



**NOTICE OF A REGULAR MEETING
THE BRENHAM CITY COUNCIL
THURSDAY NOVEMBER 29, 2012 AT 1:00 P.M.
SECOND FLOOR CITY HALL
COUNCIL CHAMBERS
200 W. VULCAN
BRENHAM, TEXAS**

- 1. Call Meeting to Order**
- 2. Invocation and Pledges to the US and Texas Flags – Councilmember Danny Goss**
- 3. Citizens Comments**

CONSENT AGENDA

4. Statutory Consent Agenda

The Statutory Consent Agenda includes non-controversial and routine items that Council may act on with one single vote. A councilmember may pull any item from the Consent Agenda in order that the Council discuss and act upon it individually as part of the Regular Agenda.

- 4-a. Minutes from the November 1, 2012 Council Meeting Page 1-13**
- 4-b. Ordinance O-12-026 on its Second Reading for the Creation of Reinvestment Zone Number 35 Requested by MIC Group, LLC for Commercial-Industrial Tax Phase-In Incentive on a Certain Tract of Land Containing 7.170 Acres, More or Less, Being Located at 1801 Industrial Boulevard, Brenham, Texas, with Boundaries Further Described in Exhibit “A” of Said Ordinance, and Designating This Property as Qualifying for Tax Phase-In Page 14-18**

REGULAR AGENDA

- 5. Discuss and Possibly Act Upon Resolution R-12-020 Authorizing the Execution of a Tax Phase-In Agreement between the City of Brenham and MIC Group, LLC Page 19-38**

6. **Discuss and Possibly Act Upon an Engagement Letter from Ray Associates, Inc. to Perform an Update of the Classification and Compensation System for the City of Brenham and Authorize the Mayor to Execute any Necessary Documentation**
Page 39-49
7. **Discuss and Possibly Act Upon the 2013 Holiday Schedule**
Page 50-52
8. **Discuss and Possibly Act Upon an Ordinance on its First Reading Providing for Updated Service Credit and an Increase in Retirement Annuities in the Texas Municipal Retirement System**
Page 53-57
9. **Discuss and Possibly Act Upon an Ordinance on Its First Reading Establishing a No-Parking Zone on the East Side of Seward Street between the North Right of Way Line of W. Main Street and the South Right of Way Line of W. Vulcan Street**
Page 58-61
10. **Discuss and Possibly Act Upon an Ordinance on Its First Reading Authorizing the Placement of Stop Signs on Hickory Hollow Lane at Its Intersection with Twisted Oak Drive**
Page 62-64
11. **Discuss and Possibly Act Upon Resolution No. R-12-021 Reauthorizing an Investment Policy for the City of Brenham**
Page 65-79

EXECUTIVE SESSION

12. **Section §551.074 – Personnel Matters – Discuss and Consider Re-Appointment and Compensation for Municipal Court Judges Julian Weisler and Robert Wright and City Prosecutor Bill Kendall**
Page 80

RE-OPEN REGULAR SESSION

13. **Discuss and Possibly Take Action as a Result of Executive Session Regarding Re-Appointment and Compensation for Municipal Court Judges Julian Weisler and Robert Wright and City Prosecutor Bill Kendall**
Page 81

Administrative/Elected Officials Reports: Reports from City Officials or City staff regarding items of community interest, including expression of thanks, congratulations or condolences; information regarding holiday schedules; honorary or salutory recognitions of public officials, public employees or other citizens; reminders about upcoming events organized or sponsored by the City; information regarding social, ceremonial, or community events organized or sponsored by a non-City entity that is scheduled to be attended by City officials or employees; and announcements involving imminent threats to the public health and safety of people in the City that have arisen after the posting of the agenda.

14. **Administrative/Elected Officials Report**

Adjourn

Executive Sessions: The City Council for the City of Brenham reserves the right to convene into executive session at any time during the course of this meeting to discuss any of the matters listed, as authorized by Texas Government Code, Chapter 551, including but not limited to §551.071 – Consultation with Attorney, §551.072 – Real Property, §551.073 – Prospective Gifts, §551.074 - Personnel Matters, §551.076 – Security Devices, §551.086 - Utility Competitive Matters, and §551.087 – Economic Development Negotiations.

CERTIFICATION

I certify that a copy of the November 29, 2012 agenda of items to be considered by the City of Brenham City Council was posted to the City Hall bulletin board at 200 W. Vulcan, Brenham, Texas on November 26, 2012 at **12:45 P.M.**

Jeana Bellinger, TRMC

City Secretary

Disability Access Statement: This meeting is wheelchair accessible. The accessible entrance is located at the Vulcan Street entrance to the City Administration Building. Accessible parking spaces are located adjoining the entrance. Auxiliary aids and services are available upon request (interpreters for the deaf must be requested twenty-four (24) hours before the meeting) by calling (979) 337-7567 for assistance.

I certify that the attached notice and agenda of items to be considered by the City Council was removed by me from the City Hall bulletin board on the _____ day of _____, 2012 at _____ AM PM.

Signature

Title

Brenham City Council Minutes

A regular meeting of the Brenham City Council was held on November 1, 2012 beginning at 1:00 p.m. in the Brenham City Hall, City Council Chambers, at 200 W. Vulcan Street, Brenham, Texas.

Members present:

Mayor Milton Y. Tate, Jr.
Mayor Pro Tem Gloria Nix
Councilmember Mary E. Barnes-Tilley
Councilmember Andrew Ebel
Councilmember Danny Goss
Councilmember Keith Herring
Councilmember Weldon Williams, Jr.

Others present:

City Manager Terry Roberts, Assistant City Manager Kyle Dannhaus, City Attorney Cary Bovey, City Secretary Jeana Bellinger, Deputy City Secretary Jennifer Salsgiver, Fire Chief Ricky Boeker, Police Chief Rex Phelps, David Doelitsch, Chief Financial Officer Carolyn Miller, Stacy Hardy, Debbie Gaffey, Rhonda Kuehn, Susan Nienstedt, Janie Mehrens, Kathy Bell, Public Utilities Director Lowell Ogle, Public Works Director Dane Rau, Bobby Branham, Development Services Director Julie Fulgham, Doug Baker, Kevin Boggus, Tiwana Brown, Jonathan Phipps, Andria Heiges, and Dillon Miertschin

Citizens present:

Clint Kolby, Casey Acker, Bryan Field, Brad Leuschner, and Mike Baker.

Media Present:

Arthur Hahn, Brenham Banner Press; Frank Wagner, KWHI

- 1. Call Meeting to Order**
- 2. Invocation and Pledges to the US and Texas Flags – Councilmember Williams**

3. New Employees

Mayor Tate welcomed the following new employees:

Tiwanna Brown – Municipal Court
Jonathan Phipps – Police Department
Andria Heiges – Library
Dillon Miertschin – Sanitation Department

4. Special Recognition

➤ Recognition of the GFOA Certificate of Achievement for Excellence in Financial Reporting

Chief Financial Officer Carolyn Miller explained that for the fourth consecutive year, the City of Brenham was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report (CAFR).

Miller recognized Accounting Manager Stacy Hardy and her team. Miller stated that the Finance Department has a great group of professionals who work diligently throughout the year.

5. Citizens Comments

There were no citizen comments.

CONSENT AGENDA

6. Statutory Consent Agenda

6-a. Minutes from the September 20, 2012; October 4, 2012; and October 18, 2012 Council Meetings

A motion was made by Councilmember Herring and seconded by Councilmember Barnes-Tilley to approve the Statutory Consent Agenda Item 6-a. Minutes from the September 20, 2012; October 4, 2012; and October 18, 2012 council meetings.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

PUBLIC HEARING

7. Public Hearing, Discussion and Receipt of Input Related to the Proposed Creation of Reinvestment Zone Number 35 Requested by MIC Group, LLC for Commercial-Industrial Tax Phase-In Incentive on a Certain Tract of Land Containing 7.170 Acres, More or Less, Being Located at 1801 Industrial Boulevard, Brenham, Texas, with Boundaries Further Described in Exhibit “A” of the Ordinance Creating Reinvestment Zone Number 35, and Designating This Property as Qualifying for Tax Phase-In

Mayor Tate opened the Public Hearing and introduced Economic Development Foundation’s Project Manager, Clint Kolby.

Kolby requested that Council consider a tax phase-in application from MIC Group, LLC in order to contribute to Brenham’s future economic development. Kolby explained that MIC Group, LLC is planning an expansion at their MIC-West facility off of Industrial Boulevard in the Southwest Industrial Park. Kolby stated that the expansion would create fifteen (15) new jobs and involve a two million one hundred thousand dollar (\$2,100,000) capital investment for new equipment. Kolby introduced MIC Group, LLC Chief Financial Officer Brad Leuschner and Vice President and General Manager Mike Baker.

Leuschner reiterated that the expansion would add fifteen (15) new jobs and include a two million one hundred thousand dollar (\$2,100,000) capital investment for new equipment. Leuschner stated that tax phase-in makes Brenham more attractive for this expansion than other MIC manufacturing locations.

There were no citizen comments made during the Public Hearing. Mayor Tate closed the Public Hearing.

REGULAR AGENDA

8. Discuss and Possibly Act Upon an Ordinance on Its First Reading for the Creation of Reinvestment Zone Number 35 Requested by MIC Group, LLC for Commercial-Industrial Tax Phase-In Incentive on a Certain Tract of Land Containing 7.170 Acres, More or Less, Being Located at 1801 Industrial Boulevard, Brenham, Texas, with Boundaries Further Described in Exhibit “A” of Said Ordinance, and Designating This Property as Qualifying for Tax Phase-In

Councilmember Barnes-Tilley asked if MIC would add fifteen (15) new employees or if these positions would just be maintained. Leuschner confirmed that this expansion would add fifteen (15) new employees.

Councilmember Herring asked if the new employees would be hired from the local market. Leuschner explained that MIC will hire locally as much as possible. Leuschner noted that about two (2) new employees from this expansion will come from the surrounding areas based on their current hiring average of eighty-five percent (85%) being hired from the local area and fifteen percent (15%) being hired outside of the local area.

A motion was made by Councilmember Barnes-Tilley and seconded by Councilmember Ebel to approve an ordinance on its first reading for the creation of Reinvestment Zone Number 35 requested by MIC Group, LLC for commercial-industrial tax phase-in incentive on a certain tract of land containing 7.170 acres, more or less, being located at 1801 Industrial Boulevard, Brenham, Texas, with boundaries further described in Exhibit “A” of said ordinance, and designating this property as qualifying for tax phase-in.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

Mayor Tate reminded the council that the ordinance would have one (1) more reading at the next meeting before it will go into effect.

9. Discuss and Possibly Act Upon the Award of a Contract for the Expansion of Water Service Related to the Improvement of Fire Protection at Valmont Industries, Inc. and Authorize the Mayor to Execute Any Necessary Documentation

Public Utilities Director Lowell Ogle explained that staff opened bids on October 25, 2012 regarding the Valmont Industries' water system improvements. Ogle explained that these improvements will extend a twelve-inch (12") water main from Industrial Boulevard to Valmont and install infrastructure within Valmont, which will include an eight-inch (8") line with fire hydrants.

Ogle explained that the City contributed fifty-three thousand dollars (\$53,000) to extend water lines to Valmont Industries, Inc.'s property. He explained that this bid includes onsite water improvements, which Valmont is responsible for and the Salem Road water line extension, which the City is responsible for. Ogle reminded Council of the amendment to the Jones and Carter, Inc. agreement which added the Salem Road water line extension to this bid. Ogle stated that Kieschnick General Contractors was the low bidder and the bid was as follows:

Valmont Industries (Base bid)	\$ 267,643.70
Valmont Industries (Insurance)	1,500.00
City of Brenham (Salem Rd.)	<u>131,892.00</u>
TOTAL	\$ 401,035.70

Ogle noted that the low bid came in lower than the estimated amount and recommended that Council award the base bid and supplement bid to Kieschnick General Contractors in the amount of four hundred one thousand thirty-five dollars and seventy cents (\$401,035.70). Ogle advised the Council that the contract would be contingent upon Valmont signing a participation agreement.

A motion was made by Councilmember Herring and seconded by Mayor Pro Tem Nix to award a contract to Kieschnick General Contractor for the expansion of water service related to the improvement of fire protection at Valmont Industries, Inc. in the amount of four hundred one thousand thirty-five dollars and seventy cents (\$401,035.70) for the base bid and supplemental bid, contingent upon Valmont signing a participation agreement with the City, and authorize the Mayor to execute any necessary documentation.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

10. Discuss and Possibly Act Upon the Purchase of a 2012 John Deere 310SK Backhoe with a Bucket Attachment for the City of Brenham’s Sanitation Department from the BuyBoard Local Government Purchasing Cooperative and Authorize the Mayor to Execute Any Necessary Documentation

Public Works Director Dane Rau asked for Council’s approval to buy a backhoe off of the BuyBoard Local Government Purchasing Cooperative and explained that this was a budgeted item.

