

AGENDA FOR REGULAR MEETING

KERRVILLE CITY COUNCIL

TUESDAY, JUNE 28, 2016, 6:00 P.M.

KERRVILLE CITY HALL COUNCIL CHAMBERS

701 MAIN STREET, KERRVILLE, TEXAS

**KERRVILLE CITY COUNCIL AGENDA**  
**REGULAR MEETING, TUESDAY, JUNE 28, 2016, 6:00 P.M.**  
**CITY HALL COUNCIL CHAMBERS**  
**701 MAIN STREET, KERRVILLE, TEXAS**

**CALL TO ORDER**

**INVOCATION:** by Matt Melton, Pastor, South Church, Kerrville, Texas.

**PLEDGE OF ALLEGIANCE TO THE FLAG**

**1. VISITORS/CITIZENS FORUM:**

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must fill out the speaker request form and give it to the City Secretary. City Council may not discuss or take any action on an item but may place the issue on a future agenda. The number of speakers will be limited to the first ten speakers and each speaker is limited to four minutes.

**2. PRESENTATIONS:**

2A. Resolution of Commendation to David Jones for service on the Library Advisory Board. (Mayor White)

**3. CONSENT AGENDA:**

These items are considered routine and can be approved in one motion unless a councilmember asks for separate consideration of an item. It is recommended that City Council approve the following items which will grant the Mayor or City Manager the authority to take all actions necessary for each approval:

3A. Minutes of the regular meeting held May 10, 2016; and the special meetings held May 17, May 19, and May 23, 2016. (staff)

3B. Memorandum of Understanding between BCFS Health and Human Services (BCFS HHS) and the City of Kerrville, Texas for the City's use of BCFS HHS resources during incidents of need. (staff)

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The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the City hall of the City of Kerrville, Texas, and said notice was posted on the following date and time: June 24, 2016 at 3:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Brenda Craig  
City Secretary, City of Kerrville, Texas

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3C. Authorize city staff to execute a construction contract with Zuber Construction, Inc. for the Utility, Construction and Transportation (UTC) building project in the amount of \$1,004,490.00 and authorization for the city manager to execute additional change orders which may not exceed a total contract value of 1,200,000.00. (staff)

3D. Lease Agreement with PNC Equipment Finance, LLC for 60 new E-Z-Go RXV electric golf carts through BuyBoard Purchasing Cooperative. (staff)

3E. Approval of the selection of an auditor to provide professional audit services for fiscal years ending September 30, 2016, 2017, and 2018, with option to extend the contract for 2019 and 2020. (staff)

**END OF CONSENT AGENDA**

**4. ORDINANCE SECOND AND FINAL READING:**

4A. Ordinance No. 2016-07, amending the City's "Zoning Code" to revise Section 11-12(f) "Temporary Construction Trailers and Buildings" to allow for the expanded use of such structures; containing a savings and severability clause; providing for a maximum penalty or fine of two thousand dollars (\$2,000.00); and ordering publication. (staff)

**5. CONSIDERATION AND POSSIBLE ACTION:**

5A. Resolution No. 13-2016 approving/disapproving Kerr Central Appraisal District's proposed fiscal year 2017 budget. (staff)

5B. Request from Kerr County to waive any and all City building permit, plan check, and inspection fees associated with Kerr County's expansion of the Kerr County Jail. (staff)

5C. Letters of intent between the City of Kerrville and Schreiner University, and between the City of Kerrville and Southern Golf Properties for the supply of reclaimed water. (staff)

5D. Request to waive the perimeter sidewalk construction, per City Code Section 26-36(f), for property located adjacent to the west frontage of State Highway Loop 534 and being generally located between the Sendero Ridge residential subdivision and a commercial development known as Destination Cyclesports. (staff)

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Brenda Craig  
City Secretary, City of Kerrville, Texas

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**6. INFORMATION AND DISCUSSION:**

6A. Update from city staff regarding the creation of a demolition delay ordinance. (staff)

6B. Budget and economic update. (staff)

**7. ITEMS FOR FUTURE AGENDAS**

**8. ANNOUNCEMENTS OF COMMUNITY INTEREST:**

Announcement of items of community interest, including expressions of thanks, congratulations, or condolences; information regarding holiday schedules; honorary recognitions of city officials, employees, or other citizens; reminders about upcoming events sponsored by the city or other entity that is scheduled to be attended by city officials or employees; and announcements involving imminent threats to the public health and safety of the city. No action will be taken.

**9. EXECUTIVE SESSION:**

City Council may, as permitted by law, adjourn into executive session at any time to discuss any matter listed above including if they meet the qualifications in Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Texas Government Code, including the following matters:

9A. Sections 551.071 and 551.072:

Discuss the purchase, exchange, lease, sale, or value of real property, the public discussion of which would not be in the best interests of the City's bargaining position with third parties, regarding property interests related to the following:

- River trail.

**10. ACTION ON ITEM DISCUSSED IN EXECUTIVE SESSION**

**11. ADJOURNMENT.**

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I do hereby certify that this notice of meeting was posted on the bulletin board at the City hall of the City of Kerrville, Texas, and said notice was posted on the following date and time: June 24, 2016 at 3:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Brenda Craig  
City Secretary, City of Kerrville, Texas

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## Agenda Item:

2A. Resolution of Commendation to David Jones for service on the Library Advisory Board. (Mayor White)



**City of Kerrville**

701 MAIN STREET • KERRVILLE, TEXAS 78028 • 830.257.8000 • KERRVILLETX.GOV

**RESOLUTION OF COMMENDATION**

**WHEREAS, T. DAVID JONES** has served as a member of the Library Advisory Board with the date of service beginning July 5, 2012; and

**WHEREAS, T. DAVID JONES** has served faithfully and dutifully on said board;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

That **T. DAVID JONES** be recognized for outstanding service as a member of the Library Advisory Board, and that on behalf of the citizens of Kerrville, as well as for ourselves individually, we wish to express our sincere appreciation for contributions to the city and the community.

PASSED AND APPROVED, this the \_\_\_\_ day of \_\_\_\_\_, 2016.

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

\_\_\_\_\_  
Bonnie White, Mayor

\_\_\_\_\_  
Stephen P. Fine, Mayor Pro Tem

\_\_\_\_\_  
Gary Stork, Councilmember

\_\_\_\_\_  
Glenn C. Andrew, Councilmember

\_\_\_\_\_  
Gene Allen, Councilmember

## **Agenda Item:**

3A. Minutes of the regular meeting held May 10, 2016; and the special meetings held May 17, May 19, and May 23, 2016. (staff)

CITY COUNCIL MINUTES  
REGULAR MEETING

KERRVILLE, TEXAS  
MAY 10, 2016

On May 10, 2016, the Kerrville City Council meeting was called to order at 6:30 p.m. by Mayor Pratt in the city hall council chambers at 701 Main Street. The invocation was offered by Brett Coe, Senior Minister, First Christian Church, followed by the Pledge of Allegiance led by Fire Chief Dannie Smith.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Gary F. Stork	Mayor Pro Tem
Stephen P. Fine	Councilmember
Bonnie White	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT: None

CITY CORE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Day	Deputy City Manager
Brenda Craig	City Secretary
Sandra Yarbrough	Director of Finance
Ashlea Boyle	Special Projects Manager
Dannie Smith	Fire Chief
Kaitlin Berry	Special Projects Manager

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

**1. VISITORS/CITIZENS FORUM:**

1A. Carolyn Lipscomb suggested that council appoint George Baroody to fill the vacant position of Councilmember Place Two.

2. Robert Naman noted that many voters were upset about the lack of transparency on issues and inconsistencies. He was concerned that no one from the city had made any attempt to correct the Daily Times regarding statements about the city's principal debt.

**2. PRESENTATIONS:**

2A. Proclamation declaring May as Williams Syndrome Awareness Month.

**3. CONSENT AGENDA:**

Ms. White requested Item 3C be deferred until after Item 4A.

Mr. Stork moved to approve consent agenda items 3A and 3B; Mr. Fine seconded the motion, and the motion passed 5-0:

3A. Minutes of the special joint KPUB/City Council meeting held March 22, 2016, and the regular meetings held April 12 and April 26, 2016.

3B. Request from Kerrville Festival of the Arts to waive public safety service costs in the amount of \$2,640.00 for the Kerrville Festival of the Arts event to be held May 28-29, 2016.

#### **END OF CONSENT AGENDA**

#### **4. CONSIDERATION AND POSSIBLE ACTION:**

4A. Application by the City of Kerrville to the Kerrville Economic Improvement Corporation (EIC) for a maximum of \$3 million for construction of reuse distribution lines.

Mr. Parton noted letters were received from Riverhill Country Club (RCC) and Schreiner University (SU) expressing interest in becoming reuse water customers and requesting the city provide for the extension of distribution lines and related appurtenances to their property. He stated that the extension of distribution lines was an appropriate use of EIC funds. If council approved the request, he recommended that letters of intent be negotiated with each entity and that staff be authorized to make application to EIC for up to \$3 million for construction of reuse distribution lines to RCC, SU, and the city's new athletic facility.

Ms. White noted that the 2014 Freese & Nichols proposal did not include an allotment for 30,000 linear feet of distribution lines to the three entities; however the presentation to the ad hoc committee included the 30,000 lf. By approving the recommendation, council would also be recommending the extension of lines.

Mr. Parton noted the \$18.5 construction project already included the extension of distribution lines.

Ms. White asked if there was a breakdown of the cost of the six miles of lines allocated to each customer. Mr. Parton noted it was in the construction estimate that was sent to council previously. The project would be funded through the \$10 million bond issue and a maximum \$8.5 million loan from KPUB. The agreement with KPUB stated if there was a reduction in the amount of the loan, there would be a corresponding reduction in the payment schedule; therefore, if EIC funds were used, the KPUB loan could be reduced.

Mr. Parton noted the letter of intent would establish the volume guaranteed and the rate for the reuse water, similar to agreements with existing effluent customers.

Mr. Hayes noted that the distribution lines for all three entities qualified for EIC funding. RCC and SU would also be a party to the funding agreements with the City and EIC.

Mr. Parton noted the initial use of effluent would be for irrigation; however the city anticipated using effluent to provide additional sustainable water source. The city currently sent an estimated 360 mg of effluent into the river. The first phase of the project would construct a storage pond to hold 105 mg; once the pond was at

capacity, there would be a consistent overflow of 255 mg, which could be: 1) Diverted into the river; or 2) Treated to drinking water standards and injected into an ASR well or stored in another larger pond that could be constructed. Phase I of the direct potable reuse (dpr) project was to work with TCEQ to look at water quality and requirements to treat effluent to drinking water standards so it could be injected into an ASR. The ad hoc reuse committee had studied the project and recommended the city move forward as quickly as possible toward the dpr phase of the project. Mr. Parton estimated a six year process for engineering analysis, design and construction. The next phase would be to construct a reservoir to control adequate volume of flow.

Mr. Stork moved to approve staff's recommendation as presented:

1. Extend reuse distribution lines to Riverhill Country Club and Schreiner University; said extension to be restricted to the delivery of reuse water to an on-site delivery point, at which point the entity would fund and construct its own on-site storage and distribution system.
2. Staff to negotiate and execute letters of intent with Riverhill Country Club and Schreiner University for the extension of the reuse distribution lines.
3. Staff to apply to the EIC for a maximum amount of \$3 million to fund construction of the effluent distribution infrastructure to the Riverhill Country Club, Schreiner University, and the athletics complex.

Mr. Fine seconded the motion and it passed 4 to 1 with Councilmembers Stork, Fine, Allen, and Pratt voting in favor of the motion and Ms. White voting against the motion.

3C. Professional services agreement with Freese and Nichols, Inc. to provide engineering and construction management services related to the distribution lines for the reuse pond project in an amount not to exceed \$926,500.00.

Mr. Stork moved for approval of the agreement as stated; Mr. Allen seconded the motion and it passed 4 to 1 with Councilmembers Stork, Allen, Fine, and Pratt voting in favor of the motion and Ms. White voting against the motion.

4B. Select development team(s) pursuant to Request For Qualifications (RFQ) for a potential workforce housing project located at 300 Peterson Farm Road.

Mayor Pratt noted the purpose of the RFQ was to determine the feasibility of developing workforce housing through a public/private partnership on property owned by the city via EIC. Said project would consist of 240-300 multi-family units with average monthly rental rate of \$750. Two RFQs were received: 210 DG of San Antonio, Texas; and MacDonald Companies of Kerrville, Texas. Both companies were evaluated and interviewed. The interview team was impressed with MacDonald Companies citing quality of project, maintenance of buildings, and management of project after construction.

Justin MacDonald noted they managed 3,200 units and owned 4,200 with over 300 of those in Kerrville and the vast majority located in surrounding counties. He discussed their regional management, maintenance teams, disaster response, and long term personal management.

Council noted the MacDonald project did not include any local tax abatement or debt obligation to the city. Mr. MacDonald noted their rate could foreseeably go as low as \$300. He discussed the 4% vs. 9% tax credit programs and noted the MacDonald project would be financed using low income housing tax credits and private multi-family revenue bond program.

Council noted that 210 DG Company stated that \$750 rate was not attainable and suggested the project be 50% subsidized/50% market rate.

Ms. White moved to select MacDonald Companies as the development team and authorize the city manager to execute a memorandum of understanding to develop a detailed development concept for council's consideration. The motion was seconded by Mr. Allen and passed 5-0.

#### **5. APPOINTMENTS TO CITY BOARDS AND COMMISSIONS:**

5A. Beautification Advisory Committee. Mr. Pratt moved to reappoint James Williamson and John Risher with terms to expire December 11, 2017; Mr. Allen seconded the motion and it passed 5-0.

5B. Mayor's Youth Advisory Council.

Mr. Pratt moved to appoint six applicants: Mary Margaret Burniston, Kianna Dao, Naomi J. Exum, Myles Garcia, Sydney Garcia, and Ryan Stanton. Mr. Stork seconded the motion and it passed 5-0.

Mayor Pratt noted three more positions were available for this 9 member council.

#### **6. ITEMS FOR FUTURE AGENDAS**

- May 17 agenda: Item to discuss the method for appointing someone to fill the Councilmember Place Two vacancy. Interested persons should submit their applications now.

#### **7. ANNOUNCEMENTS OF COMMUNITY INTEREST:**

- Employees recognized for tenure: Joe Alvarez, city garage, 41 years and Brenda Craig, City Secretary, 35 years.
- The police department's "Got Drugs" event collected 295 pounds of expired and unwanted drugs for destruction.
- Registration underway for swimming lessons to begin May 1.
- City was accepting applications for lifeguards.
- Library was showing western film series beginning May 14, 2:30 p.m.; Mike Bowlin would speak on the history of western filming at 2:00 p.m.
- Mr. Parton presented Mayor Jack Pratt with a resolution of commendation from State Representative Andrew Murr.

**8. EXECUTIVE SESSION:**

Mr. Stork moved for the city council to go into executive closed session under Sections 551.071 and 551.072 of the Texas Government Code; motion was seconded by Mr. Fine and passed 5-0 to discuss the following:

**8A. Sections 551.071 and 551.072:**

Discuss the purchase, exchange, lease, sale, or value of real property, the public discussion of which would not be in the best interests of the City's bargaining position with third parties, regarding property interests related to the following:

- River trail.

At 7:15 p.m. the regular meeting recessed. Council went into executive closed session at 7:22 p.m. At 7:31 p.m. the executive closed session recessed and council returned to open session at 7:32 p.m. Mayor Pratt announced no action was taken in executive session.

**9. ACTION ON ITEM DISCUSSED IN EXECUTIVE SESSION:** None.

**ADJOURNMENT.** The meeting adjourned at 7:32 p.m.

APPROVED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

\_\_\_\_\_  
Brenda G. Craig, City Secretary

CITY COUNCIL MINUTES  
OF A SPECIAL MEETING

KERRVILLE, TEXAS  
MAY 17, 2016

On May 17, 2016, 10:00 a.m. the Kerrville City Council special meeting was called to order by Mayor Pro Tem Gary Stork in the city hall council chambers, 701 Main Street. The invocation was offered by Father Tom Murray, St. Peter's Episcopal Church followed by the Pledge of Allegiance to the Flag led by Police Chief David Knight.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Gary F. Stork	Mayor Pro Tem
Stephen P. Fine	Councilmember
Bonnie White	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT: None

CITY CORE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Day	Deputy City Manager
Brenda Craig	City Secretary
Sandra Yarbrough	Director of Finance
David Knight	Police Chief
Kim Meismer	Director of General Operations
Kaitlin Berry	Special Projects Manager

VISITORS PRESENT: List on file in city secretary's office for required retention period.

**1. OFFICIAL CANVASS OF RETURNS FOR THE CITY OF KERRVILLE GENERAL ELECTION HELD ON MAY 7, 2016**

Following a review of the canvass document, Mr. Stork turned the meeting over to Mayor White.

**2. RESOLUTION NO. 11-2016 CANVASSING THE RETURNS AND DECLARING THE RESULTS OF THE MAY 7, 2016, CITY GENERAL ELECTION**

Mr. Fine moved to approve Resolution No. 11-2016; Mr. Allen seconded the motion and it passed 4-0.

**3. CERTIFICATES OF ELECTION SIGNED AND ISSUED BY MAYOR WHITE:**

- Mayor: Bonnie White
- Councilmember Place Three: Gary F. Stork
- Councilmember Place Four: Gene Allen

**4. OATHS OF OFFICE GIVEN BY KERRVILLE MUNICIPAL COURT JUDGE M. PATRICK MAGUIRE:**

- Mayor: Bonnie White
- Councilmember Place Three: Gary F. Stork
- Councilmember Place Four: Gene Allen

**5. STATEMENTS BY NEWLY-ELECTED COUNCILMEMBERS**

- Mayor: Bonnie White
- Councilmember Place Three: Gary F. Stork
- Councilmember Place Four: Gene Allen

**6. CONSIDERATION AND ACTION REGARDING PROCESS FOR FILLING THE VACANCY FOR THE COUNCILMEMBER PLACE TWO POSITION**

Mr. Parton noted the position of Councilmember Place Two was vacant as a result of Ms. White being elected to Mayor. In accordance with the charter, the council should appoint a replacement within 30 days of the vacancy, June 16.

Mr. Fine moved to have a special meeting on Monday, May 23, to consider applications that had been turned in to the city secretary's office by noon on Friday, May 20, and that councilmembers review those applications and interview the applicants. Mr. Stork seconded the motion and it passed 4-0.

Persons submitting applications should also be prepared to attend the regular meeting on May 24 in case they are appointed.

**7. CLOSING PRAYER** was offered by Ann Buck, Executive Director of the Christian Women's Job Corps.

**Adjournment:** The meeting adjourned at 10:18 a.m.

APPROVED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Bonnie White, Mayor

\_\_\_\_\_  
Brenda G. Craig, City Secretary

**KERRVILLE CITY COUNCIL** **SPECIAL JOINT MEETING**  
**WITH KERRVILLE ECONOMIC DEVELOPMENT CORPORATION** **May 19, 2016**

On Thursday, May 19, 2016, a special meeting of the Kerrville Economic Development Corporation was held at 11:30 a.m. at the Tivy High School Library, 3250 Loop 534, Kerrville, Texas, with invitation to the Kerrville City Council and the Kerrville Economic Improvement Corporation.

**City Council Members Present:**

Bonnie White, Mayor  
Gary Stork, Mayor Pro Tem

**City Council Members Absent:**

Gene Allen  
Stephen Fine

**EIC Members Present:**

Sherry Pattillo, Secretary  
Gary Stork  
Delayne Sigerman

**EIC Members Absent:**

David Wampler, President  
Gary Cochrane, Vice President  
Paul Stafford  
James Wilson

**KEDC Members Present:**

Thomas Houdeshell, President  
Charlie McIlvain, CVB, Vice-President  
Dan Troxell, Treasurer  
Tom Moser, Kerr County  
Ward Jones  
Mike Wittler, KPUB  
Don Barnett

**KEDC Members Absent:**

Jack Pratt, City of Kerrville  
David Wampler, EIC

**City Executive Staff Present:**

Todd Parton, City Manager  
Brenda Craig, City Secretary  
Kaitlin Berry, Special Projects Manager

**KEDC Staff Present:**

Jonas Titas, Executive Director  
Leah Dixon, Executive Assistant

**BIG PICTURE ECONOMIC DEVELOPMENT OVERVIEW**

Amy Holloway, President of Avalanche Consulting, discussed a balanced approach to economic development and noted that existing business expansion contributed to 80% of all new jobs created. She highlighted KEDC's FY2014-15 accomplishments: 650 new jobs created, \$20 million in annual wages, \$30 million in new investment, winner of the 2014 Texas EDC Economic Excellence Award and the 2015 Texas EDC Community Economic Development Award, and Jonas Titas achieved the Certified Economic Developer Designation by the IEDC. KEDC's goals continue to be: attracting and retaining talent, supplying businesses with real estate, and investing in quality of place.

**KERR ECONOMIC DEVELOPMENT CORPORATION PROGRAMMING,  
GOALS AND SUCCESSES**

Mr. Titas noted KEDC's goal was to grow the local economy to benefit the citizens of the community by bringing new dollars into the community from outside; this is best accomplished by retaining existing and creating new primary jobs in businesses that sell 50% of their products or services outside of Kerr County. He reviewed the projects for FY2014-15: Bending Branch Winery, James Avery Craftsman, and Mooney International. He noted 15,000 workers were employed in Kerrville who came from an area comprised of 28 zip codes. The average earnings in Kerrville were 25% lower than the Texas average. Retail markets and sales tax continued to rise in Kerrville and Kerr County.

**KERR ECONOMIC DEVELOPMENT CORPORATION STRATEGIC PLANNING  
SESSION RECAP**

Tom Houdeshell, KEDC President, reviewed KEDC's goals: continue to support retention and expansion of local primary businesses, retain and recruit talented workforce to fill quality jobs, improve product and site offerings, rally stakeholders to support goals, and develop new KEDC website. The main focus for FY2017 was building a development plan that included: creating industrial building development plan, marketing properties to prospects, and developing a plan to construct an industrial spec building.

The meeting adjourned at 1:05 p.m.

APPROVED: \_\_\_\_\_

\_\_\_\_\_  
Bonnie White, Mayor

ATTEST:

\_\_\_\_\_  
Brenda Craig, City Secretary

CITY COUNCIL MINUTES  
SPECIAL MEETING

KERRVILLE, TEXAS  
MAY 23, 2016

On May 23, 2016, the Kerrville City Council special meeting was called to order at 5:00 p.m. by Mayor White in the city hall council chambers at 701 Main Street.

COUNCILMEMBERS PRESENT:

Bonnie White	Mayor
Gary F. Stork	Mayor Pro Tem
Stephen P. Fine	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT: None

CITY CORE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Day	Deputy City Manager
Brenda Craig	City Secretary
Sandra Yarbrough	Director of Finance
Kaitlin Berry	Special Projects Manager

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

CONSIDERATION AND POSSIBLE ACTION:

Applications submitted to the city for the vacancy of Kerrville City Councilmember Place Two and appointment to said position

As a result of the May 7 election, Bonnie White was elected Mayor, resulting in a vacancy for the Councilmember Place Two Position. In accordance with the City Charter, Section 2.04, council shall appoint a qualified elector to fill a vacancy within 30 days after such vacancy occurs for the remainder of the unexpired term. Four applications were received and voter registration confirmed: Glenn Andrew, George Baroody, John Fleckenstein, and Justin MacDonald.

The following persons spoke:

1. George Baroody stated that he sent an email stating his case to all councilmembers individually and he provided a copy of the email for the record. He noted the agenda was posted to allow council to go into executive session under Section 551.074; however, he cited Section 551.074 (B) and stated that as a person being deliberated on, he requested that deliberation be in a public hearing.
2. Helen Herd opined that if Glenn Andrew was appointed he would follow the agenda of former Mayor Pratt who endorsed Mr. Andrew during the election. Mr. Allen and Mr. Stork received less than 40% of the total vote, 60% voted against them, and they both voted with Mr. Pratt on issues. She supported Mr. Baroody

and noted he was endorsed by four of his opponents from the last election. Mr. Baroody ran for council the past two years.

3. Robert Naman said he supported George Baroody and made a financial contribution to his campaign. Other applicants might have a conflict of interest on issues and council should seek someone who could compromise on issues.

4. Bill Morgan said he was an advocate for George Baroody and that Mr. Baroody was the top vote getter under the winners in the recent election; however, he opined that the other two would not have won if there had been only two in the race. He preferred that no one come on board that had a potential conflict of interest, which one did. He asked council to give the mayor at least a shot and have a 2 to 3 and not a 4 to 1.

Mayor White recommended deliberation be in public; council agreed.

Mayor White noted that the city was working with Mr. MacDonald on the workforce housing project and maybe other development options and he might have a conflict of interest on that matter.

She preferred to work with someone who ran for city council. She noted she and Mr. Andrew had a discussion before she filed to run for mayor and presented the option to him that he run for a council seat and she would support him and he would support her in the mayoral race and he was not interested in doing so.

Mayor White nominated George Baroody; the motion failed for lack of a second.

Mr. Stork moved to appoint Glenn Andrew to the Place Two seat; Mr. Allen seconded the motion and it passed 3 to 1 with Councilmembers Stork, Allen, and Fine voting in favor of the motion and Mayor White voting against the motion.

**ADJOURNMENT.** The meeting adjourned at 5:15 p.m.

APPROVED: \_\_\_\_\_  
ATTEST:

\_\_\_\_\_  
Bonnie White, Mayor

\_\_\_\_\_  
Brenda G. Craig, City Secretary

## **Agenda Item:**

3B. Memorandum of Understanding between BCFS Health and Human Services (BCFS HHS) and the City of Kerrville, Texas for the City's use of BCFS HHS resources during incidents of need. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Memorandum of Understanding (MOU) between Baptist Children and Family Services (BCFS) and the City of Kerrville.

**FOR AGENDA OF:** 06/28/2016

**DATE SUBMITTED:** 06/03/2016

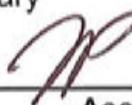
**SUBMITTED BY:** Dannie Smith  
Fire Chief

**CLEARANCES:** Todd Parton  
City Manager

**EXHIBITS:** Memorandum of Understanding

**AGENDA MAILED TO:** Brenda Craig, City Secretary

**APPROVED FOR SUBMITTAL BY CITY MANAGER:**



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Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:
\$	\$	\$	

**PAYMENT TO BE MADE TO:**

**REVIEWED BY THE DIRECTOR OR FINANCE:**

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**SUMMARY STATEMENT**

BCFS Health and Human Services was established in 1944, and has had a presence in our City since 2007. In addition to providing health and human services, BCFS has an emergency management division. This division specializes in emergency management, all hazards incident management, and turnkey disaster response. BCFS's emergency management division was contracted by the State of Texas to provide these services at the following incidents; the 2011 Texas Wildfires, Hurricanes Ike, Katrina and Rita, and the Branch Davidian Incident. The division has numerous resources such as; mobile command platforms, mobile medical units, and mobile laundry, shower and restroom units. In an effort to be a good community partner BCFS has agreed to share these resources with our City. This MOU provides our City access to BCFS resources, as an in-kind service, at no cost during times of need.

**RECOMMENDED ACTION**

Approve and adopt MOU between BCFS and the City of Kerrville for in-kind services of BCFS resources.



## MEMORANDUM OF UNDERSTANDING

This Agreement is by and between:

- **BCFS Health and Human Services**, a Texas non-profit corporation (hereinafter referred to as "BCFS HHS"), 1506 Bexar Crossing, San Antonio, Texas 78232, which includes the BCFS HHS Emergency Management Division (EMD), and the
- **The City of Kerrville**, (also referred to as the "City"), 701 Main Street, Kerrville, Texas, 78028.

WHEREAS, the City of Kerrville could benefit with the temporary provision and use of BCFS HHS resources, including but not limited to those items listed in Attachment A, that could supplement City resources and certain functions during isolated incidents of need; and

WHEREAS, BCFS HHS would consider providing the CITY with temporary, emergent access to the BCFS HHS Hill Country Resource Center (located at 1127 East Main Street, Kerrville, Texas 78028), for use as an alternate or backup Public Safety Answering Point (PSAP) location to the frontline Emergency Call Center; and

WHEREAS, BCFS HHS owns Mobile Command Platforms and other related and supportive assets that could assist as temporary resource(s) to establish and conduct emergency, recovery, and/or steady state-type functions; and

WHEREAS, the parties hereto wish to express their agreement in which BCFS HHS would make resources available, in accordance with conditions and stipulations specified herein;

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, BCFS HHS and the City express their agreement and define the duties, scope, responsibilities, conditions, and stipulations of the parties as follows:

1. This Agreement is effective from the date of signing until midnight, June 1, 2017. The term may be extended, abbreviated, or otherwise modified by mutual, written agreement of the parties.
2. The CITY agrees to utilize the BCFS HHS Emergency Response toll free number (800.337.0373) in order to request activation of available BCFS HHS resources.
3. The CITY agrees that any BCFS HHS resource that is inoperable or unavailable at the time of request(s) will not obligate BCFS HHS to provide an alternative for or backup to the requested resource.

Initials \_\_\_\_\_  
Date \_\_\_\_\_

Initials \_\_\_\_\_  
Date \_\_\_\_\_



4. The CITY agrees that BCFS HHS will not be held responsible or liable for any mechanical, programming, or failure of any equipment, supplies, and/or functions of/on any requested BCFS HHS resource(s).

5. Relative to each requested resource, BCFS HHS personnel will support, operate and/or oversee the requested resource to the extent deemed appropriate by BCFS HHS. Alternatively, the CITY agrees that BCFS HHS will not be held responsible or liable for procedures, processes, functions, etc., conducted in/on any requested BCFS HHS resource by the CITY and/or officially designated supportive entities, organizations, and/or personnel.

