

LAKEWOOD VILLAGE TOWN COUNCIL

COUNCIL MEETING

FEBRUARY 9, 2017

Council Members:

Dr. Mark Vargus, Mayor – Arrived at 7:23 p.m.
Ed Reed – Mayor Pro-Tem – ABSENT
Clint Bushong
Gary Newsome
Ray Duff – Absent
Dan Tantalo

Town Staff:

Linda Asbell, TRMC, Town Secretary

REGULAR SESSION - 7:00 P.M.

With a quorum of the Council Members present, Councilman Bushong called the Regular Meeting of the Town Council to order at 7:15 p.m. on Thursday, February, 2017, in the Council Chambers of the Lakewood Village Town Hall, 100 Highridge Drive, Lakewood Village, Texas.

PLEDGE TO THE FLAG:

(Agenda Item A)

Councilman Bushong led the Pledge of Allegiance

VISITOR/CITIZENS FORUM:

(Agenda Item B)

Mr. Randy Farmer, 309 W. Eldorado Pkwy, Ste 104, Little Elm, reported that all the sponsored tables at the Little Elm Trivia Contest have been sold. The Trivia Contest will be held February 28th at 6 p.m. in Little Elm. Mr. Farmer distributed information about a golf cart that will be sold at the live auction.

CONSENT AGENDA:

(Agenda Item C)

1. Minutes of January 12, 2017 Council Meeting (Asbell)
2. Minutes of January 31, 2017 Council Meeting (Asbell)
3. Resolution in Opposition to Senate Bill 2 (Asbell)

Councilman Tantalo requested item #3 be removed from the consent agenda and considered separately.

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MOTION: Upon a motion made by Councilman Newsome and seconded by Tantalo, council voted three (3) “ayes”, no (0) “nays” to approve consent agenda items 1 and 2 as presented. *The motion carried.*

Consent item #3, Resolution in Opposition to Senate Bill 2

Councilman Tantalo stated that he was surprised by the resolution. Councilman Tantalo stated that he personally supports Senate Bill 2. Linda Asbell explained that the resolution is in support of Texas Municipal League’s legislative efforts to defeat the bill due to concerns about the impact to municipalities. Mayor Vargus stated that he supports revenue-caps in theory as long as they are enacted in a logical way. Councilman Tantalo expressed concern that Senate Bill 2 was not distributed to the council prior to the resolution being presented.

Tantalo requested this item be tabled and be considered next month and include Senate Bill 2 in its then current version

REGULAR AGENDA:

(Agenda Item D)

Presentation of Audit of Fiscal Year 2015-2016, Mr. Wayne Nabors, Nabors CPA Services (Vargus)

(Agenda Item D.1)

Mr. Wayne Nabors of Nabors CPA Services, reviewed the audit. Mayor Vargus stated that Town Secretary Linda Asbell is the one required by law to keep the financial records and he, as Mayor, is the Chief Financial Officer; Mr. Nabors is the independent auditor he does not serve as the accountant for the Town. Mr. Nabors reviewed the balance sheet for the governmental funds. Mr. Nabors reported that the town has a current ratio of 2.4/1 which shows the town has good liquidity. The town holds reserves of approximately 15% due to the one-time planned expenditures. If the town had not incurred those expenditures the reserve would be nearly 33%. Mr. Nabors reported that he is very comfortable with the level of reserves held by the town.

Mayor Vargus reported that during the last fiscal year the town experienced several one-time events that resulted in expenditures that will not be repeated in future fiscal years. The level of reserves the town holds currently are at temporary low but the ratio will reverse in the next fiscal year.

Mr. Nabors reported that the town had a \$45,000 positive variance in revenues driven by increases in sales tax, fees for services, etc. The town also experienced a negative variance in expenditures related to large expenses related to legal fees, road repairs, etc. Mayor Vargus explained that one of the budget variances is showing because the road repairs are not included in the budget but are driven by the balance of the Road Maintenance Fund. Mr. Nabors reported

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that the road repair was not able to be capitalized and depreciated and therefore had a much larger impact on the financial statement.

Mr. Nabors reviewed the Utility Fund and reported on the liquidity ratio and reserve levels. The reserve at the Utility Fund is currently at 18%. Mr. Nabors reported that the Town's current practice of building up a reserve and then spending down is a typical and common practice for municipalities. Mr. Nabors stated that building a reserve fund to cover a planned spend-down and to anticipate growth is standard and a fiscally responsible method of operating.

