

CITY OF ROCKPORT

MINUTES

CITY COUNCIL WORKSHOP

6:30 p.m., Wednesday, January 19, 2022

Rockport Service Center, 2751 State Highway 35 Bypass

and

Via Video Conferencing Application ZOOM

Social distancing guidelines and the video conferencing application ZOOM are actions were taken to mitigate the spread of COVID-19. Video conferencing capabilities were utilized to allow individuals to address the City Council. Public participation is valued and citizens wishing to express their views on any topic or agenda item can electronically submit a Citizen Participation Form in order to register to speak by going to <https://rockport.seamlessdocs.com/f/CouncilCitizenParticipation> or scanning the QR code provided on the Agenda, or if attending the meeting in person register before the meeting begins. Using the same form, citizens can also provide written comments to the City Secretary by 4:00 p.m. on the day of the meeting. The Mayor will read the comments and they will be summarized in the minutes of the meeting.

On the 19th day of January 2022, the City Council of the City of Rockport, Aransas County, Texas, convened in Workshop at 6:30 p.m., at the Training Room of the Rockport Service Center and via video conferencing application ZOOM, and notice of meeting giving time, place, date and subject was posted as described in V.T.C.A., Government Code § 551.041.

CITY COUNCIL MEMBERS PRESENT

Mayor Pat Rios

Mayor Pro-Tem J.D. Villa, Ward 2

Council Member Katy Jackson, Ward 1

Council Member Brad Brundrett, Ward 3 – *Via ZOOM*

Council Member Andrea Hattman, Ward 4

CITY COUNCIL MEMBER(S) ABSENT

STAFF MEMBERS PRESENT

Interim City Manager Richard Morton

Assistant to City Manager Kimberly Henry – *Via ZOOM*

City Secretary Teresa Valdez

Parks & Leisure Services Director Rick Martinez

Director of Finance Katie Griffin

Director of Public Works & Building & Development Services Mike Donoho

Police Chief Greg Stevens

Public Works Street Superintendent Ryan Picarazzi

Fleet Manager Dale Martinets

ELECTED OFFICIALS

Opening Agenda

1. Call to Order.

With a quorum of the Council Members present, the Workshop Session of the Rockport City Council was called to order at 6:30 p.m. on Wednesday, January 19, 2022, in the Training Room of the Rockport Service Center, 2751 State Highway 35 Bypass, Rockport, Texas.

2. Citizens to be heard.

At this time, comments limited to three (3) minutes will be taken from the audience from persons who have signed the speaker's card located on the table in the back of the Training Room of the Service Center and delivered to the City Secretary before the meeting begins, or written comments received by 4:00 p.m. on the day of the meeting, on any subject matter that is not on the agenda, will be read by the Mayor and summarized in the minutes of the meeting. Persons wishing to address the Council and who have registered using the Citizen Participation Form will have up to three minutes to speak. In accordance with the Open Meetings Act, Council may not discuss or take action on any item that has not been posted on the agenda. While civil public criticism is not prohibited; disorderly conduct or disturbance of the peace as prohibited by law shall be cause for the chair to terminate the offender's time to speak.

Mayor Rios said he had received a Citizen Participation Form requesting the comments be read.

Patrick Kane, 1123 East Cedar Street: Mayor Rios read Mr. Kane's comments regarding the City proposing to take on new debt after issuance of Tax Notes in September 2020 and the Agenda packet not containing information on the expected interest rate of new General Obligation Refunding Bonds and the impact to the Interest & Sinking rate if City limits borrowing to \$5 million for City Hall, deferred the other request and left the existing Tax Notes untouched.

Kristie Rutledge, 1411 Dana Drive, addressed the Council and commented she couldn't believe that we're here again. She had been invited to a meeting with Kevin Carruth, Katie Griffin and Council Member Brundrett, and after that she put in a request for information, and she never received a response to her request. It was in the budget there were unfunded items, and she does not see anywhere in the Plan of Finance that we're addressing real infrastructure items we need. You are jumping ahead and wanting to drop more money into downtown. You need to get back to your plan, as to what was presented and what was approved by this Council this summer. You need to get back to transparency because I have asked for this information, I've been stonewalled, and my public information requests have been denied for going on three months now.

Workshop Agenda

3. Discussion regarding the plan of finance approved January 10, 2022, to issue General Obligation Refunding Bonds to refund a portion of the City's outstanding indebtedness and possibly issue tax notes and certificates of obligation for the acquisition and construction of certain public improvements.