A motion was made by Councilmember Williams and seconded by Councilmember Ebel to approve the purchase of a 2012 John Deere 310SK backhoe with a bucket attachment for seventy-six thousand five hundred dollars (\$76,500) for the City of Brenham’s Sanitation Department from the BuyBoard Local Government Purchasing Cooperative and authorize the Mayor to execute any necessary documentation.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

11. Discuss and Possibly Act Upon Bid No. 13-002 for the Annual Contract Relating to Road Base Material for the City of Brenham’s Street Department and Authorize the Mayor to Execute Any Necessary Documentation

Public Works Director Dane Rau explained that the City sought bids for road base material and four (4) bid packets were sent out, but the only bid received was considerably higher than expected. Rau asked that the Council reject Bid No. 13-002 so that it can be rebid to try and get better pricing.

Councilmember Williams asked if all preparatory work is complete for the roads receiving the overlay. Rau explained that the preparatory overlay work is complete and any intersection work can be done before or after the overlay contract work.

Mayor Tate asked if all the roads that were worked on will receive an overlay. Rau specified that Lee Street and Burleson Street will receive an overlay by City staff and the other roads that were worked on will receive an overlay from the contractor. City Manager Terry Roberts clarified that staff will work on Burleson Street north of FM 577 and the contractor will take care of Burleson Street south of FM 577.

A motion was made by Councilmember Ebel and seconded by Mayor Pro Tem Nix to reject Bid No. 13-002 for the annual contract for road base material.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

12. Discuss and Possibly Act Upon the Renewal of the Contract with Callie Korth for Janitorial Services for Multiple City Buildings and Authorize the Mayor to Execute Any Necessary Documentation

Chief Financial Officer Carolyn Miller explained that Council awarded a bid to Callie Korth for janitorial services last year and the contract provides an option for a one (1) year extension. Miller noted that Korth has agreed to renew the contract at the same rates.

Miller advised the Council that purchasing services has got positive feedback from the directors who work in the buildings regarding the quality of janitorial services and the directors expressed a desire to continue this contract. Miller recommended that Council extend the contract for one (1) year for the amounts shown below:

<u>Building</u>	<u>Annual Price</u>
City Hall	\$ 39,519.96
Library	\$ 15,476.04
Police Building	\$ 33,279.95
Fire Station Offices	\$ 2,912.04
Communications	\$ 2,080.08
Aquatic Center	\$ 1,999.98

A motion was made by Councilmember Barnes-Tilley and seconded by Councilmember Herring to exercise a one (1) year extension on the current contract with Callie Korth for janitorial services for multiple city buildings and authorize the Mayor to execute any necessary documentation.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

13. Discuss and Possibly Act Upon a Resolution Authorizing the City Manager to Approve and Execute Certain Purchase Orders, Agreements, Contracts and Related Documents Regarding City Operations up to \$50,000.00

Chief Financial Officer Carolyn Miller reminded Council of a resolution they adopted in early 2008 which granted the City Manager authority to execute contracts up to \$25,000 which matched bid limits set by state purchasing laws. Miller advised the Council that in 2007 state purchasing laws changed and increased the bidding limit to \$50,000.

Miller recommended that Council consider increasing the City Manager's signing authority to fifty thousand dollars (\$50,000) for budgeted purchase orders, contracts, and agreements to coincide with state purchasing laws. Miller clarified that all purchases above \$50,000 would be brought to Council for approval.

Mayor Tate asked if this increase in expenditure would be for budgeted items only. Miller clarified that it would only be for items approved by Council in the annual budget.

Councilmember Herring asked if the state law changed since 2007 or if the City was catching up to the 2007 law change. Miller explained that the state law has not changed since 2007 so the City went halfway in 2008. Miller noted that a figure less than fifty thousand dollars (\$50,000) could be approved if Council was more comfortable with a lower amount.

Mayor Tate asked Miller to provide a list that displays what is purchased with this authority on a monthly or quarterly basis so Council is kept informed. Councilmember Herring suggested the second Council meeting of each month. Miller agreed to present this information under the Administrative Report agenda item at the second Council meeting of each month.

Councilmember Goss questioned City Manager Terry Roberts on his thoughts of removing the Council from the purchasing process on items under fifty thousand dollars (\$50,000).

Roberts explained that there is a gap between the twenty-five thousand dollars (\$25,000) approved by Council in 2008 and the fifty thousand dollars (\$50,000) permitted by state law, but purchases are predicated upon staying within the budget and what is authorized by Council. Roberts explained that items fifty thousand dollars (\$50,000) and above would be acted on by Council and executed by the Mayor while anything below twenty-five thousand dollars (\$25,000) is acted on by the City Manager administratively. Roberts explained that currently he cannot act on certain budgeted items, which do not require bidding, even if it was below the amount state law requires Council to act on. Roberts suggested closing the gap between the amount authorized by state law and Council regarding the City Manager's signing authority and emphasized that this is Council's decision.

Councilmember Goss asked if this will take out the bid process out of the equation. Miller explained that it will not affect the bid process. Mayor Tate explained that staff would still have to abide by the bid laws which allow them to buy items above fifty thousand dollars (\$50,000) from state contract.

Councilmember Herring asked Miller to prepare a list of examples below fifty thousand dollars (\$50,000) from the last few years. Miller explained that most of the items that would be listed are budgeted items bought from state contract. Miller added that the backhoe item on today's agenda formally would not be on Council's agenda because it was budgeted for and bought off of BuyBoard Local Government Purchasing Cooperative.

Roberts explained that staff will provide Council the written policy regarding what the City gets quotes and bids on, explaining that this policy applies to items under twenty-five thousand dollars (\$25,000).

Councilmember Herring stated that he wants the list to include items between twenty-five thousand dollars (\$25,000) and fifty thousand dollars (\$50,000) and asked Miller to add wording in the resolution that specifies that the signing authority is for budgeted items only.

Councilmember Goss voiced his objection to increase the City Manager's spending authority, stating that citizens want Council to oversee the budget and not monitoring spending goes against their wishes. Mayor Tate added that citizens expect capable staff to oversee the budget, which is what the City has.

City Attorney Cary Bovey suggested tabling the item instead of passing on the item.

A motion was made by Councilmember Herring and seconded by Councilmember Barnes-Tilley to table Item 13 so that staff can provide Council more information related to this item.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

14. Discuss and Possibly Act Upon Recommendation for Self-Insured Medical Funding Rates for Calendar Year 2013 for the Group Health Plan Effective January 1, 2013 and Authorize the Mayor to Execute any Necessary Documentation

Human Resources Manager Janie Mehrens presented the suggested self-insured medical funding rates for calendar year 2013. She noted that the rates require approval before open enrollment begins in a few weeks. She explained that during the budget process, staff recommended a ten percent (10%) increase across the board for contributions to the Self-Insurance Fund; however, the City ended the fiscal year with a substantial fund balance in that account. Therefore, Mehrens recommended a six percent (6.0%) increase across the board for City, employee, retiree, and COBRA contributions, which should result in an increase of one hundred twenty-eight thousand dollars (\$128,000) for the year. Mehrens noted that she will present the Stop Loss Coverage contracts at the first Council meeting in December.

A motion was made by Councilmember Barnes-Tilley and seconded by Mayor Pro Tem Nix to approve the self-insured medical funding rates of a six percent (6.0%) increase across the board for City, employee, retiree, and COBRA contributions for the group health plan effective January 1, 2013 and authorize the Mayor to execute any necessary documentation.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

15. Discuss and Possibly Act Upon the Re-Appointment of Various City of Brenham Advisory Board and/or Committee Members Whose Membership Terms were Extended by the City Council in 2011

City Secretary Jeana Bellinger explained that Council approved a board policy in 2011 that reorganizes city advisory boards and committees and creates three-year (3) terms for all boards except those whose terms are specifically mandated by state statute, which include: Brenham Community Development Corporation (BCDC), Board of Adjustment, Building Standards Commission (BSC), and Planning & Zoning (P&Z) Commission. Bellinger explained that the members on these boards agreed to continue serving and she specified that they will serve two-year (2) terms as required by state law so they just require reappointment.

Bellinger asked Council not to approve the BSC reappointments because of some legislative changes that will require an amendment to the City’s ordinance. Bellinger explained that she and City Attorney Cary Bovey agreed that it would be best to clean that board up all at once. Bovey further explained that the City is operating under a 1987 ordinance, but a legislative change in either 1989 or 1991 dealt with the BSC and the City ordinance is not consistent with the amendments in the Local Government Code.

Councilmember Herring asked when the BSC reappointments will be brought to Council. Bellinger explained that she hopes to present it to Council in December and she is working with Bovey on the ordinance change.

Mayor Tate asked if Joe Al Picone and Dennis Mahlmann will served on the P&Z Commission until the end of the year. Councilmember Herring asked if Council should extend those terms until their successors are appointed. Bovey explained that the ordinance Council approved in 2011 enables members to serve until their successors are appointed.

A motion was made by Councilmember Herring and seconded by Mayor Pro Tem Nix to approve the reappointments of Atwood Kenjura, Darrell Blum, David Cone and Charles Moser to the Brenham Community Development Corporation Board; Malisa Hampton and Arlen Thielemann to the Board of Adjustments; and Nancy Low to the Planning & Zoning Commission.

Mayor Tate called for a vote. The motion passed with Council voting as follows:

Mayor Milton Y. Tate, Jr.	Yes
Mayor Pro Tem Gloria Nix	Yes
Councilmember Mary E. Barnes-Tilley	Yes
Councilmember Andrew Ebel	Yes
Councilmember Danny Goss	Yes
Councilmember Keith Herring	Yes
Councilmember Weldon Williams	Yes

16. Administrative/Elected Officials Report

City Manager Terry Roberts reported on the following:

- TxDOT will only close the Highway 290 and Highway 36 intersection for hours at a time instead of days at a time for the Highway 290 Project.
- Brenham Independent School District (BISD) building a new elementary school on the old Alton elementary grounds. There is sufficient room to allow the road on water plant property to be a right-turn only exit onto Austin Street. BISD is working on traffic plans.
- Joint Council Meeting with the County on Interlocal Agreements (ILA) is scheduled December 13, 2012.
- Information packet will be ready next week for Councilmembers attending the Texas Municipal League (TML) annual conference.
- Hosting City of Huntsville for the Mayor's Bowl on Friday, November 2, 2012.
- Next Council meeting is scheduled for November 29, 2012.
- Recycling Center property update will be on the next agenda.
- Internal testing is underway for Brenham Police Department sergeant and lieutenant positions.

Special Projects Engineer Doug Baker reported on the following:

- AT&T moved their utility lines for the Westwood Project. Baker thanked Bluebonnet Electric Cooperative (BBEC) and BBEC employee Casey Acker for support with moving BBEC lines. Baker thanked Sudden Link for quickly moving a line that the project team had overlooked.

Public Utilities Director Lowell Ogle reported on the following:

- City sponsored a coloring contest as part of the Damage Awareness Prevention Program to raise children's awareness of the dangers of digging without knowing what is underground. Every Kruse Elementary participant in this pilot program received a ribbon and children were recognized in each grade.

Human Resources Manager Janie Mehrens reported on the following:

- Health Fair is scheduled for November 13-14, 2012.

Public Works Director Dane Rau reported on the following:

- Recycling Day is November 17, 2012 and the Recycling Center is passing out five hundred (500) recycling bids to the public.

Assistant City Manager Kyle Dannhaus reported on the following:

- Old Municipal Building demolition and abatement is complete. Additional asbestos was found and staff will update Council at the next Council meeting. The area is being paved to provide extra parking.

Police Chief Rex Phelps reported on the following:

- Animal Shelter Task Force meeting is scheduled for November 7, 2012.
- The Best Practices Assessment of the Brenham Police Department will begin on November 12-14, 2012. Council will hear more about this two (2) year process after accreditation.

The meeting was adjourned.

