

SPECIAL MEETING
CITY OF BEVIL OAKS, TEXAS
MINUTES
JULY 31, 2014

1. Mayor Ford called the meeting to order at 4:41 P.M.
2. Pledge of Allegiance/Invocation led by Citizen Ronnie Adams
3. Roll Call: All present
4. Conflict of Interest: None
5. Discussion and Action whether to borrow funds necessary to replace all water meters with in the City. Mayor Ford started the meeting by turning it over to City Attorney Dru Montgomery. Mr. Montgomery began by stating the purpose of the meeting, and how it is to authorize the Mayor to explore the option of financing and purchasing of new water meters. First, the question is do we want to replace the water meters? Secondly, do we want to replace the water meters now or closer to the completion of the sewer project. We must discuss when and how we plan to do this. Our bond counsel weighed in on this, giving us some options. Mr. Montgomery continued stating we had in attendance both Mike Will of Utility Specialists, the City's current contractor, and their worker, Joey. By the end of the meeting, Mr. Montgomery stated he would be asking the Council to decide to authorize the Mayor to explore the purchase and replacement of the water meters. Also, to potentially commit to a specific vendor to continue with the financing details. Thirdly, to give the Mayor the ability to explore other financial options. Once the Mayor has the authority, Mr. Montgomery stated he anticipated at the next regular meeting to have a resolution authorizing the City to proceed with the new meters. The first question is should we replace the meters, keeping in mind that errors in meters are normally in favor of the citizens, and costing the City revenue. In replacing the meters, we will be more accurate, as the current meters are approximately 30 years old. Councilman Adams stated it was her understanding that one of the City Secretaries can drive up and down the street to save money for reading meters. Mayor Ford stated yes, that is an option of having a computer in the truck and someone would just drive down the street, causing this to help with those people who have meters in the back yards, and the meter men cannot get back there to read some of them. Councilwoman Adams stated it is her opinion that we should go forward with replacing meters. Councilman Grimes stated he also felt it was a good idea to go ahead and replace the meters. Councilman Tevis asked Mr. Montgomery if Beaumont was going to make us test 5% of the meters, and if that would need to be completed every year. Mr. Montgomery stated no, not every year, but we have tested some meters already, and they are proving inaccurate. Councilman Tevis asked Mr. Will how long the meters are good for, at which Mr. Will stated between 8-10 years for the guts and base itself of the meter. Mr. Montgomery stated the current proposal from JCI stated the warranty was for 95% accuracy for the first 5 years, and 90% for the first 10 years. Mr. Joey, with Utility Specialists, stated he worked with the City of Sour Lake about 15 years ago when they used a different company and replaced the meters. They looked at it as a cash register, meaning the difference was in their revenue. In the end, they seen a 25% increase in water sales. Councilman Tevis asked Mr. Will if there was a way to see what was pumped versus what was sold. Mr. Will stated there was a way, as his

company reads the water pumped at the water plant daily, and the City Secretary can pull reports to show what was sold each month. Mayor Ford stated she just got off the phone with Denise with the JCI Company, and asked them what is the difference in cost if we decided to wait and not get these meters at this time, to see the difference in price, and she will be calling back shortly. Councilman Merendino asked when were we, as a City, going to have to start replacing the meters. Mr. Will stated we have started already as they go out, and have replaced approximately 30 in the last few years. Mayor Ford stated her meter hasn't been changed in all the time she has lived here, so she is sure it is inaccurate. Councilman Merendino stated then all we are really doing is checking on the difference in regular meters and these meters, since we will have to replace them anyway. Councilman Tevis stated Johnson Controls, (also known here as JCI) then would come to us as soon as they finished with Beaumont. Mayor Ford stated yes, that is the plan if we go with their proposal. She also stated JCI told us that we could keep our current boxes, if they are good. Mr. Will stated that there will still be some, especially the concrete boxes, which will need to be replaced. Mr. Montgomery stated then he wanted to make sure he had the resolution in order, and he would put the following in the resolution: (1) The City Council wanted to replace the meters; (2) The City Council wanted to replace them with the electronic meters; (3) The Mayor would have authorization to check on the fact that it will be more expensive, or if not, why; (4) investigate alternative vendors. Mr. Montgomery stated now we needed to move to how to pay for it. There is a difference whether we do it now, or when we do the sewer project. In the memo from our bond counsel, it gives us 5 options. They are: (1) postpone acquisition until certificates of obligation are issued. Meaning to wait until February or so; (2) move up the date of certificates to now to acquire the meters. This would mean the payback would begin much sooner than later. Mr. Will stepped in stating before he left, he wanted to make sure whoever the City talks too, they need to make sure how long will they come back to fix anything they have installed. Councilman Merendino stated it was like a warranty on their installation. Mr. Will agreed. Mr. Will also stated that over the years, income will decline again after 8-10 years, as the accuracy goes down. Mayor Ford stated then over the years, we needed to test again for accuracy. Mr. Will continued, stating he sent Joey to ask another company about their price, and he came back with a total of close to \$200, whereas JCI came in at \$369. However, for neither of these companies, this total does not include laptops, installation, etc. Councilwoman Adams asked Mr. Will if they do these types of meters. Mr. Will stated they install them, but not sell them. Mayor Ford asked who they talked too. Mr. Will stated they use Rural Pipe, who uses Badger meters. Mayor Ford stated Denise, with JCI, stated this price was the same price they were giving Beaumont, but she was going to call back with the cost if we have them come back at a later time. Councilman Fruge stated he asked JCI how long it was going to take them to install the meters, at which he was told approximately 3 months. Mr. Montgomery spoke up stating we are going to replace meters, and we are going to investigate options. Councilman Merendino stated he felt all citizens should also have the option to put in a second meter at this price, and put it in the newsletter stating if they wanted the discounted price, they had to do it now while we can get this price. Mayor Ford stated we would need to get them to let us know ahead of time if they wanted one, so we could get an accurate count. Councilman Fruge stated we also needed to see how many "on