Adelaide Marlatt, 456 Augusta, addressed the Council and asked what kind of interest rate there would be if it is refinanced a week from today, and commented if we are at 3% now, we have to be careful.

Kristie Rutledge, 1411 Dana Drive, addressed the Council and asked if the Council saw the Plan of Finance before it was distributed to them at the last meeting. Ms. Rutledge stated there was a fund balance of \$1.1 million for vehicles and now you are asking for money for vehicles. Ms. Rutledge said there are overages on the new City Hall and citizens knew there were more expenses than we

can afford. Why are we asking for AV equipment: Why are you asking for things now that we don't need? This is backwards money; this is our money.

Interim City Manager Richard Morton said two Council Members had asked him about previous bond issues and how any outstanding proceeds could be used. Mr. Morton called the Council's attention to a handout listing the outstanding debt obligations and unspent proceeds (See below).

City of Rockport Outstanding Debt Obligations and Unspent Proceeds as of 01/19/2022					
Outstanding Debt Obligation	Principal Issued	Principal Outstanding	Final Maturity Date	Unspent Proceeds	Official Stated Purpose
2012 GO Refunding Bond	\$ 6,880,000	\$ 3,275,000	2/15/2026	\$ 2,500,920	Refunding of 2005 CO - Streets & Drainage & Utility Systems
2014 CO Combo Tax & Revenue	\$ 3,610,000	\$ 2,625,000	2/15/2034	\$ 423,374	Water, Sewer, Gas Systems
2014 GO Refunding Bond	\$ 5,430,000	\$ 5,315,000	2/15/2027	\$ 1,087,324	Partial Refunding 2007 CO - Streets, Drainage, Storm Sewer, Community Rec Center, Parks Svcs Bldg, Beach Park Parking, 50 acres of Parks
2015 CO Combo Tax & Revenue	\$ 1,950,000	\$ 1,515,000	2/15/2035	\$ 228,489	Parks System, including Aquatic park repairs, extension, additions, & improvements
2015 GO Refunding Bond	\$ 7,125,000	\$ 2,800,000	2/15/2027	\$ -	Partial Refunding 2007 CO - Streets, Drainage, Storm Sewer, Community Rec Center, Parks Svcs Bldg, Beach Park Parking, 50 acres of Parks
2016 CO Combo Tax & Revenue	\$ 3,275,000	\$ 2,760,000	2/15/2036	\$ 176,975	Purchase of 8.856 acres land at Busi 35N & Maple St for Park System, acquire & construct improvement on park land portion, including but not limited to roads, parking, fences, buildings, sidewalks rec equipment
2017 GO Refunding Bonds	\$ 5,710,000	\$ 5,085,000	2/15/2029	\$ 77,205	Refunding of 2009 CO - Water and Sewer Systems
2020 Tax Note	\$ 14,505,000	\$ 14,005,000	2/15/2030	\$ 12,413,468	City Hall, Concho Street Drainage, Key Allegro Bridge Easements
TOTALS		\$ 37,380,000		\$ 16,907,755	
				\$ 2,500,920	Outstanding Proceeds, less 2020 Tax Notes
				\$ 1,087,324	Eligible for Streets, Drainage, or Utilities
				\$ 423,374	Eligible for Streets, Drainage, or Parks
				\$ 77,205	Utility Systems - Water, Waste Water, or Gas
				\$ 405,464	Utility Systems - Water and Waste Water Specific
				\$ 4,494,287	Parks System Specific, including Aquatics
					Total Available Outstanding Proceeds

Mr. Morton reviewed the distributed list of outstanding debt obligations and unspent proceeds. Mr. Morton stated that none of the unspent funds can be spent on the new City Hall; a large amount could be spent on streets and drainage and what is designated for parks has to be spent on parks.

Mayor Rios asked if this money is sitting in investments somewhere.

Director of Finance Katie Griffin answered some of the money is in investments and some in certificates of deposit. Ms. Griffin added it was very surprising to find the 2005 bond money and she has verified we are able to spend it.

Council Member Jackson asked Director of Public Works and Building & Development Services Mike Donoho how much is estimated for the critical repairs to the wastewater treatment plant. Director of Public Works and Building & Development Services Mike Donoho answered the critical repairs to the wastewater treatment plant is approximately \$3.5 million.