6. Regarding resources left to the responsibility and operation of CITY or CITY-approved personnel, the CITY agrees to perform all reasonable and necessary maintenance on requested resources during and after its use, as deemed appropriate and/or necessary by BCFS HHS. During use, particularly for extended periods of time, the CITY agrees to monitor and maintain vehicle fuel and fluid levels at appropriate levels and in a timely manner. Mechanical issues or concerns will be reported to the designated BCFS HHS representative without fail or delay.

7. The CITY agrees that it is responsible for all damages to requested resource(s) that may occur during use by the CITY. The CITY agrees to provide the funding for any and all repairs or replacements made necessary as the result of its use of the requested resource(s).

8. This Agreement shall remain in full force and effect during the term set forth above unless any of the following occur:

- a. BCFS HHS terminates this Agreement with or without cause, upon 30 days' notice to the CITY;
- b. The parties agree to terminate this Agreement.

9. This Agreement may not be assigned, in whole or in part, by either of the parties to another without the prior written consent of the other Party. The parties may subcontract with other parties to provide personnel, services, equipment and goods as needed during an operation, but such subcontracting shall not excuse either party from meeting its obligations under this Agreement.

10. This Agreement constitutes the entire understanding and agreement of, and between, the parties with respect to the subject matter hereof, and supersedes all prior representatives and agreement, verbal or written. While the parties may add to or modify this Agreement by subsequent signed writings, this Agreement shall not be varied except by an instrument in writing, duly executed by an authorized representative of each party.

Initials \_\_\_\_\_  
Date \_\_\_\_\_

Initials \_\_\_\_\_  
Date \_\_\_\_\_



11. If any provision in this Agreement is held by a court of competent jurisdiction to be unenforceable, the balance of this Agreement remains enforceable to the extent allowed by law.

12. Any notice, consent, demand, or request required or permitted by and directly related to the establishment, continuance, renewing and/or cancellation of this Agreement shall be in writing and shall be deemed to have been sufficiently given when personally delivered or deposited in the United States mail, postage prepaid, certified, addressed as follows:

**The CITY:**

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, ST Zip: \_\_\_\_\_  
Phone #: ( ) \_\_\_\_\_  
Attn: Accounts Manager  
Email address: \_\_\_\_\_

**BCFS HHS:**

BCFS HHS  
c/o Emergency Mangement Division  
1506 Bexar Crossing  
San Antonio, Texas 78232  
210-832-5000  
ktatro@BCFS.net

13. The validity, construction, scope, and performance of this Agreement shall be governed by the applicable laws of the State of Texas. Further, each party consents to the exclusive jurisdiction and venue of the courts located in Bexar County, Texas, with respect to all matters arising out of, or related to, this Agreement.

14. The signatories hereto warrant and represent that they have authority to bind their principals and that the parties hereto are the correct parties to the Agreement as to the promises exchanged herein.

The parties hereto have executed this Agreement on \_\_\_\_\_, 2016.

**The CITY**

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

\_\_\_\_\_  
Date

**BCFS Health And Human Services**

By: \_\_\_\_\_  
Kevin C. Dinnin, Chairman

\_\_\_\_\_  
Date



Attachment A: BCFS HHS Resource List

Type-1 Mobile Command Platform
Type-3 Mobile Command Platform
Semi-Trailer Trucks
Trucks (650, 450, 1 ton, 3/4 ton)
Box Trucks w/ lift
Passenger Vans
Cargo Vans
12' - 36' trailers (supply)
48' - 53' Trailers with Lift
Trailered Shelter Support Units
60 KW - 300 KW Generators
Shower/Washer-Dryer Trailer (8 heads, 2 washers & dryers)
Shower Trailer
Toilet Trailer
Laundry Trailer
Light Towers
Communication Mast Trailers 60' - 100'
Spartan Fire Truck; 1500 GPM pump
BLS Ambulance
Mobile Medical Unit
Medical Tent Trailer
Coach Buses
24' Tilt/Flat Bed Trailer
Forklift Trailer
48' Flat Bed Trailer
53' Low Boy Trailer
Forklifts 8000 lbs. - 11000 lbs.
Polaris (Diesel) Rangers
12' - 26' Trailers with ramp
Mass Care / Shelter Supplies
Communications Equipment
VHF Radios, Cellular Phones, Laptops, Printers, Monitors

## **Agenda Item:**

3C. Authorize city staff to execute a construction contract with Zuber Construction, Inc. for the Utility, Construction and Transportation (UTC) building project in the amount of \$1,004,490.00 and authorization for the city manager to execute additional change orders which may not exceed a total contract value of 1,200,000.00. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Council authorization for the City Manager to execute a construction contract with Zuber Construction, Inc. in the amount of \$1,004,490.00 for the Utility, Construction, and Transportation (UTC) Building Project in an amount not to exceed a total contract value of \$1,200,000.00.

**FOR AGENDA OF:** June 28, 2016

**DATE SUBMITTED:** June 17, 2016

**SUBMITTED BY:** Kyle Burow, P.E., CFM  
Director of Engineering

**CLEARANCES:** Malcolm Matthews  
Interim Deputy City Manager

**EXHIBITS:** Bid Tabulation  
Recommendation of Award

**PAYMENT TO BE MADE TO:** Zuber Construction, Inc.  
616 Clay Street  
Kerrville, TX 78028

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$1,200,000.00	\$1,357,811.86	\$1,300,000.00	U04

**REVIEWED BY THE FINANCE DIRECTOR:**

---

The Utility Construction (UTC) building was built in 1939 by LCRA. The building and city yard were later transferred to the City with a primary use to house equipment and materials. Throughout the years, the building has seen numerous modifications and additions. The current occupancy is for office space and shop space for three different divisions in addition to housing over \$600,000 of rolling stock and a substantial portion of city water utility inventory. The UTC building was listed in the 2008 Facility Master Plan as being in poor condition with a lack of insulation and air infiltration. The master plan listed the facility of having no more lifespan and a renovation as being cost prohibitive. The current wood frame building does not meet ADA standards in the restrooms, stairs, door clearances, and hardware and is in need of substantial renovation. The shop area was not designed for its current use, has never been insulated and the inventory is not in a centralized location where it can be easily secured and accounted by city staff.

In March 2016, Peter Lewis Architects were hired to generate construction documents for a new Utility, Transportation, and Construction Building consisting of a 12,500 square foot single story, pre-engineered metal building with 'R' panel siding and masonry wainscot that will include truck and equipment bays, office, break room, locker room, restrooms, and storage.

On June 14, 2016, four bids were received and opened with Zuber Construction, Inc. being the apparent lowest bid. Rustin Zuber is an alternate member of the Planning and Zoning Commission. City staff and Peter Lewis Architects evaluated the contractor and recommend award to Zuber Construction, Inc. for a construction contract amount of \$1,004,490.00.

#### **RECOMMENDED ACTION**

Authorize the City Manager to execute a construction contract with Zuber Construction, Inc. in the amount of \$1,004,490.00 for the Utility, Construction, and Transportation (UTC) Building Project in an amount not to exceed a total contract value of \$1,200,000.00.





PETER LEWIS  
ARCHITECT + ASSOCIATES

June 17, 2016

Kyle Burow, P.E.  
City Engineer  
City of Kerrville  
701 Main Street  
Kerrville, TX 78028

RE: City of Kerrville UTC Building

Dear Kyle:

Pursuant to receipt of bids for the referenced project, on June 14, 2016.

Four bids were received. The apparent low bid, \$1,004,490.00 (One million four thousand four hundred ninety and no/100 dollars) was submitted by Zuber Construction, Inc., Kerrville, Texas. We have an excellent project history with Zuber Construction having completed several projects together on schedule and on budget.

It is therefore our recommendation that the City of Kerrville accept Zuber Construction Inc.'s Bid and enter into negotiations for the Construction Contract.

Should you have any questions, please feel free to contact me.

Very truly yours,

Peter W. Lewis, Architect  
Principal

## **Agenda Item:**

3D. Lease Agreement with PNC Equipment Finance, LLC for 60 new E-Z-Go RXV electric golf carts through BuyBoard Purchasing Cooperative. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

**SUBJECT:** Authorization for City Manager to enter into a lease agreement with PNC Equipment Finance through the Texas BuyBoard for the Schreiner Golf Course cart fleet

**FOR AGENDA OF:** June 28, 2016 **DATE SUBMITTED:** June 21, 2016

**SUBMITTED BY:** Scott McDonough **CLEARANCES:** Malcolm Matthews  
Director of Golf Interim Deputy City Manager 

**EXHIBITS:** Lease Agreement

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
\$222,229.80	\$18543.48 FY16	\$12979.80 FY 16	14-802-387
		\$55800.00 FY 17	
		\$55800.00 FY 18	
		\$55800.00 FY 19	
		\$41850.00 FY 20	

**PAYMENT TO BE MADE TO:** PNC Equipment Finance

**REVIEWED BY THE DIRECTOR OF FINANCE:** 

**SUMMARY STATEMENT**

The leasing of golf cart fleets for golf course operations is the most efficient financial and operational method to purchase, service, and provide a large inventory of carts. The Scott Schreiner Municipal Golf Course has utilized leasing of carts since 2008 and budgets each year to continue this leasing program.

This equipment lease agreement with PNC Equipment Finance will continue to provide 60 E-Z-Go golf carts without any break in service. Golf cart rentals represent  $\pm 30\%$  of the total annual golf operations revenue, approximately \$275,000, so continuing to provide carts is critical to play and revenue. The 4 year lease includes an average annual payment from the city of \$55,560. The lease rate is secured through the Texas BuyBoard.

The lease terms include warranties on batteries, tires, brakes, gear boxes and motors and an extended amp hour warranty, which increased from the prior 22,500 to 25,000 hours, which will extend the life of the cart batteries. E-Z-Go carts are high quality, dependable vehicles, known for operational excellence.

**RECOMMENDED ACTION**

Authorize the City Manager to enter into a lease agreement with PNC Equipment Finance for the Scott Schreiner Municipal Golf Course cart fleet.



May 25, 2016

**Lease Number 198226000**

City of Kerrville  
 Attn: Scott McDonough  
 800 Junction Highway 1 Country Club Drive  
 Kerrville, TX 78028

Dear Mr. McDonough:

Enclosed are the necessary documents needed to complete your lease transaction. Please review, sign and return the following:

- Lease Agreement – Please have the Authorized Signor execute the documents and provide their title.  
 Opinion of Counsel – Please have your attorney sign and provide the name of the law firm, if applicable.  
 Certificate of Acceptance – **At the point of delivery, fill out this form and return the original to us. We will be unable to disburse funds until we receive this signed form.**  
 Schedule of Payments – Please sign and provide the title of the signor, if applicable.
- Resolution-Certificate of Incumbency - List your Authorized Representative(s) and their title(s) in the body of the Resolution. Have the Authorized Representatives provide their names, title and signatures(s) on the lines which appear under the Authorized Representative Signature Section near the bottom of the Resolution. Finally, have the Secretary or appropriate Trustee attest to the information of the Authorized Representative(s) by signing and printing his/her name, title and date on the **last** signature line provided. **The person who validates the signature should not sign the Lease Agreement.** The Resolution must reflect the title(s) of the individual(s) who have authorization to sign the documents.
- Insurance Request Form – Fill in your insurer's information and sign. Please contact your insurer, prior to delivery, to obtain a certificate of insurance. Please enclose the certificate with the signed documentation or have the insurer fax the certificate directly to me.
- Sales Tax Exemption Certificate – Please return a copy with the documents.
- Minutes of Governing Body (approving the purchase & finance of equipment) – Please return a copy with the documents.
- Invoice for first payment – Please send your check in the amount of \$4526.60, made payable to PNC Equipment Finance, LLC by the 8/1/2016.

Please return the documents to PNC Equipment Finance, LLC, Attn: Molly Williams 995 Dalton Avenue, Cincinnati, OH 45203.

**PNC Equipment Finance, LLC, in its sole discretion, reserves the right to adjust the payment factors in the enclosed documentation to reflect any changes in market conditions up to the date of funding.**

Our goal is to ensure that you receive the lowest payment available. Therefore, it is important that the documents are completed and returned to us by 6/3/2016.

If you have any questions please contact Molly Williams at [molly.williams@pnc.com](mailto:molly.williams@pnc.com) or 513-455-7420.

Sincerely,

Molly Williams  
 Commercial Transaction Coordinator

# Lease Agreement

Dated as of May 25, 2016

Lease Number 198226000

Lessor: PNC Equipment Finance, LLC  
995 Dalton Avenue  
Cincinnati, OH 45203

Lessee: LESSEE FULL LEGAL NAME  
City of Kerrville dba on behalf of Schreiner Golf Course  
800 Junction Highway 1 Country Club Drive  
Kerrville, TX 78028

FEDERAL TAX ID

746001490

Equipment Description See attached Certificate of Acceptance for Equipment Description

Rent Payment Schedule Lease Term is for 48 months, with Rent payments due in arrears monthly;  quarterly  semi-  annual;  annually; each in the amount of 3 @ \$4,326.60 followed by 45 @ \$4,650.00 beginning \_\_\_\_\_.

Lessee shall pay Rent payments exclusively from legally available funds in U.S. currency to Lessor in the amounts and on the dates set forth herein, without notice or demand.

## TERMS AND CONDITIONS

- LEASE.** Subject to the terms of this Lease, Lessee agrees to lease from Lessor the equipment (the "Equipment") described in the attached Certificate of Acceptance when Lessor accepts this Lease. Lessee agrees to be bound by all the terms of this Lease.
- DELIVERY AND ACCEPTANCE OF EQUIPMENT.** Acceptance of the Equipment occurs upon delivery. When Lessee receives the Equipment, Lessee agrees to inspect it and to verify by telephone or in writing such information as Lessor may require. Delivery and installation costs are the Lessee's responsibility. If Lessee signed a purchase contract for the Equipment, by signing this Lease Lessee assigns its rights, but none of its obligations under the purchase contract, to Lessor.
- RENT.** Lessee agrees to pay Lessor Rent (plus applicable taxes) in the amount and frequency stated above. Rent Payments under this Lease do not include the accrual of an interest portion. If Lessee's Rent payments are due in Advance, the first Rent payment is due on the date Lessee accepts the Equipment under the Lease. Lessor will advise Lessee as to (a) the due date of each Rent payment, and (b) the address to which Lessee must send payments. Rent is due whether or not Lessee receives an invoice from Lessor. Lessee will pay Lessor any required advance rent when Lessee signs this Lease. Lessee authorizes Lessor to change the Rent by not more than 15% due to changes in the Equipment configuration, which may occur prior to Lessor's acceptance of this Lease. Restrictive endorsements on checks Lessee sends to Lessor will not reduce obligations to Lessor. Unless a proper exemption certificate is provided, applicable sales and use taxes will be added to the Rent.  
**NON-APPROPRIATION OF FUNDS.** Lessee intends to remit all Rent and other payments to Lessor for the full Lease Term if funds are legally available. In the event Lessee is not granted an appropriation of funds at any time during the Lease Term for the Equipment subject to this Lease and operating funds are not otherwise available to Lessee to pay the Rent and other payments due and to become due under this Lease, and there is no other legal procedure or available funds by or with which payment can be made to Lessor, and the non-appropriation did not result from an act or omission by Lessee, Lessee shall have the right to return the Equipment in accordance with Section 16 of the Lease and terminate this Lease on the last day of the fiscal period for which appropriations were received without penalty or expense to Lessee, except as the portion of Rent for which funds shall have been appropriated and budgeted. At least 30 days prior to the end of Lessee's fiscal year, Lessee's chief executive officer (or legal counsel) shall certify in writing that (a) funds have not been appropriated for the upcoming fiscal period, (b) such non-appropriation did not result from any act or failure to act by Lessee, and (c) Lessee has exhausted all funds legally available for the payment of Rent.
- UNCONDITIONAL OBLIGATION.** LESSEE AGREES THAT IT IS UNCONDITIONALLY OBLIGATED TO PAY ALL RENT AND ANY OTHER AMOUNTS DUE UNDER THIS LEASE IN ALL FISCAL YEARS IN WHICH FUNDS HAVE BEEN APPROPRIATED NO MATTER WHAT HAPPENS, EVEN IF THE EQUIPMENT IS DAMAGED OR DESTROYED, IF IT IS DEFECTIVE OR IF LESSEE HAVE TEMPORARY OR PERMANENT LOSS OF ITS USE. LESSEE IS NOT ENTITLED TO ANY REDUCTION OR SET-OFF AGAINST RENT OR OTHER AMOUNTS DUE UNDER THIS LEASE FOR ANY REASON WHATSOEVER.
- DISCLAIMER OF WARRANTIES.** THE EQUIPMENT IS BEING LEASED TO LESSEE IN "AS IS" CONDITION. LESSEE AGREES THAT LESSOR HAS NOT MANUFACTURED THE EQUIPMENT AND THAT LESSEE HAS SELECTED THE EQUIPMENT BASED UPON LESSEE'S OWN JUDGMENT. LESSEE HAS NOT RELIED ON ANY STATEMENTS LESSOR OR ITS EMPLOYEES HAVE MADE. LESSOR HAS NOT MADE AND DOES NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, CONDITION, DURABILITY, OPERATION, QUALITY OF MATERIALS OR WORKMANSHIP, OR COMPLIANCE WITH SPECIFICATIONS OR APPLICABLE LAW. Lessee is aware of the name of the Equipment manufacturer and will contact the manufacturer for a description of warranty rights. If the manufacturer has provided Lessor with a warranty, Lessor assigns its rights to such warranty to Lessee and Lessee may enforce all warranty rights directly against the manufacturer of the Equipment. Lessee agrees to settle any dispute regarding performance of the Equipment directly with the manufacturer of the Equipment.
- TITLE AND SECURITY INTEREST.** Unless otherwise required by the laws of the state where Lessee is located, Lessor shall have title to the Equipment, except as set forth in section 15.
- USE, MAINTENANCE AND REPAIR.** Lessee will not move the Equipment from the Equipment Location without Lessor's advance written consent. Lessee will give Lessor reasonable access to the Equipment Location so that Lessor can check the Equipment's existence, condition and proper maintenance. Lessee will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions, and keep it

- eligible for any manufacturer's certification and/or standard full service maintenance contract. At Lessee's own cost and expense, Lessee will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. Lessee will not make any permanent alterations to the Equipment.
8. **TAXES.** Lessee agrees to pay Lessor, when invoiced, all taxes (including any sales, use and personal property taxes), fines, interest and penalties relating to this Lease and the Equipment (excluding taxes based on Lessor's net income). Lessee agrees to file any required personal property tax returns and, if Lessor asks, Lessee will provide Lessor with proof of payment. Lessor does not have to contest any tax assessments.
  9. **INDEMNITY.** Lessor is not responsible for any injuries, damages, penalties, claims or losses, including legal expenses, incurred by Lessee or any other person caused by the transportation, installation, manufacture, selection, purchase, lease, ownership, possession, modification, maintenance, condition, operation, use, return or disposition of the Equipment. To the extent permitted by law, Lessee agrees to reimburse Lessor for and defend Lessor against any claims for such losses, damages, penalties, claims, injuries, or expenses. This indemnity continues even after this Lease has expired, for acts or omissions that occurred during the Lease Term.
  10. **IDENTIFICATION.** Lessee authorizes Lessor to insert or correct missing information on this Lease, including Lessee's official name, serial numbers and any other information describing the Equipment. Lessor will send Lessee copies of such changes. Lessee will attach to the Equipment any name plates or stickers Lessor provides Lessee.
  11. **LOSS OR DAMAGE.** Lessee is responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is shipped to Lessee until it is returned to Lessor. If any item of Equipment is lost, stolen or damaged, Lessee will promptly notify Lessor of such event. Then, at Lessor's option, Lessee will either (a) repair the Equipment so that it is in good condition and working order, eligible for any manufacturer's certification, or (b) pay Lessor an amount equal to the Net Book Value (as defined in Section 14) of the lost, stolen or damaged Equipment. If Lessee has satisfied Lessee's obligations under this Section 11, Lessor will forward to Lessee any insurance proceeds which Lessor receives for lost, damaged, or destroyed Equipment. If Lessee is in default, Lessor will apply any insurance proceeds Lessor receives to reduce Lessee's obligations under Section 14 of this Lease.
  12. **INSURANCE.** Lessee agrees to (a) keep the Equipment fully insured against loss, naming Lessor as loss payee, and (b) obtain a general public liability insurance policy covering both personal injury and property damage in amounts not less than Lessor may tell Lessee, naming Lessor as additional insured, until Lessee has met all Lessee's obligations under this Lease. Lessor is under no duty to tell Lessee if Lessee's insurance coverage is adequate. The policies shall state that Lessor is to be notified of any proposed cancellation at least 30 days prior to the date set for cancellation. Upon Lessor's request, Lessee agree to provide Lessor with certificates or other evidence of insurance acceptable to Lessor. If Lessee does not provide Lessor with evidence of proper insurance within ten days of Lessor's request or Lessor receives notice of policy cancellation, Lessor may (but Lessor is not obligated to) obtain insurance on Lessor's interest in the Equipment at Lessee's expense. Lessee will pay all insurance premiums and related charges.
  13. **DEFAULT.** Lessee will be in default under this Lease if any of the following happens: (a) Lessor does not receive any Rent or other payment due under this Lease within ten days after its due date, (b) Lessee fails to perform or observe any other promise or obligation in this Lease and does not correct the default within ten days after Lessor sends Lessee written notice of default, (c) any representation, warranty or statement Lessee has made in this Lease shall prove to have been false or misleading in any material respect, (d) any insurance carrier cancels or threatens to cancel any insurance on the Equipment, (e) the Equipment or any part of it is abused, illegally used, misused, lost, destroyed, or damaged beyond repair, (f) a petition is filed by or against Lessee under any bankruptcy or insolvency laws, or (g) Lessee defaults on any other agreement between it and Lessor (or Lessor's affiliates).
  14. **REMEDIES.** Upon the occurrence of a default, Lessor may, in its sole discretion, do any or all of the following: (a) provide written notice to Lessee of default, (b) as liquidated damages for loss of a bargain and not as a penalty, declare due and payable, the present value of (i) any and all amounts which may be then due and payable by Lessee to Lessor under this Lease, plus (ii) all Rent payments remaining through the end of the Lease Term, discounted at the higher of 3% or the lowest rate allowed by law, plus the Fair Market Value of the Equipment (collectively, the "Net Book Value"). Lessor has the right to require Lessee to make the Equipment available to Lessor for repossession during reasonable business hours or Lessor may repossess the Equipment, so long as Lessor does not breach the peace in doing so, or Lessor may use legal process in compliance with applicable law pursuant to court order to have the Equipment repossessed. Lessee will not make any claims against Lessor or the Equipment for trespass, damage or any other reason. If Lessor takes possession of the Equipment Lessor may (a) sell or lease the Equipment at public or private sale or lease, and/or (b) exercise such other rights as may be allowed by applicable law. Although Lessee agrees that Lessor has no obligation to sell the Equipment, if Lessor does sell the Equipment, Lessor will reduce the Net Book Value by the amounts Lessor receives. Lessee will immediately pay Lessor the remaining Net Book Value. Lessee agrees (a) that Lessor only needs to give Lessee ten days' advance notice of any sale and no notice of advertising, (b) to pay all of the costs Lessor incurs to enforce Lessor's rights against Lessee, including attorney's fees, and (c) that Lessor will retain all of Lessor's rights against Lessee even if Lessor does not choose to enforce them at the time of Lessee's default.
  15. **LESSEE'S OPTION AT END OF LEASE.** Notwithstanding anything contained in the Lease to the contrary, so long as no default shall have occurred and be continuing, Lessee may, at Lessee's option, purchase the Equipment leased pursuant to this Rental Schedule on an "as is, where is" basis, without representation or warranty, express or implied, at the end of the Initial Term at a price equal to the Fair Market Value thereof, plus applicable taxes. "Fair Market Value" shall be equal to the value which would be obtained in an arms-length transaction between an informed and willing buyer and an informed and willing seller under no compulsion to sell, and in such determination, costs of removal of the Equipment from its location of current use shall not be a deduction from such value. If Lessee and Lessor cannot agree on the Fair Market Value thereof, such value shall be determined by appraisal at the sole expense of Lessee. Appraisal shall be a procedure whereby two recognized independent appraisers, one chosen by Lessee and one by Lessor, shall mutually agree upon the amount in question. If the appraisers are unable to agree upon the amount in question, a third recognized independent appraisers' evaluation shall be binding and conclusive on Lessee and Lessor. This purchase option as applicable shall only be available if Lessee gives Lessor 90 days' prior written notice of Lessee's irrevocable intent to exercise such option and Lessor and Lessee shall have agreed to all terms and conditions of such purchase prior to the expiration date of the Initial Term. Until the Equipment is returned as required below, all terms of the Lease shall remain in full force and effect including the obligation to pay Rent.
  16. **RETURN OF EQUIPMENT.** If (a) default occurs, (b) a non-appropriation of funds occurs in accordance with Section 3, or (c) Lessee does not purchase the Equipment pursuant to Section 15, Lessee will immediately return the Equipment to any location(s) in the continental United States and aboard any carriers(s) Lessor may designate. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with Section 7, and in "Average Saleable Condition." "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or lessee, other than Lessee named in this Lease, without the need for any repair or refurbishment. All Equipment must be free of markings. Lessee will pay Lessor for any missing or defective parts or accessories. Lessee will continue to pay Rent until the Equipment is received and accepted by Lessor.
  17. **LESSEE'S REPRESENTATIONS AND WARRANTIES.** Lessee hereby represents and warrants to Lessor that as of the date of this Lease, and throughout the Lease Term: (a) Lessee is the entity indicated in this Lease; (b) Lessee is a State or a fully constituted political subdivision or agency of the State in which Lessee is located; (c) Lessee is duly organized and existing under the Constitution and laws of the State in which Lessee is located; (d) Lessee is authorized to enter into and carry out Lessee's obligations under this Lease, any documents relative to the acquisition of the Equipment and any other documents required to be delivered in connection with this Lease (collectively, the "Documents"); (e) the Documents have been duly authorized,