Milton Y. Tate, Jr.
Mayor

Jeana Bellinger, TRMC
City Secretary

ORDINANCE NO. O-12-026

AN ORDINANCE DESIGNATING ALL THAT CERTAIN 7.170 ACRE TRACT OR PARCEL OF LAND, LYING AND BEING SITUATED IN THE CITY OF BRENHAM, WASHINGTON COUNTY, TEXAS, PART OF THE PHILIP COE SURVEY, A-31, BEING A RESURVEY OF THE SAME LAND DESCRIBED IN THE FOLLOWING DEEDS: 5.000 ACRES IN THE DEED FROM ROY W. RUETER, ET UX, TO MAGNETIC INSTRUMENTS CORP., DATED JUNE 5, 1992, AS RECORDED IN VOLUME 672, PAGE 619, IN THE OFFICIAL RECORDS OF WASHINGTON COUNTY, TEXAS, 1.0835 ACRES IN THE DEED FROM CRAIG W. GASKAMP, ET UX, TO MAGNETIC INSTRUMENTS CORP., DATED OCTOBER 18, 1989, AS RECORDED IN VOLUME 614, PAGE 692, IN THE OFFICIAL RECORDS OF WASHINGTON COUNTY, TEXAS, AND 1.0835 ACRES IN THE DEED FROM THE BRENHAM INDUSTRIAL FOUNDATION, INC. TO MAGNETIC INSTRUMENTS CORP., DATED MAY 11, 1990, AS RECORDED IN VOLUME 628, PAGE 203, IN SAID OFFICIAL RECORDS OF WASHINGTON COUNTY, TEXAS, AS REINVESTMENT ZONE NUMBER THIRTY-FIVE FOR COMMERCIAL TAX PHASE-IN INCENTIVE AS PROVIDED IN CHAPTER 312, TEXAS TAX CODE; ESTABLISHING THE NUMBER OF YEARS FOR THE ZONE, AUTHORIZING AN AGREEMENT FOR EXEMPTION FROM TAXATION THE INCREASE IN VALUE OF CERTAIN PROPERTY IN ORDER TO ENCOURAGE DEVELOPMENT AND REDEVELOPMENT AND OTHER MATTERS RELATING THERETO; AND FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

WHEREAS, the City Council of the City of Brenham, Texas, ("City") desires to encourage supervised improvements by property owners and lessees through tax phase-in procedures within its jurisdiction by the creation of a reinvestment zone as authorized by Chapter 312, Texas Tax Code (the "Act"); and

WHEREAS, on the 1st day of November, 2012, the City Council held a public hearing to receive comments concerning the designation of proposed Reinvestment Zone Number Thirty-Five. The notice of such hearing was published on October 25, 2012, such date being not later than the seventh day before the date of the public hearing; and

WHEREAS, the City called a public hearing and published notice of such public hearing as required by Section 312.201 of the Act; and has delivered written notice to the presiding officer of the governing body of each taxing unit within the jurisdiction of the proposed Reinvestment Zone Number Thirty-Five for Commercial Tax Phase-In; and

WHEREAS, at said public hearing the City presented evidence that such proposed designation would be reasonably likely to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would be a benefit to the property, that the proposed improvements are feasible and practical, that said improvements would be a benefit to the land included in the zone and that would contribute to the economic development of the City; and

WHEREAS, the designation of the proposed reinvestment zone is consistent with the City's policies adopted by Council Resolution No. R-11-025 on the 15th day of December, 2011, and will benefit the land included within the Reinvestment Zone after the expiration of the Agreement; and

WHEREAS, the City at such public hearing invited any interested person or his attorney to appear and contend for or against the creation of the reinvestment zone, the boundaries of the proposed reinvestment zone, whether all or part of the territory which is referred to as City of Brenham Reinvestment Zone Number Thirty-Five for Commercial Tax Phase-In, should be included in such proposed reinvestment zone, and obtain tax phase-in; and

WHEREAS, at such hearing recommendations were given as to the number of years the reinvestment zone would be designated, the number of years in which an agreement would be available, as well as the percentage of potential tax exemption under the aforesaid tax phase-in guidelines and criteria to be applied to taxable real property which is redeveloped.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BRENHAM, TEXAS:

Section 1. That the facts and recitations contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are incorporated herein for all purposes.

Section 2. That the City, after conducting such hearing having further studied recommendations, as well as the evidence presented at the public hearing, has made the following findings based on the evidence and testimony presented to it:

- a) That the public hearing on the adoption of the reinvestment zone under the provisions of the Act has been properly called, held and conducted and that notice of such hearing has been published as required by law and has been sent to the respective taxing units within the proposed reinvestment zone; and
- b) That the City has jurisdiction to hold and conduct said public hearing on the creation of the proposed reinvestment zone pursuant to the Act; and

- c) That creation of the proposed reinvestment zone with boundaries described herein will result in improvements made after the passage of this Ordinance and the execution of tax abatement agreements, that are feasible and practical and will benefit the City, its residents and property owners in the reinvestment zone; and
- d) That the proposed designation will be reasonably likely to contribute to the retention or expansion of primary employment or to attract major investments to the zone that would be a benefit to the property and contribute to economic development of the City.

Section 3. That the City hereby creates Reinvestment Zone Number Thirty-Five, designated as all that certain 7.170 acre tract or parcel of land, lying and being situated in the City of Brenham, Washington County, Texas, part of the Philip Coe Survey, A-31, being a resurvey of the same land described in the following deeds: 5.000 acres in the deed from Roy W. Rueter, et ux, to Magnetic Instruments Corp., dated June 5, 1992, as recorded in Volume 672, Page 619, in the Official Records of Washington County, Texas, 1.0835 acres in the deed from Craig W. Gaskamp, et ux, to Magnetic Instruments Corp., dated October 18, 1989, as recorded in Volume 614, Page 692, in the Official Records of Washington County, Texas, and 1.0835 acres in the deed from The Brenham Industrial Foundation, Inc. to Magnetic Instruments Corp., dated May 11, 1990, as recorded in Volume 628, Page 203, in said Official Records of Washington County, Texas, said property being located at 1801 Industrial Boulevard, Brenham, Texas, said property being more fully described in Exhibit "A" attached hereto and incorporated herein for all purposes, and such reinvestment zone shall hereafter be identified as Reinvestment Zone Number Thirty-Five for Commercial Tax Phase-In, City of Brenham, Texas.

Section 4. That the designation of Reinvestment Zone Number Thirty-Five for Commercial Tax Phase-In, shall expire five (5) years from the date of this Ordinance, unless renewed as provided by the Act, or at an earlier time designated by subsequent ordinance.

Section 5. That written agreements as provided in the Act with owners of eligible property located within the reinvestment zone shall be for a period of up to ten (10) years, and that the eligible property that is subject to the above mentioned exemption from taxation shall be the improvements to the property in conformity with the City's criteria and guidelines, and written agreements shall provide for an exemption from taxation of the total increase in value of the eligible property over its value in the year the agreement is executed. The written agreement will require that all taxes be current at the time of execution of agreement and be kept current to all taxing entities during the term of said agreement.

Section 6. That said designation of Reinvestment Zone Number Thirty-Five for Commercial Tax Phase-In and the written agreement thereof are in accordance with the City of Brenham Policy Statement on Property Tax Phase-In Incentive for Selected Commercial Enterprises and will be a benefit to the land which will be included within the Reinvestment Zone and to the City of Brenham after the expiration of the agreement.

Section 7. That if any provision of this Ordinance shall be held to be invalid or unconstitutional, the remainder of such ordinance shall continue in full force and effect the same as if such invalid or unconstitutional provision had never been a part of it.

Section 8. That it is hereby officially found and determined that the meeting at which this Ordinance is passed is open to the public as required by law and that public notice of the time, place and purpose of said meeting was given as required.

Milton Y. Tate, Jr.
Mayor

ATTEST:

Jeana Bellinger, TRMC
City Secretary



AGENDA ITEM 5

DATE OF MEETING: November 29, 2012	DATE SUBMITTED: November 20, 2012	
DEPT. OF ORIGIN: Administration	SUBMITTED BY: Julie Fulgham	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1 ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2 ND READING
<input type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> RESOLUTION
	<input type="checkbox"/> WORK SESSION	
AGENDA ITEM DESCRIPTION: Discuss and Possibly Act Upon Resolution R-12-020 Authorizing the Execution of a Tax Phase-In Agreement between the City of Brenham and MIC Group, LLC		
SUMMARY STATEMENT: MIC Group, LLC is planning an expansion at their MIC-West facility off of Industrial Boulevard in the Southwest Industrial Park. The proposed expansion will help MIC Group, LLC meet the increased demand from their customers. MIC Group, LLC is proposing a total of 15 new jobs (generating \$715,000 in additional payroll) and a capital investment of \$2,100,000 to purchase the new equipment. The level of investment qualifies MIC Group, LLC for a Level 2 abatement based on new value creation and a Level 1 abatement based on new job creation. Both EDF and City staff have reviewed MIC Group, LLC application for Tax Phase-In and have verified that the project meets the requirements of the Tax Phase-In policy. Representatives from the Economic Development Foundation of Brenham will be at the meeting to answer any questions.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
<p>A. PROS: Approve the Resolution authorizing the tax phase-in.</p> <p>B. CONS: If the Resolution is not approved, MIC's expansion would be subject to the required taxes and it may affect the project.</p>		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: (1) Resolution R-12-020		
FUNDING SOURCE (Where Applicable): N/A		

RECOMMENDED ACTION: Approve Resolution R-12-020 authorizing the execution of a Tax Phase-In Agreement between the City of Brenham and MIC Group, LLC.

APPROVALS: Terry K. Roberts

RESOLUTION NO. R-12-020

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRENHAM, TEXAS, ADOPTING A COMMERCIAL TAX PHASE-IN AGREEMENT WITH MIC GROUP, LLC; AUTHORIZING THE MAYOR TO EXECUTE THE TAX PHASE-IN AGREEMENT; AND PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE.

WHEREAS, Chapter 312 of the Texas Tax Code authorizes the City of Brenham, Texas, to participate in tax phase-in incentives; and

WHEREAS, in accordance with Section 312.002 of the Texas Tax Code, the City of Brenham, Texas previously passed a resolution stating the City's intent to participate in tax phase-in incentives; and

WHEREAS, in accordance with Section 312.002 of the Texas Tax Code, the City of Brenham, Texas also previously adopted tax phase-in incentive guidelines and criteria; and

WHEREAS, the City Council of the City of Brenham, Texas, finds and determines that the terms of the Tax Phase-In Agreement and the subject property meet the applicable tax phase-in incentive guidelines and criteria, and entering into the Tax Phase-In Agreement will be to the benefit of the citizens of the City of Brenham; and

WHEREAS, the City Council desires to adopt the Tax Phase-In Agreement, a copy of which is attached hereto as Exhibit "A" and incorporated herein for all purposes, by and between the City of Brenham, Texas, and MIC Group, LLC, a Delaware company;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRENHAM, TEXAS, AS FOLLOWS:

Section 1: That the foregoing recitals are hereby found to be true and correct legislative findings of the City of Brenham, Texas, and are fully incorporated into the body of this Resolution.

Section 2: That the City Council of the City of Brenham, Texas does hereby adopt the commercial Tax Phase-In Agreement, a copy of which is attached hereto as Exhibit "A", by and between the City of Brenham, Texas, and MIC Group, LLC, a Delaware company.

Section 3: That the Mayor is hereby authorized to execute the Tax Phase-In Agreement between the City of Brenham, Texas and MIC Group, LLC, a copy of which is attached hereto as Exhibit “A”.

Section 4: This Resolution shall become effective immediately from and after its passage.

RESOLVED this _____ day of _____, 2012.

Milton Y. Tate, Jr.
Mayor

ATTEST:

Jeana Bellinger, TRMC
City Secretary

**AGREEMENT FOR DEVELOPMENT AND TAX PHASE-IN
IN REINVESTMENT ZONE NO. 35 CITY OF BRENHAM
FOR COMMERCIAL TAX PHASE-IN, CITY OF BRENHAM, TEXAS**

THE STATE OF TEXAS

COUNTY OF WASHINGTON

This agreement is entered into by and between the CITY OF BRENHAM, TEXAS, a Texas home-rule municipal corporation, of Washington County, Texas, acting herein by and through its Mayor, hereinafter referred to as CITY, and MIC GROUP, LLC. hereinafter referred to as COMPANY.

WITNESSETH:

The City Council of the City of Brenham, Texas, ("COUNCIL") on February 20, 1992, adopted by resolution a policy for the creation of tax abatement zones in the City of Brenham, ("POLICY"). Said POLICY was amended by COUNCIL on April 2, 1992, amended on June 4, 1992, and re-adopted on December 1, 1994, November 20, 1997, October 21, 1999, November 1, 2001, January 15, 2004, December 20, 2007, December 17, 2009, and December 15, 2011 (as amended) (entitled "City of Brenham Policy Statement on Property Tax Phase-In Incentive for Selected Commercial Enterprises"). On November 15, 2012, the COUNCIL, by Ordinance, established Reinvestment Zone No. 35, City of Brenham, for Commercial Tax phase-in, City of Brenham, Texas, ("ZONE") as authorized by V.T.C.A., Tax Code Chapter 312.

WHEREAS, COMPANY has filed an application for the phase-in of ad valorem taxes,

WHEREAS, COUNCIL finds that this application, this Agreement, and the property subject to this Agreement meet the applicable guidelines and criteria of said POLICY,

WHEREAS, in order to provide for the proper development of such property and to aid in the conduct of the operation thereof to the best interest of the CITY in accordance with the above referenced ordinances and statutes, the parties do mutually agree as follows:

1. **Location of Tax Phase-In.** The property that is the subject matter of this Agreement is the land located at 1801 Industrial Boulevard and described more particularly as that certain tract of land containing 7.170 acres, more or less, being further described in Exhibit “A”, attached hereto and incorporated herein for all purposes, and which property is hereinafter referred to as "PREMISES."

2. **Improvements.** In consideration of COMPANY'S construction of between One-Million One Dollars and Two-Million Five-Hundred Thousand Dollars (\$1,000,001.00 to \$2,500,000.00) of real and personal property improvements to said PREMISES, including fixed machinery, equipment and buildings, CITY agrees that, subject to the terms and conditions contained herein, eligible improvements to the above described PREMISES shall be entitled to tax phase-in incentives in accordance with the schedule as provided in “Table 1A – Property Improvements by an Existing Local Business”, and tax phase-in incentives in accordance with the schedule as provided in “Table 2 – Jobs Created & Retained – by Existing Businesses or New/Relocating Businesses”, said Tables being set out in the attached Exhibit “B”, and that upon the expiration of such tax phase-in incentives this Agreement shall terminate.