Mayor Rios expressed this is a good surprise and asked if these funds are counted toward the City's reserves.

Ms. Griffin answered they are not counted towards the City's reserves and are identified as separate figures in the City audits.

Mayor Pro-Tem Villa said he remembered a couple of years ago there was some money left for parks.

Ms. Griffin stated there had been a conversation about some of the 2007 money being left and talked about doing some parking lot expansion and another entrance into Memorial Park. Ms. Griffin said the other piece is \$176,000 left of the money used to purchase Bent Oaks and there is \$228,489 left for parks or aquatics. Ms. Griffin stated some of the items talked about during the budget workshop and we did not have money for, this money could be used for some of that; there are details in the bond covenants what the money can be used for.

Mr. Morton asked if Council would like staff to put together a list of projects for Council to consider using these funds.

Council Member Jackson asked if the list could be ready by the next Council meeting.

Mr. Morton answered he did not want to overpromise because he did not know how much work it would take for staff to put that together put hopefully, they could.

Ms. Griffin stated there definitely would be a list, but the challenge is to have cost estimates that are accurate.

Mr. Morton said we can bring a list of projects forward because he saw them identified in the budget documents. Mr. Morton stated projects were identified for five years.

Mayor Pro-Tem Villa asked if this information was something that was not passed on.

Ms. Griffin answered that was correct and the trick is that staff had tracked the refunding version, but the original version was somewhat dormant in the ledger. Ms. Griffin stated probably somewhere in the transitions between Finance Directors the information was not passed on and there was not a good process for tracking.

Mayor Pro-Tem Villa asked if this has been verified.

Ms. Griffin expressed it had been double verified. Ms. Griffin said Lorenzo in the Finance Department and Public Works has verified and she feels confident our general ledger and audits have been correct. Ms. Griffin apologized she did not have this information for the budget workshop.

Mr. Morton said this probably will change your discussion, but we still need to have a discussion on the refunding, the tax notes, and the possible certificates of obligation of \$3.5 million. Mr. Morton stated the Bond Counsel, and the Financial Advisor are present tonight.

Bob Henderson, Managing Director of RBC Capital Markets, addressed the Council and stated for 30+ years he has been the Financial Advisor for the City of Rockport. Mr. Henderson commented: There have been a number of questions raised and one questions was: What could we get on the refunding if we did it next week. We can't get it done as quickly as next week, probably in about three weeks, but the answer to the question is based on the City's current underlying credit rating we could probably refinance this debt at 3% - 3.25% interest rate. It was important to keep in mind that the interest rates and risk are a function of time – how many years out do we go to refinance the debt. Lowest possible interest rate you borrow for the shortest period of time. When we are talking about refinancing the 2020 Tax Notes, the question becomes how far we stretch this out. The useful life of the new City Hall is projected to be 70 years, but no one wants to borrow money for 70 years, and in 2020 when Council discussed this, we were talking about financing for 20 years. If we were to go out for 20 years, the answer would be slightly higher, maybe 3.4%. The problem we are having right now is the volatile interest rates. I'm thinking 3%-3.5% interest rates. I congratulate Katie for finding the money and now we don't have to issue \$3.5 million, that is a great thing. I know some of the Council was not on Council when the Council had a workshop and discussed a long-term capital improvements program and the concept of maintaining a constant level I & S tax rate. The idea is how do you balance long-term capital improvements of the City between pay-as-you-go and debt. This maintaining a constant level I & S tax rate has taken on more emphasis since the passage of House Bill 2. The advantage to not letting this tax rate fall is that you don't have these additional hurdles you have to go through in order to raise the tax rate at a later date. For example: When your tax rate falls and you have an over 65 frozen tax rate, those over 65 rates are locked in at new lower rate and you can never raise that over 65 tax rate again. How can we maintain our infrastructure within the tax rate we are at? Getting back to the question on what the interest rate going to be; interest rates will be driven by length of financing. If we are going to maintain the 18.42 I & S rate means we do the refinancing on a shorter basis – the citizens will benefit by that. We want to try to keep those payments at shorten maturity to save the taxpayers more money. There is always a wrinkle, there are other capital improvements projects that the City will have to undertake – wastewater plant project, gas system project, and you will always need rolling stock. I have always encouraged all of my clients for years to set up a funded depreciation account, so you don't have to finance \$1.8 million of equipment over a 5-year period of time. Obviously, the reason the number went up from two years ago is that you had more rolling stock with its useful life roll off and things didn't get funded two years ago. As I encouraged, the Council in February 2020, when we're looking at the final maturity of some of this debt, one of the considerations has to be is where do you see the infrastructure of the City being three, five, eight, ten years down the road. We don't want to refinance this 2020 Tax Note so short that when you need a new sewer plant project in three years, five years, or whatever that number may be, that we would have to look at raising the tax rate. We're trying to provide stability, which this City Council and administration has done so well for many years, and predictability as far as to what the tax rate is going to look like. We all know the

