

STATE OF TEXAS

COUNTY OF BRAZORIA

CITY OF BRAZORIA

The City of Brazoria convened in and Special Meeting and Workshop on March 28, 2017 at 6:30 p.m. with the following to-witt:

BobbyJo Newell	Mayor
Marcus Rabren	Councilman Position #1
Gail Logsdon	Councilwoman Position #2
Gary Kersh	Mayor Pro-Tem
Roger Shugart	Councilman Position #4
Irv Eddy	Councilman Position #5

City Personnel Present:

Teresa Borders	City Manager
Sheila Williams	City Secretary
David Jordan	Public Works Director
Neal Longbotham	Police Chief
Bill James	City Judge

Others Present:

Linda Barganier	Citizen
Stephanie Cribbs	Citizen
Ronnie Cutler	Citizen
Sabrina Lott	Citizen

A. CALL TO ORDER SPECIAL MEETING.

Mayor Newell called special meeting to order at 6:30 p.m.

B. INVOCATION AND PLEDGE TO AMERICAN AND STATE FLAGS.

Mayor Newell asked Councilman Shugart to give the invocation. Mayor Newell led the pledge to the American and State Flags.

C. CONSIDERATION/ACTION TO APPROVE RE-PLAT FOR RONNIE CUTLER OF LOTS 1, 2, 6 & 7 OF THE WILSON ADDITION.

Motion was made by Roger Shugart to approve re-plat for Ronnie Cutler of lots 1, 2, 6 & 7 of the Wilson Addition. A second was made by Gary Kersh. Motion carried unanimously.

D. CONSIDERATION/ACTION TO HEAR AND ACCEPT REVIEW OF THE ANNUAL FINANCIAL REPORT AND AUDIT FOR FISCAL 2016 FROM CURTIS T. CRAIG, CPA.

Curtis Craig handed out a draft audit to council explaining one change he made on page 45 bottom of page at note 13 dealing with the Magnolia Gardens note at South Star Bank. He added a subsequent event. Mayor Newell asked if it was just one change. Mr. Craig said just some cosmetic changes but not any numbers. Council approved in previous meeting not to exceed the \$325,000. Teresa Borders said the bank is giving until January 2018 for the draws. Teresa Borders said it won't take that long. It is about finished because they have just one draw left. Mayor Newell said this wording is fine, not to exceed \$325,000 due to not actually knowing total amount of loan.

Curtis Craig said the reason the pages look different is because on page 33, J-k-l due to being repetitive he took some of the notes out. No amounts changed.

Page 3, Independent Auditor Report as in past years at the bottom where it talks about basis for Adverse Opinion on Government – Wide and Proprietary Fund Statements refers back to note on Capital Assets that the city has not implemented. Roger Shugart asked how a city this old does this. Gary Kersh asked if a company can come in and do that. Curtis Craig said he does not recommend that because they are expensive. Curtis Craig said GASB 34 was implemented in 2003 or 2004. David Jordan said it is like a house just because the value of what you built is not the true value. Mayor Newell said that is why the Capital Assets is important. Curtis Craig said the current project you have going on now is what the value would be of the sewer project. It would depreciate but council would set what the policy would be. List streets that are asphalt or concrete, two lane or four lane. It would be an estimates because you can't be totally accurate. There is an estimated useful life that council sets. David Jordan said John Mercer came in and did a study that actually identified mileage of pipe but don't know where he got the estimated amount. Mayor Newell asked what it affects if not done. Curtis Craig said on page 17 the Statement of Net Position shows capital assets. Mayor Newell asked where Mr. Craig where he got these numbers from. Mr. Craig can't say they are accurate because he took them from what has been passed down from year to year. Mr. Craig said he can take this figure out and say there is no capital assets. Marcus Rabren said that would not be good because it would affect our bond rating. Gail Logsdon said her son in law looked at this audit last year and suggested making an action item register and putting someone responsible or a committee to start working on this. Curtis Craig said the first thing needs to be establishing a policy. It can be anything above whatever council votes. Bond Rating Agencies are what pushed the GASB 34. Local banks will not be a problem but going out for bonds you would have a higher interest rate. Capital Asset Policy needs to be the first thing done. Gail Logsdon said she wants to see this visited at council meetings because this needs to be taken care of since it could come back to bite us on down the road. Mayor Newell said we will have a follow up meeting to this meeting.