"Improvements and renovation" as used herein shall be defined as including the building and all other associated improvements (personal and realty) and fixtures on the PREMISES

added by the COMPANY within said zone. COMPANY will limit the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period that property tax exemptions are in effect.

COMPANY acknowledges and agrees that the purpose of CITY in entering into this Agreement is to encourage development of the property in the ZONE and, therefore, COMPANY agrees to limit the use of the property to further said purpose.

3. **Submission of Plans.** COMPANY agrees that the site plan, interior and exterior design drawings and materials ("PLANS") for each improvement will be submitted to CITY and/or its designated representative for its approval when available. An official set of PLANS will be designated by the COMPANY and will be kept on file with the CITY.

4. **Other Applicable Regulations.** COMPANY agrees to construct and all improvements in accordance with all applicable laws, ordinances, codes, rules, requirements or regulations of the City of Brenham, Washington County, the State of Texas and the United States, and any subdivision, agency or authority thereof.

5. **Liability of City in Approving Plans.** CITY, by approving the PLANS or any revised PLANS, assumes no liability or responsibility therefore for any defect in any fixed machinery or equipment installed or any structure constructed, renovated, or repaired from the Plans or approved revised Plans. The relationship between CITY and COMPANY at all times shall not be deemed a partnership or joint venture for purposes of this Agreement or for any other purpose.

COMPANY agrees to reimburse CITY, its officers, agents, and/or employees for any damages suffered by them due to COMPANY'S negligence, such duty and liability not to exceed what COMPANY would owe to any of them under common law. CITY agrees to use best reasonable efforts to notify COMPANY as soon as possible after it becomes aware of any legal action (including pre-litigation notices, demand letters, etc.) which reasonably could then be foreseen as having the prospective potential of activating the terms of the immediately preceding sentence.

6. **Rights of City to Inspect.** At all reasonable times during the construction and installation of improvements on the PREMISES and following completion, CITY and its respective designees may inspect PREMISES in order to verify the construction, workmanship, materials and installations involved in or incident to the project are performed in substantial compliance with the approved PLANS and compliance with the applicable building permits and governmental regulations.

7. **Payment of Taxes by Company.** COMPANY agrees to pay all ad valorem taxes and assessments that may be owed to CITY or any other taxing entity by it prior to such taxes and/or assessments becoming delinquent; provided, that COMPANY shall have the right to contest in good faith the validity or application of any such tax or assessment and shall not be considered in default hereunder so long as such contest is diligently pursued to completion. If COMPANY undertakes any such contest, COMPANY shall so notify in writing CITY and keep CITY apprised of the status of such contest. Should COMPANY be unsuccessful in such contest, COMPANY shall promptly pay the taxes, penalties, and/or interest, resulting therefrom.

COMPANY certifies that at the time of execution of this Agreement, there are no delinquent ad valorem taxes on the PREMISES owed to any taxing jurisdiction. Subject to the foregoing paragraph, COMPANY shall pay all non-phased-in taxes subject to all requirements and due dates, as it would be required to in the absence of this Agreement.

8. **Employment.** COMPANY anticipates hiring or retaining between ten (10) and nineteen (19) employees upon opening and over the tax phase-in period. COMPANY acknowledges and agrees that COMPANY'S failure to create and maintain jobs in accordance with this Agreement and the POLICY is a default in the performance of this Agreement, and subjects the COMPANY to the remedies for default as provided in this Agreement.

9. **Tax Recapture.** In the event COMPANY (i) does not construct the improvements and renovations to the PREMISES as contemplated by this Agreement, (ii) fails to use the PREMISES for the purposes that are contemplated by this Agreement, (iii) fails to comply with the terms of the "City of Brenham Policy Statement on Property Tax Phase-In Incentive for Selected Commercial Enterprises", or (iv) otherwise fails to comply with the terms of this Agreement, then the CITY shall recapture the property tax abated as a result of this Agreement in accordance with Texas Tax Code Sec. 312.205 after written notice of intended recapture by CITY to COMPANY and failure to cure by COMPANY within thirty (30) days of said notice.

10. **Default.** In the event COMPANY (i) allows the PREMISES to become vacant, (ii) fails to pay all non-abated ad valorem taxes as required by Section 7 hereof, (iii) fails

to comply with the terms of the “City of Brenham Policy Statement on Property Tax Phase-In Incentive for Selected Commercial Enterprises”, or (iv) otherwise fails to comply with the terms of this Agreement, then COMPANY shall be in "default" in the performance of this Agreement. The CITY shall notify COMPANY in writing of said "default." Further, in accordance with Chapter 2264, Texas Government Code, COMPANY certifies that COMPANY, or a branch, division, or department of COMPANY does not and will not knowingly employ an undocumented worker. COMPANY further certifies that in the event that COMPANY, or a branch, division, or department of COMPANY, is convicted of a violation under 8 U.S.C. Section 1324a(f), COMPANY shall be repay the amounts of ad valorem taxes previously abated by the CITY pursuant to this Agreement, with interest, calculated at the rate ten percent (10%) annually. Such a conviction shall constitute a default under this Agreement.

If COMPANY does not comply with this Agreement within thirty (30) days of written notice of such "default", CITY reserves the right to terminate this Agreement and terminate the benefits of tax phase-in provided for in this Agreement, and all taxes previously abated pursuant to this Agreement shall be recaptured and paid to the City. In such event, the PREMISES and all improvements, fixed machinery and equipment installed thereon shall be deemed taxable and not entitled to tax phase-in as provided herein. If this Agreement is terminated, any taxes abated for the calendar year of the termination shall be paid within sixty (60) days of the date of such termination, and all taxes and all taxes previously abated pursuant to this Agreement shall be recaptured and paid to the City within sixty (60) days of the date of termination.

11. **Tax Phase-In Amount.** COMPANY shall receive tax phase-in incentives for eligible property improvements in accordance with the schedule as provided in “Table 1A – Property Improvements by an Existing Local Business”, and tax phase-in incentives for job

creation in accordance with the schedule as provided in “Table 2 – Jobs Created & Retained – by Existing Businesses or New/Relocating Businesses” said Tables being set out in the attached Exhibit “B”, and that upon the expiration of such tax phase-in incentives this Agreement shall terminate. The total annual tax phase-in incentive amount received by the COMPANY, expressed on a percentage basis, shall be the sum of the respective percentages provided for in Table 1A and Table 2 for the applicable year of the tax phase-in.

COMPANY shall, on or before October 15 of each calendar year, submit a sworn statement to the Compliance Review Committee that COMPANY is in compliance with this Agreement, including such information as may be necessary to verify compliance (e.g. employment and payroll information), subject to verification by the City of Brenham and/or the Compliance Review Committee

During the term of this Agreement, the CITY, its officers and employees, and/or the Compliance Review Committee is entitled to review and verify the COMPANY’S employment records, payroll records, and such other information and documents as the CITY and/or the Compliance Review Committee deems reasonably necessary to verify compliance with this Agreement. The CITY, its officers and employees, and/or the Compliance Review Committee may conduct on-site inspections of the PREMISES and facilities located thereon during the term of this Agreement to verify compliance with this Agreement.

The estimated value of eligible property improvements for tax phase-in incentives is between One-Million One Dollars and Two-Million Five-Hundred Thousand Dollars (\$1,000,001.00 to \$2,500,000.00). Notwithstanding anything contained herein to the contrary,

COMPANY and CITY agree that the amount of eligible property improvements and jobs created & retained as set forth herein are based on projected property improvement and personnel employed, and the actual amount of tax phase-in incentives shall be determined annually by Table 1A and Table 2 of the POLICY based on the actual eligible improvements and the actual number of employees. COMPANY agrees to reasonably cooperate with CITY to determine compliance with this Agreement and the applicable level of tax phase-in incentives.

12. **Certificate of Compliance.** Upon completion of the improvements to the PREMISES, COMPANY shall submit to CITY a sworn Certificate of Compliance certifying that all construction of the improvements to the PREMISES has been completed in accordance with the approved plans. After receipt of this Certificate of Compliance, CITY shall make a final inspection of PREMISES to determine whether the improvements have been constructed and installed in compliance with this Agreement. Upon so finding, CITY shall approve such a Certificate of Compliance and authorize tax phase-in to commence on January 1 of the year indicated in said certificate and terminate after the property has received the tax phase-in incentives as provided by this Agreement and Exhibit "B."

13. **Eligible and Ineligible Property.** "Eligible property" is defined to include all of the following items located on the PREMISES which were not so located prior to execution of this Agreement and whether or not they are so affixed as to become "real property": buildings, structures, fixed machinery and equipment, site improvements (including landscaping), office space and related fixed improvements necessary to the operation and administration of the facility.

"Ineligible Property" shall be fully taxable and ineligible for abatement, defined as including:

- Land;
- Animals;
- Inventories;
- Supplies;
- Tools;
- Furnishings and other forms of movable personal property (except as described as "eligible property" above);
- Vehicles;
- Vessels;
- Aircraft;
- Hotels/motels;
- Housing or residential property;
- Fauna;
- Flora (excluding landscaping improvements);
- Retail facilities;
- Deferred maintenance investments;
- Improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion;
- Any improvements including those to produce, store or distribute natural gas or fluids that are not integral to the operation of the facility; or
- Property owned or used by the State of Texas or its political subdivisions or by any organization owned operated or directed by a political subdivision of the State of Texas.

14. **Severability**. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective while this Agreement is in effect, such provision shall be automatically deleted from this Agreement and the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected thereby, and in lieu of such deleted provision, there shall be added automatically as part of this Agreement a provision that is similar in terms and substance to such deleted provision as may be possible and yet be legal, valid and enforceable under the Texas Tax Code and related state statutes.

15. **Texas Law to Apply.** This Agreement shall be construed under the POLICY adopted by the CITY, including the Glossary of Terms, in accordance with said POLICY in force at the date of execution hereof and in accordance with the laws of the State of Texas. All obligations of the parties created hereunder are performable in Washington County, Texas. In the event of litigation, or other claim or dispute arising out of or involving this Agreement, exclusive venue shall lie in a court of competent jurisdiction in Washington County, Texas.

16. **Prior Agreements Superseded.** This Agreement constitutes the sole agreement of the parties herein and supersedes any and all prior written or oral agreements, arrangements or understandings between the parties relating to the subject matter.

17. **Amendments.** No amendment, modification or alteration of the terms hereof shall be binding unless the same shall be in writing, dated subsequent to the date of this agreement and duly executed by the parties hereto.

18. **Rights and Remedies Cumulative.** The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by either party shall not preclude or waive its rights to use all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

19. **No Waiver.** No waiver by CITY in any event of default, or breach of any covenant, condition or stipulation herein contained by COMPANY shall be treated as a waiver of any subsequent default or breach of the same or any other covenant, condition or stipulation hereof.

20. **Assignment.** This Agreement may be assigned by COMPANY upon CITY'S written approval of said assignment.

21. **Authority to Act.** The parties to this Agreement shall provide proof of authorization to execute this document.

22. **Notice.** Whenever notice or other communication is herein required to be given to COMPANY or to CITY, such notice will be sent, respectively, to the attention of COMPANY'S President or other designated officer at the address of Company's facility in the reinvestment zone, or to the attention of the City Manager at the address of said Manager's then-current office location, via certified or registered mail, return receipt requested. Such notice will be considered effectively delivered when sent if such is properly addressed and sent and the return receipt is received by the sender, or if addressee fails to receive or accept delivery and the undelivered item is returned to sender.

23. **Definitions.** It is specifically understood by the governing body of the jurisdiction and its signatory/agent as well as COMPANY and its signatory/agent that "new jobs," as used in both, this Agreement and the underlying CITY guidelines for tax phase-in, means (and calculations therefore include) COMPANY employees as follows: The number of "new jobs" each year shall be determined by the cumulative sum of all new jobs employed by the COMPANY in the reinvestment zone after execution of this Agreement. This includes all employees who, subsequently to the Agreement, begin working in the reinvestment zone for Applicant (whether newly hired or who were previously hired by COMPANY elsewhere and

whose work location is transferred to within the reinvestment zone), and, for purposes of the tax phase-in schedules in the guidelines and this Agreement, who work an average of at least a forty (40) hour work week. Two part-time employees working an average of twenty (20) hours each per week shall constitute one full-time employee for the calculation of "new jobs."

Any definitions of words or phrases given in the currently effective tax phase-in guidelines entitled "City of Brenham Policy Statement on Property Tax Phase-in Incentive for Selected Commercial Enterprises" shall be controlling in this document as well, except as may be specifically modified herein.

24. This Agreement has been approved by the governing body of the CITY.

25. Any aspect of this Agreement which may happen to conflict with the underlying jurisdiction's tax phase-in guidelines shall be considered as an approved modification or clarification of such guidelines as may be required to affect the intent of this Agreement.