primary driver in increased tax bills is not increased tax rates; it is increased valuations on your property. The City has not irrationally raised taxes. The point is: Great news, we have \$3.5 million unspent proceeds, and you don't have to issue certificates of obligation. You can by virtue of how we structure this refinancing – you can lower the I & S tax rate, but I would not recommend it because of House Bill 2. What I would anticipate doing with the City Manager and City's Director of Finance is to dust off the capital improvements program done in 2020 and adopted by City Council and look at when are we going to need this infrastructure and lets structure this refinancing in a way that it allows us to maintain that 18.42 tax rate for three to five years and then that allows us to come in and do financing for whatever we need at that time and still keep the I & S tax rate.

Mr. Morton stated he did not think the Council should take off the table just yet, you should talk about it. Mr. Morton said this money is there and we should spend it on eligible projects, and we need to bring you projects. Mr. Morton stated if you still want to consider the \$3.5 million in certificates of obligation that is one of the options; you can issue that debt and not affect the tax rate.

Council Member Jackson stated she went through the Plan of Finance and asked Mr. Henderson why in the General Obligation Refunding Bonds, why are we are refunding a refund of a 2005 Bond, which takes us from a payout in 2025 to payout in 2037. Council Member Jackson asked if she was reading that correctly.

Mr. Henderson said if she is reading it that way, he did not write it clearly enough. There are two pieces of the refunding. One is the refunding of the 2020 Tax Notes and take that out to final maturity in 15 years, and the 2012 debt would be refinanced based upon its original structure and the final maturity would not be extended on that piece of it. The refunding of the 2012 bonds were refunded with the original structure of the 2005 bonds. The final maturity of the 2012 refunding bonds is February 2026, and the savings of the refunding of the 2012 refunding bonds was calculated at \$62,500, but because the treasury went up this morning, today we couldn't get that.

Council Member Jackson asked why we are going to refinance something that we are going to pay off in three to four years; the \$62,500 savings is for this year, or over the next four years?

Mr. Henderson answered its interest savings over the next four years, after all costs of transactions are considered. Mr. Henderson said we would only do it for interest rate savings and if we get to the point in three weeks where we are ready to pull the trigger and the savings are not there, we won't do it. Mr. Henderson expressed if it is economically advantageous to the taxpayers of Rockport, we will do it, if not we leave it off the table.

Council Member Jackson said she knows we have to refinance the Tax Notes, but are we going to see any savings with that?

Mr. Henderson answered “no” because we're stretching it out from 10 years to 15 years.

Council Member Hattman said there is \$1.9 million for vehicles, is there any way we can bring that down. Council Member Hattman stated she did not want to spend more than we have to.

Mr. Morton said when the Council went through budget process and the list of vehicles and

identified what you could buy and in there is a note in the budget that the purchase would be in January with a Tax Note. Mr. Morton stated he was not sure why the amount grew from \$1.1 million to \$1.9 million, other than staff trying to do a good thing and trying to get a possible debt issuance and accomplish many good things for this City and not raise tax rate.