- executed and delivered by Lessee in accordance with all applicable laws, rules, ordinances, and regulations, the Documents are valid, legal, binding agreements, enforceable in accordance with their terms and the person(s) signing the Documents have the authority to do so, are acting with the full authorization of Lessee's governing body, and hold the offices indicated below their signature, each of which is genuine; (f) the Equipment is essential to the immediate performance of a governmental or proprietary function by Lessee within the scope of Lessee's authority and shall be used during the Lease Term only by Lessee and only to perform such function; (g) Lessee intends to use the Equipment for the entire Lease Term and shall take all necessary action to include in Lessee's annual budget any funds required to fulfill Lessee's obligations for each fiscal year during the Lease Term; (h) Lessee has complied fully with all applicable law governing open meetings, public bidding and appropriations required in connection with this Lease and the acquisition of the Equipment; (i) Lessee's obligations to remit Rent under this Lease constitutes a current expense and not a debt under applicable state law and no provision of this Lease constitutes a pledge of Lessee's tax or general revenues, and any provision which is so constructed by a court of competent jurisdiction is void from the inception of this lease; (j) all payments due and to become due during Lessee's current fiscal year are within the fiscal budget of such year, and are included within an unrestricted and unencumbered appropriation currently available for the lease of the Equipment; and (k) all financial information Lessee has provided to Lessor is true and accurate and provides a good representation of Lessee's financial condition.
18. **LESSEE'S PROMISES.** In addition to the other provisions of this Lease, Lessee agrees that during the term of this Lease (a) Lessee will promptly notify Lessor in writing if it moves Lessee's principal office or it changes names or its legal structure, (b) Lessee will provide to Lessor such financial information as may reasonably request from time to time, and (c) Lessee will take any action Lessor reasonably requests to protect Lessor's rights in the Equipment and to meet Lessee's obligations under this Lease.
  19. **ASSIGNMENT. LESSEE WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE, SUB-LEASE OR PART WITH POSSESSION OF THE EQUIPMENT OR FILE OR PERMIT A LIEN TO BE FILED AGAINST THE EQUIPMENT.** Lessee will not attach any of the Equipment to any real estate. Upon Lessor's reasonable request and at Lessee's cost, Lessee will obtain from each person having an interest in the real estate where the Equipment is located a waiver of any rights they may have in the Equipment.
  20. **ASSIGNMENT BY LESSOR.** This Lease, and the rights of Lessor hereunder and in and to the Equipment, may be assigned and reassigned in whole or in part to one or more assignees by Lessor or its assigns at any time without the necessity of obtaining the consent of Lessee; provided, however, no such assignment or reassignment shall be effective unless and until Lessee shall have been given written notice of assignment disclosing the name and address of the assignee or its agent authorized to receive payments and otherwise service this Lease on its behalf. Upon receipt of notice of assignment, Lessee agrees to record the same in records maintained for such purpose, and further, to make all payments as designated in the assignment, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Lease or otherwise) that Lessee may from time to time have against Lessor or Lessor's assigns. Lessee agrees to execute all documents, including acknowledgments of assignment, which may reasonably be requested by Lessor or its assigns to protect their interests in the Equipment and in this Lease.
  21. **COLLECTION EXPENSES, OVERDUE PAYMENT.** Lessee agrees that Lessor can, but does not have to, take on Lessee's behalf any action which Lessee fails to take as required by this Lease, and Lessor's expenses will be in addition to that of the Rent which Lessee owes Lessor. If Lessor receives any payment from Lessee after the due date, Lessee shall pay Lessor on demand as a late charge five percent (5%) of such overdue amount, limited, however, to the maximum amount allowed by law.
  22. **AGREED LEASE RATE FACTOR.** Lessee understands that the Equipment may be purchased for cash (the "Equipment Cost") or it may be leased. By signing this Lease, Lessee acknowledges that it has chosen to lease the Equipment from Lessor for the Lease Term and that Lessee has agreed to pay Rent. Each payment of Rent includes a principal amount based on the Equipment Cost and a lease charge rate. If it is determined that Lessee's payments under this Lease result in an interest payment higher than allowed by applicable law, then any excess interest collected will be applied to the repayment of principal and interest will be charged at the highest rate allowed by law. In no event will Lessor charge or receive or will Lessee pay any amounts in excess of the legal amount.
  23. **MISCELLANEOUS.** This Lease contains the entire agreement and supersedes any conflicting provision of any equipment purchase order or any other agreement. **TIME IS OF THE ESSENCE IN THIS LEASE.** If a court finds any provision of Lease to be unenforceable, the remaining terms of this Lease shall remain in effect. **TO THE EXTENT THAT THIS LEASE IS FOUND TO NOT BE A TRUE LEASE, THIS LEASE IS A "FINANCE LEASE" AS DEFINED IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE.** Lessee authorizes Lessor (or Lessor's agent) to (a) obtain credit reports, (b) make such other credit inquiries as Lessor may deem necessary, and (c) furnish payment history information to credit reporting agencies. To the extent permitted by law, Lessor may charge Lessee a fee of \$250.00 to cover Lessor's documentation and investigation costs.
  24. **NOTICES.** All of Lessee's written notices to Lessor must be sent by certified mail or recognized overnight delivery service, postage prepaid, to Lessor at Lessor's address stated in this Lease, or by facsimile transmission to Lessor's facsimile telephone number, with oral confirmation of receipt. All of Lessor's notices to Lessee may be sent first class mail, postage prepaid, to Lessee's address stated in this Lease. At any time after this Lease is signed, Lessee or Lessor may change an address or facsimile telephone number by giving notice to the other of the change.
  25. **ANTI-MONEY LAUNDERING/INTERNATIONAL TRADE COMPLIANCE.** Lessee represents and warrants to Lessor, as of the date of this Lease, the date of each advance of proceeds under the Lease, the date of any renewal, extension or modification of this Lease, and at all times until the Lease has been terminated and all amounts thereunder have been indefeasibly paid in full, that: (a) no Covered Entity (i) is a Sanctioned Person; or (ii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority; (b) the proceeds of the Lease will not be used to fund any unlawful activity; (c) the funds used to repay the Lease are not derived from any unlawful activity; and (d) each Covered Entity is in compliance with, and no Covered Entity engages in any dealings or transactions prohibited by, any laws of the United States.
  26. As used herein: "Compliance Authority" means each and all of the (a) U.S. Treasury Department/Office of Foreign Assets Control, (b) U.S. Treasury Department/Financial Crimes Enforcement Network, (c) U.S. State Department/Directorate of Defense Trade Controls, (d) U.S. Commerce Department/Bureau of Industry and Security, (e) U.S. Internal Revenue Service, (f) U.S. Justice Department, and (g) U.S. Securities and Exchange Commission; "Covered Entity" means Lessee, its affiliates and subsidiaries and direct and indirect owners; "Sanctioned Country" means a country subject to a sanctions program maintained by any Compliance Authority; and "Sanctioned Person" means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any order or directive of any Compliance Authority or otherwise subject to, or specially designated under, any sanctions program maintained by any Compliance Authority.
  27. **USA PATRIOT ACT NOTICE.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each lessee that opens an account. What this means: when the Lessee opens an account, Lessor will ask for the business name, business address, taxpayer identifying number and other information that will allow the Lessor to identify Lessee, such as organizational documents. For some businesses and organizations, Lessor may also need to ask for identifying information and documentation relating to certain individuals associated with the business or organization.
  28. **WAIVERS. LESSOR AND LESSEE EACH AGREE TO WAIVE, AND TO TAKE ALL REQUIRED STEPS TO WAIVE, ALL RIGHTS TO A JURY TRIAL.** To the extent Lessee is permitted by applicable law, Lessee waives all rights and remedies conferred upon a lessee by Article 2A (Sections 508-522) of the Uniform Commercial Code including but not limited to Lessee's rights to: (a) cancel or repudiate this Lease; (b) reject or

revoke acceptance of the Equipment; (c) recover damages from Lessor for any breach of warranty or for any other reason; (d) grant a security interest in any Equipment in Lessee's possession. To the extent Lessee is permitted by applicable law, Lessee waives any rights they now or later may have under any statute or otherwise which requires Lessor to sell or otherwise use any Equipment to reduce Lessor's damages, which requires Lessor to provide Lessee with notice of default, intent to accelerate amounts becoming due or acceleration of amounts becoming due, or which may otherwise limit or modify any of Lessor's rights or remedies. **ANY ACTION LESSEE TAKES AGAINST LESSOR FOR ANY DEFAULT, INCLUDING BREACH OF WARRANTY OR INDEMNITY, MUST BE STARTED WITHIN ONE (1) YEAR AFTER THE EVENT, WHICH CAUSED IT.** Lessor will not be liable for specific performance of this Lease or for any losses, damages, delay or failure to deliver Equipment.

29. **IMPORTANT INFORMATION ABOUT PHONE CALLS.** By providing telephone number(s) to Lessor, now or at any later time, Lessee authorizes Lessor and its affiliates and designees to contact Lessee regarding Lessee account(s) with Lessor or its affiliates, whether such accounts are Lessee individual accounts or business accounts for which Lessee is a contact, at such numbers using any means, including but not limited to placing calls using an automated dialing system to cell, VoIP or other wireless phone number, or leaving prerecorded messages or sending text messages, even if charges may be incurred for the calls or text messages. Lessee consents that any phone call with Lessor may be monitored or recorded by Lessor.

**IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS LEASE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN AGREEMENT MAY NOT BE LEGALLY ENFORCED. THE TERMS OF THIS LEASE MAY ONLY BE CHANGED BY ANOTHER WRITTEN AGREEMENT BETWEEN LESSEE AND LESSOR. LESSEE AGREES TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS LEASE. LESSEE AGREES THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.**

LESSEE CERTIFIES THAT ALL THE INFORMATION GIVEN IN THIS LEASE AND LESSEE'S APPLICATION WAS CORRECT AND COMPLETE WHEN THIS LEASE WAS SIGNED. THIS LEASE IS NOT BINDING UPON LESSOR OR EFFECTIVE UNLESS AND UNTIL LESSOR EXECUTES THIS LEASE. THIS LEASE WILL BE GOVERNED BY THE LAWS OF THE STATE OF THE LESSEE.

City of Kerrville  
("Lessee")

X  
Authorized Signature

Print Name

Title:

Date

800 Junction Highway 1 Country Club Drive  
Kerrville, TX 78028

PNC Equipment Finance, LLC  
("Lessor")

X  
Authorized Signature

Print Name

Title:

995 Dalton Ave.  
Cincinnati, OH 45203

**OPINION OF COUNSEL**

I have acted as counsel to the above-referenced Lessee (the "Lessee") with respect to this Lease Agreement by and between the Lessee and Lessor (the "Lease"), and in this capacity have reviewed the original or duplicate originals of the Lease and such other documents as I have deemed relevant. Based upon the foregoing, I am of the opinion that: (A) Lessee is a state or a fully constituted political subdivision or agency of a state within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended; (B) the execution, delivery and performance of the Lease by Lessee has been duly authorized by all necessary action on the part of Lessee; (C) the Lease constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms, except as limited by laws of general application affecting the enforcement of creditors' rights, and does not constitute a debt of Lessee which is prohibited by state law; (D) the authorization, approval and execution of the Lease and all other proceedings of Lessee related to the transactions contemplated thereby have been performed in accordance with all open-meeting laws, public bidding laws, and all other applicable state laws. The undersigned certifies that (s)he is an attorney duly authorized to practice law in the State of \_\_\_\_\_.

The foregoing opinions are limited to the laws of such State and federal laws of the United States.

Attorney of Lessee

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Law firm: \_\_\_\_\_

# CERTIFICATE OF ACCEPTANCE

Lease Number 198226000

Quantity	Description	Serial No.
60	New E-Z-Go RXV Electric Golf Cars Together with all attachments, tooling, accessories and additions thereto	

or see attached Equipment Schedule

Lessee, through its authorized representative, hereby certifies to Lessor that:

1. The Equipment has been delivered to the location where it will be used, which is the Equipment Location given in the Lease Agreement ("Lease");
2. All of the Equipment has been inspected and is (a) complete, (b) properly installed, (c) functioning, and (d) in good working order;
3. Lessee accepts the Equipment for all purposes under the Lease as of \_\_\_\_\_, 20\_\_ (the "Acceptance Date"), which is the date on which the Equipment was delivered and installed;
4. The Equipment is of a size, design, capacity and manufacture acceptable to Lessee and suitable for Lessee's purposes; and
5. Lessee is not in default under the Lease, no Non-Appropriation of Funds (as described in the Lease) has occurred, and all of Lessee's statements and promises set forth in the Lease are true and correct.

Lessor is hereby authorized to insert serial numbers on the Lease.

THIS CERTIFICATE OF ACCEPTANCE IS SIGNED THIS \_\_\_ DAY OF \_\_\_\_\_, 20\_\_.

City of Kerrville  
("Lessee")

**X** \_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title:

\_\_\_\_\_  
Date

800 Junction Highway 1 Country Club Drive  
Kerrville, TX 78028

**RESOLUTION AND CERTIFICATE OF INCUMBENCY**  
**Lease Number 198226000**

Lessee: City of Kerrville

Amount \$222,229.80

WHEREAS, Lessee, a body politic and corporate duly organized and existing as a political subdivision, municipal corporation or similar public entity of the State or Commonwealth ("the State") is authorized by the laws of the State to purchase, acquire and lease certain equipment and other property for the benefit of the Lessee and its inhabitants and to enter into contracts with respect thereto; and

WHEREAS, pursuant to applicable law, the governing body of the Lessee ("Governing Body") is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interest in property, leases and easements necessary to the functions or operations of the Lessee.

WHEREAS, the Governing Body hereby finds and determines that the execution of one or more Lease Agreements or lease schedules ("Leases") in the amount not exceeding the amount stated above for the purpose of acquiring the property ("Equipment") to be described in the Leases is appropriate and necessary to the functions and operations of the Lessee.

WHEREAS, PNC Equipment Finance, LLC ("Lessor") shall act as Lessor under said Leases.

NOW, THEREFORE, Be It Ordained by the Governing Body of the Lessee:

Section 1. Either one of the \_\_\_\_\_ OR \_\_\_\_\_ (each an "Authorized Representative") acting on behalf of the Lessee, is hereby authorized to negotiate, enter into, execute, and deliver one or more Leases in substantially the form set forth in the document presently before the Governing Body, which document is available for public inspection at the office of the Lessee. Each Authorized Representative acting on behalf of the Lessee is hereby authorized to negotiate, enter into, execute, and deliver such other documents relating to the Lease as the Authorized Representative deems necessary and appropriate. All other related contracts and agreements necessary and incidental to the Leases are hereby authorized.

Section 2. By a written instrument signed by any Authorized Representative, said Authorized Representative may designate specifically identified officers or employees of the Lessee to execute and deliver agreements and documents relating to the Leases on behalf of the Lessee.

Section 3. The Lessee's obligations under the Leases shall be subject to annual appropriation or renewal by the Governing Body as set forth in each Lease and the Lessee's obligations under the Leases shall not constitute general obligations of the Lessee or indebtedness under the Constitution or laws of the State.

Section 4. This resolution shall take effect immediately upon its adoption and approval.

**SIGNATURES AND TITLES OF AUTHORIZED REPRESENTATIVES : AUTHORIZED LEASE SIGNORS ONLY**

Name	Title	Signature
Name	Title	Signature

ADOPTED AND APPROVED on this \_\_\_\_\_, 20\_\_.

Section 5. I, the undersigned Secretary/Clerk identified below, does hereby certify that I am the duly elected or appointed and acting Secretary/Clerk of the above Lessee, a political subdivision duly organized and existing under the laws of the State where Lessee is located, that I have the title stated below, and that, as of the date hereof, the individuals named below are the duly elected or appointed officers of the Lessee holding the offices set forth opposite their respective names. The undersigned Secretary/Clerk of the above-named Lessee hereby certifies and attests that the undersigned has access to the official records of the Governing Body of the Lessee, that the foregoing resolutions were duly adopted by said Governing Body of the Lessee at a meeting of said Governing Body and that such resolutions have not been amended or altered and are in full force and effect on the date stated below.

LESSEE: City of Kerrville dba on behalf of Schreiner Golf Course

\_\_\_\_\_  
Signature of Secretary/Clerk of Lessee [SEAL]

Print Name: \_\_\_\_\_  
Official Title: \_\_\_\_\_  
Date: \_\_\_\_\_



995 Dalton Avenue  
Cincinnati, Ohio 45203 • Telephone (513) 421-9191

Please Retain for Future Reference  
Page No. 1  
INVOICE #198226000  
Customer #1163201

INVOICE DATE  
5/25/2016

DUE DATE  
8/1/2016

Bill To:  
City of Kerrville  
800 Junction Highway 1 Country Club  
Drive  
Kerrville, TX 78028

Remit To:  
PNC Equipment Finance, LLC  
Attn: Lease Servicing/Set-Up Processing  
995 Dalton Avenue  
Cincinnati, OH 45203

### INVOICE

Lease No. 198226000

<b><u>Initial Charges:</u></b>	
Monthly Rent - 1 <sup>st</sup> Payment Due 8/1/2016	\$4,326.60
Sales Tax	Exempt
<b><u>Initiation Fees:</u></b>	
Documentation Fee	\$200.00
<b>PAY THIS AMOUNT</b>	<b>\$4,526.60</b>

May 25, 2016

 City of Kerrville dba on behalf of Schreiner Golf Course  
 800 Junction Highway 1 Country Club Drive  
 Kerrville, TX 78028

RE: Lease Number 198226000 ("Lease Agreement")

Please complete this form and return it to PNC Equipment Finance, LLC along with a copy of your Certificate of Insurance and Insurance Binder, naming PNC Equipment Finance, LLC as lender loss payee and additional insured, as evidence that you have obtained the necessary insurance as required by your Lease Agreement.

As part of the Lease Agreement, you have agreed to keep in effect an "All Risk (or broad form of)" extended coverage property insurance policy covering the equipment for its full replacement value. You are also required to carry a comprehensive general liability insurance policy or other similar form of third party liability coverage with combined single limits of \$1,000,000 per occurrence and \$2,000,000 in aggregate limits. The property insurance policy shall name PNC Equipment Finance, LLC and its successors and/or assigns (ISAOA) as sole Lender Loss Payee and the general liability insurance policy shall name PNC Equipment Finance, LLC and its successors and/or assigns (ISAOA) as an Additional Insured. In addition, such policies shall have a provision stating that the policy cannot be changed or cancelled without 30 days' prior written notice to PNC Equipment Finance, LLC.

If you fail to obtain insurance or provide evidence thereof to us, you agree that we may, but shall not be obligated to, obtain such insurance on your behalf and charge you for all costs and expenses associated therewith. Without limiting the foregoing, you specifically agree that if we obtain insurance on your behalf, you will be required to pay a monthly insurance charge. The monthly insurance charge will include reimbursement for premiums advanced to the insurer, finance charges (which will typically be at a rate higher than the rate used to determine your equipment rental amount), billing and tracking fees, administrative expenses and other related fees. We shall receive a portion of the insurance charges, which may include a profit from such finance, billing, tracking, administrative and other charges.

Please provide the pertinent policy information below in addition to sending PNC Equipment Finance, LLC, copies of the appropriate insurance documents requested above. Thank you for your assistance in this matter.

**Please complete all of the information below.**

**Insurance Agent Information**

Name:	Insurance Carrier:
Address:	Policy Number:
	Effective Date:
Phone Number:	Expiration Date:
Fax Number:	

**Lessee: City of Kerrville dba on behalf of Schreiner Golf Course**

 Signature: X

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

Please return this form to:  
**PNC Equipment Finance, LLC**  
 995 Dalton Avenue  
 Cincinnati, OH 45203

Attn: \_\_\_\_\_

•OR•

Fax: \_\_\_\_\_

**Lease #198226000**

Please provide the following information. By providing such information, you will enable us to ensure prompt payment of your vendor and the correct processing of your lease transaction.

Thank you.

**Lessee Information**

Full Business Legal Name: City of Kerrville dba on behalf of Schreiner Golf Course		Federal Tax ID Number: 746001490	
Invoices should be directed to:		Attention:	
Address	City:	State:	Zip:

**Preferred Method of Payment: (Please check)**

<input type="checkbox"/> Monthly Invoice (Mail)		
Invoices should be directed to:		Attention:
Address		City:
<input type="checkbox"/> Monthly Invoice (Email)		Email:
Billing Contact:		

**Contact Information**

In order to verify receipt of equipment and review terms and conditions of the lease, please provide contact information for one or more staff that can assist in this process.

Contact 1:	Phone:
Email:	
Contact 2:	Phone:
Email:	

I hereby attest the above information is accurate.

Signature X	Date
Email:	

## AMENDMENT TO LEASE PURCHASE

This Amendment ("**Amendment**"), dated and effective as of the 25 day of May, 2016, is to that certain City of Kerrville dated \_\_\_\_\_ (the "**Lease**") between City of Kerrville, with its principal place of business at 800 Junction Highway 1 Country Club Drive, Kerrville, TX 78028 ("**Lessee**"), and PNC Equipment Finance, LLC, with an address at 995 Dalton Avenue, Cincinnati, OH 45203 ("**Lessor**").

In consideration of the mutual covenants contained herein and other valuable consideration received, and with the intent to be legally bound, the parties amend the Lease as follows:

**RENT.** The 7<sup>th</sup> sentence in Section 3 titled "RENT" is deleted in its entirety. Lessee authorizes Lessor to change the Rent by not more than 15% due to changes in the Equipment configuration, which may occur prior to Lessor's acceptance of this Lease.

**NON-APPROPRIATION OF FUNDS.** The 3<sup>rd</sup> sentence in Section 3 titled "Non-Appropriation of Funds" is amended to : At least 30 days prior to the end of Lessee's fiscal year, Lessee's City Manager (or legal counsel) shall certify in writing that (a) funds have not been appropriated for the upcoming fiscal period, (b) such non-appropriation did not result from any act or failure to act by Lessee, and (c) Lessee has exhausted all funds legally available for the payment of Rent.

**USE, MAINTENANCE AND REPAIR.** The 1<sup>st</sup> sentence in Section 7 titled "Use, Maintenance and Repair" is amended to: Lessee will not move the Equipment from the Lessee's Schreiner Golf Course without Lessor's advance written consent, such consent not to be unreasonably withheld.

**LOSS OR DAMAGE.** The 1<sup>st</sup> sentence in Section 11 titled "Loss or Damage" is amended to: Lessee is responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is delivered to Lessee until it is returned to Lessor.

**REMEDIES.** The 3<sup>rd</sup> Sentence in Section 14 titled "Remedies" is amended to: Lessee will not make any claims against Lessor or the Equipment for trespass or damage.

**LESSEE'S OPTION AT END OF LEASE.** The 1<sup>st</sup> sentence in Section 15 titled "Lessee's Option at End of Lease" is amended to: Notwithstanding anything contained in the Lease to the contrary, so long as no default shall have occurred and be continuing, Lessee may, at Lessee's option, purchase the Equipment leased pursuant to this Rental Schedule on an "as is, where is" basis, without representation or warranty, express or implied, at the end of the Initial Term at a price equal to the Fair Market Value thereof, plus any applicable taxes.

**LESSEE'S REPRESENTATIONS AND WARRANTIES.** The 1<sup>st</sup> sentence in Section 17 titled "Lessee's Representations and Warranties" is amended to: Lessee hereby represents and warrants to Lessor that as of the date of this Lease, and throughout the Lease Term: (a) Lessee is the entity indicated in this Lease; (b) Lessee is a State or a fully constituted political subdivision or agency of the State in which Lessee is located; (c) Lessee is duly organized and existing under the Constitution and laws of the State in which Lessee is located; (d) Lessee is authorized to enter into and carry out Lessee's obligations under this Lease, any documents relative to the acquisition of the Equipment and any other documents required to be delivered in connection with this Lease (collectively, the "Documents"); (e) the Documents have been duly authorized, executed and delivered by Lessee in accordance with all applicable laws, rules, ordinances, and regulations, the Documents are valid, legal, binding agreements, enforceable in accordance with their terms and the person(s) signing the Documents have the authority to do so, are acting with the full authorization of Lessee's governing body, and hold the offices indicated below their signature, each of which is genuine; (f) the Equipment is essential to the immediate performance of a governmental or proprietary function by Lessee within the scope of Lessee's authority and shall be used during the Lease Term only by Lessee and its agents and customers only to perform such function; (g) Lessee intends to use the Equipment for the entire Lease Term and shall take all necessary action to include in Lessee's annual budget any funds required to fulfill Lessee's obligations for each fiscal year during the Lease Term; (h) Lessee has complied fully with all applicable law governing open meetings, public bidding and appropriations required in connection with this Lease and the acquisition of the Equipment; (i) Lessee's obligations to remit Rent under this Lease constitutes a current expense and not

a debt under applicable state law and no provision of this Lease constitutes a pledge of Lessee's tax or general revenues, and any provision which is so constructed by a court of competent jurisdiction is void from the inception of this lease; (j) all payments due and to become due during Lessee's current fiscal year are within the fiscal budget of such year, and are included within an unrestricted and unencumbered appropriation currently available for the lease of the Equipment; and (k) all financial information Lessee has provided to Lessor is true and accurate and provides a good representation of Lessee's financial condition.

**ASSIGNMENT.** The 2<sup>nd</sup> sentence in section 19 titled "Assignment". Lessee will not sell, transfer, assign, pledge, sub-lease or part with possession of the equipment or file or permit a lien to be filed against the equipment." is deleted in its entirety. Upon Lessor's reasonable request and at Lessee's cost, Lessee will obtain from each person having an interest in the real estate where the Equipment is located a waiver of any rights they may have in the Equipment.

All other terms and conditions of the Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date above written.

**CITY OF KERRVILLE**

**PNC EQUIPMENT FINANCE, LLC**

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

## **Agenda Item:**

3E. Approval of the selection of an auditor to provide professional audit services for fiscal years ending September 30, 2016, 2017, and 2018, with option to extend the contract for 2019 and 2020. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Selection of an independent certified public accounting firm to provide professional audit services for the fiscal years ending September 30, 2016, 2017 and 2018 with an option to extend the contract for 2019 and 2020.

**FOR AGENDA OF:** June 28, 2016    **DATE SUBMITTED:** June 22, 2016

**SUBMITTED BY:** Sandra Yarbrough  
Director of Finance    **CLEARANCES:** Todd Parton  
City Manager

**EXHIBITS:** Request For Proposal submitted by BKD,LLC

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

---

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$	\$	\$	

**REVIEWED BY THE DIRECTOR OF FINANCE:**

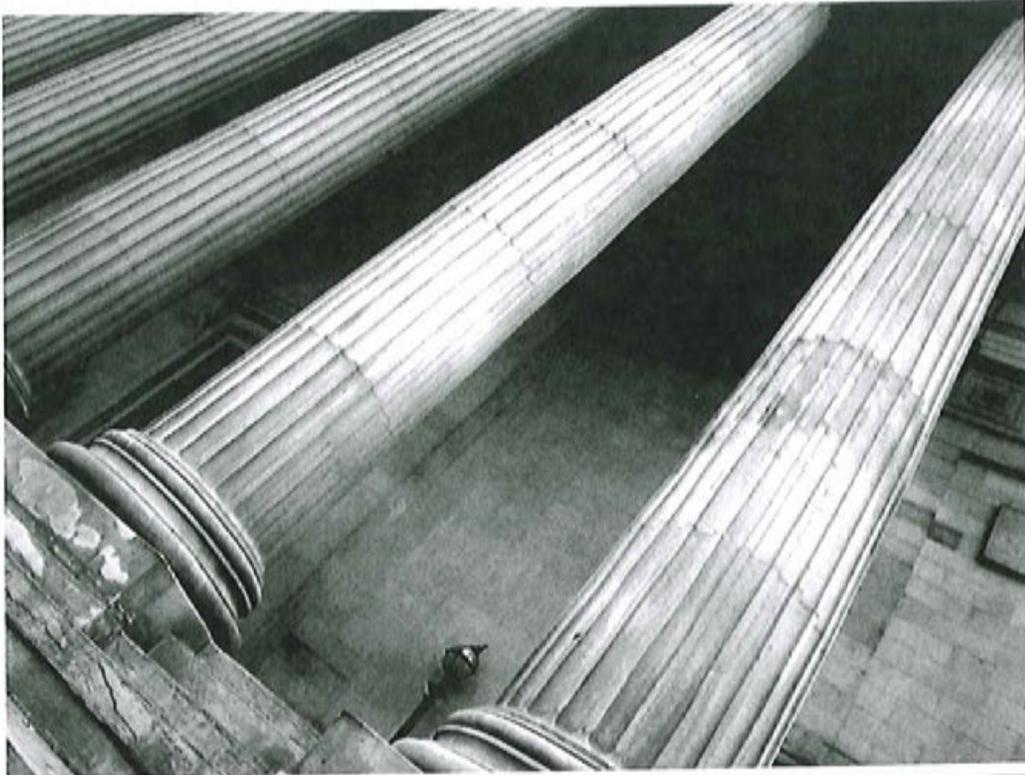
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**SUMMARY STATEMENT**

Authorization to submit a request for proposal for professional audit services was approved at the May 24, 2016 City Council meeting. This type of expenditure is exempt from competitive bidding per the City's purchasing policy and state law. A public notice was published on June 1, 2016 in a local newspaper and on the City website, but no inquiries were received for professional audit services proposal packages. Staff compiled a list of accounting firms and mailed Request for Proposal for Professional Audit Services packages to nine firms. Two audit firms BKD, LLP and ABIP P.C. responded and submitted requested documentation. Finance staff evaluated all responses and recommends BKD, LLP based on firm and engagement staff qualifications, audit experience in cities of similar and larger size, proposed services provided, ability to meet deadlines, firm reputation and overall value.

**RECOMMENDED ACTION**

Staff recommends authorizing the City Manager to negotiate a contract with BKD, LLP to provide audit services for the City of Kerrville for fiscal years ending September 30, 2016, 2017 and 2018 with options for 2019 and 2020. The negotiated contract will be presented to City Council for consideration.



**BENEFITING FROM A  
CONSISTENT TEAM OF  
ADVISORS THAT HAS A DEEP  
KNOWLEDGE OF YOUR CITY,  
OPERATIONS & STAFF**

**CITY OF KERRVILLE, TEXAS**

Professional Audit Services for the City of Kerrville  
June 21, 2016

**BKD**<sup>LLP</sup>  
CPAs & Advisors

June 21, 2016

Ms. Brenda G. Craig // City Secretary  
Ms. Sandra G. Yarbrough // Director of Finance  
City of Kerrville, Texas  
701 Main Street  
Kerrville, TX 78028

**DEAR MS. CRAIG & MS. YARBROUGH:**

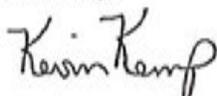
The City of Kerrville, Texas (the City), is a thriving, active and pleasant community dedicated to creating and sustaining a family-oriented environment for current and future residents to call home. The thousands who live, work and raise families in your city rely on civic leaders to practice wise stewardship and fiscal transparency. However, operating in a dynamic environment characterized by ever-changing regulations and a watchful public eye can be challenging. Working with a trusted CPA and advisory firm with a deep knowledge of your intrinsic operations, staff and city, as well as the governmental accounting environment in which you operate, can help you continue to receive the tailored solutions and support you need. With a consistent team of attentive advisors that focuses much of their time on serving municipalities and that has a strong working relationship with your city council and the city manager, **BKD, LLP** can continue to help.

**BKD National Governmental Group** works with hundreds of governmental clients nationwide. This industry expertise, as well as our involvement with national and state associations, including the Government Finance Officers Association of Texas and Texas Municipal League, allows us to understand the specific issues the public sector faces in Texas and nationwide. In addition, to continue providing quality audit services, we can leverage our industry experience to share best practices and offer practical solutions to continue helping the City with fiscal accountability, legislative changes, funding shortages, compliance responsibilities and risk management duties.

**BKD** has remained committed to the City of Kerrville, Texas, for many years. Knowledge of the City is essential to maintaining audit quality. Articles released by the American Institute of CPAs (AICPA) and International Federation of Accountants (IFAC) suggest that audit quality can improve with the length of an auditor's tenure. Auditor consistency can result in increased knowledge and discovery of material financial statement misstatements, as well as help to decrease the use of resources and the risks of fraudulent activities going undetected. Efficiencies can be gained through continued involvement in an audit engagement as our team of professionals observes consistent application of the City's policies and procedures, accounting standards and compliance with regulations. By retaining **BKD** as your auditor, the City will not have to spend valuable resources and time as a result of a transition.

The City of Kerrville, Texas, is an important client, and we place great value on continuing our working relationship, while maintaining our independence. We believe we have responded to your request with a proposal that will allow our reliable professionals to continue providing timely, efficient and objective services. We will call you soon to answer questions you may have about this proposal, or you may reach us by phone at 972.702.8262 or by email as provided below.