26. For the duration of this Agreement and for additional consideration for this tax phase-in, COMPANY agrees to purchase the following utilities: water, natural gas, sewer, and electricity, exclusively from the City of Brenham in its service area.

27. If any action is brought to enforce, construe or determine the validity of any term or provision of this Agreement (whether at the trial court level or any appeal therefrom), the prevailing party shall be entitled to reasonable attorney's fees and costs of the action.

The parties hereto have executed or caused to be executed by its duly authorized officials this Agreement in multiple counterparts, each of equal dignity, on this the _____ day of _____, 2012.

MIC GROUP, LLC

CITY OF BRENHAM

BY: _____
Brad Leuschner
Chief Financial Officer
3140 S. Blue Bell Rd.
Brenham, Texas 77833

BY: _____
Milton Y. Tate, Jr.
Mayor
P.O. Box 1059
Brenham, Texas 77834-1059

ATTEST:

BY: _____
Jeana Bellinger, TRMC
City Secretary
P.O. Box 1059
Brenham, Texas 77834-1059

THE STATE OF TEXAS

COUNTY OF WASHINGTON

Before me, the undersigned authority, on this day personally appeared **MILTON Y. TATE, JR.**, Mayor of the City of Brenham, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the ____ day of _____, 2012.

Notary Public in and for
The State of Texas

THE STATE OF TEXAS

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared **BRAD LEUSCHNER**, _____ of MIC GROUP, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the ____ day of _____, 2012.

Notary Public in and for
The State of Texas

EXHIBIT “B”
TAX PHASE-IN INCENTIVE SCHEDULES

Applicants may receive property Tax Phase-In incentive according to the schedules in Tables 1 and 2, depending on their combination of property value creation and job creation/retention.

TABLE 1 (earns 50% of incentive)

1A - Property Improvements by an Existing Local Business

Level	Amount of Valuation of Eligible Improvements as determined by the Tax Appraisal District:		Percent of property tax to be abated each year									
	From	To	1	2	3	4	5	6	7	8	9	10
1	\$ 150,000	\$1,000,000	45	40	30	20	0	0	0	0	0	0
2	\$1,000,001	\$2,500,000	45	45	40	30	20	0	0	0	0	0
3	\$2,500,001	\$4,000,000	45	45	45	40	30	20	0	0	0	0
4	\$4,000,001	\$5,500,000	45	45	45	45	40	30	20	0	0	0
5	More than	\$5,500,000	45	45	45	45	45	40	30	20	0	0

1B - Property Improvements by a New Business

Level	Amount of Valuation of Eligible Improvements as determined by the Tax Appraisal District:		Percent of property tax to be abated each year									
	From	To	1	2	3	4	5	6	7	8	9	10
1	\$ 300,000	\$1,000,000	45	40	30	20	0	0	0	0	0	0
2	\$1,000,001	\$2,500,000	45	45	40	30	20	0	0	0	0	0
3	\$2,500,001	\$4,000,000	45	45	45	40	30	20	0	0	0	0
4	\$4,000,001	\$5,500,000	45	45	45	45	40	30	20	0	0	0
5	More than	\$5,500,000	45	45	45	45	45	40	30	20	0	0

TABLE 2 (earns 50% of incentive)

2 - Jobs Created & Retained - by Existing Businesses or New/Relocating Businesses

Level	The number of new and/or retained full-time employees with an average salary level of \$33,000+/year including benefits averaged during the twelve calendar months prior to the tax assessment date of January 1:		Percent of property tax to be abated each year									
	From	To	1	2	3	4	5	6	7	8	9	10
1	10	19	45	40	30	20	0	0	0	0	0	0
2	20	29	45	45	40	30	20	0	0	0	0	0
3	30	39	45	45	45	40	30	20	0	0	0	0
4	40	49	45	45	45	45	40	30	20	0	0	0
5	50 and more		45	45	45	45	45	40	30	20	0	0



AGENDA ITEM 6

DATE OF MEETING: November 29, 2012	DATE SUBMITTED: November 26, 2012	
DEPT. OF ORIGIN: Human Resources	SUBMITTED BY: Susan Nienstedt	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1 ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2 ND READING
<input type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> RESOLUTION
	<input type="checkbox"/> WORK SESSION	
AGENDA ITEM DESCRIPTION: Discuss and Possibly Act Upon an Engagement Letter from Ray Associates, Inc. to Perform an Update of the Classification and Compensation System for the City of Brenham and Authorize the Mayor to Execute any Necessary Documentation		
SUMMARY STATEMENT: See attached memo from Human Resources Manager.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
<p>A. PROS: To attract and retain qualified, competent employees, the City should survey the market for similar jobs on a periodic basis.</p> <p>B. CONS:</p>		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: (1) Memo from Human Resources Manager; (2) Engagement Letter from Ray Associates, Inc.; and (3) City of Brenham Comparison Cities Matrix		
FUNDING SOURCE (Where Applicable): \$20,000 in HR Department budget and the balance of \$7,150 will be transferred from the City Manager's contingency fund.		
RECOMMENDED ACTION: Approval of the Letter of Engagement for Ray Associates to perform an update of the classification and compensations system for the City of Brenham and authorize the Mayor to execute any necessary documentation.		
APPROVALS: Carolyn D. Miller		



MEMO

To: Mayor & City Council

From: Susan Nienstedt

Date: November 29, 2012

Subject: Update of Classification and Compensation System

In 2007, the city hired Ray Associates, Inc. to conduct a compensation study, which included a salary survey, the creation of a salary schedule for general government and public safety, and placement of the current jobs on the new salary schedule.

It is recommended by Ray Associates, Inc. that a formal, comprehensive salary survey should be conducted about every three to five years. This fiscal year we are planning an update of the classification and compensation system. Ray Associates, Inc. will survey 14 different cities that are comparable in several criteria, such as population, number of employees, operating budget, sales tax revenue, and their types of utility operations. Forty benchmark jobs have been selected to compare in the 14 cities. Positions were selected by looking at jobs that have experienced high turnover; jobs that have been problematic when recruiting; and jobs from all different levels in terms of pay and category of employee, i.e., Exempt, Non-Exempt, Fire, Police, and Unclassified; and jobs for which we feel confident we can get a sufficient number of matches among the surveyed employers to validate the data.

The salary survey will be conducted electronically, with each participant given a password that will allow them to go on-line and complete and submit their data. To ensure accurate matches, we will summarize the duties and responsibilities of each benchmark job title, as well as the qualifications required to hold the job, from the city's current job descriptions.

We are asking the City council to approve the Letter of Engagement with Ray Associates, Inc. today to begin the 2013 Update of Classification and Compensation System of the City of Brenham. We have budgeted \$20,000 in the HR Department for this project. The total cost according to Ray Associates, Inc. will be \$27,150, and the additional funds will be transferred from the City Manager's contingency fund.

Thank you.

Engagement Letter
***An Update of the Classification and Compensation System for the
City of Brenham, Texas***

This is an agreement between Ray Associates, Inc. and the City of Brenham for an Update of the Classification and Compensation System for the city.

Understanding of the Project

A good compensation plan needs *consistency*, or a sense of orderliness and fairness in determining pay, *options* for management to reward employees and make hiring decisions, and a *shelf-life* that allows a city or any other organization to plan for its future and continue to make equitable compensation decisions.

To be able to attract and retain qualified, competent employees, the city should test the market for similar jobs on a recurring basis. A formal, comprehensive salary survey needs to be conducted only about every three to five years, but market checks of other similarly-situated cities should be made annually to ensure that the city remains competitive with the market. The City of Brenham last conducted a comprehensive salary survey in 2006.

This agreement is based on a telephone conference call Katherine Ray had with City Manager Terry Roberts, Assistant City Manager Kyle Dannhaus, Human Resources/Risk Manager Janie Mehrens, and Human Resources Manager Susan Nienstedt, as well as the materials sent electronically by Susan Nienstedt to Katherine Ray regarding current city staffing. Ray Associates is pleased to propose on this work, assisting the city in maintaining a targeted position of competitiveness in the market. This study will add value to the city's most valuable investment, its employees, by ensuring that they are paid fairly and competitively within the city's ability to pay.

This engagement is rooted in the methodology that Ray Associates used in its initial work for the City of Brenham in 1999, which was followed up by classification reviews and recommendations for the city in 2003-2004 and a comprehensive update to the classification and compensation system in 2006. In this engagement, almost all of the work from the 2006 study will be replicated.

Scope of Work: Update of the Classification and Compensation System

Ray Associates' familiarity and experience with Brenham's compensation philosophy, structures, and procedures, as well as with other local Texas governments, make the firm uniquely qualified to review and update the city's compensation and classification system, ensuring that the city continues to attract and retain superior employees. In our compensation work with clients, we include custom market surveys to ensure accurate job matches and up-to-

date salary data, rather than relying on secondary source data. Our firm is noted by our clients for custom products, tailored to each individual client, and for our personal attention to each client.

The City of Brenham desires a compensation plan that accurately reflects the value it places on jobs, both internally and externally with the job market. The city's plan should also result in greater job satisfaction and productivity for city employees, demonstrating that their work is compensated fairly. These goals will be important considerations throughout this project, as we ensure that the city's salary ranges are consistent with the previously adopted mid-market position (50th percentile) and pay philosophy, and that each employee is paid within the appropriate pay range.

Preliminary Preparation and Initial Planning Conference Call

Katherine Ray will participate in a conference call with key city executive staff on a mutually agreeable date to initiate this project and determine which 40 benchmark city jobs to include in the survey. Consensus will also be reached between key city staff and the consulting firm on the schedule for the project and any change that may be desirable to the list of employers to survey.

Select Labor Market and Benchmark Job Titles

All but two of the following employers were selected by the City Council and used for the 2006 market study. For the purposes of this study, we replaced Kerrville Public Utilities Board (KPUB) and the City of Brownwood with the cities of Bastrop and Rosenberg, as Bastrop and Rosenberg have more in common with the City of Brenham than the City of Brownwood did. In addition, by including KPUB, we would be matching only a few Electric Department jobs, whereas by including another city, we will be able to match many more jobs. Bastrop operates an electric utility, which is another plus. These 14 cities were chosen based on a variety of comparability factors, including population, staff size, ad valorem taxable value, sales tax revenue, median household income, median cost of a house or condo, city services provided, and geographic proximity to Brenham.

- City of Alvin
- City of Bay City
- City of Bastrop
- City of Belton
- City of Boerne
- City of Bryan
- City of Fredericksburg
- City of Huntsville
- City of Kerrville
- City of Lockhart
- City of Rosenberg
- City of Seguin
- City of Taylor
- City of Weatherford

In 2006, two of the employers listed above requested that their information for some or all of the positions surveyed be displayed anonymously. Ray Associates agreed to these conditions in order to get these employers' participation in the survey and it is likely the same concessions will need to be made again for this study.

Surveying most of the same employers that were surveyed in 2006-2007 will allow identification of compensation trends in the surveyed market for specific jobs or job families, as well as determination of how the City of Brenham's compensation practices have kept pace with the selected market, for both pay schedule adjustments and performance-based pay increases (movement of employees through the pay ranges).

The city's management staff will identify 40 benchmark job titles to be included in the salary survey in consultation with Ray Associates, taking care to include jobs for which the city has had difficulty in recruiting and taking a broad cross-section of city jobs, including jobs from all job families, jobs paid at a variety of levels, and jobs from various departments, as well as any jobs for which the city has experienced high turnover or difficulty in recruiting. Care will be taken to ensure that the benchmark jobs selected will likely be found in the market cities, too.

External Equity and Competitiveness/Salary Survey

Ray Associates will prepare a customized salary survey instrument containing job summaries for the 40 benchmark job titles. The City of Brenham will provide Ray Associates with updated summaries for each of the 40 jobs, including the duties, responsibilities, and requirements of each job (Ray Associates will provide the city with the sample summaries used in the 2006 survey). These job summaries will form the basis of our market salary survey, making it possible for the survey respondents, the selected market employers, to reply to more than simply a job title to ensure more accurate "apples to apples" comparisons.

In the survey, we will request the actual low and actual high salary, as well as the surveyed employers' established salary range, for each comparable position. In addition, we will request any additional or clarifying information about the jobs the surveyed employers are comparing to the City of Brenham job summaries. Using the survey instrument as the main tool for gathering data will help ensure accuracy of comparisons and of data received. This survey process results in more timely responses from the surveyed employers than accomplished through hard copy surveys. This process also helps to ensure accuracy, as employers directly enter the data themselves.

The City of Brenham's Human Resources Manager will call each employer in advance of the survey to obtain their agreement to participate and obtain current contact information for the person to whom to send the survey. Ray Associates will then contact each employer via email, providing them with the survey instrument (an Excel spreadsheet) as well as instructions for completing the instrument. As an incentive for their participation, we agree to provide each respondent with the survey data at the conclusion of the study. The survey respondents receive only the survey data in chart form, with no narrative or analysis.

The city's Human Resources Manager also will assist consultants in following up with the cities being surveyed to ensure timely responses to the survey.

Ray Associates' analysis and compilation of the data from the salary survey will include generating charts that calculate and demonstrate how the city's salaries compare with the market average and market median salaries of the surveyed market, for both actual salaries and salary ranges. The charts will also indicate the City of Brenham's position relative to the mid-market position (50th percentile).