Mr. Craig said on page 7 is the Management's Discussion and Analysis that are pages 7-13 gives a broad overview of financial activity during the fiscal year. Roger Shugart asked about page 10 that has an expense of public support. Mr. Craig said that is Fire Dept. and Library. Page 22 breaks the Fire Dept. and Library down. Roger Shugart asked about the bar graph on page 12 showing utility funds lost money. Roger Shugart wanted to know if something happened. Page 25 – 26 addresses the operating revenues and expenses. He said it showed the cost is exceeding the revenue. Teresa Borders said the gas prices dropped. Roger Shugart said we had an emergency fund to cover that and the repair on the cave-in came out of that fund. Mayor Newell asked if Mr. Craig would read his finding of 2016-3. Mayor Newell read the finding. If we are repairs are being pulling out of a different account and we are going into debt in the utility department and we are not calculating it right. Mr. Craig explained the calculations were not calculating right. It is pro-rating the next 1000 gallons after the first 1000 gallons. It is calculating the actual usage. The city is losing \$2.50 for 1000 gallons of water. Mayor Newell said the utility

department can pay for itself and sewer cave-ins when the calculations are correct. Mayor Newell said on page 19 she is reading it is in the negative of \$432,000 because she didn't see that in the budget. Mr. Craig said the same number is on page 26. You just add in interest and fiscal charges on whatever notes were being paid out at this time. Gail Logsdon asked if that was figured automatically. Teresa Borders said we can have the software company go in and fix this problem. Mayor Newell borrowed another cities audit and they had \$300,000 in excess to pay for sewer cave-ins and such. Gail Logsdon said it just needs to pay for itself. Mr. Craig said you need to have 3 months or 15% of operating expenditures. Roger Shugart said he thought the Fuel Factor was taking care of the gas. Mayor Newell said we need an action item to get this corrected. Mayor Newell said she didn't hear in the budget talks of being negative. Teresa Borders explained that all the electrical and utilities was moved back to utilities. In budget they were in general fund. Mr. Craig said to correlate with Gap purposes it needed to be moved. Mr. Craig said you can move from General Fund to Utility fund but from Utility fund to General Fund you can't supplement the utility fund using tax dollars. Roger Shugart said on page 35, note 2 said you can make emergency appropriations for any to meet a pressing need. Mr. Craig explained it was talking about general fund and debt service fund, they are legally adopted in your budget. Marcus Rabren explained it can't be spent unless it is a dire emergency. You can have a contingency fund.

Mayor Newell asked about 2016-8 Disaster and Emergency Fund. Mayor Newell did the homework of the emergency fund. \$690,000 is sitting in emergency management fund that is illegal. You cannot put a fee on a utility bill that is not providing a utility service. Collecting \$6.45 extra on each utility bill. She signed a resolution to do away with it. Another city got in trouble doing that. Mayor Newell read an article on what happened with the other city. Mayor Newell said the money never went away and Teresa left it on there. Teresa Borders said she didn't leave it on there that council left it on there. Mayor Newell recommends the city seek legal-council with Mr. Stevenson or outside council on what to do with this money. If we can still collect this money or what we can spend the money on that is already collected. It was collected illegally. Angleton and Lake Jackson does not add anything to their trash. Sweeny adds \$2.25 with \$2.00 earmarked for infrastructure, West Columbia adds .75. We can't balance out our utility but we are going to make over one million dollars on a trash bill. You can't put more than 7% into your general fund from utility bill. Your biggest revenue comes from taxes. The ordinance stated the money should go into streets and drainage. It is not happening. Gail Logsdon said there was no ill intent on council part on this decision. Mayor Newell said you cannot make an emergency fund. Bay City had to get rid of the money when they tried to collect it. Mayor Newell requested we seek legal- council to see what we need to do with this \$690,000. Teresa Borders explained it is not \$690,000. There was \$200,000 that was transferred from general fund to emergency fund to hold until they could paint the water tower. Teresa Borders explained it was not collected from the utility bills. Mr. Craig said the last column showed an in and out from general fund to emergency fund. Teresa Borders said it was for water tower and Magnolia Gardens sewer project. Mayor Newell asked Gary Kersh if that was the question asked during budget time about the money for Magnolia Gardens that was budgeted as where it was at. She said he was told it was not budgeted for Magnolia Gardens. Gary Kersh said he thought it was \$400,000 and the project ended up being \$300,000 so we borrowed the money and kept the \$200,000 for painting the water tower. Teresa Borders said the council has to vote when they want to spend it out of the emergency fund. Gail Logsdon said there is not a battle tonight until the council gets advice on what to do with the money in the account. Mayor Newell said since Mr. Stevenson was the one that wrote the ordinance she would like outside council to look at it. Marcus Rabren said that it has been done and commended by our past auditor's. It was not