Sincerely,



Kevin Kemp, CPA  
Partner, Regional Industry Leader  
kkemp@bkd.com



Karen E. Kurtin, CPA, CFE  
Senior Manager  
kkurtin@bkd.com

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## EXECUTIVE SUMMARY

Transitioning to a new CPA and advisory firm can be challenging. As the City of Kerrville, Texas (the City), evaluates a change, you must carefully consider whether value can be gained from switching firms and whether it exceeds the value that can be lost in terms of efficiencies, the intrinsic understanding of your challenges and operations and the substance of the advice. Investing a significant amount of time and resources educating new advisors on your systems and processes may not align with your strategic plan. With experienced advisors who understand the City's operations and processes, we believe **BKD, LLP** is still the right choice.

We will continue to develop an understanding of the City's needs and draw upon our experience gained from our work with approximately 500 governmental entities nationwide to provide focused solutions.

### THE CITY'S DESIRED OUTCOMES

The City seeks a dependable CPA and advisory firm with a strong Texas governmental accounting presence. You also desire value for your investment from a firm that can continue providing:

- ▶ High-quality, timely audit services and a report issued by February 28, 2017, to help meet your required deadlines
- ▶ Assistance issuing a Comprehensive Annual Financial Report (CAFR)
- ▶ Access to a vast array of industry resources, such as webinars, seminars, alerts, updates and other communications
- ▶ Personal attention from a consistent team of advisors

Through the familiar depth of resources readily available to you, BKD can continue to help the City **experience confidence**. Our focus on your industry and commitment to delivering unmatched client service means you are receiving what you pay for—an audit performed by a trusted firm with a proven track record of quality and delivery.

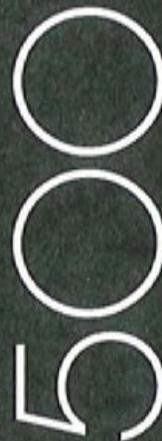
### SOLUTIONS FOR THE CITY

The City has requested information and a fee quote for the following professional services for the fiscal years ending September 30, 2016, 2017 and 2018:

- ▶ Financial Statement Audit in Accordance with *Government Auditing Standards*
- ▶ Preparation of a Draft CAFR

Audits often look alike on paper, but the reality is, the quality of the audit process, timeliness of services and resulting ideas that can help improve profitability and operational efficiency vary among providers. To the City, a BKD audit means the difference between a once-a-year visit and a continuous business advisor and service team familiar with your organization and your people.

While other firms may be able to provide audit services to the City, we believe our key differentiators include our existing working relationship, local industry experience, staff consistency, accessibility, understanding of city council and the city manager, extensive continuing professional education (CPE) offerings and the quality of our audit approach, which allows your stakeholders to breathe easy. BKD is committed to delivering more than just basic audit services.



Experience confidence with a national firm that serves approximately 500 governmental entities.

Please see the 3. Audit Approach section of this proposal beginning on page 12 for a detailed explanation of our audit service approach.

## WHY CHOOSE BKD

### DELIVERING VALUE

It is important to monitor expenditures and receive exceptional value for your investments. However, informed consumers understand value is about more than just price. Value from a professional CPA and advisory firm is about the quality of the work and the merit of the advice. Expect BKD's work to be accurate and insightful. We stand behind it. Our Public Company Accounting Oversight Board (PCAOB) inspections and American Institute of CPAs (AICPA) peer reviews demonstrate the firm's record of excellence.



As evidenced by our inclusion in **INSIDE Public Accounting's** Best of the Best Firms list for the last five years, we also offer long-term consistency, exceptional performance and a national network of support and resources. BKD is large enough to help the City address a variety of financial issues. At the same time, we pride ourselves on hard work and low overhead, which keep our fees competitive. With our reputation, size, service and experience, you can consider us a good value.

### STAFF CONTINUITY

Your BKD engagement team has been consistently staffed with trusted advisors, including Kevin Kemp and Karen Kurtin. The City can have peace of mind knowing what to expect from this team. This helps reduce the learning curve and saves you the time and frustration of having inexperienced professionals who are unfamiliar with your concerns and disrupt your normal business activities.

This continuity, however, does not result in familiarity that compromises our objectivity. Our responsibility is to provide the City with an appropriate balance of constructive feedback and value-added solutions. With our hands-on experience, you can continue to expect targeted advice from a team that knows your organization and your industry.

### CONTINUING TO WORK WITH TRUSTED ADVISORS

Among the advantages of working with BKD is the strong working relationship we currently have with the City, which provides:

- ▶▶ A team of advisors already familiar with the City's operational activities, structure and staff
- ▶▶ A firm with a clear understanding of the City's specific needs
- ▶▶ Avoidance of a potentially complicated or lengthy transition process

We believe this working relationship enables us to better understand your expectations and provide more efficient and effective service than firms just getting to know you.

## YEAR-ROUND SOLUTIONS TO HELP AVOID UNWANTED SURPRISES

Through frequent contact during the year, we can continue to provide solutions to help you avoid unwanted surprises during the year-end audit. Periodic meetings with the City's management team are standard protocol for our audit approach. This knowledge sharing between your team and ours can prove beneficial in helping identify effective solutions early in the audit process. Involving your audit team prior to executing transactions gives you the flexibility to restructure transactions and evaluate the options.

## TIMELY SERVICES TO HELP RETAIN YOUR GFOA CERTIFICATE

We understand the City intends to issue a CAFR and apply for the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting (CAFR Program). BKD can continue to help you. We have several team members who serve on the GFOA's Special Review Committee, including Kevin Kemp and Karen Kurtin, so we understand the process. We will continue to work with you to help resolve identified discrepancies and reduce exceptions when your reports are returned.

As you know, GFOA certification increases transparency in financial reporting and can lend credibility to the City's stewardship of funds. The short window for completing annual audits to meet the established GFOA deadlines makes timely and accurate services vital. A core service philosophy at BKD is Responsive Reliability, which means you can count on our service process to follow the established timeline. You can expect timely delivery of reports to help you meet GFOA deadlines and retain your certificate, as well as timely communications with your audit committee and city council.

## THOUGHT LEADERSHIP

BKD advisors are serious about reinforcing and strengthening their positions as thought leaders in the industries they serve. To help you continue to **experience ideas** and keep you informed about emerging issues in your industry, as well as changes in regulations and accounting and tax methods, we provide **BKD Thoughtware**® webinars, seminars and articles. Many of these are eligible for CPE credit. Recent topics include:

- ▶▶ GFOA Executive Board Approves New Best Practices & Advisories
- ▶▶ Proposed Changes to a Government's Reporting of Its Fiduciary Activities
- ▶▶ Lease Accounting for State & Local Government
- ▶▶ Pursuing Operational Excellence in the Public Sector



**Experience Ideas**  
from a firm that offers  
more than 500 articles,  
videos, webinars &  
presentations annually.

# TECHNICAL PROPOSAL

For your convenience, we have structured our proposal according to the questions in your Request for Proposal (RFP). We believe our proposal will demonstrate our qualifications to continue serving the City.

## 1. ORGANIZATION

Describe the organization, date founded and ownership of your firm as well as any subsidiaries or affiliates relevant to the City of Kerrville.

### FIRM PROFILE

- ▶▶ Total Personnel – Approximately 2,400
- ▶▶ Date Founded – January 2, 1923
- ▶▶ Clients – Governmental entities, not-for-profit organizations, publicly traded companies, closely held businesses and individuals
- ▶▶ Industry Expertise – We combine the insight and ideas of multiple disciplines to provide solutions to a wide range of industries, including governmental, not-for-profit, higher education, manufacturing, distribution, real estate, construction, financial services and health care

### FIRM OWNERSHIP

BKD is a registered limited liability partnership under Missouri law. As such, approximately 260 partners and principals throughout BKD's offices have an ownership interest in BKD. BKD's Governing Board is the policy-making body of the firm and is made up of 10 partners and Chief Executive Officer Theodore Dickman, CPA. Regional managing partners oversee the operations of each of BKD's four regions, and local managing partners oversee the operations of each of BKD's offices. Other National Office leaders include:

- ▶▶ Chief Financial Officer Brad Buehler, CPA
- ▶▶ Chief Operating Officer Eric Hansen, CPA
- ▶▶ Chief Risk Officer Mike Wolfe, CPA
- ▶▶ General Counsel Bob Lawson
- ▶▶ National Accounting & Auditing Director Doug Bennett, CPA
- ▶▶ National Director of Tax Quality Control Jesse Palmer, CPA
- ▶▶ National SEC Partner Peter Kern, CPA
- ▶▶ National Tax Director Rob Pruitt, CPA

### FIRM SUBSIDIARIES

BKD and our subsidiaries offer clients a variety of services in accounting, audit and assurance, tax, risk management, technology, forensics and valuation, corporate finance and wealth management.

**BKD Corporate Finance, LLC** provides merger and acquisition, sales, management buyout, employee stock ownership plan (ESOP), recapitalization and financing services. Member Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC).

# 2400

Experience perspective from a firm with approximately 2,400 CPAs, advisors & dedicated staff committed to providing unmatched client service.

**BKD Foundation** is our 501(c)(3) not-for-profit foundation that enriches BKD's local communities with financial support and our commitment of time.

**BKD Wealth Advisors, LLC** is an investment advisory firm registered with the Securities and Exchange Commission, providing the WealthPlan solutions of personal wealth planning, investment management and estate planning.

**Professional Affiliations** – As a member of the AICPA, BKD also is a member of its PCPS (Private Companies Practice Section) Firm Practice Center, and its three quality centers: Center for Audit Quality, Governmental Audit Quality Center and Employee Benefit Plan Audit Quality Center. BKD also is registered with the PCAOB, which is required to serve as an independent auditor of public companies.

**Describe the size of the firm, the size of the firm's governmental audit staff and the location of the office from which the work on this engagement is to be performed.**

## FIRM SIZE

BKD is one of the largest CPA and advisory firms in the United States. As previously discussed, our approximately 2,400 CPAs, advisors and dedicated staff serve clients in all 50 states and clients with operations in more than 40 countries.

## GOVERNMENTAL AUDIT STAFF SIZE

BKD has approximately 130 professionals who spend more than 50 percent of their billable hours providing audit services to governmental entities.

## LOCATION

If BKD is engaged, the City's requested services will be primarily provided out of our Dallas, Texas, office.

**BKD, LLP**

14241 Dallas Parkway // Suite 1100  
Dallas, TX 75254

**Describe the experience of the firm in serving as an auditor for municipalities and other public entities.**

## NATIONAL & TEXAS GOVERNMENTAL INDUSTRY EXPERIENCE

BKD National Governmental Group works with hundreds of governmental clients nationwide, including municipalities, counties, state agencies, public utilities, public universities and airports. We can leverage best practices learned from working with other governmental entities to help the City identify areas that may require additional attention and increase operational efficiencies.

Services from BKD's Texas offices compose approximately 18 percent of our firmwide governmental and not-for-profit industry practice. Professionals in these offices provide audit or other professional services to approximately 15 municipalities and their component units, as well as approximately 200 municipal utility districts. This experience, along with our involvement with the Government Finance Officers Association of Texas (GFOAT) means we understand Texas laws and other regulations to which our government clients must adhere, and we can offer the knowledge and resources the City deserves.

Our experience has enabled us to establish connections with the:

- ▶▶ Association of Government Accountants (AGA)
- ▶▶ AICPA Governmental Audit Quality Center, as a member
- ▶▶ Government Finance Officers Association (GFOA)
- ▶▶ Government Finance Officers Association of Texas (GFOAT)
- ▶▶ Texas Municipal League (TML)
- ▶▶ National League of Cities (NLC)



- ▶▶ Governmental Accounting Standards Board (GASB)
- ▶▶ Office of Management and Budget (OMB)
- ▶▶ U.S. Government Accountability Office (GAO)

**A CENTER OF EXCELLENCE FOR GOVERNMENT**

As part of our industry specialization within BKD, leaders from BKD offices across our national government practice created the BKD Center of Excellence for Government to focus on the specific issues organizations similar to the City face.

These professionals meet regularly to discuss important industry developments, legislative updates and challenges that affect governmental entities throughout the country, as well as share best practices gained from our extensive industry experience. We look forward to leveraging this knowledge to offer you proactive communication and valuable industry insight so you can confidently plan for the future.

**FIRM EXPERIENCE WITH THE CITY**

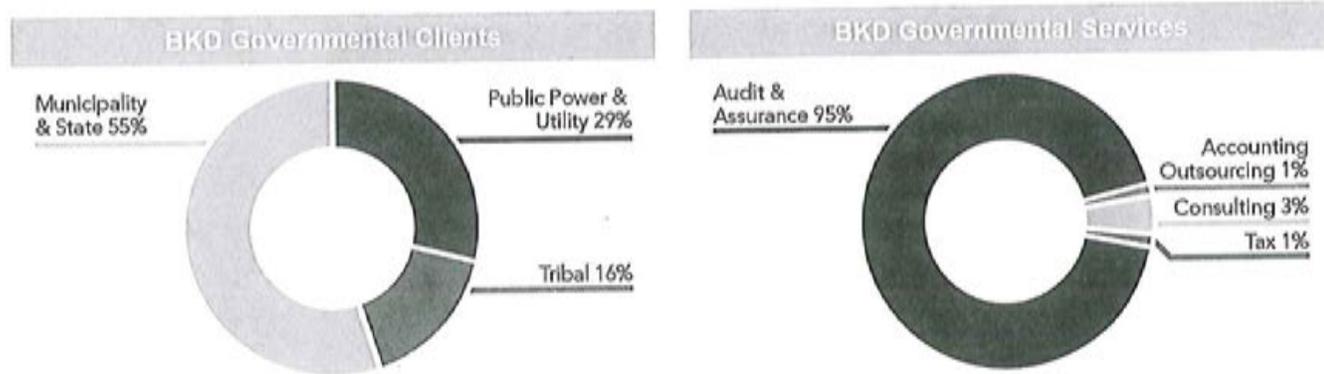
Because of our past working relationship serving as your auditor and knowledge of the City’s organization and operations, you can have confidence in BKD’s understanding of the issues and challenges you face.

Throughout the past five years, we have been available to help the City strengthen internal controls, more effectively track and report capital assets and donated capital assets and provide suggestions for process improvements and efficiencies in ambulance billings.

If engaged, we will not rely solely on this strong historical performance when continuing to serve the City. Our team remains dedicated to proactively identifying opportunities where we can offer sound professional advice to help increase the value of your investment. We are committed to being the service provider you can continue to trust for quality deliverables and unmatched client service.

**FIRM CLIENTS & SERVICES**

Geographically spread throughout the United States, our significant client base reflects the diversity of governmental entities, in both size and type of organization. The following graphs demonstrate the clients we serve and the services we provide.



Submit a copy the firm’s most recent external quality control review report, with a statement as to whether the review included a review of any governmental engagements.

BKD is committed to providing quality audit services to our clients. We submit our work to external reviewers, who challenge our approach and findings. We are proud of the findings from these reviews, which indicate that our process works.

Our most recent AICPA peer review included, among others, engagements performed under *Government Auditing Standards*. A copy of our most recent peer review report is included in the Appendix.

## 2. QUALIFICATIONS/PERSONNEL

Identify the size of the firm's staff committed to the public sector and the credentials of key personnel.

### FIRMWIDE STAFF

As previously stated, BKD has approximately 130 professionals firmwide, including approximately 12 professionals in our Dallas office, who spend more than 50 percent of their billable hours providing audit services to governmental entities.

### KEY PERSONNEL & THEIR CREDENTIALS

- ▶▶ Partner & Regional Industry Leader Kevin Kemp, CPA
- ▶▶ Director Deborah E. Beams, CPA
- ▶▶ Senior Manager Karen E. Kurtin, CPA, CFE
- ▶▶ Senior Associate II Andrew W. Sherwood, CPA

Please see below for more details regarding your proposed engagement team.

Identify and provide a brief resume of key staff that would provide services to the City. Describe the staffs' title, responsibilities, audit experience (specifically with governmental clients) and the number of years they have been associated with your firm.

The most critical factor in providing high-quality service is choosing your engagement team. We take team selection seriously and have the appropriate team of advisors to meet your needs.

### ENGAGEMENT TEAM ORGANIZATIONAL CHART



### ENGAGEMENT TEAM EXPERIENCE



**Kevin Kemp, CPA**  
Partner, Regional Industry Leader  
Engagement Responsibility: Delivery of quality audit services, quality control & engagement management

Kevin is a regional industry leader for BKD National Governmental Group and is a member of the firm's Not-for-Profit & Government Committee. He leads the Dallas office's governmental group, and his team is responsible for providing audit services to approximately 10 municipalities in Texas and Louisiana. Kevin also assists on other large governmental clients across the firm, including Cherokee Nation; City of Oklahoma City, Oklahoma; Denver International Airport and the City of Indianapolis, Indiana.

He has more than 22 years of experience with BKD, providing audit and management consulting services to a client base that includes municipalities and their component units, counties, utilities, state agencies and numerous service-related entities receiving government assistance. His team performs more than 75 Single Audits annually.

Kevin serves clients in obtaining tax-exempt financing, analyzing expansion opportunities and improving internal controls. He has served as primary contact for numerous clients, provided review services Single Audit engagements and maintained contacts with regulatory agencies. In addition, he has recruitment and training responsibilities.

His professional affiliations include membership in the Government Finance Officers Association (GFOA), Government Finance Officers Association of Texas, American Institute of CPAs and Texas Society of Certified Public Accountants. He is a licensed CPA in Arkansas and Texas and serves on the Special Review Committee of the GFOA.

Kevin is a graduate of University of Central Arkansas, Conway, with a B.B.A. degree.



**Deborah E. Beams, CPA**

Director

**Engagement Responsibility: Provide an independent review of the engagement**

Deborah has more than 10 years of accounting and auditing experience, including one year with BKD, working primarily in the not-for-profit and government industries. She also has extensive experience with Single Audits. As an auditor with an international firm, her clients included public and private institutions of higher education, private schools, municipalities, religious organizations and health and welfare organizations. She now serves as accounting and auditing assistant director for BKD's Dallas office, performing quality control reviews and assisting audit

teams with technical matters.

She spent three years as a practice fellow at the Governmental Accounting Standards Board. During that time, she worked on projects leading to the issuance of GASB Statements on nonexchange financial guarantees, fair value and external investments pools. She also originated and led the GASB project on leases, which involved collaboration with Financial Accounting Standards Board staff and presentations to the Federal Accounting Standards Advisory Board.

Deborah is a member of the American Institute of CPAs and Texas Society of Certified Public Accountants.

She is a *summa cum laude* graduate of University of North Texas, Denton, with a B.S. degree as well as a 2005 graduate with an M.S. degree, where she was named Outstanding Masters Student.



**Karen E. Kurtin, CPA, CFE**

Senior Manager

**Engagement Responsibility: Manage engagement, make sound decisions, solve problems, coordinate service & supervise associate**

Karen has nine years of accounting and auditing experience, including seven years with BKD, specializing in city governments and not-for-profits. She manages the audit process, from planning to city council presentations. She also drafts comprehensive annual financial reports for governmental clients and supervises the Single Audit process.

She is a member of the American Institute of CPAs, the Texas Society of Certified Public Accountants, the Government Finance Officers Association of Texas (GFOAT) and the Association of Certified Fraud Examiners. Karen has served as treasurer of the Executive Board of National Charity League, North Dallas Chapter and is a member of the Conference Planning Committee of the GFOAT. Karen also serves on the Special Review Committee of the GFOA.

Karen is a graduate of Texas A&M University, College Station, with a B.S. degree in mathematics, and a graduate of The University of Texas, Dallas, with an M.S. degree in accounting and information management.



Andrew W. Sherwood, CPA  
Senior Associate II

**Engagement Responsibility:** Work directly with your staff & assist with cash, accounts payable/receivable, inventories, costing methods & other items as needed

Andrew has four years of experience with BKD performing financial statement audits and other accounting services, including the preparation of basic financial statements and comprehensive annual financial reports (CAFR).

He has worked with governmental entities, not-for-profits and for-profits and not-for-profit health care providers. In addition to financial statement audits, Andrew also performs Single Audits. Recently, he has worked as an in-charge for several cities across Texas and Louisiana, large health care systems and regional not-for-profit organizations.

Andrew is a member of the American Institute of CPAs and the Society of Louisiana Certified Public Accountants.

He is a graduate of Louisiana State University in Shreveport, with a B.S. degree in accounting and finance.

**Include an affirmative statement that the firm and all assigned key professional staff are properly licensed to practice as certified public accountants in the State of Texas.**

BKD is properly licensed to practice public accounting in the state of Texas. All key professionals who would be assigned to your engagement are properly registered/licensed to practice in the state of Texas or able to practice in the state of Texas due to mobility laws, without the requirement to obtain an individual Texas license.

**Describe the efforts your firm makes to keep its staff informed of developments relevant to government issues.**

We pay careful attention to the challenges you face to offer timely, proactive advice resulting in a better working relationship. Our audit professionals are required to receive at least 120 hours of CPE every three years. For auditors involved with audits performed under *Government Auditing Standards*, this education includes the hours required to comply with *Government Auditing Standards Yellow Book* guidance. All individuals, including specialists involved in performing fieldwork on *Government Auditing Standards* audits, are required to obtain at least 24 hours of CPE every two years in subjects directly related to government auditing or the government environment. In addition, engagement team members responsible for planning, directing or reporting on *Government Auditing Standards* audits who spend more than 20 percent of their time performing *Government Auditing Standards* audits also are required to complete a minimum of 80 hours of CPE every two years that directly enhances their professional proficiency to perform audits.

BKD offers an internal industry update seminar for managers through partners, as well as a seminar for our in-charge level employees. These seminars include auditing and accounting issues that are specific to governmental clients, including *Government Auditing Standards*, Single Audits and accounting standards for government financial reporting. BKD professionals also receive additional training from external sources.

### RECOGNIZED LEARNING & DEVELOPMENT

BKD's commitment to lifelong learning and professional development is highlighted by our recognition as a top-tier training organization. BKD has earned the distinction of **Training** magazine's Training Top 125 for the past four years. In 2016 and 2014, BKD also earned the *Chief Learning Officer* magazine's LearningElite award. These programs rank companies' excellence in employer-sponsored training and recognize outstanding outcomes in learning and development. This cultural dedication helps our professionals meet our clients' needs.



**Provide a brief summation of the reasons you believe your firm should be selected. In particular, the City is interested in the unique capabilities of your firm that distinguish it from other firms. Be specific and relate this discussion to how the City will benefit by choosing your firm as an auditor.**

### BENEFITS OF RETAINING BKD

At BKD, we understand you want an advisor who can continue to provide specialized skills and expertise, as well as the winning attitude, character and communication skills you deserve. Performing our services—accurately, objectively and with integrity—is at the heart of our goal to deliver unmatched client service. We also are professional, prepared, attentive and ready to deliver our services with PRIDE: passion, respect, integrity, discipline and excellence.

BKD also knows the significant value inherent in the collective historical knowledge of CPAs and advisors who work with an entity for a long-term engagement. Much of this knowledge is typically lost in the hand-off of an audit, including:

- ▶▶ Understanding of the City's unique areas of risk
- ▶▶ Familiarity with the City's operations, culture and personnel
- ▶▶ Understanding of the reasons important business decisions were made
- ▶▶ Insight into the specific industry challenges the City faces

Transitioning to a new audit firm can be challenging. You could be required to invest a significant amount of time and resources addressing a steep learning curve. In addition, changing auditors can sometimes prompt increased scrutiny.

Avoiding a transition to another firm can provide the following benefits:

- ▶▶ As previously discussed, our industry professionals are in communication with you or in your offices frequently because we do not just have an office in Dallas, we have a team of approximately 12 individuals in Dallas who spend more than 50 percent of their time serving governmental clients
- ▶▶ Convenient knowledge transfer between the audit in-charge rotating off your engagement and the new audit in-charge accepting these responsibilities for the City's financial statement audit
- ▶▶ Continued access to BKD's webinars, alerts, updates, seminars and articles, which can continue to provide the City's staff with complimentary training
- ▶▶ Access to advisors who pay careful attention to the challenges you face and can offer timely, proactive advice

In addition to the benefits the City can gain from retaining BKD as described above, on the previous page and throughout this proposal, we believe BKD is still the right choice because our firm also differs from others in the following ways:

## **STAFF CONTINUITY**

As previously discussed, continuity of your engagement team is a priority for us, because it is critical in maintaining efficiency for you. The City's engagement team has been consistently staffed by BKD professionals, including Kevin Kemp and Karen Kurtin. This team is committed to continuing to serve the City.

The City has enjoyed a consistent leadership team from BKD, which has resulted in a great working relationship that brings you an efficient process that has helped avoid surprises. You can have peace of mind in knowing what to expect from the BKD engagement team. With the efficiencies gained in a streamlined audit process, we can focus our time on more important aspects of the audit.

This continuity does not result in familiarity that compromises our objectivity. Our responsibility to you is to bring an appropriate balance of constructive feedback and value-added solutions to your team about sufficiency of recorded estimates, assumptions inherent in the financial statement amounts, proper valuation of pledges and other receivables, proper recording of transactions and an outsider's perspective of whether the financial statements are fairly stated. From our history with the City, you know that we do challenge these areas, as evidenced by audit adjustments and management letter comments for improvements.

## **ENGAGEMENT IN-CHARGE ROTATION TO RECEIVE A FRESH LOOK**

Auditor independence and objectivity are critical elements to a successful audit. Changing individual auditors can be beneficial in providing a fresh look at your financial statements. BKD appreciates the value of a new perspective and, because of our depth of resources, will rotate our engagement in-charge for the City's engagement.

Andrew Sherwood will transition into the role of engagement in-charge. That way, you can receive a fresh perspective while still maintaining your working relationship with advisors who are familiar with your operations and understand the challenges you face. We believe audit quality is maintained in long-term working relationships, and you can be confident independence will not be compromised.

## UNMATCHED CLIENT SERVICE

The City wants to continue to have trusted advisors who will deliver exceptional client service, focus on your needs and take the time to address your unique challenges. BKD understands. You already know the level of unmatched high-quality service and personal attention you have received. That level of commitment will not change if you remain with BKD. We do not take our past working relationship for granted and will continue to enhance our service delivery and bring value to the City.

We take our commitment so seriously, we penned five standards of unmatched client service and supporting guidelines in **The BKD Experience: Unmatched Client Service**, a book that articulates the firm's philosophy and sets expectations for serving clients. Our five standards are:

### Integrity First

We work hard to do what is right for you. You can rely on us to tell you what you need to hear.

### True Expertise

From BKD, you can expect trained, capable staff and a high level of supervision by partners and experienced personnel.

### Professional Demeanor

You can depend on prepared and attentive advisors to help meet your needs and provide new ideas.

### Responsive Reliability

Accurate and thorough work, combined with timely delivery, is what you require, and at BKD, we do not want it any other way.

### Principled Innovation

We want you to succeed. For the City, that means looking for new ideas to streamline a process, better document work, train your staff and improve your effectiveness.

## COMMITMENT TO OUR CLIENTS

Our client-first attitude drives our practice and accounts for the dedication of our staff to the deadlines and needs of their clients. We are committed to helping the City address your operational needs within our code of ethics and the law.

We believe building diverse client service teams with a broad mix of skills and approaches is critical to continued innovation and strength. We are committed to treating one another and client personnel with respect and appreciate their differences. Furthermore, we find our clients benefit from our well-established and successful protocols, standards and processes.

## QUALITY CONTROL

High standards set by industry guidelines and our own subject matter advisors and thought leaders govern BKD's professional services. We are committed to completing your requested services efficiently, accurately and per the deadlines you establish. We understand one of your goals is to make informed operational decisions, so it is important to us you do not just receive basic professional services. We also want our services to help you learn industry best practices and improve your operations, compliance and accounting processes. Your proposed lead engagement partner is available to answer questions you might have about the quality control processes in place for the services you requested.

## WHAT IS THE BKD EXPERIENCE?

The BKD Experience is about working with a professional who can provide more than just accounting solutions. Day in and day out, you can count on our integrity, expertise, professionalism, responsiveness and innovation. Our trusted professionals serve a diverse client base that includes main street businesses, international corporations and everything in between. Experience how BKD can assist with a variety of needs and help you make accounting, tax and other important decisions with confidence.

experience **BKD**  
CPA & Advisors

A member of the AICPA, BKD also is a member of its PCPS (Private Companies Practice Section, the AICPA Alliance for CPA Firms) and its three quality centers: Center for Public Company Audit Firms, Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center.

### 3. AUDIT APPROACH

Provide a work plan to perform the services required in the "MINIMUM SERVICE REQUIREMENTS" section of the RFP.

#### FINANCIAL STATEMENT AUDIT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS SERVICE DESCRIPTION

BKD's audit approach focuses on areas of higher risk—the unique characteristics of the City's operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

These principles make up the foundation of BKD's audit approach:

- ▶▶ The staff working on your engagement have been trained in the governmental industry. You will not have to train our people on net position/fund balance classifications, net pension liabilities, etc.
- ▶▶ We provide a high level of engagement executive involvement so you receive high-quality service with little interruption. We recognize we have to be flexible because not all audits go as planned. Because our partners and managers are in the field, we can adapt quickly to circumstances that arise.
- ▶▶ Communicating the results of our audit procedures and sharing ideas to help your accounting processes are integral parts of your engagement. In addition, you will find communication does not end when the audit is completed. We strive to keep in contact with your management team throughout the year. Continued communication means you can receive an efficient and effective audit.

Using our five-phase approach, we will work with you to develop an audit plan tailored to your specific circumstances and risks.

#### PHASE 1: PLANNING

BKD will work closely with your audit committee and management team early during the audit, as required by auditing standards, giving the group an overview of the scope and timing. We ask that your audit committee and management team let us know about any risk issues, any areas where they would like us to perform additional procedures or anything else material to the audit.