Ms. Griffin said staff did originally speak with Council with just over \$1.1 million during the budget process and we had a pretty accurate list of vehicles at that point in time. Ms. Griffin explained between then and in the Fall the vector truck, a \$300,000 piece of equipment went down, and we had a backup unit that was extremely ancient, and our fleet manager had patched it multiple times. Ms. Griffin stated that unfortunately that truck has reached its life as far as the truck goes, but the tank was salvageable, so the fleet manager took two trucks to make one; we don't have a backup plan. Ms. Griffin said \$300,000 of that variance is a replacement vector truck, but we have also had a couple of other units within our fleet that were planned for replacement in 2023 and 2024 but didn't make it. Ms. Griffin informed the Council that the average age of our equipment on the road is almost 20 years, the average age of police units is 7 years, and 10.5 years for our utility billing vehicles. Ms. Griffin said another unit that went down was the crane truck, and that replacement is about \$150,000 and those units explain the variance; the unmarked police units went up about \$6,000 and the marked units about \$10,000 from when the numbers were put together for the budget workshop. Ms. Griffin said the Fleet Manager was present if the Council had any questions. Ms. Griffin stated because of the age of our equipment we are spending a little over one-half million dollars a year to make repairs and we should be spending about \$75,000 for just maintenance according to the Fleet Manager. Ms. Griffin explained the reason we do not have a large replacement fund is because following Hurricane Harvey we were not able to make payments to our vehicle equipment replacement fund and got behind two years. Ms. Griffin stated currently we are bringing in about \$600,000 - \$700,000 to the vehicle equipment replacement fund. So, after we do what we are asking to do with the Tax Notes, we will not have to do that again because we will have the replacement program so we can then cash fund our purchases of vehicles going forward

Council Member Hattman asked if we borrow the \$4.4 million for City Hall and they found savings, are we going to still try and save more and can we spend that money for other things?

Mr. Morton answered yes, and the plan will be to value engineer the cost of City Hall down, but we wanted the full amount in there because we are not sure of the price escalations yet. Mr. Morton said if we save a million dollars in value engineering, the way we structure this Tax Note is not to be so specific that we are locked in and have to spend it on City Hall; you want to be able to spend it on streets or drainage or whatever you want.

Mayor Pro-Tem Villa asked what the average length of warranty on the new vehicles is.

Fleet Manager Dale Martinets stated the average warranty is five years, and the only repairs would be tires, batteries and brakes.

City's Bond Counsel Tom Spurgeon with McCall, Parkhurst & Horton, addressed the Council and clarified that in the Tax Notes it is written in a manner where there are no dollar amounts earmarked for just City Hall or other projects. Mr. Spurgeon said that anything that may be left could be used for streets, drainage, vehicles or things like that; it is flexible, just like what was done in prior years.

Council Member Hattman asked if we are going to continue to identify cost savings.

Mr. Morton said as they continue to value engineer and identify cost savings; we will bring those to Council because you may not want to cut this or that.

Mayor Rios stated the City received a letter from Teal Construction, their subcontractor on the generator with a \$477,700 electrical savings. Mayor Rios said that is good news, but we have not gotten FEMA approval of the project, and that bid expires February 7, 2022. Mayor Rios expressed he has called Congressman Cloud and asked him to put pressure on FEMA to get us a letter of approval, because if that expires, we will have to go through the whole process again.

Mr. Morton explained the 60-day deadline is to protect the bidder/contractor, and hopefully we will be able to work with Teal to push that deadline.

Mr. Donoho stated the contractor/bidder has the option to not hold that bid or to work with us. Mr. Donoho said the problem is the City only received two bids and Federal requirements for the grant money we are receiving requires three bids. Mr. Donoho stated other communities have been allowed to move forward with only two bids. Mr. Donoho added we are pushing FEMA as hard as we can and at the State level, we have the Texas Department of Emergency Management helping us to push FEMA to give us an answer prior to February 7, 2022.

Council Member Brundrett asked if it made sense for the soft goods and audio visual to be included in the Tax Notes now not knowing what those costs may be in the 18–24-month timeframe from now.

Mr. Henderson said part of that comes from what the interest rate environment may look like based on the anticipated federal funds movement and interest rates being higher and the other half of that question would be what the cost of the equipment will be in two years.

Mr. Donoho said the anticipated cost for the audio visual and security system is around \$1.8 million; he did not have the figures with him.

Mayor Rios said the anticipated cost is about \$1 million.

Mr. Donoho said there is an agreement with a non-profit that is going to help us with that part of the project.

Mr. Morton said the numbers he saw was around \$800,000 and he thinks we can go ahead and purchase that equipment now with an expected delivery in 4-6 months. Think it would behoove us to go ahead and buy it now.

Council Member Brundrett said he would hate for us to buy it now and it not be used for 24-36 months because of the way technology goes and then it be outdated.

Mayor Rios said we could order now and not necessarily pay for it now and Council Member

Brundrett is correct on the way technology does change. Mayor Rios stated right now we are running on ancient stuff. Mayor Rios explained the agency is like a co-op and they do work with municipalities all over the country. Mayor Rios they had visited the new courthouse in Hondo where this agency had done work and it was very impressive.