Internal Equity

Since Ray Associates performed a comprehensive look at internal equity in 1999; trained the city staff in the use of Ray Associates' Point Factor Job Analysis System© so the city could keep the internal equity piece of the plan current; and reviewed changed positions in the 2006 study, existing internal equity will be honored for all positions. However, if market data changes an existing internal relationship for a selected benchmark job, Ray Associates will review other jobs directly related to that job to ensure that market data impact all jobs in that job family. This process allows all jobs to be tied either directly or indirectly to the market data, while still maintaining internal equity relationships.

Creation of Updated Pay Plans

The City of Brenham is satisfied with the grade-and-step pay schedules (one for general government and another for public safety) put into place in the 2006 study. Therefore, we will retain the step format for the new pay schedule, and the only change(s) will be if the market survey reflects the need for a broader pay range, in which case we would add steps to each pay range.

Once the pay schedules are revised, if necessary, the market data from the new salary survey can be used in conjunction with current internal equity to place all of the city's jobs on the new pay schedules. Katherine Ray will spend one day on-site with the city's Human Resources Manager to review the market data and to determine the proper placement of each benchmark job that was used in the salary survey and any directly related positions on the new pay schedules. This process takes into consideration both internal and market equity, as determined by the city's current pay relationships (based on earlier scoring using Ray Associates' Point Factor Job Analysis System©) and market survey results, as well as the city's desired level of competitiveness in the surveyed market. By utilizing this collaborative process, the city gets more "bang for the buck" because the HR Manager is directly involved in making the placement decisions for all city jobs and thus will have an in-depth knowledge of how the process works and on what basis each job was placed in its pay group.

The ultimate result of the entire classification and compensation update process will help to ensure that, following the implementation of the new plan, the city can effectively compete in the current market place, and will be in a position to continue to attract and retain qualified and competent employees.

Implementation of the New Compensation Plans

After the selected benchmark jobs have been appropriately placed on the pay schedules, Ray Associates will prepare a transition cost schedule, showing the following information for each city employee in the benchmark positions:

- Name;
- Current job title;
- Recommended new job title, if appropriate;
- Current salary;
- Recommended pay range; and recommended salary on the pay schedule.

The transition cost schedule also will reflect the resulting cost, if any, for each employee in the city, for each department (if applicable), and for the city overall, to implement the job placement recommendations (i.e., the difference between the total recommended salaries and the total current salaries).

Ray Associates will submit preliminary recommendations to the City Manager for review and questions prior to finalizing our recommendations. This will allow for clarification of any misunderstandings on either side before making the recommendations public.

Benefits Analysis

In the interest of minimizing cost without sacrificing quality, Ray Associates will provide the City of Brenham with data gathered in October 2012 comparing benefits packages among cities. While the cities included in Bastrop's market are not exactly the same as those selected by the City of Brenham, there are five cities in common between the two surveys (Boerne, Fredericksburg, Lockhart, Seguin, and Weatherford). If Bay City is replaced with Bastrop, there will be six cities in common. These comparisons should be sufficient for the City of Brenham to determine whether some of the components of its benefits package need to be reviewed for changes in order to be competitive in the market. Again, in the interest of the budget, the city's HR Manager and HR/Risk Manager are capable of analyzing the city's benefits package and bringing forth any recommendations for needed changes.

Final Report and Presentation of Recommendations

Ray Associates will prepare a *Report on the Update of the Classification and Compensation System* that details our methodology, findings, and recommendations. Principal Katherine B. Ray, SPHR, will present our findings and recommendations to the City Council, if desired, including the fiscal impact of implementing our recommendations, and will recommend adoption of the new pay plan(s).

Ongoing Services

Ray Associates will remain available to the City of Brenham for telephone consultations regarding the implementation of our work without charge. Our goal is not only to provide the city with an outstanding final product, but also to facilitate the implementation of that product, making it as painless as possible.

Products of the Engagement

The physical products of the work detailed in the previous sections will include the following items:

- A narrative *Report on the Classification and Compensation System*, detailing our findings and recommendations, and including:
 - Both actual salary and salary range charts for each job included in the salary survey, clearly demonstrating the city's current competitive position in the surveyed market;
 - Recommended classification and compensation plans;

- Inventories of job titles (listing of the city's job titles, pay grades, and other relevant information), in three configurations: sorted by department, sorted by pay group, and sorted alphabetically by job title; and
- Transition cost schedule(s) detailing the fiscal impact of implementing our recommendations, shown at the employee, departmental, and city levels.

The final report, pay plans, transition cost schedules, and other supporting schedules will be submitted in electronic format. Katherine Ray, SPHR, President of the firm, will make the final presentation of our findings and recommendations to the City Council, if desired.

Cost Estimate

Ray Associates will complete the proposed project for \$27,150. This is the cost for professional service hours to complete all components of the project, and does not include reimbursable expenses for actual, reasonable, and documented costs for such items as travel, printed hard copies of reports, or other project-related direct expenses, which shall be included in each invoice, listed separately from the contract amount.

The cost estimate provided in this engagement letter is based on the proposed scope of services. If a different scope of services is negotiated, the cost would be decreased or increased accordingly. This agreement includes two round trips from Austin to Brenham. If additional trips are necessary, there will be an additional charge, over and above the cost outlined in this engagement letter, comprised of the time and expenses required to make the additional trip(s). Below is detail of the cost estimate:

Estimated costs are listed on the following page of this agreement. These costs are based on the following:

- ◆ 219 City Employees
- ◆ 146 City Job Titles
- ◆ 40 City Benchmark Job Titles Included in the Salary Survey
- ◆ Not More Than 14 Employers Surveyed for Salaries
- ◆ No Custom Benefits Survey

Should the above numbers increase significantly (more than 10 percent), the costs for the project will increase accordingly, and a change order will be processed.

Detailed Cost Estimate

Classification and Compensation Study	Cost
<p>Project Initiation - includes:</p> <p>Reviewing market employers used in 2006 study; Assist City with selecting Benchmark Positions and Market Employers; preparing timeline for study.</p>	\$1,790
<p>Salary Survey – includes:</p> <p>Reviewing and editing, if needed, job summaries prepared by City for use in survey; posting them on-line; coordinating with City HR Manager for her to pre-contact all employers to secure their agreement to participate and obtain and provide to Ray Associates contact information for each (name, email address, and phone number); emailing survey log-in information to each participant; and coordinating with City HR Manager for her to make follow-up calls to employers to complete the survey; preparation of charts for both actual salaries and salary ranges; analysis of survey data; and call-backs to clarify or verify information.</p>	\$9,090
<p>Creation of Compensation Plan – includes:</p> <p>Creating pay schedules (or revising current pay schedules), incorporating both the current internal equity and the market data into the analysis; spending one day on-site placing all jobs on the pay schedules; and preparing transition cost scenario(s) that track the migration of each employee from the current classification and pay to the recommended classification and pay; and showing cost by department and city-wide. Also includes providing preliminary recommendations and costs to the City for a “red flag” review prior to finalization.</p>	\$10,590
<p>Prepare Final Report and Presentation to the City Council – includes:</p> <p>Preparing report including narrative explanation of assignment, methodology, findings and conclusions, and recommendations, along with appendices that will include the salary survey charts; the pay schedule; inventories of job titles by department, pay group, and alphabetical; a copy of the job summaries used for the salary survey; and other supporting documentation.</p>	\$5,680
Estimated Professional Services Costs – Class/Comp Study	\$27,150
<p>** Total includes professional services hours and overhead costs only; does not include reasonable, necessary, and documented travel expenses, long distance telephone expenses specific to this project, or other authorized expenses, such as production of additional copies of reports (in addition to the original plus one bound copy and one electronic copy typically included in the contract). Expenses are estimated at not to exceed \$5,000.</p>	

Project Timeline/Invoices

Work on this project begins November 19, 2012 and will be completed by March 31, 2013. Invoices will be submitted monthly as follows:

December 15, 2013	\$6,787.50 plus reimbursable expenses
January 15, 2013	\$6,787.50 plus reimbursable expenses
February 15, 2013	\$6,787.50 plus reimbursable expenses
March 15, 2013	<u>\$6,787.50 plus reimbursable expenses</u>

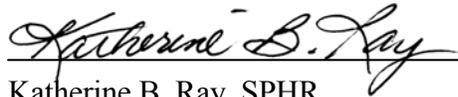
Total, Professionals Services \$27,150.00 plus reimbursable expenses

The final invoice will be paid upon satisfactory completion of the project by Ray Associates, Inc.

Signatures

By signing below, both parties agreed to the terms set forth in this letter of agreement.

Sincerely,



Katherine B. Ray, SPHR
Ray Associates, Inc.

Mr. Terry Roberts
Brenham City Manager

Date: November 25, 2012 Date: _____

City of Brenham Comparison Cities Matrix (Sorted by Total Weighted Score)

Potential Comparable City	Total Score	Ray Assoc. Recommends	Population Est 2010 ⁵	FY 2007 No. of Employees ³	2012 Sales Tax Revenue ¹	Total Net Taxable Value(2012) ²	Median Household Income - 2009 ³	Median House or Condo Value 2010 ³	Full Service City? (At least Fire, Police, Library, Parks, Sewer, Water)	Electric Utility?	Growth Rate from 2000-2010 ¹	Geographic Proximity	College or University?
Brenham	15.5	Client	15,716	203	\$5,049,379	\$998,947,118	\$35,782	\$116,595	Yes	Yes	11.4%	---	Yes
Alvin	13.5	✓	24,236	210	\$5,259,246	\$907,541,107	\$48,767	\$107,309	Yes	No	17.3%	97.6	Yes
Belton	13.5	✓	18,216	128	\$3,545,906	\$767,959,433	\$40,789	\$96,097	Yes	No	21.9%	96.6	Yes
Seguin	13.5	✓	25,175	825	\$5,983,607	\$1,364,201,375	\$37,288	\$100,536	Yes	Yes	33.2%	113.6	Yes
Huntsville	11.5	✓	38,548	266	\$6,030,239	\$1,258,286,395	\$28,370	\$112,998	Yes	No	7.7%	68.2	Yes
Taylor	11.5	✓	15,191	138	\$2,962,955	\$758,073,844	\$41,866	\$106,428	Yes	No	11.9%	81.0	None within city; 5 within 35 miles
Bay City	11.0	✓	17,614	136	\$4,178,798	\$654,461,676	\$31,728	\$79,458	Yes	No, but Gas	-0.4%	92.5	None within city; 1 within 25 miles
Fredericksburg	11.0	✓	10,530	289	\$3,708,073	\$1,333,416,000	\$45,454	\$195,313	County, Not City, Operates Library	Yes	36.0%	164.8	Yes-Austin Community College Branch
Lockhart	11.0	✓	12,698	140	\$1,781,815	Not Available	\$42,571	\$111,940	Yes	Yes	22.6%	90.6	None within city; 6 within 30 miles
Bastrop	10.5	✓	7,218	78	\$4,422,219	\$627,256,816	\$53,266	\$135,443	Yes (Fire is mostly volunteer)	Yes	62.0%	59.8	None within city; 4 within 30 miles
Kerrville	10.0	✓	22,347	285	\$7,028,574	\$1,753,647,357	\$40,227	\$134,370	Yes	No--KPUB	11.6%	189.1	Yes
Bryan	9.5	✓	76,201	843	\$12,785,636	\$3,783,727,145	\$33,863	\$103,600	Yes	Yes	13.9%	42.4	Yes
Boerne	8.5	✓	10,471	158	\$4,216,394	\$1,129,009,150	\$58,175	\$216,156	Yes	Yes + Gas	80.4%	163.1	None within city; 7 within 30 miles
Weatherford	8.5	✓	25,250	311	\$8,599,086	Not Available	\$50,271	\$141,864	Yes	Yes	43.4%	213.6	Yes
Rosenberg	8.0	✓	30,618	215	\$11,748,809	\$1,482,133,918	\$43,283	\$102,669	Yes (Civic Center instead of Library)	No	54.4%	60.0	None within city; 7 within 30 miles
Georgetown	7.5		47,400	413	\$14,659,550	\$4,318,148,209	\$62,776	\$183,519	Yes	Yes	77.1%	102.0	Yes

No. of Points	Criteria for Points
1.5	Between 10,000-30,000 Population
1.0	Between 150-300 Employees
1.5	\$2-\$8 Million Sales Tax Revenue
1.5	\$600,000-\$1.5 Billion Ad Valorem Taxable Value
1.5	\$20,000-\$55,000 Median Household Income in 2009
1.5	\$80,000-\$180,000 Median House or Condo Value 2012
1.5	Full Service City (At least Library, Parks, Sewer, Water)
1.5	Electric Utility
1.0	Growth Rate Between 6% and 25% from 2000-2010
1.5	Geographic Proximity: Within 125 Miles
1.0	College or University in the City

¹ Texas Comptroller of Public Accounts, 2012 Allocation Historical Summary
² Texas Municipal League, 2012 Tax & Debt Survey (If not listed, then TX Comptroller, 2012 for tax value; city web site for services).
³ www.city-data.com.