done illegal intentionally. It would strengthen our bond rating to have this money. Mayor Newell read an opinion from the attorney general that TML gave her. Mayor Newell said we need to raise money the right way.

Roger Shugart asked about page 21 and struggled with the addition and subtraction numbers that don't add up. He asked if there was an error there. Mr. Craig said he would check it and follow up with him. Mayor Newell asked about internal control. Mr. Craig said it is a verbiage for everyone to put in report for entities that don't prepare their own audit.

Mr. Craig said you can hire 2, 3 or 5 accounting staff to have the paperwork ready and just hand to me when I come to do the audit. That is the cities report and I have to put on there it is not misstated. During the audit if I find some internal control problems then I am required to report them to you.

Mayor Newell asked about Finding #2016-4 and what was meant. Mr. Craig said during payroll testing he found that employees with sick, vacation or holiday pay during a pay cycle also get overtime. David Jordan said it is in personnel policy. It doesn't follow through on all departments. Teresa Borders explained the Police Dept. gets paid different because they are under different law. City Hall doesn't get overtime but the policy needs to be the same for all departments. Gail Logsdon said we need to look at the policy.

Finding #2016-5 Travel Policy, Mr. Craig said if an employee gets car allowance can they get paid mileage for city business out of town. Teresa Borders said it has been that way since she has been here. Mayor Newell asked if it is a written policy. Teresa Borders said she thought it was from the personnel policy. Mayor Newell said that would be another thing to put on spreadsheet to address. Mayor Newell asked if she put gas in her truck and then collected mileage on tax forms if that is legal. Mr. Craig said it is not allowed by the IRS. Mayor Newell said that is what the city policy needs to cover. Mr. Craig said if they get car allowance and also gets fuel is that allowed. Mayor Newell said the policy needs to cover what is allowed and personal vehicle expense.

Mayor Newell asked about Finding #2016-6 whether an employee should accrue vacation and sick leave. Teresa explained they get their insurance and longevity check but they do not get vacation and sick leave. Mr. Craig said if they are on leave still receive their benefits stated from personnel policy. Mayor Newell said she doesn't remember ever discussing it. Mr. Craig said it needs to be addressed in the policy.

Finding #2016-7 General Ledger Maintenance relates to payable accounts on general ledger. Mr. Craig sales tax, court costs and garbage fees was not clearing out. The maintenance agreement with Incode needs to help this get fixed. Teresa Borders explained the software is generating a report and it is being paid accordingly. Gail Logsdon asked that this be put on spreadsheet to be looked into.

Finding #2016-10 Expenditure Documentation and Bank Reconciliations, was explained by Mr. Craig that there are three bank accounts that do not have accurate documentation. Teresa Borders explained the accounts have been moved back to city hall. Teresa explained she used to keep these accounts but they got moved to Police Dept. They were not being kept like they should have been kept so they have been moved back to city hall. Mr. Craig recommended they will be treated like any other account. Make them the same process through out.

Gail Logsdon appreciate getting the recommendations. We need to get dates to be completed and have another workshop. We need to make certain people responsible. Gary Kersh asked if David Jordan had a map of the roads. David said no. Mr. Craig said starting out you need a policy. Mayor Newell said she appreciates the work done and it is thorough. Mr. Craig said he recommends an audit committee. Mayor Newell requests a meeting to follow up on this audit.