Mr. Henderson said you could go ahead and finance the equipment but then wait for a year until you actually submit your order; you have 36 months to spend that money.

Council Member Brundrett asked if the list of capital improvement projects that was presented in February 2020 could be brought to Council at the February meeting.

Mr. Morton said he will pull what was presented then and if we can update it by then we will bring that to Council.

Kristie Rutledge addressed the Council and commented: She tried to listen very carefully to the last meeting when we were discussing the debt proposals and Plan of Finance and the idea was to max get the general obligation refunding bonds, I was surprised we were refunding bonds with such little savings of \$62,000. Ms. Rutledge asked what the fees to the bond counsel and financial advisor are, and any other fees that are related to this. This needs to be brought to the public and considered when Council makes a decision.

Mayor Rios said in part of Mr. Henderson's comments, he said that is inclusive of all fees and commissions.

Ms. Rutledge said that during the tax notes for City Hall that our tax rate would not be increased and one year later. Ms. Rutledge said there were pretty intense debates this summer about how our tax rate needed to go up 8% and there were all sorts of shenanigans going on with the City Manager and the Finance Director in trying to raise the tax rate.

Mayor Rios told Ms. Rutledge her comments were not germane to this Workshop item.

Ms. Rutledge continued to voice comments.

Mayor Rios had the microphone and ZOOM video turned off.

Council Member Jackson asked why is there a combination of Tax Notes and Certificate of Obligations; why are we using Tax Notes?

Mr. Spurgeon answered they are both secured with the same debt and treated the same; the difference has to do with the way they are issued, authorized and maturity limitations. Mr. Spurgeon said certificates of obligations can go out 40 years and tax notes are limited to 7 years except for a separate provision in law that allows tax notes for 10 years in an emergency situation. Mr. Spurgeon explained the new Tax Notes would be for 7 years and would also be for the City Hall project and when the 2020 Tax Notes were issued it was fully expected at the time that they would be refunded; but I don't think that is the plan for the new Tax Notes.

Mr. Henderson said we are not currently anticipating the need to refinance any portion of the \$8.1 million. Mr. Henderson stated one of the things City staff and the Mayor was adamant about when structuring the \$8.1 million was to make sure that those items that have a shorter use of life – the \$1.9 million of equipment we know will be obsolete in five years. Mr. Henderson stated if the capital improvement program is updated and there would be an opportunity to refinance in the event there are other capital improvement projects we could finance within the same parameters, we could put in a short call (a call date is the earliest date you refinance or pay off the debt, normally a 9-year call, so a short call is less than the normal 9-year call date). Mr. Henderson explained with respect to the \$8.1 million at 7 years we would look at a 4–5-year call, but what we want to make sure of is that before we get to those 4-5 years, we are not anticipating financing another capital improvement project.

Council Member Jackson asked if we have looked at front-loading or backloading the debt, or is that something we look at when we get closer to issuance?

Mr. Henderson said that is looked at when you get closer to issuance because you have to make a decision as to what debt you are actually wanting to issue.

Council Member Jackson said in the timetable in the Plan of Finance, what is a preliminary official statement?

Mr. Henderson said it is a securities offering document that we put together and is distributed to investors for them to analyze the financial condition of the City, the economy of the community and potential tax rate impact. Mr. Henderson stated it is a document of the City that Mr. Spurgeon and myself help draft but it is incumbent upon the City Manager and Director of Finance to review and comment on it in advance to make sure it is absolutely accurate. Mr. Henderson explained there are two official statements; one is the preliminary statement that we send to investors in advance of the pricing agreement transaction and once the actual terms, interest rates conditions are established we put that information in the official statement and that is called the final official statement.

Mr. Morton asked if the Council chooses to just go with the Tax Notes and forego the Certificates of Obligation, there are two different time frames there, one for the Certificates of Obligation and one for the Tax Notes; can you explain the difference?

Mr. Henderson stated the reason he structured it in a hurry up basis and meaning that we could because of the different notice and publication requirements we could issue the Tax Notes and Refunding Bonds faster than we issue the Certificates of Obligation. Mr. Henderson explained under normal conditions if we were in a flat interest rate environment, no rush, the interest rates are not going to change, but the Certificates of Obligation together with the Tax Notes, about \$11.6 million, we didn't want to risk waiting by holding that \$11.6 million debt issuance until we have a \$3.5 million deal and have the interest rate go up; so that is why there are two different time frames. Mr. Henderson stated The Federal Reserve is anticipating three interest rate hikes and we know for sure they are anticipating an increase in March, maybe sooner; we are just trying to get ahead of any interest rate increases.