During the planning phases of the audit, we will:

- ▶▶ Meet with your management to examine changes that have occurred during the current year
- ▶▶ Discuss expectations of the audit process and team members
- ▶▶ Document and test internal controls
- ▶▶ Perform a comparison of prior year audited financial statements with current year interim financial statements to gain an understanding of the current year's activities
- ▶▶ Read city council minutes to understand events occurring during the year
- ▶▶ Obtain new permanent file information, such as organizational charts, bylaws, debt and lease agreements
- ▶▶ Design a timetable for the audit procedures that meets your reporting deadlines and is specifically tailored to your entity's accounting process and transactions



## Materiality

BKD has a defined methodology for governmental clients that does not simply consider net income, but focuses on other metrics, such as total assets, total revenue or other meaningful metrics to scope our audit approach, to evaluate actual or potential errors and to develop audit samples.

## PHASE 2: RISK ASSESSMENT

BKD will follow standards established by the Auditing Standards Board of the AICPA. These auditing standards affect the amount and type of information BKD will gather to perform your audit.

We will:

- ▶ Obtain an understanding of your organization, the significant risks you face and how you mitigate those risks. This will include examining how you measure and manage financial performance, as well as your internal control over financial reporting.
- ▶ Evaluate where your financial statements might be susceptible to material misstatement due to error or fraud.
- ▶ Consider if internal controls have been implemented and assess the general controls around your IT systems.
- ▶ Assess risk of material misstatement for the most significant financial statement amounts and disclosures.

To help facilitate the testing of internal controls, we use questionnaires specific to the governmental industry, which expedite gathering your control information. Based on the documentation of your controls, we will test the key controls of your organization.

We expect to interview your personnel and review prior city council minutes as part of our information-gathering process.

## PHASE 3: FIELDWORK, TESTING & FURTHER AUDIT PROCEDURES

Based on our assessment of risks of material misstatements and determination of further audit procedures to be performed, we will design audit tests that take advantage of strengths in your internal control system.

During fieldwork, we will:

- ▶ Perform substantive tests on material account balances
- ▶ Evaluate significant unusual transactions
- ▶ Ask management to further explore and clarify any identified potential misstatements
- ▶ Evaluate the materiality of those misstatements, if applicable
- ▶ Conclude whether all identified risks of material misstatement have been addressed
- ▶ Hold a formal exit conference with management to share findings and preliminary deliverables



## OUR FIVE-PHASE APPROACH TO FINANCIAL STATEMENT AUDITS

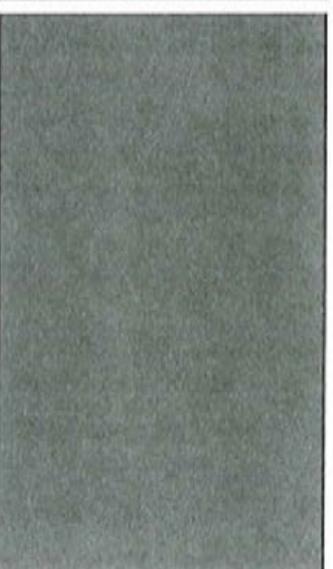
1 » Planning

2 » Risk Assessment

3 » Fieldwork, Testing & Further Audit Procedures

4 » Report & Communications Delivery

5 » Presentation



BKD also will perform some tests from these alternatives:

- ▶▶ Key item testing – Some items within an account may be large enough by themselves to involve significant risk of material misstatement. These key items can be audited individually.
- ▶▶ Sampling – A detailed audit of representative individual items (a sample) selected from a population.
- ▶▶ Analytical procedures – Taking a closer look at a grouping of information by examining it as it relates to other accounts, historical trends or other measures.
- ▶▶ Computer-assisted auditing techniques (CAAT) – BKD uses ACL as one of the primary tools to apply CAAT. The use of ACL allows us to analyze data electronically, handle large amounts of data and increase the effectiveness and efficiency of audit procedures.

As needed, our firmwide industry partners serve as technical resources with expertise to deal with particularly challenging or unique situations that may arise in the course of your audit.

We know a great deal of audit information often comes from third parties. Sometimes information from those parties is not received on time. To keep your report timely, we will keep you informed of the status of outstanding items.

#### **PHASE 4: REPORT & COMMUNICATIONS DELIVERY**

A cornerstone of the quality of our audits is the use of a concurring reviewer before the issuance of any reports. Another member of our assurance team, who has otherwise not been involved in the engagement, reviews the financial statements and workpapers before issuing the report.

Generally accepted auditing standards establish requirements and provide guidance on our communication with those charged with governance. In addition, if applicable, we will issue a report to management and those charged with governance of any significant deficiencies or material weaknesses identified during the audit.

Our commitment to a smooth engagement also includes the timely delivery of our audit report. A draft of the audit report, management letter and any other deliverables will be provided to you for your review and comments.

#### **PHASE 5: PRESENTATION TO THOSE CHARGED WITH GOVERNANCE**

You may want to formally share your audit results with your audit committee and city council. We can help make a presentation to your audit committee and city council and answer their questions.

#### **TIMING & YOUR BKD TEAM**

Overall, we plan to spend approximately one week on interim/planning/gathering information to design our audit approach and two weeks on final fieldwork at year-end. We will coordinate the scheduling of your audit with you to both accommodate your schedule and to allow for the timely completion of deliverables.

Your BKD team will include an experienced engagement in-charge and one associate, who will be on site performing further audit procedures and gathering the information we need to support our opinion. In addition, your BKD team will be led by a partner and a senior manager with experience in the governmental industry, who will direct our staff's audit approach, review their work and communicate audit results.

Propose a timeline for the engagement, with estimated hours for all major components. Segregate estimated hours for administrative, planning, field work and report preparation.

### ESTIMATED HOURS & COMPLETION DATE BY AUDIT SEGMENTATION

Proposed Audit Segmentation	Estimated Hours	Estimated Completion Date
Risk assessment procedures, including meetings with officials & staff, preliminary analytics, review minutes & design of audit procedures based on assessed risks	45	October 2016
Document & evaluate internal controls	45	October 2016
Obtain financial policies & procedures, bond documents, leases & grants & other items for our permanent file	10	October 2016
Substantive procedures & analytical review techniques	155	November 2016
Supervision, review & technical assistance	85	November 2016
Client conferences & meetings to review audit reports	15	February 2017
Reporting – Draft CAFR preparation and reporting to governance & management advisory comments	45	February 2017

Describe City staff and City resource requirements, including a list of typical prepared by client documents. The City uses Tyler Technology's Incode financial software.

In working with organizations similar to the City, we have developed an efficient approach that helps avoid wasted effort. We plan our work to facilitate client participation to help control costs, reduce unnecessary disruptions and meet deadlines.

The City plays a major role in timely completion of the audit. We request that your staff maintain records in good condition, provide the necessary schedules and cooperate with our audit team. Most organizations routinely prepare these records and schedules during their normal monthly or annual closing process.

Assistance from your personnel may include:

- ▶▶ Preparing a complete and accurate general ledger trial balance by account, to which very few adjustments are needed
- ▶▶ Preparing accurate audit schedules to support all significant balance sheet and certain other accounts
- ▶▶ Responding to auditor inquiries
- ▶▶ Preparing confirmation and other letters
- ▶▶ Pulling selected invoices and other documents from files
- ▶▶ Helping to resolve any differences or exceptions noted
- ▶▶ Completing documentation of internal controls
- ▶▶ Completing report and footnote information

We will provide a list of requested schedules well in advance of any deadlines, as well as spreadsheet templates for many of these schedules. We also will meet with your staff, as needed, to help them clearly understand our requests.

Describe your methodology for accomplishing audit requirements in a timely and efficient manner as well as any special techniques you may employ to facilitate the first year of the audit.

## TIMELY DELIVERABLES TO HELP IMPROVE CONFIDENCE IN FINANCIAL STATEMENTS

Performing the City's audit according to your timeline and providing timely drafts and audit reports are essential to your operations and among the expectations you have of your auditor. When key items are delivered, confidence is established in the technical ability and professionalism of your service team. We are committed to a process that addresses issues quickly, evaluates the potential effects of new standards and proactively establishes a plan to help avoid unwanted surprises. We will coordinate our efforts with the City to meet important deadlines and will work with you to produce efficient and effective results and reasonable solutions.

BKD sets expectations for our professionals to respond promptly to your questions and complete work timely. Responsive Reliability is one of our client service standards, and meeting your timeline is something you can expect from BKD.

## TAILORED AUDIT APPROACH

We work to develop a tailored audit work plan specific to your circumstances and risks.

Together, we need to determine the answers to a number of critical questions to help facilitate an efficient and effective audit. To accomplish this, we use our client-specific audit programs, model financial statements and footnotes, internal control checklists and tax questionnaires. These tools help focus staff on items pertinent to the City and make it easier for you to assist us. Our approach is designed to be efficient to help avoid wasted efforts by your employees during the audit process.

While we will work with you to contain costs, we will never compromise quality. Our stringent quality control oversight helps to comply with professional standards in performing your audit.

## ACL EXPERTISE

BKD professionals are trained in using CAAT to help improve efficiencies. We have significant experience using these state-of-the-art technologies, including ACL data analysis software, to facilitate data transfer, conversion, mining and analysis. BKD routinely uses ACL software to perform CAAT, and we use CAAT in our audit engagements.

ACL is a worldwide industry leader in CAAT software and is a powerful product that allows us to import electronic information from clients in a variety of formats and perform sophisticated analyses and data extraction. We have trained more than 500 professionals throughout our firm as software champions. Firmwide, BKD has more than 10 professionals who serve as instructors for beginner and advanced ACL classes. There are significant opportunities for using this software in many aspects of your organization. We have the expertise and necessary skills to help the City implement and effectively use ACL.

## 4. FEES

Detail your firm's proposed engagement fee as a flat annual fee that includes all expenses for the three (3) year contract by fiscal year.

BKD knows our clients do not like fee surprises. Neither do we. Our goal is to be candid and timely, and we want to answer your questions about fees upfront. We determine our fees by evaluating a number of variables: the complexity of the work, the project's scope, the time we will spend and the level of professional staff needed.

### PROPOSED FLAT ANNUAL FEES

City of Kerrville, Texas			
For the Fiscal Years Ending September 30	2016	2017	2018
Financial Statement Audit in Accordance with <i>Government Auditing Standards</i> & Preparation of a Draft CAFR	\$63,870	\$65,750	\$67,630
GASB 68 – Continuing Procedures	\$2,100	\$2,200	\$2,300
Expenses: Travel & Administrative	\$5,855	\$5,930	\$6,005
Discount: Travel Fees	(\$3,300)	(\$3,300)	(\$3,300)
<b>Total</b>	<b>\$68,500<sup>^</sup></b>	<b>\$70,500<sup>^</sup></b>	<b>\$72,600<sup>^</sup></b>

<sup>^</sup> Denotes rounded total

Our proposed fees above include travel costs and an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs, such as computer processing, software licensing, research and library databases, and similar expense items. Our fees may increase if our duties or responsibilities change because of new rules, regulations and accounting or auditing standards. We will consult with you should this happen.

### HOURLY RATES

Any work outside the scope of this engagement will be priced according to our hourly rates.

Staff Levels	Hourly Rates
Partner	\$300 to \$400
Senior Manager, Director	\$200 to \$300
Associate, Senior Associate, Senior Associate II, Manager	\$150 to \$200

## 5. REFERENCES

Provide a list of your five largest public sector clients, including contact person, email address and telephone number.

Our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The following clients have consented to discussing BKD's services and service delivery with you at your convenience.

City of El Paso, Texas  
Dr. Mark Sutter  
Chief Financial Officer  
sutterm@elpasotexas.gov  
915.541.4435

City of Lubbock, Texas  
Mr. Brack Bullock  
Accounting Supervisor  
bbullock@mail.ci.lubbock.tx.us  
806.775.2147

City of Mesquite, Texas  
Ms. Deborah Mol  
Director of Finance  
dmol@cityofmesquite.com  
972.216.6287

City of North Richland Hills, Texas  
Mr. Kent Austin  
Director of Finance  
kaustin@nrhtx.com  
817.427.6152

City of McKinney, Texas  
Ms. Trudy Mathis  
Senior Financial Services Manager  
tmathis@mckinneytexas.org  
972.547.7528



Experience connection  
with a firm that serves  
clients in all 50 states  
& internationally.

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**Unmatched client service isn't  
just a slogan at BKD; it's the  
backbone of our culture.**

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Theodore D. Dickman, CPA  
Chief Executive Officer | BKD, LLP

# APPENDIX

# AICPA PEER REVIEW LETTER

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American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

November 10, 2014

Theodore D Dickman, CPA  
BKD, LLP  
910 E Saint Louis St Ste 400  
Springfield, MO 65806

Dear Sir/Madam:

It is my pleasure to notify you that on October 31, 2014 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 2017. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in black ink that reads "Larry Gray". The signature is written in a cursive, flowing style.

Larry Gray  
Chair, National Peer Review Committee  
nprc@aicpa.org 919 402.4502

cc: Candace E Wright; L Douglas Bennett

Firm Number: 10002800

Review Number 361333

Letter ID: 937515

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T: 1.919.402.4502 | F: 1.919.402.4876 | nprc@aicpa.org

## BKD PEER REVIEW REPORT



A Professional Accounting Corporation  
 Associated Offices in Principal Cities of the United States  
[www.pncpa.com](http://www.pncpa.com)

System Review Report

To the Partners of BKD, LLP  
 and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (SOC 1).

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, LLP has received a peer review rating of *pass*.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
 September 19, 2014



International  
Federation  
of Accountants®

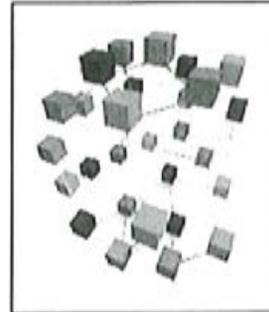
Strengthening Organizations, Advancing Economies

## Surprising Effects of Mandatory Auditor Rotation on Audit Quality

by Kendall O. Bowlin, University of Mississippi; Jessen L. Hobson, University of Illinois at Urbana-Champaign; and M. David Piercey University of Massachusetts - Amherst | December 15, 2015 | 3

As new auditor rotation mandates are debated and adopted or rejected worldwide, a new research study takes a different approach to assessing the effects of these mandates on audit quality.

So far, the debate over mandatory auditor rotation has been framed as two competing arguments. On one hand, proponents of mandatory rotation are concerned about the risks that long-term auditor-client relationships pose to the auditor's mindset. By limiting that relationship, rotation will ostensibly improve audit quality by helping ensure that auditors remain professionally skeptical and do not become overly trusting of their clients' assertions. On the other hand, opponents of mandatory rotation argue that the knowledge acquired by an auditor about the specifics of a company will be lost with each rotation, ultimately harming audit quality.



A new study, "The Effects of Auditor Rotation, Professional Skepticism, and Interactions with Managers," looks more closely at the presumed benefits of mandatory rotation and concludes that those benefits sometimes do not exist. In fact, in some cases, mandatory rotation may actually worsen the very issue that it is presumed to improve. Specifically, the basic assumption has been that auditors become more trusting of clients over time. Therefore, it is further assumed that they would be less trusting of their clients if they have to rotate.

This study calls these assumptions into question, demonstrating that they are only half true. On one hand, if auditors are focused on assessing the likelihood that their clients' claims are true, then the study's findings suggest that auditors in long-term relationships become too trusting of their clients' claims, and rotation helps reduce this tendency. On the other hand, if auditors are focused on assessing the risk that their clients' claims are false (e.g., fraud risk assessments), auditors benefit from being in a long-term relationship with their clients, and rotating auditors are the ones who become too trusting, to the detriment of audit quality.

Why does this occur? In a long-term relationship, auditors gain confidence in assessing the truth or falsity of their clients' claims. So when auditors are assessing the likelihood that their clients' claims are true, they are able to find plenty of psychological support for that possibility. On the other hand, when they are assessing the risk that those claims are false, they are also able to find more psychological support for that possibility. Rotation undermines this confidence. Rotating auditors are at a disadvantage in finding psychological support for either the possible truth or falsity of their clients' claims. As a result, this study suggests that the basic assumption underlying this debate—that rotation would improve auditor efforts to be skeptical—is not valid. Skepticism appears to benefit from a long-term auditor-client relationship.

This is a fundamental psychological effect that occurs among people in general. In order to demonstrate its findings, the study used a carefully controlled laboratory experiment. Participants in the experiment interacted with one another in anonymous pairs over a computer network. In each pair, one participant took the role of an auditor, and the other took the role of the manager. They had to make choices that were analogous to choices both clients and managers regularly make. That is, managers had to choose aggressive or conservative financial reporting, and could make non-binding claims to the auditors. Auditors could decide whether to believe those claims, and whether to engage in higher-cost or lower-cost auditing of that particular assertion. Although these roles and choices were described using generic terms to prevent participants guessing the study's purpose, the experiment captured the key dynamic of the choices auditors and managers face. In the interests of audit efficiency, auditors' best choice is lower-cost auditing as long as the manager is reporting conservatively. Otherwise, lower-cost auditing is the worst choice for auditors. For managers, reporting aggressively is the best choice as long as the auditor has selected lower-cost audits. But aggressive reporting is the worst choice if auditors engage in higher-cost audits.

Why use this experimental approach to study auditors? Nearly all of the prior research on the effects of rotation uses archival databases of historical data. As regulators have pointed out, these studies therefore suffer from an inherent limitation. Specifically, they have primarily examined whether long-term auditor-client relationships are correlated with better or worse earnings quality. For example, if long-term relationships result in better earnings quality, the assumption is that the knowledge that auditors gain over time must trump the threats that the relationship poses to their skepticism. If true, rotation would undermine audit quality, which would appear to grow over time. The problem with these correlational studies, though, is that this correlation could occur for completely different reasons. For example, auditors tend to drop their more aggressive clients over time (i.e., client renewal decisions), and more aggressive financial reporters tend to go through different auditors (i.e., "opinion shopping"). Both of these effects would drive a positive correlation between longer auditor-client relationships and earnings quality, but this says nothing about whether audit quality itself improves over time.

By using this experimental approach, the study controls for these alternative explanations in ways that correlational data cannot. For example, in this experiment, aggressive financial reporters were randomly assigned to rotation or no-rotation conditions, and so simply being an aggressive financial reporter could not artificially drive the relationship between rotation and audit quality. In addition, by using an experiment, the study can see important "internal" measures of audit quality and earnings quality that archival databases are blind to. For example, the study can see exactly how often managers lie, how often auditors believed them, and how often they selected lower-cost audits while managers were reporting aggressively.

The article concludes "[a]n implication of our study is that focusing auditors on a skeptical assessment frame rather than mandating auditor rotation may be a less costly way to reduce low-effort audits and aggressive reporting." The study appears in the July issue of *The Accounting Review*, published by the American Accounting Association.

Do you have a perspective you'd like to share with the global profession? Email [Gateway@ifac.org](mailto:Gateway@ifac.org) to inquire about becoming a Gateway contributing author.

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#### Recommend

Help IFAC improve the Global Knowledge Gateway.  
Click to recommend this article.

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## Join the Conversation

To leave a comment below, [login](#) or [register](#) with IFAC.org

### Mian Hussain

December 18, 2015

Change is always better as every human being has different approach, strategy and mindset. Rotations are meant for improving practices and financial results. But it can not be achieved with rotating audit manager of the same firm because the audit team remains the same. It is recommended that rotation should be done amongst different firms and not the partners.

### Twaha Kaawaase

December 16, 2015

This is an excellent article. Speaking as part of the SMP fraternity, we have always argued against 'blanket policies' of requiring mandatory rotations without due regard to the realities of our environment. The findings of this study therefore reinforce our arguments and are in the right direction to ensure that reasonable "CAKE - Cumulative Audit Knowledge and Experience" is brought to bare in all audits, and that for audit quality to be enhanced 'professional skepticism' counts a lot.

### Kari Lydman

December 16, 2015

■

The outcome is not a surprise. Rotation requirements are an example of that the standard setters and law makers do not basically trust the auditors' independent and objective mindset. This mistrust is based on nothing. If we auditors keep on being independent, i.e. "free", and have the little bit weird attitude of skepticism, rotation is not needed at all.



American Institute of CPAs  
1211 Avenue of the Americas  
New York, NY 10036-8775

December 14, 2011

*VIA ELECTRONIC MAIL*

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington D.C. 20006-2803

**Re: Request for Public Comment: Concept Release on Auditor Independence and Audit Firm Rotation**

Dear Office of the Secretary:

The American Institute of Certified Public Accountants' ("AICPA") is pleased to comment on the Public Company Accounting Oversight Board's ("PCAOB" or "Board") Rulemaking Docket Matter No. 037, "Concept Release on Auditor Independence and Audit Firm Rotation" (the "Concept Release"). The AICPA is the largest professional association of certified public accountants in the United States, with over 370,000 members in business, industry, public practice, government, and education. Throughout its history the AICPA has been deeply committed to promoting and strengthening auditor independence and objectivity.

Due to the subject matter of the Concept Release, the AICPA has received input from members of its Professional Ethics Executive Committee (PEEC). Through the PEEC, the AICPA devotes significant resources to independence activities, including evaluating existing standards, proposing new standards, and interpreting and enforcing those standards.

**General comment**

The AICPA supports and shares the PCAOB's overall goal to enhance auditor independence, objectivity and professional skepticism. Clearly, independence, objectivity and professional skepticism serve as the foundation of a high quality audit and we agree that these core values should be continually assessed and enhancements made, where necessary. However, we are concerned that the PCAOB's focus appears to be on mandatory firm rotation as a means to achieve such enhancements. Moreover, it appears that the Board's rationale for pursuing mandatory firm rotation is based on an unsubstantiated presumption that its inspection findings are the result of a lack of auditor objectivity and professional skepticism and that this could be improved through mandatory firm rotation. While auditor objectivity and professional skepticism is one driver of a high quality audit, there are also other important drivers such as the auditor's competence (e.g., industry knowledge and experience), appropriate application of the audit methodology, as well as robust audit and quality control standards.

Indeed, the Board has acknowledged that its preliminary analysis of inspection data appears to show no correlation between auditor tenure and the number of comments in its inspection

reports. Accordingly, we recommend that the Board further study and analyze the root causes of its inspection findings and for the reasons stated below, refrain from pursuing a mandatory firm rotation requirement.

### **Mandatory firm rotation carries costly and unintended consequences**

We believe that mandatory firm rotation carries significant costs and possible unintended consequences that have the potential to hinder audit quality rather than the intended goal of enhancing audit quality. We have provided examples of such costs and unintended consequences below for the Board's consideration.

#### *Research indicates adverse impact on audit quality*

Research indicates that mandatory firm rotation may have an adverse impact on audit quality;<sup>1</sup> however, we are not aware of any such credible research that exists demonstrating that firm rotation would significantly improve audit quality. In fact, numerous academic studies indicate that audit quality actually increases with audit firm tenure.<sup>2</sup> Experience and knowledge of the company's operations and industry are crucial to a high quality audit and such knowledge and experience increases with audit tenure. Academic research has demonstrated that audit quality "tends to improve rather than worsen with tenure, providing support to the expectation that there is a significant learning process for the auditor, i.e., an auditor needs time to get to know sufficiently well the business of the client and, consequently, audit quality tends to increase over time."<sup>3</sup> Such studies have further concluded that audit quality suffers when the auditor lacks a solid base of experience and understanding of a public company's business.<sup>4</sup>

Mandatory firm rotation may also result in a greater risk of fraud and therefore, adversely impact audit quality. Specifically, academic research indicates that fraudulent financial reporting is more likely to occur in the first three years of the auditor-client relationship. Furthermore, such research concludes that there is no evidence that the risk of fraudulent financial reporting is greater with long audit tenure.<sup>5</sup>

Finally, while some may argue that there is a *perception* that long audit tenure may adversely impact auditor objectivity and professional skepticism and therefore, impair the *appearance* of

<sup>1</sup> See, *Audit Firm Tenure and Fraudulent Financial Reporting*, Joseph Carcello and Albert Nagy (January 2004); *Auditor Tenure and Auditor Change: Does Mandatory Auditor Rotation Really Improve Audit Quality?* Mara Cameran, Annalisa Prencipe, and Marco Trombetta (2008)

<sup>2</sup> See, *Mandatory Audit Firm Rotation and Audit Quality*, Andrew B. Jackson, Michael Moldrich and Peter Roebuck (The University of New South Wales) (July 2007)

<sup>3</sup> See, *Auditor Tenure and Auditor Change: Does Mandatory Auditor Rotation Really Improve Audit Quality?*, Working Paper, Bocconi University (Milan- Italy) and IE Business School (Madrid- Spain), Cameran, M., Prencipe, A., Trombetta, M. (2010).

<sup>4</sup> See, *Earnings Quality: Some Evidence on the Role of Auditor Tenure and Auditors' Industry Expertise*, Ferdinand A. Gul, Simon Yu Kit Fung, and Bikki Jaggi (2007); *A Survey of the Impact of Mandatory Rotation Rule on Audit Quality and Audit Pricing in Italy*, SDA Bocconi University (Milan-Italy) M. Cameran, M. Livatino, N. Pecchiare A. Viganò (2003); *Auditor Tenure and Audit Quality: The Role of the Demand for Unique Client Specific Knowledge*, Bin Srinidhi, Sidney Leung, and Ferdinand A Gul (April 2010); *Required Study on the Potential Effects of Mandatory Audit Firm Rotation*" GAO Report to the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services (November 2003).

<sup>5</sup> See, *Audit Firm Tenure and Fraudulent Financial Reporting*, Auditing: A Journal of Practice and Theory, Vol. 23, Issue 2, Carcello, J.V. and Nagy, A.L. Sept. 2004.

independence, research indicates that “investors and information intermediaries perceive auditor tenure as improving audit quality.”<sup>6</sup>

Accordingly, extensive research has been conducted that suggests mandatory firm rotation would not achieve the Board’s objective of enhancing audit quality but rather, may serve to impair it.

*May limit institutional knowledge, experience, and industry specialization*

As noted, research demonstrates that institutional knowledge and experience are crucial to a high quality audit and increases over time. Mandatory firm rotation would clearly hinder the auditor’s ability to accumulate such institutional knowledge and experience and could therefore, adversely impact audit quality. In addition, mandatory firm rotation could result in limiting companies in specialized industries to engage audit firms who have the appropriate skill set and experience to perform the audit. For example, in some geographical areas, companies may be limited in the number of audit firms that specialize in their industry and have the expertise to provide a quality audit. Mandatory firm rotation could have the result of forcing companies to select an auditor who is not as capable with the result of diminishing audit quality. In addition, many firms specialize in certain industries and devote significant resources to training partners and staff in these focused areas. If an audit firm is required to rotate from the engagement and there are few or no other companies who require the same audit specialization, the firm may decide to no longer maintain the industry specialization, even further limiting the number of audit firms with the requisite industry expertise for companies to choose from.

We also believe that mandatory firm rotation could have a severe impact on multi-national audits. Audits of multi-national companies generally involve complex business structures and transactions that require the auditor to develop and maintain expertise in specialized areas. This potential loss of institutional knowledge and experience could be extremely disruptive to multi-national companies and their auditors and result in significant costs. In addition, multi-national audits could be extremely difficult to manage if countries around the world adopted mandatory firm rotation requirements with differing rotation periods. For example, multiple rotation regimes for multi-national companies could result in multiple audit firms and varying audit methodologies used on a particular audit.

*Increased costs and resources*

In the Concept Release, the Board recognizes that “a rotation requirement would significantly change the status quo and accordingly, would risk significant cost and disruption.”<sup>7</sup> We agree that these costs would be significant and may cause a major disruption to the capital markets.

As the Board points out, in the Government Accountability Office’s (GAO) “Required Study on the Potential Effects of Mandatory Audit Firm Rotation,” firms estimate that in the first year, mandatory firm rotation could result in increased audit costs of more than 20 percent<sup>8</sup>. The GAO Study also estimated that “Following a change in auditor under mandatory audit firm rotation,

<sup>6</sup> See, *Auditor Tenure and Perceptions of Audit Quality*, Alok Ghosh, Doocheol Moon (April 2005).

<sup>7</sup> Concept Release, page 3.

<sup>8</sup> Concept Release, page 14.

the possible additional first year audit-related costs could range from 43 percent to 128 percent higher than the likely recurring audit costs had there been no change in auditor.<sup>9</sup>

In addition to the increase in audit costs, there are other costs that the Board should take into consideration. For example, once a firm is forced to rotate, the company must devote significant resources to identifying and hiring a new audit firm that has the requisite expertise. Such costs include meeting and corresponding with firms regarding the company's business, drafting and responding to proposals, and interviewing the audit firms. Once selected, the company would also need to devote significant time to educating the audit firm on the company's business and operations, internal control systems, accounting and financial reporting systems, and other areas so the firm has the requisite knowledge to perform a quality audit.

In addition to the significant time involved in gaining the necessary understanding of the company's business, operations and systems, the audit firm must also devote considerable time to reviewing the predecessor auditor's working papers, identifying risk areas, understanding complex transactions and other audit planning matters that generally involve significant time commitments as part of the first year's audit. It is likely these additional audit hours would result in an increase in audit fees to the company.