Mr. Nabors reviewed the balance of the Road Maintenance Fund and stated that council has "assigned" those funds for the purpose of road repairs. The council can, at any time, re-assign those funds for another purpose. Mayor Vargus explained the difference between "restricted funds" and "assigned fund" and gave an example of the approximately \$40,000 in Utility Fund that must be shown as restricted to cover the customer water deposits.

Mr. Nabors reviewed the Management Letter and reported that he reviews internal controls and cash handling practices and policies along with other qualitative aspects of financial management of the town. Mr. Nabors reported that he did not have any problems during the audit, the town participated fully and he has no concerns with the financial management of the town. Mr. Nabors stated that the audit was time consuming and complex due to dissolution of the Economic Development Corporation, and implementation of Impact Fees, Mr. Nabors stated that Town Secretary Linda Asbell is to be commended for excellent job.

Mayor Vargus also commended Linda for excellent job in maintaining complex accounting system that tracks all aspects of the Town's finances. Mayor Vargus reported that as a professor of accounting he supports Mr. Nabors's statement that no audit is completed without corrections and he is very happy with the service Mr. Nabors's provides the citizens of Lakewood Village.

Councilman Tantalo asked about a capital assets listing of the value of the streets. Mr. Nabors reported that \$1,900,489 is the value of the concrete roads and that number also includes the value of the engineering involved the street design. Councilman Tantalo asked if there was a liability line that showed the condition of the asphalt roads needing repair. Mr. Nabors stated that reporting to that level is a large undertaking and predicting the amount of that expense is not a number that would be shown in an audit. Mayor Vargus explained that there is a difference between planning for an expense and reporting a liability in an audit. Mr. Nabors reported that he serves as a councilman on the City Council in Celina and he knows that the town has approximately \$20,000,000 in road repairs that need to be made. Councilman Tantalo asked where that number is reported or documented. Mr. Nabors stated that Celina does not have that number documented anywhere. While it is possible to create a capital improvements plan, it is not possible to document every possible future expense.

MOTION: Upon a motion made by Councilman Bushong and seconded by Newsome, council voted three (3) “ayes”, no (0) “nays” to accept the audit of fiscal year 2015-2016 as presented. *The motion carried.*

**Discussion of Texas Municipal League
Insurance Coverage with Mr. Ryan Burns,
TML (Asbell)**

(Agenda Item D.2)

Mayor Vargus introduced Mr. Ryan Burns with Texas Municipal League. Mr. Burns reviewed the history of Texas Municipal League and the creation of the Intergovernmental Risk Pool as well as the Intergovernmental Employee Benefits Pool. Mr. Burns reported on the services provided to the town by the Intergovernmental Risk Pool and reviewed the financial stability of the risk pool. Mr. Burns reviewed the coverages currently carried by the Town. Mr. Burns reported that the town provides supplemental sewage backup coverage for its citizens. The town is not liable for damages to the citizen’s property caused by sewage backup into private property and, only about 15% of municipalities provide this type of coverage for their citizens. Mayor Vargus stated that the town decided to provide this coverage because the town wants to be a “good neighbor” and provide a protection to the citizens. There was some discussion about the cyber liability coverage and backup systems for town computers. TMLIEBP will cover physical damage to computer, software, or data. It will also provide a credit monitoring service to any citizen who’s information might have been compromised. Mayor Vargus reported that the town does have solid state daily backup of the financial information. Mr. Burns reported that good policy is to have hourly backups with redundancy so the information is stored in multiple locations. There was some discussion about town events and the need for coverage. Mr. Burns stated that an Easter Egg Hunt would not require additional coverage. The town could contact TMLIRP 30 days prior to the Halloween Hay Ride to allow for additional protections for the drivers of the vehicles that are transporting children. There was some discussion about workers compensation and liability coverage for the building officials.

**Discussion of Republic Services Coverage
Amendment (Asbell)**

(Agenda Item D.3)

Mayor Vargus reported that the town is due for a rate change and he asked Town Secretary Asbell to negotiate for alternatives to the rate change proposed by Republic Services. Town Secretary Asbell has identified an index that will allow for a lower price increase than requested. An increase of only \$0.26 rather than the nearly \$0.60 originally requested. The contract addendum will be provided at the next council meeting.

**Discussion of CoServ Power Quality Issues
(Vargus)**

(Agenda Item D.4)

Mayor Vargus reported that he requested that CoServ provide a study of the quality of power he receives at his house. The study provided showed that CoServ documented 59 times in the last 24 months that power service was “lost”. There was some discussion about the number of times citizens have had to replace appliances or HVAC units due to power quality problems. Several citizens in the audience and members of council reported on experience with loss of HVAC units, appliances, or other electronic equipment.