Criteria satisfied
 Client Data
Recommended by Ray Associates, Inc.



AGENDA ITEM 7

DATE OF MEETING: November 29, 2012		DATE SUBMITTED: November 21, 2012	
DEPT. OF ORIGIN: HR Manager		SUBMITTED BY: Susan Nienstedt	
MEETING TYPE:		CLASSIFICATION:	
<input checked="" type="checkbox"/> REGULAR		<input type="checkbox"/> PUBLIC HEARING	
<input type="checkbox"/> SPECIAL		<input type="checkbox"/> CONSENT	
<input type="checkbox"/> EXECUTIVE SESSION		<input checked="" type="checkbox"/> REGULAR	
		<input type="checkbox"/> WORK SESSION	
ORDINANCE:			
<input type="checkbox"/> 1ST READING			
<input type="checkbox"/> 2ND READING			
<input type="checkbox"/> RESOLUTION			
AGENDA ITEM DESCRIPTION: Discuss and Possibly Act Upon the 2013 Holiday Schedule			
SUMMARY STATEMENT: The Holiday Schedule for 2013 is presented for approval by the City Council. The schedule provides for the same number of holidays approved in 2012.			
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):			
A. PROS:			
B. CONS:			
ALTERNATIVES (In Suggested Order of Staff Preference):			
ATTACHMENTS: (1) Memo from Susan Nienstedt; and (2) Proposed 2013 Holiday Schedule			
FUNDING SOURCE (Where Applicable): FY12-13 budget			
RECOMMENDED ACTION: Approve the 2013 Holiday Schedule as presented.			
APPROVALS: Carolyn D. Miller, CPA			



Memorandum

TO: MAYOR AND COUNCILMEMBERS
 FROM: SUSAN NIENSTEDT
 DATE: November 29, 2012
 SUBJECT: 2013 HOLIDAY SCHEDULE

The 2013 proposed holiday schedule is presented for discussion and approval at the Council meeting on November 29, 2012.

The holiday calendar is the same as approved for 2012 allowing for 2 days at Christmas, for a total of 12 holidays including the floating birthday holiday.

2013 PROPOSED

2012 APPROVED

	DAY	DATE	DAY	DATE
NEW YEARS DAY	TUESDAY	JANUARY 1, 2013	SUNDAY (24 HR DEPTS) MONDAY (Observed)	JANUARY 1, 2012 JANUARY 2, 2012
MARTIN LUTHER KING DAY	MONDAY	JANUARY 21	MONDAY	JANUARY 16
GOOD FRIDAY/EASTER	FRIDAY SUNDAY (24 HR DEPTS)	MARCH 29 MARCH 31	FRIDAY SUNDAY (24 HR DEPTS)	APRIL 6 APRIL 8
MEMORIAL DAY	MONDAY	MAY 27	MONDAY	MAY 28
INDEPENDENCE DAY	THURSDAY	JULY 4	WEDNESDAY	JULY 4
LABOR DAY	MONDAY	SEPTEMBER 2	MONDAY	SEPTEMBER 3
VETERANS DAY	MONDAY	NOVEMBER 11	SUNDAY (24 HR DEPTS) MONDAY (OBSERVED)	NOVEMBER 11 NOVEMBER 12
THANKSGIVING	THURSDAY FRIDAY	NOVEMBER 28 NOVEMBER 29	THURSDAY FRIDAY	NOVEMBER 22 NOVEMBER 23
CHRISTMAS	TUESDAY WEDNESDAY	DECEMBER 24 DECEMBER 25	MONDAY TUESDAY	DECEMBER 24 DECEMBER 25
BIRTHDAY	FLOATING		FLOATING	

2013 PROPOSED HOLIDAY SCHEDULE

	DAY	DATE
NEW YEARS DAY	TUESDAY	JANUARY 1, 2013
MARTIN LUTHER KING DAY	MONDAY	JANUARY 21
GOOD FRIDAY/EASTER	FRIDAY	MARCH 29
	SUNDAY (24 HR DEPTS)	MARCH 31
MEMORIAL DAY	MONDAY	MAY 27
INDEPENDENCE DAY	THURSDAY	JULY 4
LABOR DAY	MONDAY	SEPTEMBER 2
VETERANS DAY	MONDAY	NOVEMBER 11
THANKSGIVING	THURSDAY	NOVEMBER 28
	FRIDAY	NOVEMBER 29
CHRISTMAS	TUESDAY	DECEMBER 24
	WEDNESDAY	DECEMBER 25
BIRTHDAY	FLOATING	



AGENDA ITEM 8

DATE OF MEETING: November 29, 2012	DATE SUBMITTED: November 26, 2012	
DEPT. OF ORIGIN: Risk Management	SUBMITTED BY: Janie Mehrens	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input checked="" type="checkbox"/> 1 ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2 ND READING
<input type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> RESOLUTION
	<input type="checkbox"/> WORK SESSION	
AGENDA ITEM DESCRIPTION: Discuss and Possibly Act Upon an Ordinance on its First Reading Providing for Updated Service Credit and an Increase in Retirement Annuities in the Texas Municipal Retirement System		
SUMMARY STATEMENT: For the past several years, City Council has approved on an annual basis an ordinance providing for updated service credit and an increase in retirement annuities of 70% of the Consumer Price Index as provided through the Texas Municipal Retirement System. In order to make any changes in any provision of the City's plan in TMRS, an ordinance must be approved. The ordinance is presented for discussion and approval. As shown on the TMRS Plan Change Study, the funding rate for the City of Brenham will increase from 6.46% to 6.79% effective January 1, 2013.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
A. PROS: Current City of Brenham retirees will receive an annuity increase effective January 1, 2013 and future retirees will most likely have an enhanced retirement annuity because of Updated Service Credit.		
B. CONS: Enhancements result in an increased unfunded actuarial liability.		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: (1) Copy of Ordinance; (2) Letter from TMRS; and (3) TMRS Plan Change Study		
FUNDING SOURCE (Where Applicable): Funds are available in the FY 2012 Budget.		
RECOMMENDED ACTION: Approve an Ordinance on its first reading providing for updated service credit and an increase in retirement annuities in the Texas Municipal Retirement System.		
APPROVALS: Carolyn D. Miller		

**TEXAS MUNICIPAL RETIREMENT SYSTEM**

AN ORDINANCE AUTHORIZING AND ALLOWING, UNDER THE ACT GOVERNING THE TEXAS MUNICIPAL RETIREMENT SYSTEM, "UPDATED SERVICE CREDITS" IN SAID SYSTEM FOR SERVICE PERFORMED BY QUALIFYING MEMBERS OF SUCH SYSTEM WHO PRESENTLY ARE MEMBERS OF THE CITY OF BRENHAM; PROVIDING FOR INCREASED PRIOR AND CURRENT SERVICE ANNUITIES FOR RETIREES AND BENEFICIARIES OF DECEASED RETIREES OF THE CITY; AND ESTABLISHING AN EFFECTIVE DATE FOR SUCH ACTIONS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BRENHAM, TEXAS:

Section 1. Authorization of Updated Service Credits.

(a) On the terms and conditions set out in Sections 853.401 through 853.403 of Subtitle G of Title 8, Government Code, as amended (hereinafter referred to as the "TMRS ACT"), each member of the Texas Municipal Retirement System (hereinafter referred to as the "System") who has current service credit or prior service credit in the System in force and effect on the 1st day of January of the calendar year preceding such allowance, by reason of service in the employment of the City, and on such date has at least 36 months of credited service with the System, shall be and is hereby allowed "Updated Service Credit" (as that term is defined in subsection (d) of Section 853.402 of said title) in an amount that is **100%** of the "base Updated Service Credit" of the member (calculated as provided in subsection (c) of Section 853.402 of said title). The Updated Service Credit hereby allowed shall replace any Updated Service Credit, prior service credit, special prior service credit, or antecedent service credit previously authorized for part of the same service.

(b) On the terms and conditions set out in Section 853.601 of said title, any member of the System who is eligible for Updated Service Credits on the basis of service with this City, and who has unforfeited credit for prior service and/or current service with another participating municipality or municipalities by reason of previous service, and was a contributing member on 1st day of January of the calendar year preceding such allowance, shall be credited with Updated Service Credits pursuant to, calculated in accordance with, and subject to adjustment as set forth in said 853.601.

(c) In accordance with the provisions of subsection (d) of Section 853.401 of said title, the deposits required to be made to the System by employees of the several participating departments on account of current service shall be calculated from and after the date aforesaid on the full amount of such person's earnings as an employee of the City.

Section 2. Increase in Retirement Annuities.

(a) On terms and conditions set out in Section 854.203 of Subtitle G of Title 8, Government Code, as amended, the City hereby elects to allow and to provide for payment of the increases below stated in monthly benefits payable by the System to retired employees and to beneficiaries of deceased employees of this City under current service annuities and prior service annuities arising from service by such employees to this City. An annuity increased under this Section replaces any annuity or increased annuity previously granted to the same person.

(b) The amount of annuity increase under this Section is computed as the sum of the prior and current service annuities on the effective date of retirement of the person on whose service the annuities are based, multiplied by **70%** of the percentage change in Consumer Price Index for All Urban Consumers, from December of the year immediately preceding the effective date of the person's retirement to the December that is 13 months before the effective date of this ordinance.

(c) An increase in an annuity that was reduced because of an option selection is reducible in the same proportion and in the same manner that the original annuity was reduced.

(d) If a computation hereunder does not result in an increase in the amount of an annuity, the amount of the annuity will not be changed hereby.

(e) The amount by which an increase under this Section exceeds all previously granted increases to an annuitant is an obligation of this City and of its account in the Benefit Accumulation Fund of the System.

Effective Date Subject to approval by the Board of Trustees of Texas Municipal Retirement System, the updated service credits and increases in retirement annuities granted hereby shall be and become effective on the **1st day of January, 2013**.

Passed and approved on its first reading this the _____ day of _____, _____

Passed and approved on its second reading this the _____ day of _____, _____.

ATTEST:

APPROVED:

Jeana Bellinger, City Secretary

Milton Y. Tate, Jr., Mayor



October 30, 2012

Via E-Mail

Ms. Janie H. Mehrens
Personnel Manager
City of Brenham
P.O. Box 1059
Brenham, TX 77834-1059

Dear Janie:

We are pleased to enclose an ordinance for your city to adopt:

***100% Updated Service Credit, including Transfers
&
70% CPI Increase to Annuitants
Ad Hoc (one time only basis)***

With the adoption of these additional benefits, your city's contribution rate beginning January 1, 2013 will be **6.79%**

We would appreciate receiving a copy of this ordinance as soon as possible after its adoption.

If you have any questions or need additional assistance, please contact me at 1-800-924-8677.

Sincerely,

A handwritten signature in cursive script that reads 'Eric W. Davis'.

Eric W. Davis
Deputy Executive Director



Plan Change Study

00176 Brenham

GRID 2013

For Informational Purposes Only

Effective Date - January 1, 2013

Report Date - October 29, 2012

Proposed Plans

	<u>Current</u>	<u>1</u>
Plan Provisions		
Deposit Rate	5.00%	5.00%
Matching Ratio	2 to 1	2 to 1
Updated Service Credit	0%	100% ✓
Transfer USC **	No	Yes ✓
Annuity Increase	0%	70% ✓
20 Year/Any Age Ret. Vesting	Yes	Yes
	5 years	5 years
Contribution Rates	2013	2013
Normal Cost Rate	5.74%	5.80%
Prior Service Rate	<u>0.66%</u>	<u>0.99%</u>
Retirement Rate	6.40%	6.79%
Supplemental Death Rate	0.00% (None)	0.00% (None) ✓
Total Rate	6.40%	6.79%
Unfunded Actuarial Liability	\$607,194	\$925,424
Amortization Period	25 years	25 years
Funded Ratio	98.1%	97.1%
Phase-In Total Rate	N/A	N/A
Study exceeds 11.50% stat max	No	No

**This is the addition to the Initial Prior Service Rate for USC for transfers. There were 7 eligible transfer employees on the valuation date.



AGENDA ITEM 9

DATE OF MEETING: 11-29-12	DATE SUBMITTED: 11-19-12	
DEPT. OF ORIGIN: Administration	SUBMITTED BY: Doug Baker	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input checked="" type="checkbox"/> 1 ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2 ND READING
<input type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> RESOLUTION
	<input type="checkbox"/> WORK SESSION	
AGENDA ITEM DESCRIPTION: Discuss and Possibly Act Upon an Ordinance on its First Reading Establishing a No-Parking Zone on the East Side of Seward Street from the North Right of Way Line of W. Main Street to the South Right of Way Line of W. Vulcan Street.		
SUMMARY STATEMENT: This portion of Seward Street is 31 feet wide. That is not enough width for vehicle parking on both sides of the street plus two moving lanes in both directions. The problem is compounded by the fact that the street is in a reverse curve between Vulcan and Main. To sum it up, when vehicles are parked on both sides of the street, as they frequently are, there is not enough width left for two way traffic. The elimination of parking on one side of the street would improve vehicle mobility and safety between W. Vulcan and W. Main. I have discussed this with the owners of the property adjacent to that side of the street and they support the establishment of the no-parking zone.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
A. PROS:		
B. CONS:		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: (1) Ordinance establishing a no-parking zone		
FUNDING SOURCE (Where Applicable): N/A		

RECOMMENDED ACTION: Approve the Ordinance on its first reading establishing a no-parking zone on the east side of Seward Street from the north right of way line of W. Main Street to the south right of way line of W. Vulcan Street.