#### *Undermines role of audit committee*

Mandatory firm rotation may have the unintended consequence of undermining the role of the audit committee. The Sarbanes-Oxley Act ("SOX") assigned responsibility to independent audit committees for overseeing the financial reporting process, including the hiring and firing of the external auditor. However, mandatory rotation could prevent the audit committee from selecting and retaining the most qualified audit firm to perform the company's audit. Since the audit committee is responsible for the selection and oversight of the audit firm, the audit committee should be able to use its discretion and judgment when determining which audit firm is best suited to perform the company's audit. In determining which firm is most capable, the audit committee should consider a number of factors and arguably, firm tenure should be one such factor. Other important factors include the qualifications and reputation of the audit firm, industry experience, and reasonableness of the audit plan. The audit committee is also in the best position to evaluate the quality of the audit and assess the independence and objectivity of the auditor. Clearly, this should be an important factor considered by the audit committee when determining if reappointment of the auditor is appropriate.

Mandatory rotation could limit the audit committee's choice of audit firms and therefore, hinder its ability to select or reappoint the audit firm that can perform the highest quality audit in the most efficient and effective manner. This result could be exacerbated in situations where the company is in a specialized industry with a limited number of firms who have sufficient industry expertise or where the company is located in a geographical area with a limited number of audit firms available to perform the audit.

#### **Consider impact of recent standards and other potential enhancements**

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<sup>9</sup> GAO Report, page 33.

*Consider impact of SOX and new standards*

In 2002, SOX created significant reforms to restore public trust and investor confidence. Pursuant to SOX, the SEC implemented stringent independence rules to enhance auditor independence, objectivity and professional skepticism. These rules included prohibitions on the provision of certain nonaudit services, prohibitions on hiring former auditors (including a "cooling-off" period), and a requirement for lead and concurring partner rotation every five years and rotation of other audit partners every seven years.

We believe the existing partner rotation requirements are effective and provide the necessary "fresh look" to ensure auditors are exercising objectivity and professional skepticism during the audit. In addition, partner rotation does not carry the same degree of disruption and loss of institutional knowledge that a mandatory firm rotation requirement would have on the company and the audit firm. We also believe that the level of disruption and loss of knowledge would be even worse if the existing partner rotation requirement was coupled with a mandatory firm rotation requirement and question how the partner rotation and firm rotation requirements would be synchronized if the rotation cycles do not coincide. We would also like to point out that when adopting its new rules on partner rotation, the SEC expected the PCAOB to monitor the impact the partner rotation rules would have on audit quality and independence. Specifically, SEC Release No. 33-8183, *Strengthening the Commission's Requirements Regarding Auditor Independence*, states that, "In conducting its oversight review of registered public accounting firms, we expect that the Public Company Accounting Oversight Board ("the Board") will monitor the impact of these rules on audit quality and independence."<sup>10</sup> We are not aware of the PCAOB having performed such an evaluation of the SEC's partner rotation rules and recommend that the Board consider doing so prior to pursuing further consideration of a firm rotation requirement.

Subsequent to SOX, the PCAOB has also taken measures to enhance audit quality, including a suite of risk assessment standards and a new framework for the engagement quality review. The Board's inspection findings do not reflect the impact that these important standards will have on audit quality and we therefore recommend that the Board not pursue such drastic measures as mandatory firm rotation until it has the opportunity to study the impact of these new standards and how they will enhance audit quality. The Board would then be in a better position to determine if further enhancements, specifically with respect to auditor independence, objectivity and professional skepticism are necessary.

*Other potential audit quality enhancements*

We would support the Board in further analyzing its inspection findings to better understand the underlying reasons for the audit failures that have been observed. If the Board determines that the root cause of such findings were the result of the auditor lacking the requisite independence, objectivity and professional skepticism, then we recommend the Board explore other, more cost-effective enhancements to audit quality. Specifically, we would ask the Board to consider the potential audit quality enhancements described in the Center for Audit Quality's (CAQ)

<sup>10</sup> Section 3.C. *Rotation Period for Partners Other Than The Lead and Concurring Partners.*

comment letter submitted to the Board on this Concept Release. Specifically, the CAQ has offered a number of potential enhancements to audit quality that audit firms, audit committees, and regulators may wish to consider that do not carry the significant costs associated with mandatory firm rotation. We also believe it is important to consider the size of the audit firm in determining the appropriateness of any potential enhancements and that certain enhancements would only be appropriate for annually inspected firms.

*Cost-benefit analysis*

Finally, if the Board determines that it should further pursue a mandatory firm rotation requirement, we would strongly encourage the Board to conduct a cost-benefit analysis to justify that the significant costs associated with mandatory firm rotation do not outweigh any potential benefits. We believe such an analysis is imperative, especially if the Board is unable to demonstrate evidence that mandatory firm rotation will significantly enhance audit quality.

\*\*\*\*\*

In closing, we would like to reiterate that we do not believe the PCAOB should proceed with a mandatory firm rotation requirement without evidence that links audit firm tenure to the audit failures noted in the PCAOB inspection findings. Moreover, if further study appears to indicate such a linkage, we would urge the Board to carefully weigh the costs associated with mandatory firm rotation against any potential benefits and consider other potential enhancements that do not result in such a significant level of disruption and costs.

We appreciate the opportunity to comment on the PCAOB's Concept Release and would be happy to meet with the Board to discuss our comments in greater detail.

Sincerely,



Gregory J. Anton, CPA  
Chairman of the Board



Barry C. Melancon, CPA  
President and CEO

## COMMITMENT TO PROFESSIONAL DEVELOPMENT

BKD is committed to creating rewarding careers and equipping our professionals with the tools they need to serve our clients. We take professional growth and development seriously and offer numerous programs and training so we are prepared to help meet your professional services needs.



### AWARD-WINNING TRAINING

BKD's commitment to lifelong learning and professional development is highlighted by our recognition as a top-tier training organization. BKD has earned the distinction of **Training** magazine's Training Top 125 for the past three years. In 2014, BKD also earned the **Chief Learning Officer** magazine's LearningElite award.



### PROGRESSIVE PROGRAMS & INITIATIVES

BKD is dedicated to creating and implementing programs and initiatives to help our professionals achieve their full potential. Programs include SKY, a firmwide initiative to emphasize and strengthen diversity in our firm. SKY focuses on recruiting, retaining and developing women for the sustainable growth of BKD. Through the collaboration of men and women, BKD aims to foster a culture that recognizes and supports maximizing the potential of all.



### REWARDING CAREERS

As part of a recent employee engagement survey, BKD employees ranked us within the 90th percentile of professional services companies, indicating they find BKD to be an exemplary platform from which to serve clients.

## BKD PRIDE VALUES

WHAT'S IMPORTANT TO YOU? // A commitment to excellence? Independence and objectivity? A broad skill set? Exceeding expectations? At BKD, these are all essential. That's why every day you can see our partners and employees "living the PRIDE." These values—passion, respect, integrity, discipline and excellence—are the hallmarks of BKD and guide us as we provide solutions for your business and financial needs. Experience what BKD PRIDE values can mean for you.



P

### PASSION

- For service to others
- For making tomorrow better than today

Experience how our dedication and enthusiasm for making tomorrow better than today can help you make informed decisions to help improve business and financial outcomes.

R

### RESPECT

- For the differences that make our team strong
- For our legacy and the benefits of change

Experience how our respect for diversity can provide a variety of skills and talents to meet your needs. Respecting the lessons of our legacy and yours, we can help you capitalize on the opportunities change inevitably offers.

I

### INTEGRITY

- To do the right thing
- To be objective and independent

Experience how our integrity and objectivity can help you make smart business decisions. You want an advisor to tell you what you need to know, not just what you want to hear.

D

### DISCIPLINE

- In process and innovation
- To balance professional and personal commitments

Experience how our well-established protocols and low-risk approaches can help resolve issues and advance your goals.

E

### EXCELLENCE

- In skills and competencies
- In our quest to be the best

Experience how our ambition, knowledge, commitment to lifelong learning and drive to improve technical and analytical skills can work to consistently surpass your expectations.

## **Agenda Item:**

4A. Ordinance No. 2016-07, amending the City's "Zoning Code" to revise Section 11-I-12(f) "Temporary Construction Trailers and Buildings" to allow for the expanded use of such structures; containing a savings and severability clause; providing for a maximum penalty or fine of two thousand dollars (\$2,000.00); and ordering publication. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

**SUBJECT:** Second reading of the Ordinance & Action concerning a zoning text amendment to change Chapter I, "The City of Kerrville Zoning Code" Article 11-1-12 (Manufactured Homes, Mobile Homes, Trailers, and Recreation Vehicles).

**FOR AGENDA OF:** June 28, 2016

**DATE SUBMITTED:** June 17, 2016

**SUBMITTED BY:** Trenton Robertson  
City Planner

**CLEARANCES:** Malcolm Matthews  
Deputy City Manager

**EXHIBITS:**

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$	\$	\$	

**PAYMENT TO BE MADE TO:**

**REVIEWED BY THE DIRECTOR OR FINANCE:**

**SUMMARY STATEMENT**

This item concerns a text amendment to the City of Kerrville's zoning code to address the requirements of Temporary Construction Trailers and Buildings. City Council at its regular meeting on May 24, 2016, directed staff to review Article 11-1-12 (Manufactured Homes, Mobile Homes, Trailers, and Recreation Vehicles) of the zoning code and make recommendations pertaining to temporary construction trailers and buildings.

A public hearing was conducted by the Planning & Zoning Commission at its regular meeting on June 2, 2016. The Planning & Zoning Commission recommended approval of the amendments presented by staff (5-0). The Planning & Zoning Commission requested at a later meeting to review and possibly make additional changes to Article 11-1-12 (f)(2)(v) "Temporary Building-Trailer Sales Office: Design".

A public hearing was conducted by the City Council at its regular meeting on June 14, 2016.

**RECOMMENDED ACTION**

Staff recommends that the Council conduct the second reading of the ordinance and take action on the item. A public hearing is not required.



## City of Kerrville Planning Department Report

To: Planning & Zoning Commission  
Agenda Item: 4A  
Planning File #: 2016-027  
Hearing Date: June 2, 2016  
Representative: City Staff  
Location: City Wide  
Legal Description: NA  
Total Acreage: NA

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### Proposal

Zoning text amendment to amend Chapter I, "The City of Kerrville Zoning Code" Article 11-1-12 (Manufactured Homes, Mobile Homes, Trailers, and Recreation Vehicles)

### Procedural Requirements

The application was published in The Hill Country Community Journal, a newspaper of general circulation in the City of Kerrville on May 18, 2016. Additionally, notice of this meeting was posted at city hall and on the city's internet website on May 27, 2016, in accordance with Section 551.043(a) of the Texas Government Code (i.e., at least 72 hours in advance of the scheduled meeting).

### Recommended Action

Staff recommends that the Commission hold the required public hearing to receive public comments and make a recommendation to the Council.

### Staff Analysis and Recommendation: Approval

#### 1. Current Ordinance:

The current zoning regulations for Chapter I, "The City of Kerrville Zoning Code" Article 11-1-12(e)(f) follows:

- (e) **Temporary Construction Trailers and Buildings:** Temporary construction trailers and buildings used for on-site construction purposes are permitted in accordance with a building permit issued by the City for a period not exceeding the period of construction. Upon completion of construction as determined by the issuance of a certificate of occupancy or the abandonment of construction, the owner shall remove the trailer or building at its expense. Where construction is complete, the owner shall remove the trailer or building within fourteen (14) calendar days.

- (f) **Temporary Residential Sales Offices and Model Homes:** A residential sales office is permitted within a subdivision for which the City has issued building permits and may be located either in a model home or in a temporary building or trailer. The City may issue such permit for no more than one year, but the City may extend the permit if the applicant maintains active and continuous construction within the subdivision and a minimum of ten (10) lots in the subdivision remain unsold. The sales office shall be used only for sales within the subject subdivision and not for sales in any other subdivision. The following regulations shall apply to the use of the temporary residential sales offices or model homes as permitted within any Residential Zoning District:

(1) **Model Home – Sales Office**

- (i) ***Permitting:*** A model home used as a temporary sales office shall require a permit, an inspection, and a certificate of occupancy.
- (ii) ***Lot:*** The model home shall only be constructed on a platted lot.
- (iii) ***Parking:*** A minimum of four (4) off-street parking spaces shall be provided and shall be surfaced with materials that will not be tracked onto the public right-of-way. Access to this parking shall be by means of a standard residential driveway.
- (iv) ***Landscaping:*** Landscaping typically associated with residential development shall be provided and maintained at all times.
- (v) ***Site/Plot Plan:*** A site/plot plan for the lot to be used for the model home sales office shall be included with the building permit application. This plan shall show the location of the off-street parking, driveway, and landscaping.
- (vi) ***Conversion:*** A model home sales office may be converted for residential habitation at any time but only after residential sales have ceased. The converted model home shall be subject to applicable residential parking standards.

(2) **Temporary Building – Trailer Sales Office:**

- (i) ***Permitting:*** A building or trailer used as a temporary sales office shall require a permit, an inspection, and a certificate of occupancy.
- (ii) ***Lot:*** The building or trailer shall only be placed or constructed on a platted lot.
- (iii) ***Parking:*** A minimum of four (4) off-street parking spaces shall be provided and shall be surfaced with materials that will not be tracked onto the public right-of-way. Access to this parking shall be by means of a standard residential driveway.

- (iv) **Site/Plot Plan:** A site/plot plan for the lot to be used for the building or trailer sales office shall be included with the building permit application. This plan shall show the location of the off-street parking, driveway, and landscaping.
- (v) **Design:** The design of the residential sales office shall be residential in character with a non-metallic roof of a hip or gable design, the exterior siding shall be non-metallic and similar to the exteriors of the residential housing constructed in the development. At least one doorway into the building or trailer shall face the street.
- (vi) **Sales Trailers:** If a trailer is to be used as a residential sales office, the following development requirements shall also apply:
  - 1 The tongue and/or towing gear, axles, and wheels shall be removed;
  - 2 The vacant space between the grade of the property on which the trailer is located and the exterior edges of the finished floor shall be skirted with the same material as the exterior of the trailer so that there is no visible gap between the finished floor and the ground; and
  - 3 A porch with steps and/or ramp is located on the street facing side of the trailer that meets all accessibility standards.
- (vii) **Building Compliance:** All buildings or trailers used as residential sales offices shall comply with the Texas Manufactured Housing Standards Act, as amended, regarding construction design and standards and applicable building code requirements.
- (viii) **Conversions:** A temporary residential sales office shall not be used for or converted to residential habitation.
- (ix) **Removal:** Following the expiration of the permit, the owner shall remove the building or trailer from the lot within fourteen (14) calendar days and at the owner's expense."

## 2. Proposed Amendments to the Ordinance:

The proposed amendments to the zoning regulations for Chapter I, "The City of Kerrville Zoning Code" Article 11-1-12(e) is underlined (**added**) or (**deleted**) as follows:

- (e) **Temporary Construction Trailers and Buildings:** Temporary construction trailers and buildings used for ~~on-site~~ construction purposes within a platted subdivision for which the City has issued building permits are permitted in accordance with a building permit issued by the City for a period not ~~to exceed~~ ing the period of construction ~~twelve (12) months.~~ The building official may reissue a permit for a

period not to exceed twelve (12) months. The temporary construction trailer and building shall be used only for construction within the subject subdivision and not for construction in any other subdivision. Upon either the completion of construction of all platted lots within the subdivision as determined by the issuance of a certificate of occupancy or the abandonment of construction, or the expiration of the building permit, the owner shall remove the trailer or building at its expense.~~Where construction is complete, the owner shall remove the trailer or building~~ within fourteen (14) calendar days.

### **3. Purpose for the Amendment:**

To allow for temporary construction trailers and buildings to be located near a site under construction of a smaller lot size, that reasonably cannot accommodate such aforementioned structures.

**CITY OF KERRVILLE, TEXAS  
ORDINANCE NO. 2016-07**

**AN ORDINANCE AMENDING THE CITY'S "ZONING CODE" TO REVISE SECTION 11-I-12(f) "TEMPORARY CONSTRUCTION TRAILERS AND BUILDINGS" TO ALLOW FOR THE EXPANDED USE OF SUCH STRUCTURES; CONTAINING A SAVINGS AND SEVERABILITY CLAUSE; PROVIDING FOR A MAXIMUM PENALTY OR FINE OF TWO THOUSAND DOLLARS (\$2000.00); AND ORDERING PUBLICATION**

**WHEREAS**, pursuant to Texas Local Government Code Sections 211.006 and 211.007, notice has been given to all parties in interest and citizens by publication in the official newspaper and otherwise, of a hearing which was held before the City Council on June 14, 2016, which considered a report of the City of Kerrville Planning and Zoning Commission regarding its recommendations on an ordinance, the adoption of which will result in revisions to Section 11-I-12(f) of the City's Zoning Code, which will make changes to the regulations applicable to the use of temporary construction trailers and buildings; and

**WHEREAS**, such public hearing was held in the Council Chambers beginning at approximately 6:00 p.m. on June 14, 2016, as advertised; and

**WHEREAS**, after a full hearing, at which all parties in interest and citizens were given an opportunity to be heard; and after receiving and considering the recommendations of the Planning and Zoning Commission and City staff; and after considering among other things, the character of the various areas of the City and the suitability of particular uses in each area; and with a view to conserving the value of buildings and encouraging the most appropriate use of land throughout the City, the Council finds it to be in the best interest of the health, safety, morals, and general welfare of the City of Kerrville, Texas, to amend the City's Zoning Code to revise Section 11-I-12(f) as provided herein;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

**SECTION ONE.** Section 11-I-12(f) "Temporary Construction Trailers and Buildings", of the City's Zoning Code is amended by adding the language that is underlined (added) and deleting the language that is stricken and bracketed (~~deleted~~) as follows:

**"Art. 11-I-12 MANUFACTURED HOMES, MOBILE HOMES, TRAILERS, AND RECREATION VEHICLES**

**:**  
**:**

- (f) Temporary Construction Trailers and Buildings: Temporary construction trailers and buildings used for ~~[on-site]~~ construction purposes within a platted subdivision for which the City has issued a building permit are permitted in accordance with a building permit issued by the City for a period not to exceed twelve (12) months ~~[exceeding the period of construction]~~. The building official

may reissue such a permit for a period not to exceed twelve (12) months. A temporary construction trailer or building shall only be used for construction within the subject subdivision and not for any construction or activities beyond said subdivision. Upon the completion of construction upon all lots within the subdivision as determined by the issuance of a certificate of occupancy(s), [or] the abandonment of construction, or the expiration of a building permit, the owner shall remove the trailer or building at its expense[~~,-Where construction is complete, the owner shall remove the trailer or building~~] within fourteen (14) calendar days.”

**SECTION TWO.** The provisions of this Ordinance are cumulative of all other ordinances or parts of ordinances governing or regulating the same subject matter as that covered herein; provided, however, that all prior ordinances or parts of ordinances inconsistent with or in conflict with any of the provisions of this Ordinance are expressly repealed to the extent of any such inconsistency or conflict.

**SECTION THREE.** If any section, subsection, sentence, clause or phrase of this Ordinance is, for any reason, held to be unconstitutional or invalid, such holding shall not affect the validity of the remaining portions of this Ordinance. The Council of the City of Kerrville, Texas, declares that it would have passed this ordinance and each section, subsection, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

**SECTION FOUR.** The penalty for violation of this Ordinance shall be in accordance with the general penalty provisions contained in Section 1-9, Chapter 1 of the Code of Ordinances of the City of Kerrville, Texas, which provides for a fine not exceeding TWO THOUSAND DOLLARS (\$2,000.00).

**SECTION FIVE.** Pursuant to Texas Local Government Code §52.013(a) and Section 3.07 of the City’s Charter, the City Secretary is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

**SECTION SIX.** This Ordinance shall become effective immediately upon the expiration of ten days following publication, as provided for by Section 3.07b. of the City Charter.

**PASSED AND APPROVED ON FIRST READING, this the 14<sup>th</sup> day of June, A.D., 2016.**

**PASSED AND APPROVED ON SECOND AND FINAL READING, this the day of \_\_\_\_\_, A.D., 2016.**

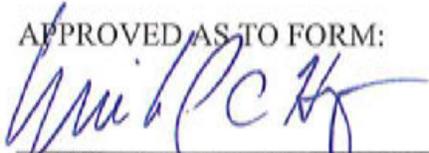
*(signatures begin on following page)*

\_\_\_\_\_  
Bonnie White, Mayor

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Michael C. Hayes, City Attorney

## **Agenda Item:**

5A. Resolution No. 13-2016 approving/disapproving Kerr Central Appraisal District's proposed fiscal year 2017 budget. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

**SUBJECT:** Resolution No. 13-2016 providing for the city's approval or disapproval of the Kerr Central Appraisal District's fiscal year 2017 budget.

**FOR AGENDA OF:** June 28, 2016      **DATE SUBMITTED:** June 22, 2016

**SUBMITTED BY:** Sandra Yarbrough  
Director of Finance      **CLEARANCES:** Todd Parton  
City Manager

**EXHIBITS:** Resolution, FY2017 Budget

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$	\$	\$	

**PAYMENT TO BE MADE TO:**

**REVIEWED BY THE FINANCE DIRECTOR:**

**SUMMARY STATEMENT**

The Kerr Central Appraisal District has submitted its FY2017 Proposed Budget for approval by the Kerrville City Council. The FY2017 budget is \$1,015,108 which is \$25,565 or 3% more than FY2016. The increases included salaries and benefits, audit, utilities, facility maintenance, and software support. The City of Kerrville's estimated allocation for the FY2017 budget is \$135,785 which is \$938 more than FY2016's allocation of \$134,847.

**RECOMMENDED ACTION**

Staff recommends City Council take action to approve or disapprove the FY2017 Kerr Central Appraisal District budget no later than September 15, 2016.

**CITY OF KERRVILLE, TEXAS  
RESOLUTION NO. 13-2016**

**A RESOLUTION PROVIDING FOR THE CITY'S APPROVAL OR  
DISAPPROVAL OF THE KERR CENTRAL APPRAISAL DISTRICT'S  
FISCAL YEAR 2017 BUDGET**

**WHEREAS**, the Kerr Central Appraisal District ("KCAD") submitted its proposed fiscal year 2017 budget to the City Council for consideration; and

**WHEREAS**, pursuant to state law, the City Council must consider KCAD's budget and in the event Council does not approve, it must indicate this action via a resolution; and

**WHEREAS**, the City Council of the City of Kerrville, Texas, finds it to be in the public interest to either approve or disapprove of said proposed budget as indicated below;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

The Kerr Central Appraisal District's proposed fiscal year 2017 budget, as set forth in Exhibit A, is \_\_\_\_\_ (APPROVED OR DISAPPROVED).

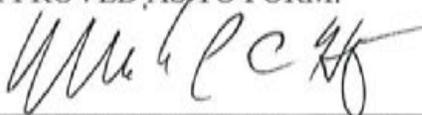
**PASSED AND APPROVED ON this the \_\_\_\_ day of \_\_\_\_\_, A.D., 2016.**

\_\_\_\_\_  
Bonnie White, Mayor

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Michael C. Hayes, City Attorney

## 2017 Proposed Budget

### Kerr Central Appraisal District

P.O. Box 294387  
1836 Junction Highway  
Kerrville, TX78029  
(830) 895-5223

#### BOARD MEMBERS

Charles Lewis, Chairman  
Mark Bigott, Vice Chair  
Justin MacDonald, Secretary  
Jack Parks  
Ray Orr  
Diane Bolin, CTAC

P. H. Coates, IV  
Chief Appraiser

Sharon Constantinides  
Deputy Chief

<u>Line</u>	<u>Item</u>	<u>2016</u>	<u>2017</u>	<u>\$ Diff</u>	<u>% Diff</u>	<u>% Total</u>
5006	Salaries	\$550,994	\$564,494	\$13,500	2%	55.6%
5010	Employer Portion of Ret	\$45,560	\$46,640	\$1,080	2%	4.6%
5012	Medicare Insurance	\$7,989	\$8,185	\$196	2%	0.8%
5015	Employee Medical Insur	\$110,928	\$121,968	\$11,040	10%	12.0%
5016	TX Employment Comm.	\$2,484	\$2,484	\$0	0%	0.2%
5017	Disability Insurance	\$8,000	\$8,000	\$0	0%	0.8%
5030	Appraisal Review Board	\$12,500	\$12,500	\$0	0%	1.2%
5034	Vehicle Replace. Res.	\$8,000	\$8,000	\$0	0%	0.8%
5035	Travel, Mileage & Maint.	\$18,000	\$18,000	\$0	0%	1.8%
5040	Annual Audit	\$6,200	\$6,650	\$450	7%	0.7%
5045	Mapping Expense	\$19,000	\$19,000	\$0	0%	1.9%
5060	Deed Copies	\$1,000	\$1,000	\$0	0%	0.1%
5070	Leased Equipment	\$6,051	\$6,250	\$199	3%	0.6%
5075	Telephone	\$3,000	\$3,000	\$0	0%	0.3%
5080	Utilities	\$9,250	\$9,250	\$0	0%	0.9%
5085	Facilities Maintance	\$6,150	\$4,050	(\$2,100)	(34%)	0.4%
5090	Consultant - Appraisal	\$50,000	\$50,000	\$0	0%	4.9%
5100	Legal & Consultants	\$20,000	\$20,000	\$0	0%	2.0%
5102	Legal ARB	\$2,000	\$2,000	\$0	0%	0.2%
5105	Liab./Workers Comp	\$6,000	\$6,000	\$0	0%	0.6%
5110	Taxpayer Assist & Ed	\$8,600	\$8,600	\$0	0%	0.8%
5120	Schools/Employee Ed.	\$6,550	\$6,550	\$0	0%	0.6%
5130	Postage	\$15,000	\$15,000	\$0	0%	1.5%
5135	Printing	\$5,000	\$5,000	\$0	0%	0.5%
5136	Professional Dues	\$2,420	\$2,420	\$0	0%	0.2%
5140	Office Supplies	\$7,000	\$7,000	\$0	0%	0.7%
5145	Furni., Fixture & Equip	\$7,000	\$7,000	\$0	0%	0.7%
5150	Board of Directors	\$3,200	\$3,200	\$0	0%	0.3%
5155	Equip. Maint & Reserve	\$1,500	\$1,500	\$0	0%	0.1%
5170	Building Reserve	\$7,000	\$7,000	\$0	0%	0.7%
5180	Software Support	\$32,967	\$34,167	\$1,200	4%	3.4%
5200	Banking Fees	\$200	\$200	\$0	0%	0.0%
<b>TOTAL</b>	<b>TOTALS</b>	<b>\$989,543</b>	<b>\$1,015,108</b>	<b>\$25,565</b>	<b>3%</b>	<b>100.0%</b>

**5006 Salaries:**

<b>Positions</b>	<b>2016</b>	<b>COLA 0%</b>	<b>COLA +</b>	<b>Merit</b>	<b>2017 Tot</b>	<b>% Chge</b>
Chief Appraiser	\$89,472	\$0	\$89,472	\$ -	\$89,472	0.00%
Deputy Chief	\$64,422	\$0	\$64,422	\$ -	\$64,422	0.00%
Senior Appraiser	\$60,063	\$0	\$60,063	\$ -	\$60,063	0.00%
Field App RPA	\$42,080	\$0	\$42,080	\$ -	\$42,080	0.00%
Field App RPA	\$45,858	\$0	\$45,858	\$ -	\$45,858	0.00%
PP App RPA	\$40,159	\$0	\$40,159	\$ -	\$40,159	0.00%
Field App RPA	\$44,545	\$0	\$44,545	\$ -	\$44,545	0.00%
Field App RPA	\$35,000	\$0	\$35,000	\$ -	\$35,000	0.00%
Abstractor	\$36,644	\$0	\$36,644	\$ -	\$36,644	0.00%
GIS Mang/Fid App III	\$54,168	\$0	\$54,168	\$ -	\$54,168	0.00%
Exemp Spec	\$34,205	\$0	\$34,205	\$ -	\$34,205	0.00%
Reserve 2016	\$4,378	\$0	\$4,378			0.00%
<b>TOTALS</b>	<b>\$550,994</b>	<b>\$0</b>	<b>\$550,994</b>	<b>\$ -</b>	<b>\$564,494</b>	<b>2.45%</b>
<b>MERIT ALLOCATION</b>				<b>\$13,500.00</b>	<b>\$13,500</b>	

**Total Benefits:**

<b>Position</b>	<b>2017 Sal</b>	<b>Med Ins</b>	<b>Retire</b>	<b>Medicare</b>	<b>Unemp</b>	<b>Disabilit</b>	<b>Totals</b>
Chief Appraiser	\$89,472	\$11,088	\$7,158	\$1,297.34	\$226	\$727	\$109,968
Deputy Chief	\$64,422	\$11,088	\$5,154	\$934.12	\$226	\$727	\$82,551
Senior App	\$60,063	\$11,088	\$4,805	\$870.91	\$226	\$727	\$77,780
App I	\$42,080	\$11,088	\$3,366	\$610.16	\$226	\$727	\$58,098
Field Appr. RPA	\$45,858	\$11,088	\$3,669	\$664.94	\$226	\$727	\$62,233
Com Appr RPA	\$40,159	\$11,088	\$3,213	\$582.31	\$226	\$727	\$55,995
Field Appr. RPA	\$44,545	\$11,088	\$3,564	\$645.90	\$226	\$727	\$60,796
Field Appr. I	\$35,000	\$11,088	\$2,800	\$507.50	\$226	\$727	\$50,349
Abstractor	\$36,644	\$11,088	\$2,932	\$531.34	\$226	\$727	\$52,148
GIS Mng/App	\$54,168	\$11,088	\$4,333	\$785.44	\$226	\$727	\$71,328
Exemp Spec II	\$34,205	\$11,088	\$2,736	\$495.97	\$226	\$727	\$49,478
Res. 2016/17	\$17,878		\$1,430	\$259.23			\$19,567
<b>Totals</b>	<b>\$564,494</b>	<b>\$121,968</b>	<b>\$45,160</b>	<b>\$8,185</b>	<b>\$2,484</b>	<b>\$8,000</b>	<b>\$750,291</b>

**5006 - Salaries:**

It is in the best interest of tax payers as well as the taxing entities for the district to retain well trained and educated employees. Hiring from other districts for appraisers with an RPA designation and employees with experience and training has heightened due to the Comptroller's MAPS Review. There is not a C.O.L.A. applied for 2017. Since the budget is prepared so early in the year to accommodate the taxing entities the allocation per employee is not done until later in the year when staff reviews are completed. It is vital that Kerr CAD remain competitive with other appraisal districts. There will be a total of 11 staff positions this year unchanged from last year.

