event the City does not fulfill its obligations hereunder, the City shall not be liable to Center for such payments or expenditures unless and until appropriation of said funds is made; provided, however, that Center, in its sole discretion, shall have the right to terminate this Agreement and the City shall have no obligations under this Agreement for the year in respect to which said unappropriated funds or forgiveness of funds relate.
- D. To the extent there is a conflict between this Section 3.02 and any other language or covenant in this Agreement, this Section 3.02 shall control.

**3.03 Representations and Warranties.** Each Party enters into this Agreement based upon its own assessment of the feasibility of the particular program(s) under which the contributions of the City are intended to be made, and no party shall be liable to the other party in the event any provisions of this Agreement (or any of the other agreements executed in connection herewith) are invalid or unenforceable under present or future laws.

**3.04 Default.** If either the City or Center should default in the performance of any obligations of this Agreement, the other party shall provide such defaulting party written notice of the default, and a minimum period of ninety (90) days after the receipt of said notice to cure such default, prior to instituting an action for breach or pursuing any other remedy for default.

**3.05 Entire Agreement.** This Agreement contains the entire agreement between the parties. All prior negotiations, discussions, correspondence, and preliminary understandings between the parties and others relating hereto are superseded by this Agreement. This Agreement may only be amended, altered or revoked by written instrument signed by the City and Center.

**3.06 Binding Effect.** This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and assigns.

**3.07 Assignment.** Center may not assign all or part of its rights and obligations to a third party without prior written approval of the City, which approval may be withheld for any reason, or no reason.

**3.08 Termination.** In the event Center elects not to proceed with the Project as contemplated by this Agreement, Center shall notify the City in writing, and this Agreement and the obligations on the part of both parties shall be deemed terminated and of no further force or effect.

**3.09 Notice.** Any notice and/or statement required or permitted to be delivered shall be deemed delivered by actual delivery, by facsimile with receipt of confirmation, or by depositing the same in the United States mail, certified with return receipt requested, postage prepaid, addressed to the appropriate party at the following addresses:

Texas Center for Wine and Culinary Arts  
Ernie Loeffler  
Chairman  
P.O. Box 818  
Fredericksburg, Texas 78624

CITY OF FREDERICKSBURG, TEXAS  
Attn: City Manager  
126 West Main Street  
Fredericksburg, Texas 78624

Either party may designate a different address at any time upon written notice to the other party.

**3.10 Interpretation.** Each of the parties has been represented by counsel of their choosing in the negotiation and preparation of this Agreement. Regardless of which party prepared the initial draft of this Agreement, this Agreement shall, in the event of any dispute regarding its meaning or application, be interpreted fairly and reasonably and neither more strongly for, not against any party.

**3.11 Applicable Law.** This Agreement is made, and shall be construed and interpreted, under the laws of the State of Texas and venue shall lie in the State courts of Gillespie County, Texas.

**3.12 Severability.** In the event any provisions of this Agreement are illegal, invalid or unenforceable under present or future laws, and in that event, it is the intention of the parties that the remainder of this Agreement shall not be affected. It is also the intention of the parties that in lieu of each clause and provision that is found to be illegal, invalid or unenforceable, a provision be added to this Agreement which is legal, valid or enforceable and is as similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

**3.13 Paragraph Headings.** The paragraph headings contained in this Agreement are for convenience only and will in no way enlarge or limit the scope or meaning of the various and several paragraphs.

**3.14 No Third Party Beneficiaries.** This Agreement is not intended to confer any rights, privileges or causes of action upon any third party.

**3.15 No Joint Venture.** It is acknowledged and agreed by the parties that the terms of this Agreement are not intended to and shall not be deemed to create any partnership or joint venture among the parties. The City, its past and future officers, elected officials, employees and agents do not assume any responsibilities or liabilities to any third party in connection with Center facilities or the design, construction or operation of any portion of the facilities.

**3.16 Public and Confidential Information.** Information provided by or on behalf of Center under or pursuant to this Agreement that Center considers as proprietary shall be maintained as confidential to the extent allowed by law provided that the same has been designated as proprietary to the City in advance of any third party request for the same. If proprietary financial or trade secret information is requested under the Texas Public Information Act, the City shall follow the standards set out in the Act and under the Texas Attorney General's procedures for such requests, and Center shall be responsible for defending the confidentiality of such information. Other records and information provided to the City and its representatives to verify compliance with this Agreement shall be available for public inspections.

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

TEXAS CENTER FOR WINE AND CULINARY ARTS

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Ernie Loeffler, Chairman

City of Fredericksburg, Texas

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Kent Myers, City Manager



## CITY COUNCIL MEMO

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**DATE:** April 13, 2022

**TO:** Mayor and City Council

**FROM:** Shelley Goodwin, City Secretary

**SUBJECT:** HOT Application Allocations

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**Summary:**

The City Council received the HOT information and previously discussed the applications at their April 4, 2022 Regular Meeting. This meeting is to vote on the allocations of HOT Recipients funding.

**Recommendation:**

Consider the allocation of HOT Recipients to be funded and the amount to fund.

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**Background / Analysis:**

The HOT process began with a discussion at the February 21, 2022 City Council Regular Meeting. There were two emails sent to past recipients, two ads were run in the Fredericksburg Standard, as well as all information was added to the City website.

The City received 28 applications requesting funding. The amount budgeted is \$500,000 for awarding HOT funds, the total amount requested is \$789,905 (\$289,905 over budgeted amount).

All applicants were asked to be present at the meeting to address any questions you might have..

**Attachments:**

The City of Fredericksburg

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Department Approval

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City Manager Approval

The City of Fredericksburg

## Upcoming City Council Agenda Items

CITY COUNCIL MEETING DATES & FUTURE AGENDA ITEMS		
<b>Monday, May 2, 2022 (Regular Meeting)</b>		
1	Consent - April 18, 2022 Regular Meeting Minutes	Shelley
2	Consent - April 11, 2022 Work Session Minutes	Shelley
2	Approval of Market Square Improvement Bids	Andrea
3	Petition for consent for creation of Municipal Utility District	Kent
4	Parking Study Update - Presentation by The Goodman Corp	Garret
5	Post Oak Village Subdivision - Performance Agreement	Garret
6	Lady Bird Johnson Golf Cart Lease Proposal	Evan
7		
<b>Monday, May 16, 2022 (Regular Meeting)</b>		
1	Consent - May 2, 2022 Regular Meeting Minutes	Shelley
2	Update the Records Management Ordinance and Plan	Shelley
3	Public Hearing and approval of Z-2206-John Zook CUP 403 W. Austin Street	Anna
4	Award the bid for the Comprehensive Plan	Anna
5	Fort Martin Scott Update	Andrea
6	Cross Mountain Park cross replacement presentation - Nimitz Rotary Club	Andrea
<b>Monday, June 6, 2022 (Regular Meeting)</b>		
1	Consent - May 16, 2022 Regular Meeting Minutes	Shelley
<b>Monday, June 20, 2022 (Regular Meeting)</b>		
1	Consent - June 6, 2022 Regular Meeting Minutes	Shelley
<b>Tuesday, July 5, 2022 (Regular Meeting)</b>		
1	Consent - June 20, 2022 Regular Meeting Minutes	Shelley
<b>Tuesday, July 18, 2022 (Regular Meeting)</b>		
1	Consent - July 5, 2022 Regular Meeting Minutes	Shelley
<b>FUTURE AGENDA ITEMS</b>		
1	MUD Pertition	
2	STR/Builidng Permit Update	