hand” meters we would need or want to order. Mr. Will spoke up stating in most cases, if you buy extra, the warranty starts now, as well as the battery starts running down. He continued stating Joey had suggested the Council to recalculate the fee charged for changing meters/second meters (after the initial discounted period) to absorb the cost of the newer electronic meters. Mayor Ford stated it is now her understanding we were going to go back to JCI and ask a new set of questions, as well as check on Rural Pipe and Badger meters. Councilman Tevis said he things we should. Joey stated when he was with Sour Lake and they purchased the meters, he wanted to know they could work in mud or water, so he put the meter in a bucket of water and did a test drive-by. He stated it did work. Councilwoman Adams asked if we had time to check on these others, before JCI was out of the area. Mayor Ford stated she felt we did. Mayor Ford received a call back from Denise, with JCI, regarding some of the questions. Mayor Ford stated we have received an 8% discount on the meters, and 18% discount on the AMI system. She also stated Denise informed her there would be an additional \$30,000 fee if they had to leave Beaumont and come back at a later date. Councilman Fruge stated he now suggested the City go back and put the questions down in writing, submit them to JCI, as well as contact Rural Pipe and the Badger meters. This way we can see if Badger meters are as good if not better, as it looks like Badger may come in a lot less. Mayor Ford agreed. Mr. Montgomery stated Mayor Ford needed the authority to continue moving this along, as we don't know how much a pre-payment penalty would be until they run the City credit, with the stipulation that it must be approved by Council first. Mr. Montgomery said he was going to finish giving the 5 payment options. He re-read the first 2 options, already listed above. (3) Pay for the meters out of the general fund balance, and repay the city's general fund when the funds are received in February; (4) enter the lease purchase arrangement now and decide later whether to pay off the lease, by either rolling the price into the certificates in February, or reduce the amount of the certificates, and keep the lease financing; (5) finance the meters with tax anticipation notes. Mr. Montgomery continued stating you cannot turn tax anticipation notes into certificates of obligation, as it is not permitted, and tax anticipation notes cannot go out any further than 7 years. Plus, you have to pay bond council, and the Attorney General to approve the tax anticipation notes. So, as Mr. Montgomery continued, our options are in the timing and financing. Mr. Montgomery stated the lease purchase gives us the most flexibility, and is the lowest percentage. Also, paying it back early is only 1-3%. Councilman Merendino asked if we could pay like \$100,000 down, and then finance \$100,000, saying it was a \$200,000 note. Mr. Montgomery stated it was possible. Mayor Ford stated that would start depleting the general fund and Councilman Fruge also stated we had to keep in mind we still have the Engineers we need to pay between now and then, which could be between \$80,000 - \$90,000. Councilman Merendino stated we would get the money back, and he also felt we should start with the replacement of the meters now, so we can start getting data on revenue. Mr. Montgomery stated we needed to decide what direction our financing is going to go, because that will focus the resolution. Mayor Ford stated Mr. Montgomery had to have a resolution by the next meeting, meaning Mayor Ford had to get all the stuff together before hand. Councilman Merendino stated that meant we needed another meeting before the next regular meeting. Mr. Montgomery stated today, the City Council was going to be passing a resolution, authorizing the Mayor to

explore the options and prepare them. Then, at the next meeting, the Council will pass what is brought by the Mayor in order to move forward. Councilman Merendino stated that again, that meant we needed another meeting. Mayor Ford said we can do that. Mr. Montgomery stated we needed to give the Mayor the authority to get the mature proposals from the different companies. Councilwoman Adams stated she would like to make that motion. Councilman Fruge stated he is not happy with what JCI has requested in the format or answers they have given, even though he has asked them for a formal proposal, but they have not given one. He continued stating he felt we needed to not consider her if she cannot give us what we have asked for. Mayor Ford stated this doesn't even count all the times she has tried to talk to her, as well as Kimberly, the City Clerk. Mr. Montgomery stated he wanted to make sure Mayor Ford has enough authority to have them go forward to do good work, but she will not be agreeing to the financing, but to be able to get us a formal proposal. He stated we did have other options, such as waiting should the Council want to do that. Councilman Merendino stated he felt we should go ahead and do this now and get the data started. Mr. Montgomery stated this lease purchase is an independent purchase, that seems to be advantageous, and he would not recommend waiting or moving the certificates of obligation up. Mr. Montgomery stated at the next meeting, there would also be a reimbursement resolution authorizing the City to reimburse ourselves should we decide too on things such as this. However, you have to do it within 18 months of approval, but bond counsel states it is better to do it sooner than later. Mr. Montgomery continued stating he wanted to come full circle, making sure everything is accurate. The Council is authorizing the Mayor to explore options for lease purchase for replacing the meters, and she can have them create final proposals for the Council to consider at the next meeting. Councilman Merendino stated he would second that motion. Mayor Ford stated as soon as she could get this together, Kimberly, City Clerk, would get with everyone for another meeting before the next regular meeting. **M/M/2/C:**

Adams/Merendino APPROVED

6. Meeting adjourned at 5:59 p.m. **M/M/2/C: Fruge/Roberts APPROVED**

Rebecca M. Ford, Mayor

Sherry Adams, Secretary