The total salary line item for 2017 is \$564,494. We are required by the Methods Assistance Program administered by the State of Texas Property Tax Assistance Division to display each employee's salary and benefits as well as the total salary and benefits for each employee. The total for salaries plus benefits is \$750,291.

**5010 - Employers Retirement:** KCAD has an independent employee retirement plan through Mass Mutual. All employees are required to participate in this plan. The Kerr CAD Board of Directors has elected to fund 8% of the employee's salary for their retirement plan. Employees also match an 8% contribution from their salary. Details as shown below:

Total Salaries	\$	564,494
KCAD Matching Percentage	\$	<u>X 0.08</u>
KCAD Contribution	\$	45,160
Administration Fee	\$	<u>1,480</u>
TOTAL	\$	46,640

**5012 - Employer Medicare:** KCAD is responsible for the Medicare tax on each of the employee's wages. This rate is equal to 1.45 percent of the first \$125,000 paid to each employee per year. Details of this item are as follows:

Total Salaries	\$	564,494
Medicare Rate		<u>x 0.0145</u>
TOTAL	\$	8,185

**5015 - Employee Medical Insurance:** Kerr CAD provides health insurance to its employees through the Texas Association of Counties. The carrier for Texas Association of Counties is Blue Cross / Blue Shield. The Texas Association of Counties has informed us the premiums for 2017 are estimated at \$121,968. Details of this estimated expenditure follow:

KCAD Contribution Per Month	\$	924
Number of Employees		<u>x 11</u>
Total Monthly Contribution	\$	10,164
Number of Months		<u>x 12</u>
TOTAL Estimate		\$121,968

**5016 - Texas Employment Commission:** KCAD is responsible for the payment of each employee's unemployment tax through the Texas Workforce Commission. This tax is a percentage of the first \$9,000 of the employee's quarterly salary. These rates change annually and are based on the number of employees hired and fired during the previous year. This line item will be \$2,484.

**5017 - Disability Insurance:** The KCAD Board of Directors has elected to pay disability insurance in lieu of social security for KCAD employees. New employees will be under the same vesting requirements as other benefits. The line item for this year is \$8,000.

**5030 - Appraisal Review Board:** KCAD is responsible for the Appraisal Review Board member's stipends. There are five members who serve on the ARB. This line item covers the ARB member's salary, travel, and training expenses and other expenses related to this board. The ARB is paid \$130 per full day and \$75 per half day. The line item for the ARB will remain at \$12,500.

**5034 - Vehicle Replacement Reserve:** The allocated amount for vehicle replacement will remain at \$8,000 for this year.

**5035 - Travel and Mileage:** The heaviest driving period for the CAD is the fall and winter months during our appraisal period. This line item also includes maintenance and tires. This item also includes other travel expense and also pertains to meals and hotel expense when employees are sent to school. This line item will remain at \$18,000.

**5040 - Annual Audit:** Section 6.063 of the Property Tax Code requires that the district have an annual audit by a Certified Public Accountant. The 2016 financial year audit will be conducted in 2017. The contract amount for the audit is \$6,650.

**5045 - Mapping Expense:** Kerr CAD along with Kerr County, Kerr 911 and KPUB cooperate in funding a GIS mapping system called Pictometry. This system is a patented information system that combines aerial imaging with a state of the art software system allowing an appraiser to view and measure any structure, intersection, fire hydrant, tree or any feature in the county from a laptop or workstation. This technology has enabled the district to increase productivity, cut down on field trips and enhance appraisal of existing as well as the discovery of new taxable property. The investment in this system began in 2009. New flyover photos are taken every three years with the most recent flown in 2015. The Board of Directors voted to add the Changefinder Program to Pictometry enabling the software to automatically identify structures that have been altered as well as identifying new structures and ones that have been removed.

Mapping Supplies	\$3,000
Flyover Mapping	\$7,337
Changefinder Technology	\$8,663
<b>Total</b>	<b>\$19,000</b>

**5060 - Deed Copies:** In order to maintain correct property ownership, KCAD is required to purchase copies of real property deeds from the Kerr County Clerk. In 2008 the County Clerk began supplying the district

with a CD format instead of paper. This resulted in a significant cost savings to the district. This item will remain at \$1,000 for this year.

**5070 - Leased Equipment:** The CAD leases a copy machine and a postage machine. This line item is \$6,250 for this year.

**5075 - Telephone:** This item includes basic telephone equipment lease and service, long distance service, and Internet subscription. This item will be \$3,000 for this year.

**5080 - Utilities:** The District's utility expense covers city water and electricity. Anticipated water and sewer costs are \$400 per year. Electricity costs are running approximately \$740 per month. The amount for this year remains at \$9,250.

**5085 - Facilities Maintenance:** Facilities or building and grounds maintenance includes trash pickup, building cleaning, lawn care, and pest control. The trash pickup has a decrease this year. The details of this maintenance are as follows:

<u>Expense</u>	<u>\$/Month</u>	<u>\$/Year</u>
Trash Pickup	\$150	\$1,800
Building Cleaning	\$150	\$1,800
Pest Control	\$25	\$ 300
Termite Inspection		<u>\$ 150</u>
TOTAL		<b>\$4,050</b>

**5090 - Consultant – Appraisal:** KCAD contracts out the appraisals on utilities, minerals, pipelines, and industrial properties to the industrial appraisal firm of Capitol Appraisal Group of Austin Texas. The annual contract amount for Kerr CAD's utilities, mineral, pipelines and industrial properties for this year's budget are \$14,680. Kerr CAD also contracts with Eagle Appraisal and Consulting a professional tax appraisal firm that appraises the commercial properties in Kerr County. Commercial real estate sales information is very difficult to obtain statewide. Also commercial special use properties can be very complicated to appraise. The Comptroller's Methods Assistance Study is demanding more stringent methodology for market value and equity. Most of the lawsuits Kerr CAD incurs are commercial property lawsuits. Limited commercial sales and rental information not only hinders an initial fair and equitable appraisal but also increases the related costs of lawsuits due to the necessity of hiring a professional appraisal firm to ensure the value is defensible in ARB Hearing as well as in litigation. Eagle Appraisal and Consulting will not only appraise the commercial property but would also defend property values in the appraisal review process as well as when litigation occurs with additional litigation expenditures. \$3,320 is included in the event of litigation against the CAD. Many appraisal districts are using contractors as a cost efficient method of ensuring their values are meeting the stringent requirements of the Comptroller's Property Value Study and the Methods Assistance Program Study. Contracting is a valuable tool in helping ensure that all taxpayers are treated equitably as well keeping expenses down. Kerr CAD entered into a two year contractual agreement with Eagle Appraisal and Consulting in 2014. The contract amount for Eagle Appraisal and Consulting in 2017 is \$32,000. A recap of the total for this line item is below:

Capitol Appraisal Group	\$14,680
Eagle Appraisal and Consulting	\$32,000
Litigation Consultant Fee	\$ 3,320
<b>Total</b>	<b>\$50,000</b>

**5100 - Consultant – Legal & Expert Witness:** KCAD maintains a contract with the Law Office of Peter Low. The monthly retainer fee is \$150. The hourly fees are \$150 for litigation and \$100 for non-litigation fees such as travel. Other related expenses such as hotel room fees when needed are paid by the district. The line item for this year is \$20,000.

**5102 – Legal ARB :** Recent legislation has mandated Appraisal Review Boards retain separate legal counsel from Appraisal Districts. Historically the need for legal counsel for the Kerr Appraisal Review Board has been minimal. This line item is \$2,000.

**5105 - Liability and Workers Compensation:** This line item covers workers compensation, general liability, automotive liability, errors and omissions, and real and personal property insurance as well as liability related to our retirement program. The carrier for this insurance is the Texas Municipal League Intergovernmental Risk Pool (TML). This line item will be \$6,000.

**5110 - Taxpayer Assistance & Education:** This line item includes required newspaper advertisements, property asset listings, appraisal guides, tax workshops and related education & assistance directed to taxpayer/appraisal district relations. The line item for this year is \$8,600.

**5120 - Schools and Employee Education:** According to Section 5.04, of the Property Tax Code, an appraisal district shall reimburse an employee for all actual and necessary expenses, tuition, other fees and costs of materials incurred in attending, with the chief appraiser's approval, a course or training program conducted or by the Texas Department of Licensing and Regulation. This item is a total of \$6,550.

**5130 - Postage:** Kerr CAD uses an outside mailing firm to print and mail the required appraisal notices. This saves the district some postage and helps ensure a timely mailing of appraisal notices. The district is currently charged \$.70 for each address correction from the Post Office. Kerr CAD elected to mail notices only to property owners whose values changed last year or due to a change of ownership or per request by the taxpayer. Significant savings have occurred since this practice was initiated therefore this line item will be \$15,000.

**5135 - Printing:** This line item includes expenses such as printing of Notices of Appraised Value, Appraisal Rolls and envelopes. This item is \$5,000.

**5136 - Dues:** This line item is devoted to the registration of the district and employees with different state agencies and trade organizations. Registration with the Texas Department of Licensing and Regulation is a requirement by law. Affiliation with the Texas Association of Appraisal Districts allows KCAD to enroll in state classes for reduced tuition and keeps the district informed of changing rules and laws. Being a member of TAAD also requires us to be a member of the local Southwest Chapter. Membership in the International Association of Assessing Officers is now required by the MAPS review and also requires

membership in the Texas Association of Assessing Officers. The district receives most of the sales data used in appraisals of real property from the Kerrville Board of Realtors Multiple Listing Service. The district receives a discounted price for items purchased through the Texas Building & Procurement Commission. The district also pays a membership for the Visa charge card. A detailed cost description of this line item follows:

Texas Department of Licensing & Regulation	\$ 680
Texas Association of Appraisal Districts	\$1,000
Texas Association of Appraisal Districts Southwest Chapter	\$ 50
International Association of Assessing Officers	\$ 175
Texas Association of Assessing Officers	\$ 80
Kerrville Board of Realtors M.L.S. Membership	\$ 300
Texas Building & Procurement Commission	\$ 100
Visa Charge Membership	\$ 35
<b>TOTAL</b>	<b>\$2,420</b>

**5140 - Office Supplies:** This line item includes all miscellaneous office supplies used in the district. These items include paper, writing utensils, film, toner cartridges, and other supplies. The amount this year is \$7,000.

**5145 - Furniture and Fixtures:** This line item includes upgrading and replacement of computers and as well as desk, chairs and other office related furniture and fixtures. Kerr CAD is designating \$4,500 of its self-generated income from property record card sales, computer generated lists, map sales, and bank interest towards this line item. There is a \$2,500 allotted for desks, chairs, filing cabinets and other office related furniture and fixtures. The amount for this line item is \$7,000.

**5150 - Board of Directors:** This line item is utilized to purchase director manual and reference material for the Board of Directors. A portion of this line item is also utilized to purchase awards of appreciation to outgoing board members and name plaques. Because of increased duties, responsibilities as well as increased liability associated with being a board member this line item includes education for board members. The average cost for a board member to attend a TAAAD conference is approximately \$1,000, A Rural Chief Appraisers Conference is approximately \$500 per person. This addition would allow 3 members to attend a TAAAD Conference or all six members to attend a Rural Chief's Conference. This line item is \$3,200.

**5155 - Equipment Maintenance:** This item includes the maintenance of PC computers, networks, postage machine and copy machines. This line amount will be \$1,500.

**5170 - Building Reserve:** The Kerr CAD Board of Directors is actively engaged in obtaining a new building. Currently land is under contract located on Oak Hollow Drive just off of Highway 173. A surveyor, engineer and an architect have been engaged for the construction of a new building on the site. Once the land transaction has been finalized and the architectural plans have been completed a bid package will be available to solicit bids from builders. Once this process is complete the Kerr CAD Board of Directors will be able to seek approval from the taxing entities to construct the new facility as well as selling the current building. This amount will remain at \$7,000 this year.

**5180 - Software Support – True Automation:** Kerr CAD converted their old appraisal computer system to True Automation in October of 2006. True Automation is the largest CAD appraisal software company in the state. True Automation calls their system the PACS System. This line item provides for continuing maintenance and support of the PACS System by True Automation. This system contains active tax records and rolls for each taxing entity and individual property owner in the county housing almost forty thousand (40,000) property tax parcels. Every property account is recorded, updated, and appraised using this system and the tax roll is generated resulting in the values used to levy taxes for every taxing entity and taxpayer serviced by Kerr CAD. True Automation has notified the district that the software support and maintenance for this year will be decreasing due to reduced licensing fees enabling Kerr CAD to add online mapping to the property tax website.

PACS System	\$31,217
Online Maps	\$1,750
Online Backup	\$1,200
<b>Total</b>	<b>\$34,167</b>

**5200 – Banking Fees:** We are being assessed service charges on our bank account which will remain \$200 annually.

**Income Generated:** Kerr CAD generates income other than from the taxing entities from lease on the AM Transmitter located on the Kerr CAD property as well as income from services provided such as maps and other copies of documents. Most of these sales are to commercial company's mostly real estate related. This item is depicted in the Taxing Entity Allocation as follows:

Less: Tower Lease	\$7,200
Less: Other Income	<u>\$4,500</u>
Reduction to Entities	<b>\$11,700</b>

**Note:** The "estimated" entity allocation is shown on the next page which is based on the 2015 values and tax rates. The "official" entity allocation will be available after the certification of the 2016 values and after the 2016 tax rates have been adopted by the taxing entities. According to the "estimated" entity allocation each dollar a taxing entity contributes to the Kerr CAD budget there is a return of \$75.89 in tax dollars.

	2015 Cert Net Tax or Freeze Adj. Tax	2015 Tax Rate	Levy	Tax on		% of	
				Freeze	Total Levy	Total Levy	Allocation
City of Ingram	\$76,417,560	0.5	\$382,088		\$382,088	0.50%	\$5,035
City of Kerrville	\$1,368,125,993	0.5625	\$7,695,709	\$2,609,043	\$10,304,752	13.53%	\$135,785
Kerr emerg. Dist. #1	\$547,729,981	0.0215	\$117,762		\$117,762	0.15%	\$1,552
Kerr Emerg. Dist. #2	\$117,148,497	0.035	\$41,002		\$41,002	0.05%	\$540
Kerr County	\$3,096,862,624	0.4527	\$14,019,497	\$4,266,972	\$18,286,469	24.01%	\$240,960
Lateral Roads	\$3,082,111,987	0.0323	\$995,522	\$345,900	\$1,341,422	1.76%	\$17,676
Lake Ingram Estates Rd	\$8,726,139	0.2852	\$24,887		\$24,887	0.03%	\$328
Center Point ISD	\$207,183,599	1.1	\$2,279,020	\$446,770	\$2,725,790	3.58%	\$35,918
Comfort ISD	\$125,474,261	1.21	\$1,518,239	\$480,935	\$1,999,174	2.63%	\$26,343
Divide ISD	\$58,768,255	0.85	\$499,530	\$35,050	\$534,580	0.70%	\$7,044
Harper ISD	\$32,774,733	1.04	\$340,857	\$95,893	\$436,750	0.57%	\$5,755
Hunt ISD	\$304,881,635	1.143	\$3,484,797	\$593,321	\$4,078,118	5.36%	\$53,737
Ingram ISD	\$378,362,900	1.26	\$4,767,373	\$1,170,696	\$5,938,069	7.80%	\$78,246
Kerrville ISD	\$1,853,008,027	1.18	\$21,865,495	\$6,575,948	\$28,441,443	37.35%	\$374,772
Medina ISD	\$10,185,868	1.04	\$105,933	\$0	\$105,933	0.14%	\$1,396
Upper Guadalupe River A.	\$4,372,099,525	0.0244	\$1,066,792		\$1,066,792	1.40%	\$14,057
Headwaters							
Groundwater	\$4,372,099,525	0.0074	\$323,535		\$323,535	0.42%	\$4,263
<b>TOTALS</b>			<b>\$59,528,037.21</b>	<b>\$16,620,528</b>	<b>\$76,148,565</b>	<b>100.00%</b>	<b>\$1,003,408</b>
<b>2016 Total Budget</b>							<b>\$1,015,108</b>
Less: Tower Lease							\$7,200
Less: Other Income							\$4,500
<b>Reduction to Entities</b>							<b>\$11,700</b>
<b>ENTITY PORTION OF BUDGET</b>							<b>\$1,003,408</b>

## **Agenda Item:**

5B. Request from Kerr County to waive any and all City building permit, plan check, and inspection fees associated with Kerr County's expansion of the Kerr County Jail. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Request from Kerr County to waive any and all building permit, plan check, and inspection fees associated with Kerr County's expansion of the Kerr County Jail

**FOR AGENDA OF:** June 28, 2016      **DATE SUBMITTED:** June 23, 2016

**SUBMITTED BY:** Todd Parton      **CLEARANCES:**  
City Manager

**EXHIBITS:** None

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

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<b>Expenditure</b>	<b>Current Balance</b>	<b>Amount</b>	<b>Account</b>
<b>Required:</b>	<b>in Account:</b>	<b>Budgeted:</b>	<b>Number:</b>
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

**PAYMENT TO BE MADE TO:**  
**REVIEWED BY THE FINANCE DEPARTMENT:**

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**SUMMARY STATEMENT**

At its meeting of June 14, 2016, City Council deliberated Kerr County's request to waive plan review, building permit, and inspection fees related to Kerr County's jail expansion project. City staff calculated review and permitting fees to be a total of \$82,537.50 (Permit Fee = \$55,025.00 and Plan Check fee = \$27,512.50).

At this meeting, City Council directed city staff to estimate the city's actual costs for plan review, permit processing, and inspections. City staff is working on these calculations and will be ready to present them to the City Council at this meeting.

**RECOMMENDED ACTION**

City staff is working to finalize the cost estimates and does not have a recommendation at this time.

## **Agenda Item:**

5C. Letters of intent between the City of Kerrville and Schreiner University, and between the City of Kerrville and Southern Golf Properties for the supply of reclaimed water. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Approval of letters of intent between the City of Kerrville and Schreiner University and between the City of Kerrville and Southern Golf Properties for the supply of reclaimed water

**FOR AGENDA OF:** June 28, 2016      **DATE SUBMITTED:** June 23, 2016

**SUBMITTED BY:** Todd Parton      **CLEARANCES:**  
City Manager

**EXHIBITS:** Letter of Intent – Schreiner University  
Letter of Intent – Southern Golf Properties

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:**

<b>Expenditure</b>	<b>Current Balance</b>	<b>Amount</b>	<b>Account</b>
<b>Required:</b>	<b>in Account:</b>	<b>Budgeted:</b>	<b>Number:</b>
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

**PAYMENT TO BE MADE TO:**

**REVIEWED BY THE FINANCE DEPARTMENT:**

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**SUMMARY STATEMENT**

Attached are two separate letters of intent. One is for the supply of reclaimed water to Schreiner University and the other is for the supply of reclaimed water to the Riverhill Golf Course. These letters of intent have been prepared pursuant to City Council action on May 10, 2016, as part of the authorization to apply to the Economic Improvement Corporation for up to \$3 million to fund reclaimed water distribution lines to Schreiner University, Riverhill Golf Course, and the City of Kerrville athletics facility on Holdsworth Drive.

Both letters include, but are not limited to, the following primary points:

1. that the City of Kerrville will cover the costs to design, construct, and install the necessary improvements to deliver reclaimed water from the City of Kerrville Water Reclamation Plant to a specific point of delivery on each property;
2. that each of the receiving entities will cover the costs to design construct, and install the necessary improvements to store and utilize the reclaimed water on their property;
3. that the City of Kerrville will build the delivery systems to supply a specific peak daily demand (250,000 gallons per day to Schreiner University and 500,000 gallons per day to Riverhill Golf Course) which may be curtailed in the event that the City of Kerrville needs the reclaimed water to supplement its drinking water supply;
4. that each of the receiving entities will begin taking reclaimed water within 24 months of the city's completion of its work;
5. that each of the receiving entities will enter into a 20-year reclaimed water supply

and use agreement which specifies the rates that will be paid and the manner in which the rates may be increased by the City of Kerrville through the life of the agreement; and

6. that each of the receiving entities will be a party to the city's Economic Improvement Corporation funding request and funding agreement.

These letters of intent are not limited solely to the city's funding the improvements through the economic development sales tax. These letters will still be applicable should the city opt to fund these improvements through other means. It is estimated that the city's re-use water project will cost \$18.3 million to construct, inclusive of all project elements (storage, pumping, and distribution systems). The city has access to \$18.5 million in funding through \$10 million in bonds already sold, allocation of \$1.3 million in case, and up to \$8.5 million that KPUB has agreed to loan to the City of Kerrville. The use of 4b funds for the distribution improvements would allow the city council to reduce the amount of funds it borrows from KPUB for the reclaimed project.

#### **RECOMMENDED ACTION**

These letters of intent provide the basis for creating reclaimed water supply and use agreements with Schreiner University and Southern Golf Properties, regardless of the source of funds used for the distribution system improvements. City staff recommends that the City Council approve the letters of intent and authorize the city manager to execute them.



## City of Kerrville

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### Letter of Intent for Supply of Reclaimed Water

June 22, 2016

Mr. Bill Muse  
Vice President of Administration and Finance  
Schreiner University  
2100 Memorial Boulevard  
Kerrville, Texas 78028

Dear Mr. Muse,

This letter is to confirm the mutual intent between the City of Kerrville ("City") and Schreiner University to enter into a funding and use agreement(s) for the provision of reclaimed water for irrigation purposes at the university campus. The City of Kerrville is designing a reclaimed water project with the capability of delivering an adequate supply of non-potable water to irrigate the athletic fields and landscaped areas at Schreiner University. Completion of the City's reclaimed water project (the "Project") is anticipated early in the 2018 calendar year.

By virtue of signing below, the parties acknowledge both the scope and timing of the Project and the general terms and conditions as follows:

1. City will deliver reclaimed water to a point within the Schreiner University property as mutually agreed to by both parties ("Delivery Point");
2. City will cause to be designed, constructed, and installed all the improvements required to deliver reclaimed water to the Delivery Point at its sole expense. Said improvements to include, distribution mains, pump station as the City of Kerrville Water Reclamation Plant, valve system(s) at the Delivery Point, SCADA system(s), and related appurtenances;
3. Schreiner University will cause to be designed, constructed, and installed all the improvements required for the storage and use of reclaimed water on its property at its sole expense. Said improvements to include, surface storage, pumping systems, distribution systems, and related appurtenances;
4. Schreiner University agrees to coordinate with the City on the design of the Project by identifying the location of on-site utility systems, location of on-site water storage facilities, and, if appropriate, the dedication of easements to the City on the university's property to accommodate the location and maintenance of reclaimed water infrastructure;
5. City intends to apply to the City of Kerrville Economic Improvement Corporation for funds adequate to cover the costs of the Project. Schreiner University agrees to be a party to the application;
6. Schreiner University agrees that it will take all actions necessary to begin utilizing reclaimed water for irrigation purposes within 24 months of the City's completion of the Project;
7. City's Project will provide a peak daily demand of 250,000 gallons of reclaimed water to the Delivery Point subject to the following conditions:

- a. A weekly pumping schedule established by the City of Kerrville and Schreiner University that will satisfy the peak daily demand at the Delivery Point ,
  - b. Except where the City needs to utilize reclaimed water supply as part of its potential direct potable reuse program; and
  - c. City will not add additional reclaimed water customers that impede the City's ability to meet the peak daily demand.
8. Schreiner University and the City will enter into a reclaimed supply funding and use agreement(s) that will include, the following provisions:
- a. 20-year term,
  - b. Application of standard base and volumetric rates established by the City in effect at the time that Schreiner University begins to take reclaimed water;
  - c. Maximum cap of 3% on annual increases to base and volumetric rates; and
  - d. Guarantee that Schreiner University will use its reclaimed water in accordance with state and federal law; and
9. This Letter of Intent does not constitute or create, and shall not be deemed to constitute or create, any legally binding or enforceable obligation on the part of either party to this letter of intent. No such obligation shall be created, except by the execution of a separate written agreement between the parties regarding the proposed transaction, and then only in accordance with the terms and conditions of such separate agreement.

By providing the signatures below, each party confirms its acceptance of the terms and conditions of this Letter of Intent.

Sincerely,

Todd Parton  
City Manager

---

By affixing my signature below I acknowledge that I am duly authorized to execute this MOU on behalf of my organization and accept the terms and conditions outlined herein.

On behalf of Schreiner University:

On behalf of the City of Kerrville:

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

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

Signed:

Signed:

---

Mr. Bill Muse, Vice President of  
Administration and Finance  
Schreiner University

---

Mr. Todd Parton, City Manager  
City of Kerrville, Texas



## City of Kerrville

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### Letter of Intent for Supply of Reclaimed Water

June 22, 2016

Mr. John Junker  
CEO – Southern Golf Properties  
100 Riverhill Club Lane  
Kerrville, Texas 78028

Dear Mr. Junker,

This letter is to confirm the mutual intent between the City of Kerrville ("City") and Southern Golf Properties to enter into a funding and use agreement(s) for the provision of reclaimed water for irrigation purposes at the Riverhill Golf Course. The City of Kerrville is designing a reclaimed water project that with the capability of delivering adequate supplies of non-potable water that will allow the Riverhill Golf Course to irrigate with reclaimed water. Completion of the city's reclaimed water project (the "Project") is anticipated early in the 2018 calendar year.

Both parties agree to work cooperatively according to the principal terms and conditions outlined as follows:

1. City will deliver reclaimed water to a point within the Riverhill Golf Course property as mutually agreed to by both parties ("Delivery Point");
2. City will cause to be designed, constructed, and installed all the improvements required to deliver reclaimed water to the Delivery Point at its sole expense. Said improvements to include, but not be limited to, distribution mains, pump station as the City of Kerrville Water Reclamation Plant, valve system(s) at the Delivery Point, SCADA system(s), and other related appurtenances;
3. Southern Golf Properties will cause to be designed, constructed, and installed all the improvements required for the storage of reclaimed water at the Delivery Point and the on-site use of the reclaimed water at its sole expense. Said improvements to include, but not be limited to, surface storage, pumping systems, distribution systems, and other related appurtenances;
4. Southern Golf Properties agrees to coordinate with the City on the design of the Project by identifying the location of on-site utility systems, location of on-site reclaimed water storage facilities, and, if appropriate, the dedication of easements or rights-of-way to the City on the Southern Golf Property's property to accommodate the location and maintenance of reclaimed water infrastructure;
5. City intends to apply to the City of Kerrville Economic Improvement Corporation for funds adequate to cover the costs for the Project. Southern Golf Properties agrees to be a party to the application;
6. Southern Golf Properties agrees that it will take all actions necessary to begin utilizing reclaimed water for irrigation purposes within 24 months of the city's completion of the Project;
7. City's Project will provide a peak daily demand of 500,000 gallons of reclaimed water to the Delivery Point subject to the following conditions:

- a. A weekly pumping schedule established by the City and Southern Golf Properties that will satisfy the peak daily demand at the Delivery Point,
  - b. Except where the City needs to utilize reclaimed water supply as part of its potential direct potable reuse program, and
  - c. City will not add additional reclaimed water customers that impede the City's ability to meet the peak daily demand.
8. Southern Golf Properties and the City will enter into a reclaimed supply funding and use agreement(s) that will include the following provisions:
- a. 20-year term,
  - b. Application of standard base and volumetric rates established by the City in effect at the time that Southern Golf Properties begins to take reclaimed water,
  - c. Maximum cap of 3% on annual increases to base and volumetric rates, and
  - d. Guarantee that Southern Golf Properties will use its reclaimed water in accordance with state and federal law; and
9. This Letter of Intent does not constitute or create, and shall not be deemed to constitute or create, any legally binding or enforceable obligation on the part of either party to this letter of intent. No such obligation shall be created, except by the execution of a separate written agreement between the parties regarding the proposed transaction, and then only in accordance with the terms and conditions of such separate agreement.

By providing the signatures below, each party confirms its acceptance of the terms and conditions of this Letter of Intent.

Sincerely,

Todd Parton  
City Manager

---

By affixing my signature below I acknowledge that I am duly authorized to execute this MOU on behalf of my organization and accept the terms and conditions outlined herein.

On behalf of Southern Golf Properties:

On behalf of the City of Kerrville:

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

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

Signed:

Signed:

---

Mr. John Junker, CEO  
Southern Golf Properties

---

Mr. Todd Parton, City Manager  
City of Kerrville, Texas

## **Agenda Item:**

5D. Request to waive the perimeter sidewalk construction for property located adjacent to the west frontage of State Highway Loop 534 and being generally located between the Sendero Ridge residential subdivision and a commercial development known as Destination Cyclesports. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

---

**SUBJECT:** Appeal by a citizen to the City Council requesting a waiver of the perimeter sidewalk construction for property located adjacent to the west frontage of State Highway Loop 534 and being generally located between the Sendero Ridge Residential Subdivision and a commercial development known as Destination Cyclesports.