Adelaide Marlatt stated on the big Tax Notes that the Council is talking about, they are currently 10-year notes at 3% interest and what you would be refinancing them to would be a higher interest rate

at 15 years. Ms. Marlatt asked why you would not consider paying it out in 10 years?

Mr. Henderson answered that we are trying to create capacity within the existing 18.42 cents tax rate through this additional debt without raising that tax rate. Mr. Henderson explained if we don't refinance the 2020 Tax Notes there will not be enough room (debt capacity) within the 18.42 cents I & S tax rate to issue more debt at the 18.42 cents I & S rate. Mr. Henderson stated if we don't refinance the 2020 Tax Notes and we try to issue more debt the tax rate will go up.

Kristie Rutledge asked how the City can issue a statement of financial condition with any kind of surety when we just found \$3.5 million yesterday afternoon just laying around from 2005? Ms. Rutledge said we need to make sure we have all our ducks in a row. It's a serious question and I think we had this same kind of issue during budget discussions where things were found missing; are we sure of our financial condition that the I & S rate is what it is?

Council Member Jackson stated what it comes down to is do we want to take out \$8.1 million as Tax Notes or something less and do we want to do the Certificates of Obligation amount.

Mr. Morton stated that is correct; what is Council's desire moving forward. Mr. Morton said the clock is ticking on the Certificates of Obligation because we did the Notice of Intent and if Council chooses not to follow through with that, that can be ended. Mr. Morton added if Council chooses to move forward with the Tax Notes versus the Certificates of Obligation, we will bring an action item to you, and you tell us what you want to do. Mr. Morton stated this Workshop was exactly what it was intended to be – answer your questions.

Council Member Brundrett asked if we do not issue Certificates of Obligation will that affect our capacity moving forward?

Mr. Henderson answered if you decide to do it that way, we are going to alter the structure of the refunding in order to maintain the 18.42 cents tax rate and maintain the stability of the City as demonstrated for so many years. Mr. Henderson said in terms of future capacity that gets to how short of call we put in it and do we preserve the latitude to refinance debt to create capacity for future capital improvement programs. Mr. Henderson stated the question is: Are these projects that the City needs and if you do need it what the most cost-effective way is to finance it.

Mr. Spurgeon said the clock did start for the possible approval on March 8, 2022, for the issuance of Certificates of Obligation, with the publishing of Notice of Intention for the first time. Mr. Spurgeon stated he would recommend it be published a second time and if you do decide to not do the Certificates of Obligation, he would recommend Council take formal action that you are not doing the issuance of the Certificates of Obligation so that it is on the record and there is no issue in the community.

Council Member Jackson asked about the amount of \$835,000 for Dispatch.

Mr. Donoho stated the 911 Dispatch Center is in the Public Safety Center in a vulnerable area of our community and what we are proposing to do is to take a portion of this building and put a Dispatch console in one of the offices with all the cabling and radio equipment to be able to flip a switch when

needed and move Dispatch to this location. Mr. Donoho explained if the Public Safety Center is compromised, or we have a weather event we would have a backup emergency dispatch center for our community.

Council Member Jackson said this is not something that is time sensitive, but it would be better to do it sooner rather than later.

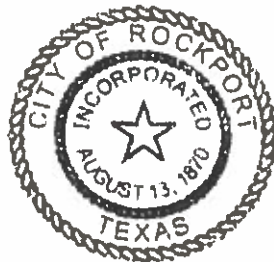
Mr. Donoho answered: "absolutely."

Police Chief Greg Stevens answered the City has no redundancy that we could rely on immediately. Chief Stevens said it is a weakness we have and need to correct sooner rather than later.

Mayor Rios stated he appreciated the information brought forward and exchanged and he hopes all Council questions have been answered

4. Adjournment

At 8:06 p.m., Mayor Pro-Tem Villa moved to adjourn. Motion was seconded by Council Member Jackson and carried unanimously.



CITY OF ROCKPORT, TEXAS

A handwritten signature in blue ink, appearing to read "Patrick Rios", is written over a horizontal line.

Patrick R. Rios, Mayor

ATTEST:

A handwritten signature in blue ink, appearing to read "Teresa Valdez", is written over a horizontal line.

Teresa Valdez, City Secretary