Mayor Newell would like to know how much can be made off of a utility bill. Roger Shugart would like to know what is meant by the bottom two lines. Mayor Newell read "This communication is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties". Mr. Craig said it is a standard procedure. When it is draft format I wouldn't like it given out. He would prefer it be given out after final audit. Gail Logsdon asked what top 3 items to begin with for working on. Mr. Craig said the top one would be the Emergency and Disaster Fund, Utility Billing and Personnel Policy. Mayor Newell has her own opinion letter she would like to give to council for my first year. We need to continue to work on these issues and according to what is important to the council on what gets done. I feel like we are serving the city and get on it. We have a quarterly meeting next month and we need to start hitting this issue within the next couple weeks. This audit has a lot in it to be fixed.

We normally open practice to questions. Linda Barganier remarked she likes to see council agree to disagree. She would like another open meeting in a week or two where the citizens can be here. She would like the opportunity for the citizens of Brazoria to address our concerns prior to next meeting. We don't like getting shut out again like tonight. We don't want that again. Stephanie Cribbs said she talked 5 minutes about needing transparency. She was told there would be a town hall meeting and when she looked at the agenda it was after you had discussed it. We can't hear, we don't have documents to look at. It is our right to see what you are doing. Our tax dollars are putting you up there. This city is a jungled mess. It is evident this gentleman comes to do audit and the paperwork is not even ready. Being an auditor for 30 years if this had gone on with me I would be in jail. The garbage rates at the meeting when the garbage people were here, I came up and asked where the extra money was going and was told to put trash cans on the street. I have gone six months when trash was not picked up regularly. I came in last Monday to put an item on the agenda and was told I can't do it. Agendas is already on the internet. I pulled it up last night and it was not signed by Mayor or City Secretary. There was no reason why it couldn't be pulled and changed. The citizens are not happy with what is going on. How can we know there is \$690,000 in an account when there are no records to prove or show what is happening? The \$500.00 the City Manager receives a month and you don't live here. You live in Sweeny. I would love for someone to pay me to drive to downtown Houston. Then additional miles when you go out of town. I am very disappointed it was not a true town hall meeting. Mayor Newell said it was told it was going to be a workshop. Mayor Newell said when she signed the agenda it didn't say that.

Sabrina Lott asked if this was his first year to do our audit. Mr. Craig said it is his first year on his own. He did the audit with the firm that was doing the audit the last 2 years. Sabrina Lott asked why nothing has been taken care of from 3 years back. Gail Logsdon said all the items were addressed other than Capital Asset recording. It was talked about last year but a policy was not done. Mayor Newell said there was stuff going on for a while but not found last year. Mr. Craig explained he is bound by law to let council know if he finds fraud. He is not supposed to come in and look for things that are being done illegally unless they come up in the course of the audit. Mayor Newell said she is nervous to sign checks and she would like an accountant to sign the checks because they would know better. I go through looking at receipts but would like someone to be explaining it all to me.

Ruby Jordan would like to see if the council meeting could be put on the Heritage Foundation sign and other signs so we could have more people. Gary Kersh said Mr. Clark at other end of town might would do it also.

Linda Barganier explained if you give the auditor the right figures then you won't go to jail.

Marcus Rabren made a motion to accept review of the annual financial report and audit for fiscal 2016 from Curtis T. Craig CPA with a timeline to cover the issues in the audit on April 25, 2017. A second was made by Gary Kersh. Motion carried unanimously.

E. ADJOURN SPECIAL MEETING AND CALL TO ORDER WORKSHOP.

Mayor Newell adjourned Special Meeting and called to order workshop at 8:25 p.m.

F. CONSIDERATION/ACTION TO DISCUSS ADDING BACK TO ABATEMENT RESOLUTION SINGLE FAMILY HOUSING.

Teresa Borders gave out previous information on past abatement resolutions. Mayor Newell explained she was approached about putting in a subdivision back behind Buc-ees. Roger Shugart said lots of legislature happening and he thinks this needs to be delayed until we see what happens with the franchise fees. Mayor Newell said because we gave half of our sales tax away to Buc-ees she feels this would bring in revenue in the long run. Gary Kersh said it was used before and he feels it wouldn't hurt anything. Gary Kersh asked to put on next agenda.

G. ADJOURN WORKSHOP.

Mayor Newell adjourned workshop at 8:29 p.m.

BobbyJo Newell, Mayor

ATTEST:

Sheila Williams, City Secretary