**FOR AGENDA OF:** June 28, 2016

**DATE SUBMITTED:** June 17, 2016

**SUBMITTED BY:** Kyle Burow, P.E., CFM  
Director of Engineering

**CLEARANCES:** Malcolm Matthews  
Interim Deputy City Manager

- EXHIBITS:**
1. Letter of Appeal to City Council
  2. Request for Administrative Waiver
  3. Denial of Administrative Waiver
  4. Development Site Plan
  5. City of Kerrville Sidewalk Master Plan (2008) – Pg.28,32,33,36

**PAYMENT TO BE MADE TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:**

<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$	\$	\$	

**REVIEWED BY THE FINANCE DIRECTOR:**

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Included in Exhibit 1 is a letter of appeal requesting a waiver for two tracts of land located adjacent to the west frontage of State Highway Loop 534.

The City of Kerrville's Development Review Committee (DRC) approved a Development Site Plan (DSP) for a proposed mini-storage development off of Loop 534. The property is located along the west side of Loop 534 north of the Loop 534 & Singing Wind Drive intersection. It is bound to the north by an existing commercial development (Destination Cyclesports) and to the south by the Sendero Ridge subdivision. During the DSP process, the developer's engineer (Wellborn Engineering, LLC) requested an administrative waiver to the City's Code of Ordinances: Section 26-36, which requires sidewalks to be constructed within all street rights-of-ways (R.O.W.s) along the full length of the property for all tracts or lots intended for commercial development purposes. The DSP for this project was approved without a proposed sidewalk conditioned upon the city council granting a waiver to Section 26-36.

The process to secure a waiver is as follows:

1. Administrative waiver – the city engineer may provide a waiver for all or a portion of the sidewalk only if he/she determines that adequate right-of-way does not exist to allow for the construction of a sidewalk.
2. Appeal to city council – should the city engineer deny a waiver request, the petitioner may then file an appeal to the city council. The city council may grant a waiver by considering the following:
  - a. Topographic restrictions such as slope, drainage structures, etc.;
  - b. Whether all property(s) adjacent to the subject property, whether or not the said property(s) is separated from the subject property by a public or private road, alley, or easement, is exempted from sidewalk construction by operation of the sidewalk code;
  - c. Whether all property(s) adjacent to the subject property(s) is developed property, whether or not separated from said subject property by a public or private road, alley, or easement, and does not have existing sidewalks as of the effective date of the sidewalk code; or
  - d. If it is shown to the satisfaction of the city council that any of the requirements of the sidewalk code, if complied with, would work an undue hardship on the property owner, the requirements required by the sidewalk code would not be in the best interest and general welfare of the public and, that the intent of the sidewalk code was met by the granting of the requested waiver.

Exhibit 2 contains a copy of the administrative waiver request by the developer's engineer and Exhibit 3 contains a copy of the city engineer's denial of the administrative waiver request for these subject tracts.

Existing Conditions:

Subject Tracts – the sidewalk variance is requested on two tracts of land as provided in Exhibit 1.

*Topography:*

Exhibit 4 contains the DSP with topographic information showing the existing grades adjacent to Loop 534 with both tracts sloping downward to the highway.

*Adjacent Development/Land Uses:*

North – the tracts are bound to the north by Destination Cyclesports.

South – the Sendero Ridge subdivision is located on the south side of the tracts and was platted in 2001 without sidewalks along the highway.

East – the adjacent tracts on the east side of Loop 534 are residential and undeveloped lots without sidewalks.

West – the immediately adjacent tract is Singing Wind Park.

*Floodplain/Floodway:*

Both tracts have frontage along State Highway Loop 534 and are slightly delineated within the 100-year floodplain by FEMA. The southernmost property is nearly entirely removed from floodplain designation.

City of Kerrville Sidewalk Master Plan (2008):

In 2008, the City of Kerrville adopted the Sidewalk Master Plan. The purpose of the plan was to create a document that enabled the city to provide for alternative modes of transportation and to enhance pedestrian mobility between commercial developments and between residential areas and special points of interest, parks, schools, etc.

The Sidewalk Master Plan identifies a pedestrian corridor immediately adjacent to the subject tracts. However, it also indicates a potential for topographic challenges along these subject tracts. Exhibit 5 shows the sidewalk plan for the subject tracts.

**ANALYSIS**

The subject tracts are located in a relatively undeveloped portion of the Loop 534 corridor between State Highway 27 and Cypress Creek Road (FM 1341). Consideration of this appeal should contemplate the pedestrian circulation plan for the remainder of the corridor and how existing developed tracts would be affected.

Existing Development/Conditions:

There are three distinct sections along State Highway Loop 534 from State Highway 27 to Cypress Creek Road (FM 1341):

- (1) from State Highway 27 to Legion Drive:

The Loop 534 frontage is mainly developed in this area. Many of the tracts along this section of the highway corridor have severe topographic issues such as the VA hospital. Newer developed commercial tracts within this reach incorporated sidewalks in their projects such as Mini Mart and Daddy Jim's Meat Market.

- (2) from Legion Drive to Singing Wind Drive:

The Loop 534 frontage in this area is residential, commercial, and parkland. The nonresidential developments in this area have implemented sidewalk construction including the City Water Reclamation Plant, Kerr County Animal Shelter, and the newly constructed Dollar General retail store.

(3) from Singing Wind Drive to Cypress Creek Road:

The Loop 534 frontage is largely undeveloped. This section does include Tivy High School which is listed as a landmark in the Sidewalk Master Plan and includes sidewalk construction on the frontage. The section also includes residential properties and Destination Cyclesports which does not have existing sidewalks and was developed prior to the effective date of the sidewalk code.

Sidewalk Waiver Considerations:

City Council shall consider the following criteria in determining whether to grant a waiver to the sidewalk construction requirements. Should the City Council find that any one of these four items are applicable to this request, it may grant a sidewalk waiver.

1. Topographic restrictions such as slope, drainage structures, etc.
  - The subject tracts do not have significant grade issues immediately adjacent to Loop 534. The grade parallel and adjacent to Loop 534 right of way is approximately 2.5% which is half of the maximum 5% allowed for sidewalk runs without utilizing ramps.
  - The drainage structure located within TxDOT right of way is approximately 12-feet from the R.O.W. line leaving enough room within the R.O.W. for the sidewalk construction.
  - The sidewalk construction is located within a FEMA designated floodplain will not have any impact on the floodplain or surrounding properties.
2. Whether all property(s) adjacent to the subject property is exempted from sidewalk construction by operation of the sidewalk code.
  - The properties adjacent to the subject tracts have not been exempted; however, the properties immediately to the north and south were developed prior to the effective date of the sidewalk code.
3. Whether all property(s) adjacent to the subject property(s) is developed property and does not have existing sidewalks as of the effective date of the sidewalk code.
  - Properties to the east, south, and north were developed without existing sidewalks prior to the effective date of the sidewalk code.
  - Property to the west is Singing Wind Park.
4. If it is shown to the satisfaction of the city council that any of the requirements of the sidewalk code, if complied with, would work an undue hardship on the property owner, the requirements required by the sidewalk code would not be in the best interest and general welfare of the public and, that the intent of the sidewalk code was met by the granting of the requested waiver
  - Sidewalks constructed immediately adjacent to Loop 534 would not require major physical improvements uncommon to typical sidewalk construction.
  - The majority of the two tracts are out of the floodplain and suitable for the

commercial development proposed.

### **RECOMMENDED ACTION**

City staff recommends that the City Council deny the waiver request since it does not satisfy the criteria established by city code. It is also recommended that sidewalk construction follow the goals of the Sidewalk Master Plan along the Loop 534 corridor to fulfill the purpose of linking neighborhoods to parks, schools, etc. with the close proximity of landmarks such as Tivy High School.

### **City Council Options**

1. Approve the sidewalk waiver request as presented.
2. Approve the sidewalk waiver request with conditions.
3. Table/postpone consideration of the sidewalk waiver request.
4. Deny the sidewalk waiver request.

**Exhibit #1**

**Letter of Appeal to City Council**

June 16, 2016

Trent Robertson, AICP, CFM  
City Planner  
City of Kerrville  
200 Sidney Baker Street North  
Kerrville, TX 78028

**RE: Sidewalk Waiver Request for Another Closet Self Storage, 3341 Loop 534 (DSP 2016-024)**

Dear Mr. Robertson:

In following up with our discussions of a sidewalk waiver for the proposed Another Closet Self Storage development, I hereby respectfully request that the City of Kerrville grant an administrative waiver to the sidewalk construction requirement within the State Highway Loop 534 R.O.W. Should the administrative waiver not be granted, I hereby respectfully request that this decision be appealed to the City Council pursuant to Section 26-36 of the City's Code of Ordinances, paragraph (g) *Appeal to city council*. In consideration of the waiver request, please note the following:

In June of 2016, the City of Kerrville's Development Review Committee (DRC) approved a Development Site Plan (DSP) for a proposed mini-storage development off of Loop 534. During the DSP process, we requested an administrative waiver to the City's ordinance Section 26-36, which requires sidewalks to be constructed within all street rights-of-ways (R.O.W.s) when property is developed. The City's policy is that administrative waivers are not granted at the staff level and must therefore be requested directly from city council. The DSP for this project was approved without a proposed sidewalk conditioned upon the city council granting a waiver to Section 26-36.

Section 26-36 requires that commercial developments construct sidewalks within all street R.O.W. when they develop. Sidewalks must be installed along the full length of the property. This code also provides for waivers from the sidewalk requirement on a case-by-case basis. The process to secure a waiver is as follows:

1. Administrative waiver – the city engineer may provide a waiver for all or a portion of the sidewalk only if he/she determines that adequate R.O.W. does not exist to allow for the construction of a sidewalk.
2. Appear to the city council – should the city engineer not waive said requirement, the petitioner may then file an appeal to the city council. The city council may grant a waiver by considering the following:
  - a. Topographic restrictions such as slope, drainage structures, etc.;
  - b. Whether all property(s) adjacent to the subject property, whether or not the said property(s) is separated from the subject property by a public or private road, alley, or easement, is exempted from sidewalk construction by operation of this article;
  - c. Whether all property(s) adjacent to the subject property is developed property, whether

- or not separated from said subject property by a public or private road, alley, or easement, and does not have existing sidewalks as of the effective date of this article; or
- d. If it is shown to the satisfaction of the city council that any of the requirements of this section, if complied with, would work an undue hardship on the property owner, the requirements required herein would not be in the best interest and general welfare of the public and, that the intent of this article was being met by the granting of such waiver.

Topographic restrictions:

The DSP approved on June 6, 2016 shows the existing and proposed topography of the property. Note that the elevation difference from the front to the back of the property is approximately 70-feet. If a sidewalk were to be constructed to comply with the code, it would need to be 5-feet in width and meet ADA requirements. The sidewalk would also be required to be within the R.O.W. which is State Highway Loop 534. Given that this is a state highway, any construction that occurs within its R.O.W. must also comply with TxDOT standards. If sidewalks are constructed within TxDOT's R.O.W., their standard requirements call for them to be located within 2-feet from the R.O.W. line. Note in addition to the topography challenges, there is also a large open drainage inlet structure within TxDOT's R.O.W. and is located approximately 12-feet from the R.O.W. line. Based upon the site topography, proposed improvements, and existing drainage structure, if a sidewalk were to be constructed within the R.O.W., it would require numerous ramps and an approximately 8 to 9-foot tall retaining wall. These ramps and retaining walls would also fall within the FEMA designated floodplain which lies along the majority of the Loop 534 frontage of this property.

Adjacent Development /Land Uses:

The adjacent property to the south is the Sendero Ridge Subdivision. The initial phase of this residential subdivision, which abuts the Loop 534 R.O.W. starting at the Singing Wind Drive intersection, has been developed with single family residential homes without constructing sidewalks within the R.O.W.

The adjacent property to the north is a commercial development which is where Destination Cyclesports is located. This property was also developed without constructing sidewalks within the Loop 534 R.O.W.

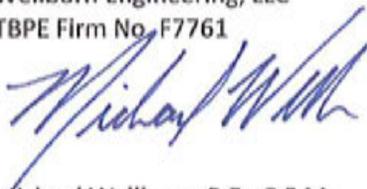
Sidewalk Waiver Considerations:

1. Topographic restrictions such as slope, drainage structures, etc.;
  - The subject property has significant grade issues immediately adjacent to the State Highway Loop 534 R.O.W.
  - The Loop 534 R.O.W. has a large drainage structure that makes sidewalk construction unfeasible.
  - The sidewalk corridor is located within a FEMA designated floodplain, which further adds to the unfeasibility of sidewalk construction consisting of ramps and retaining walls.
2. Whether all property(s) adjacent to the subject property is exempted from sidewalk

- construction by operation of the sidewalk code;
- It is not known whether or not the adjacent properties have been exempted; however, the properties immediately to the north and south have been allowed to develop their properties without constructing sidewalks within the R.O.W.
3. Whether all property(s) adjacent to the subject property is developed property and does not have existing sidewalks as of the effective date of the sidewalk code.
- The adjacent property to the south has been partially developed without sidewalk construction within the R.O.W. and the adjacent property to the north has been fully developed without sidewalk construction within the R.O.W.
4. If it is shown to the satisfaction of the city council that any of the requirements of the sidewalk code, if complied with, would work an undue hardship on the property owner, the requirements required by the sidewalk code would not be in the best interest and general welfare of the public and, that the intent of the sidewalk code was met by the granting of the requested waiver.
- Sidewalk constructed immediately adjacent to State Highway Loop 534 would require major physical improvements uncommon to typical sidewalk construction. These improvements would include major retaining walls and railings for public safety. Maintenance and replacement of these facilities would be very difficult and costly.
  - More than half of the subject R.O.W. in which the sidewalk would be located is within a FEMA designated floodplain adding to the impracticality of the sidewalk construction with vertical retaining walls.

Thank you for your consideration.

Respectfully,  
Wellborn Engineering, LLC  
TBPE Firm No. F7761



Michael Wellborn, P.E., C.F.M.  
President & Project Engineer

**Exhibit #2**

**Request for Administrative Waiver**



Experience Integrity Satisfaction  
consulting civil engineering

June 22, 2016

Kyle Burow, P.E.  
Director of Engineering  
City of Kerrville  
200 Sidney Baker Street North  
Kerrville, TX 78028

**RE: Sidewalk Waiver Request for Another Closet Self Storage, 3341 Loop 534 (DSP 2016-024)**

Dear Mr. Burow:

Pursuant to our discussions, I hereby respectfully request that you as the city engineer grant an administrative waiver to the above referenced project's sidewalk construction requirement within the State Highway Loop 534 R.O.W. This request is pursuant to *Section 26-36 (f) Administrative waiver* of the Code of Ordinances of the City of Kerrville.

In June of 2016, the City of Kerrville's Development Review Committee (DRC) approved a Development Site Plan (DSP) for a proposed mini-storage development off of Loop 534. During the DSP process we requested an administrative waiver to the City's ordinance Section 26-36, which requires sidewalks to be constructed within all street rights-of-ways (R.O.W.s) when property is developed. The basis for the sidewalk waiver is related to the fact that the topography, existing drainage structures, and floodplain within TxDOT R.O.W. make the feasibility of the sidewalk construction very difficult and cost prohibitive. The DSP for this project was approved without the construction of the subject sidewalk conditioned upon the sidewalk waiver being granted.

Thank you for your consideration of this administrative waiver request.

Respectfully,  
Wellborn Engineering, LLC  
TBPE Firm No. F7761

A handwritten signature in blue ink, appearing to read "Michael Wellborn", is written over a light blue circular stamp.

Michael Wellborn, P.E., C.F.M.  
President & Project Engineer

**Exhibit #3**

**Denial of Administrative Waiver**



**CITY OF KERRVILLE**  
**ENGINEERING DEPARTMENT**  
200 Sidney Baker North  
Kerrville, Texas 78028-5069  
830.258.1170 / [www.kerrvilletx.gov](http://www.kerrvilletx.gov)

---

June 22, 2016

Re: Another Closet Self Storage Administrative Sidewalk Waiver Request

Dear Mr. Wellborn,

I have received your letter dated June 22, 2016 requesting an administrative waiver to the sidewalk requirements for the City of Kerrville for the property located adjacent to the west frontage of State Highway Loop 534 in Kerrville, Texas. As referenced in your letter, the City of Kerrville Code of Ordinances, Section 26-36 (f) *Administrative Waiver*, specifically allows the City Engineer to authorize a waiver to the provisions of the article where the City Engineer determines that adequate right of way does not exist for the installation of a sidewalk on a portion or the entirety of a development. As the justification for your request for a waiver to the requirement does not entail inadequate right of way issues, and specifically states existing topographic issues, existing drainage structures, and floodplain within the right of way as the reason for a waiver request, pursuant to Section 26-36 (f) *Administrative Waiver* of the Code of Ordinances of the City of Kerrville, I have no administrative authority to waive the sidewalk requirement in accordance with said section and, therefore, your request is hereby respectfully denied.

Please note, however, that the Code of Ordinances does also provide for an appeal process in Section 26-36 (g) *Appeal to City Council*, specifically:

City Council shall consider the following criteria for granting a waiver:

- (1) Topographic restrictions such as slope, drainage structures, etc.

If you believe that a request for a waiver is justified based on the challenges stated in your letter then I encourage you to pursue your option of presenting your case to City Council for consideration.

Respectfully,

Kyle Burow, P.E., CFM  
Director of Engineering  
City of Kerrville  
[Kyle.Burow@kerrvilletx.gov](mailto:Kyle.Burow@kerrvilletx.gov)

**Exhibit #4**  
**Development Site Plan**

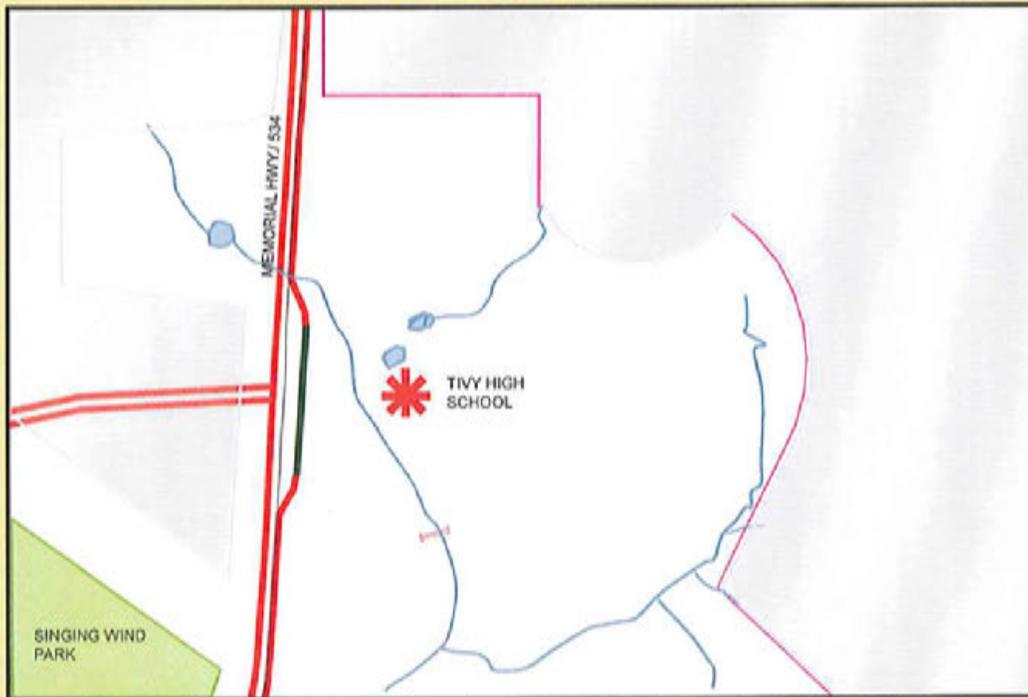


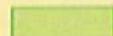
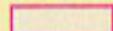
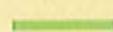
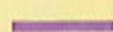
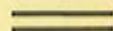
**Exhibit #5**

**City of Kerrville Sidewalk Master Plan (2008)**

**Pg. 28, 32, 33, 36**

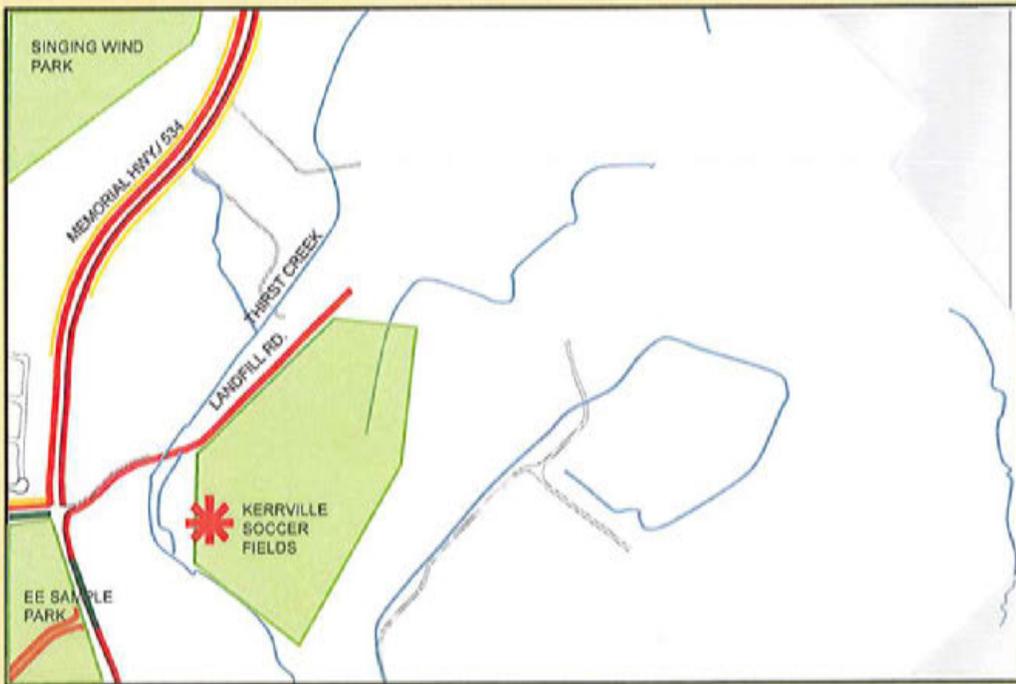


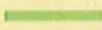
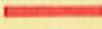


-  Park/ Recreation Area
-  City Limit
-  Existing Sidewalk – Good Condition
-  Existing Sidewalk – Poor Condition
-  Proposed Sidewalk
-  Topography Issue
-  Existing Obstacle
-  Existing Paved Road
-  Landmark







-  Park/ Recreation Area
-  City Limit
-  Existing Sidewalk – Good Condition
-  Existing Sidewalk – Poor Condition
-  Proposed Sidewalk
-  Topography Issue
-  Existing Obstacle
-  Existing Paved Road
-  Landmark



## **Agenda Item:**

6A. Update from city staff regarding the creation of a demolition delay ordinance. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Update from city staff regarding the creation of a demolition delay ordinance

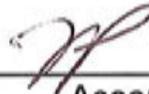
**FOR AGENDA OF:** June 28, 2016      **DATE SUBMITTED:** June 23, 2016

**SUBMITTED BY:** Todd Parton      **CLEARANCES:**  
City Manager

**EXHIBITS:**

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:**



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<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

**PAYMENT TO BE MADE TO:**  
**REVIEWED BY THE FINANCE DEPARTMENT:**

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**SUMMARY STATEMENT**

City staff has been working in conjunction with representatives of the Kerr County Historical Commission on the concept of demolition delay for historically significant structures. The process envisioned by the team is as follows:

1. Application for the demolition of a building is submitted – applications are processed within 10 business days.
2. Review of demolition application will include an assessment of the building to determine if it qualifies for demolition delay:
  - a. The evaluation process would consider the following items:
    - i. Age,
    - ii. Physical condition, and
    - iii. Architectural characteristics
  - b. The evaluation would be conducted by a 5-member review team comprised of the following membership:
    - i. City of Kerrville Building Official,
    - ii. City of Kerrville Planner,
    - iii. Structural engineer appointed by the City Council,
    - iv. Architect appointed by the City Council, and
    - v. Kerr County Historical Commission representative appointed by the commission;
  - c. Buildings would be evaluated by the review team according to criteria that is currently being developed.
3. Buildings subject to the 30-day demolition delay would be subject to the following

actions:

- a. A sign would be posted on the property by the City of Kerrville providing notice that the building is subject to demolition,
  - b. A newspaper notice is posted by the City of Kerrville that an application for demolition has been received,
  - c. The property owner conducts a due diligence process to determine if it is feasible to renovate or relocate the building.
4. Upon termination of the 30-day demolition delay period, a permit may be issued for the demolition provided that:
- a. The applicant provides evidence that it is infeasible to renovate or relocate the building, and
  - b. The applicant provides evidence that a good faith effort was made to evaluate the options for renovation or relocation of the building.

City staff is developing a set of technical criteria for the evaluation of buildings targeted for demolition. Input is being sought from local experts in the fields of structural engineering, architecture, construction, and historical preservation.

The purpose of the demolition delay program will be to balance a property owner's right to develop their property with the desire to preserve Kerrville's historically significant buildings by encouraging property owners to rehabilitate or move buildings as an alternative to demolition. Ultimately, this would protect the cultural heritage and uniqueness of Kerrville's hill country identity.

#### **RECOMMENDED ACTION**

This is a city staff update and there is no recommendation at this time. However, city staff does request any additional direction from the City Council.

## **Agenda Item:**

6B. Budget and economic update. (staff)



Status of key Community Investment Plan projects include:

- River Trail, which recently opened the Lowry portion of the trail, and on-going evaluation of trail, continuing west to Guadalupe Park;
- Louise Hays and Lehmann Monroe Park, continues with landscaping and small amenities to finish project;
- Athletic Complex project, activity has been limited due to rain curtailing construction;
- Reuse Pond/Distribution, is in the final design stages with projected bid opening by end of summer.

Permits issued for new residential locations fiscal year-to-date are 56.

Commercial permits issued for new locations and major remodels are an estimated value of \$9,196,075 fiscal year-to-date. Values of these sites will be reflected upon completion in the following tax year on the property tax role.

Real estate transactions remain steady with a moderate inventory available. Unemployment at national, state, and local levels has remained at a relatively low percentage for several months.

#### **RECOMMENDED ACTION**

No action required information purposes only.

**City of Kerrville**  
**Month ending May 31, 2016**  
 (Month 8 of FY2016)

	Current Month	Year To-Date	Budget @ 66.67%	Prior Year To-Date	change from prior year
<b>General Fund</b>					
<b>Total Revenues</b>	<b>\$ 1,715,531</b>	<b>\$ 19,249,014</b>	<b>78.28%</b>	<b>\$ 18,632,406</b>	<b>3.31%</b>
Property tax	\$ 31,162	\$ 8,664,526	97.53%	\$ 8,415,067	2.96%
Sales tax	\$ 614,151	\$ 4,265,445	68.20%	\$ 4,116,233	3.62%
<b>Total Expenditures</b>	<b>\$ 1,716,079</b>	<b>\$ 14,713,482</b>	<b>59.45%</b>	<b>\$ 14,630,399</b>	<b>0.57%</b>

<b>Water and Sewer Fund</b>					
<b>Total Revenues</b>	<b>\$ 981,828</b>	<b>\$ 7,378,739</b>	<b>62.84%</b>	<b>\$ 5,855,067</b>	<b>26.02%</b>
Water Sales	\$ 372,600	\$ 3,274,922	58.60%	\$ 3,007,043	8.91%
Sewer Service	\$ 424,616	\$ 3,450,436	63.75%	\$ 3,395,885	1.61%
<b>Expenditures</b>	<b>\$ 738,365</b>	<b>\$ 6,827,384</b>	<b>58.14%</b>	<b>\$ 8,153,955</b>	<b>-16.27%</b>

<b>Hotel/Motel Fund</b>					
<b>Revenues</b>	<b>\$ 76,347</b>	<b>\$ 640,539</b>	<b>62.87%</b>	<b>\$ 658,174</b>	<b>-2.68%</b>
<b>Expenditures</b>	<b>\$ 250,250</b>	<b>\$ 707,850</b>	<b>70.01%</b>	<b>\$ 684,224</b>	<b>3.45%</b>

	Project Budget	Current Month	P-T-D Expense	Budget Balance
<b>Community Investment Plan</b>				
River Trail	\$ 6,000,000	\$ 63,001	\$ 4,778,752	\$ 1,221,248
Louise Hays & Lehman/Monroe Park	\$ 2,683,915	\$ 5,746	\$ 2,640,357	\$ 43,558
Athletic Complex	\$ 10,500,000	\$ 156	\$ 10,235	\$ 10,489,765
Reuse Pond/Distribution	\$ 14,100,000	\$ 96,752	\$ 858,629	\$ 13,241,371

<b>Development Services:</b>			<b>Housing (May)</b>	
Residential # of permits	Commercial permits value			
Oct	11	330,680	<i>Local:</i>	
Nov	5	17,000	564 active residential listings; 64 residential sales May 2016	
Dec	6	52,000	\$14,581,957.00 total residential sales dollars for May 2016	
Jan	8	559,099	\$59,255,688.00 total residential sales dollars Y-T-D for 2016	
Feb	9	1,372,500	(Source: Kerrville Board of Realtors)	
Mar	4	4,219,630	<b>Unemployment: (April)</b>	
Apr	4	340,466	National	4.7%
May	9	2,304,700	Texas	4.2%
June			Local	3.1%
July			<b>Consumer confidence: (March)</b>	
Aug			National	96.2 down 5.1% from 2015
Sept			Texas	99.1 down 22.1% from 2015
YTD	56	9,196,075	(Sources: State Comptroller/Workforce Alamo)	