**Consideration of Discharge of Civil Penalties
Assessed on 423 Hillside (Vargus)**

(Agenda Item D.5)

Mayor Vargus reviewed the history of non-compliance with housing standards and life/health safety issues with the pool at 423 Hillside. The town pumped out the pool a number of times over the last several years to reduce the risk to children who might gain access to the pool. The owner is now selling the property and the town will receive approximately \$20,000 in municipal liens which will recover the cost of maintenance of the property. Mayor Vargus and Councilman Bushong reviewed the history of the \$50,000 in civil penalties assessed against the property and the reason the council assessed those penalties. Mayor Vargus reported that the prospective new owner of the property approached the town and proposed that the town reduce the amount of the civil penalties based on the amount of money he invests in repairs to the home. There was some discussion about the town council authorizing the Mayor to enter an agreement to release the civil penalties subject to the investment of funds in the property in an amount equal to the penalties. Councilman Tantalo stated that he would prefer to see the text of the agreement before he votes to approve. Councilman Tantalo requested information to be provided in the council packet in the future. There was some discussion about the process for closing and the agreement for satisfaction of the civil penalties.

1.

Authorize mayor enter agreement with purchaser 423 to forgive the \$50K plus interest, recovery of the labor liens, bring the property into code, forgive the civil penalties dollar for dollar on the amount of money pent on property improvements.

MOTION: Upon a motion made by Councilman Bushong and seconded by Newsome, council voted two (2) “ayes”, no (0) “nays” with one abstention (Councilman Tantalo) to authorize the mayor to enter into an agreement with the purchaser of 423 Hillside to forgive the \$50,000 in civil penalties plus accrued interest on a dollar for dollar basis based on the amount of money the purchaser spends on

improving the property. This agreement does not include the labor liens placed on the property by the Town. *The motion carried.*

Councilman Tantalo stated that he supports the action but abstained only because he wanted to see the text of the agreement.

**Consideration of Replat of 595 Melody
(Vargus)**

(Agenda Item D.6)

Mayor Vargus proposed a replat of the town owned property located at 595 Melody. Replatting would separate an area needed for the thoroughfare planned to connect to Stowe Lane directly to the entrance and still allow for a one acre lot that conforms to zoning. The newly platted lot could then be sold as a residential property. There was some discussion about the benefit of designating the exact location of the connector road and aligning it to Stowe Lane without holding excess property. There was some discussion about the location of the road and the thoroughfare plan. Councilman Bushong recommended the mayor bring a replat to council at a future meeting. Council would hold a public hearing prior to approving the plat. Councilman Tantalo requested the property owners of the properties directly adjacent be notified of the public hearing.

MOTION: Upon a motion made by Councilman Bushong and seconded by Councilman Newsome, council voted three (3) “ayes”, no (0) “nays” to authorize the Mayor to obtain a survey and replat proposal for council consider at a future meeting. *The motion carried.*

EXECUTIVE SESSION:

(Agenda Item E)

At 9:30 p.m. Mayor Vargus recessed into executive session in accordance with Texas Government Code, Section 551.001, et seq., the Town Council will recess into Executive Session (closed meeting) to discuss the following: (1) §551.071 (2): Consultation with Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter re: Town boundaries, annexations, dis-annexation, and interlocal agreements; (2) §551.072: Deliberation regarding the purchase, exchange, lease, or value of real property; and (3) §551.087: To discuss or deliberate regarding commercial or financial information that the Town of Lakewood Village has received from a business prospect that the Town seeks to have locate, stay, or expand in or near the territory of the Town of Lakewood Village and with which the Town is conducting economic development negotiations; and/or to deliberate the offer of a financial or other incentive to the business prospect.

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RECONVENE:

(Agenda Item F)

Mayor Vargus reconvened the regular session of the Lakewood Village Town Council at 10:05 pm. No action was taken.

COUNCIL AND STAFF COMMENTS

(Agenda Item G)

Councilman Bushong thanked Linda Asbell for scheduling Ryan Burns with Texas Municipal League to attend the meeting.

ADJOURNMENT

(Agenda Item H)

MOTION: Upon a motion made by Councilman Newsome and seconded by Councilman Tantalo council voted three (3) “ayes” and no (0) “nays” to adjourn the Regular Meeting of the Lakewood Village Town Council at 10:07 p.m. on Thursday, February 9, 2017. The motion carried.

These minutes approved by the Lakewood Village Town Council on the 13th day of April 2017.

APPROVED

Dr. Mark E. Vargus
MAYOR

ATTEST:

Linda Asbell, TRMC
TOWN SECRETARY