APPROVALS: Terry K. Roberts

ORDINANCE NO. _____

AN ORDINANCE PROVIDING FOR A NO-PARKING ZONE ALONG THE EAST SIDE OF SEWARD STREET BETWEEN THE NORTH RIGHT OF WAY LINE OF W. MAIN STREET AND THE SOUTH RIGHT OF WAY LINE OF W. VULCAN STREET; AND PROVIDING FOR PENALTY FOR VIOLATION THEREOF.

WHEREAS, it is necessary to provide for no-parking zones within the City of Brenham, to prevent accidents, collisions and damages, and to promote the flow of traffic along and into such street, and to regulate the same:

NOW, THEREFORE BE IT ORDAINED by the City Council of the City of Brenham, Texas:

SECTION I.

That every person, firm or corporation, shall be prohibited from parking on the east side of Seward Street from the north right of way line of W. Main Street to the south right of way line of W. Vulcan Street in the City of Brenham.

SECTION II.

That every person, firm or corporation, operating a motor vehicle or other vehicle of any kind in, on, along and into the portion of street designated in Section I. hereof shall not park a vehicle or let a vehicle stand, or permit any vehicle to park or stand, in such designated area; except for City vehicles and emergency vehicles.

SECTION III.

That any person, firm or corporation, violating Section II hereof, shall be fined in a sum not less than \$1.00 and not more than \$500.00, plus costs.

SECTION IV.

This ordinance shall take full force and effect from and after its passage and approval.

PASSED and APPROVED on its first reading this the _____ day of November, 2012.

PASSED and APPROVED on its second reading this the _____ of December, 2012.

Milton Y. Tate, Jr.
Mayor

ATTEST:

Jeana Bellinger, TRMC
City Secretary



AGENDA ITEM 10

DATE OF MEETING: 11-29-12	DATE SUBMITTED: 11-20-12	
DEPT. OF ORIGIN: Administration	SUBMITTED BY: Doug Baker	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input checked="" type="checkbox"/> 1ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING
<input type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> RESOLUTION
<input type="checkbox"/> WORK SESSION		
AGENDA ITEM DESCRIPTION: Discuss and Possibly Act Upon an Ordinance on its First Reading Authorizing the Placement of Stop Signs on Hickory Hollow Lane at its Intersection with Twisted Oak Drive.		
SUMMARY STATEMENT: There are no stop signs at this intersection. The dips on each side of Hickory Hollow Lane slow the northbound and southbound traffic on Twisted Oak Drive to some extent, thereby providing some degree of regulation. However, I believe the appropriate place to put the signs is on Hickory Hollow Lane, regulating the eastbound and westbound traffic.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
A. PROS:		
B. CONS:		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: (1) Ordinance authorizing placement of stop signs		
FUNDING SOURCE (Where Applicable): N/A		
RECOMMENDED ACTION: Approve an ordinance on its first reading authorizing the placement of stop signs on Hickory Hollow Lane at its intersection with Twisted Oak Drive.		
APPROVALS: Terry K. Roberts		

ORDINANCE NO. _____

AN ORDINANCE REQUIRING THE PLACING OF STOP SIGNS IN THE CITY OF BRENHAM, TEXAS, SETTING THE LOCATION OF SAID STOP SIGNS, REGULATING THE TRAFFIC AT SAID STOP SIGNS, AND PROVIDING FOR PENALTY FOR VIOLATION THEREOF.

WHEREAS, it is necessary to provide stop signs on Hickory Hollow Lane at its intersection with Twisted Oak Drive in the City of Brenham to prevent accidents, collisions and damages, to promote the flow of traffic along and into such streets, and to regulate the same:

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Brenham, Texas:

SECTION I.

That there shall be established and installed two stop signs on Hickory Hollow Lane at its intersection with Twisted Oak Drive immediately before entering said intersection, regulating eastbound and westbound traffic.

This stop sign shall be placed at the top of a standard, placed in the ground on the right hand side of the streets identified herein.

SECTION II.

That every person, firm or corporation, operating a motor vehicle or other vehicle of any kind, in, on, along and into the street or street intersection designated in Section 1 hereof, upon reaching a stop sign at the location so designated, shall bring said vehicle to a full and complete stop or halt, before proceeding further along said street or into or on said street intersection.

SECTION III.

That any person, firm or corporation, violating Section 2 hereof, shall be fined in a sum not less than \$1.00 and not more than \$500.00, plus costs.

SECTION IV.

This ordinance shall take full force and effect from and after its passage and approval.

PASSED and APPROVED on its first reading this the _____ day of November, 2012.

PASSED and APPROVED on its second reading this the _____ day of December, 2012.

Milton Y. Tate, Jr.
Mayor

ATTEST:

Jeana Bellinger, TRMC
City Secretary



AGENDA ITEM 11

DATE OF MEETING: November 29, 2012	DATE SUBMITTED: November 26, 2012	
DEPT. OF ORIGIN: Finance	SUBMITTED BY: Carolyn D. Miller	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1 ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2 ND READING
<input type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> RESOLUTION
	<input type="checkbox"/> WORK SESSION	
AGENDA ITEM DESCRIPTION: Discuss and Possibly Act Upon Resolution No. R-12-021 Reauthorizing an Investment Policy for the City of Brenham.		
SUMMARY STATEMENT: In 1987, the Texas Legislature adopted the Public Funds Investment Act (PFIA) which established guidelines for local governments. This Act requires that a local government adopt a written investment policy and reauthorize the policy annually. We are asking Council to reauthorize the existing policy with no changes. In November of 2011, we adopted the changes as outlined in HB 2226 from the 82 nd Legislative session which required the Investment Officer to monitor the credit rating on all authorized investments. You will also note on the last page of the Investment Policy, the section showing the Council Resolutions and approval dates for each fiscal year.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
A. PROS:		
B. CONS:		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: (1) Resolution No. R-12-021; and (2) Investment Policy dated November 29, 2012		
FUNDING SOURCE (Where Applicable):		
RECOMMENDED ACTION: Approve Resolution No. R-12-021 reauthorizing the Investment Policy for the City of Brenham dated November 29, 2012.		
APPROVALS: Carolyn D. Miller		

RESOLUTION NO. R-12-021

A RESOLUTION REAUTHORIZING AN INVESTMENT POLICY FOR THE CITY OF BRENHAM

WHEREAS, in the 1987 session the Texas Legislature adopted the Public Funds Investment Act, “the Act”, which established guidelines for local government investments; and

WHEREAS, the Act requires that a local government adopt a written investment policy; and

WHEREAS, the Act requires the governing body of a local government to reauthorize the written investment policy annually; and

WHEREAS, the amended policy dated November 29, 2012 complies with the provision of the Act; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRENHAM, TEXAS THAT:

Section 1: The City of Brenham Investment Policy attached hereto as “Exhibit A” is hereby reauthorized as the investment policy of the City of Brenham effective November 29, 2012.

Section 2: This Resolution shall take effect immediately upon its passage.

APPROVED on this _____ day of _____, 2012.

Milton Y. Tate, Jr.
Mayor

ATTEST:

Jeana Bellinger, TRMC
City Secretary



INVESTMENT POLICY

I. POLICY

It is the policy of the City of Brenham that all available funds shall be invested in conformance with these legal and administrative guidelines with consideration for anticipated cash flow requirements and consideration of the safety and risk of investments. The City shall seek to optimize interest earnings to the extent possible based on these risk parameters.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to City of Brenham funds. The City of Brenham's investment portfolio shall be designed and managed in a manner designed to obtain the highest reasonable earnings from this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

- * **Safety** and preservation of principal
- * Maintenance of sufficient **liquidity** to meet operating needs
- * Diversification to avoid concentrated risk
- * **Public trust** from prudent investment activities
- * Optimization of **interest earnings** on the portfolio

The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City of Brenham's funds. This Policy serves to satisfy the statutory requirements of the Public Funds Investment Act, the "Act", (Texas Government Code, Chapter 2256) in defining and adopting a formal investment policy and strategy. The policy and strategy shall be reviewed by the Audit / Investment Committee and adopted by resolution of the City Council no less than annually. Any modifications to the Policy will be noted in the written resolution.

II. SCOPE

This Investment Policy shall govern the investment of all financial assets of the City of Brenham. These funds are accounted for in the City of Brenham's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Brenham Community Development Corporation Funds
- Internal Service Funds
- Self-Insurance Funds
- Any new fund created by the City of Brenham, unless specifically exempted from this Policy by the City Council or by law.

The City of Brenham may consolidate cash balances from all funds for investment purposes and efficiencies. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. The consolidated portfolio will address the varying needs, goals, and objectives of each fund.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this Policy does not apply to the assets administered for the benefit of the City of Brenham by outside agencies or under deferred compensation programs.

III. INVESTMENT OBJECTIVES

The City of Brenham shall manage and invest its cash with five primary objectives, listed in order of priority: **safety, liquidity, diversification, public trust, and yield**. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The City of Brenham shall maintain a comprehensive cash management program, which includes timely collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of funds. Cash management is defined as the process of managing monies in order to ensure cash availability and reasonable market earnings on the City's assets.

Safety

Safety of principal is the foremost objective of the investment program. Investments of the City of Brenham shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Competitive bidding and perfected ownership of investments will be in place at all times. The objective will be to mitigate credit and interest rate risk. Each investment transaction shall be conducted in a manner to control the risk of capital loss by investing in high credit quality securities.

- Credit Risk – The Entity will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by:
 - Limiting investments to the highest credit quality investments
 - Pre-qualifying the financial institutions and broker/dealers with which the City of Brenham transacts business
 - Perfecting City ownership by delivery versus payment settlement, and
 - Diversifying the investment portfolio so that potential credit or market risk is minimized.

- Market Risk – the City will minimize the risk from interest rate volatility by:
 - Structuring the investment portfolio to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
 - Investing operating funds in laddered securities and maintaining a liquidity portion to cover unanticipated expenses.

Liquidity

The City of Brenham investment portfolio shall be structured in a ladder of maturities to match expected liabilities along with a liquidity portion to meet unanticipated liabilities. Securities will have active secondary markets.

Public Trust

All participants in the City of Brenham’s investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City of Brenham’s ability to govern effectively.

Diversification

The portfolio will be diversified by market sector and maturity based on the cash flow and risk tolerances of the City.

Yield

The City of Brenham investment portfolio shall be designed with the objective of attaining a reasonable market yield throughout budgetary and economic cycles, taking into account the City’s investment risk constraints and the cash flow characteristics of the portfolio. Yield is secondary to the safety and liquidity objectives described above.

Based upon the cash flow of the City the maximum dollar- weighted average maturity of the consolidated portfolio shall be six months. The benchmark used to determine whether reasonable yields are being achieved shall be the six month U.S. Treasury Bill.

IV. INVESTMENT STRATEGY

The City of Brenham maintains a consolidated portfolio which is designed to address the unique characteristics of the fund groups represented in the portfolio.

Operating Funds: The primary objective for operating funds is to assure anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high credit quality, short to medium term securities in a laddered structure. The maximum dollar weighted average maturity of six months reflects the expenditure cash flow of operating funds and will be calculated using the *stated* final maturity dates of each security.

Capital Project Funds: Funds for capital projects or special purposes should be invested based on anticipated cash flows and allow for flexibility and unanticipated project outlays. At no time will the stated final maturity dates of investments exceed the estimated project completion date on capital project funds.

Debt Service Funds: Debt service funds shall be invested with the primary objective of funding debt service obligations on the required payment date. Priority will be given to funding the next debt service due before any extensions are made in the funds.

Debt Service Reserve Funds: Debt Service Reserves should be invested to generate a dependable revenue stream from securities with a low degree of volatility. Securities should be short to medium term maturities and of high credit quality.

The City primarily utilizes a passive “buy and hold” portfolio strategy. Maturity dates are primarily matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal.
- Cash flow needs require that the investment be liquidated.
- Market conditions present an opportunity to benefit from the trade.

V. RESPONSIBILITY AND CONTROL

City Council Responsibilities

The City Council, in accordance with the Act, shall:

- Designate Investment Officers by resolution
- Receive and review quarterly investment reports

- Annually review and approve the City's broker/financial institution certification list – *As noted in Section VIII, the governing body has designated this responsibility to the Audit & Investment Committee*
- Review and adopt the investment policy and strategy at least annually

Investment Officers

The Chief Financial Officer and the City Manager are hereby designated as "Investment Officers" pursuant to the Act. Investment Officers are delegated authority to invest the funds on behalf of the City and such authorization shall remain in effect until rescinded by the City Council or until the Officer resigns or is terminated. The Investment Officers are authorized to execute investment transactions on behalf of the City. No person may engage in an investment transaction or the management of City of Brenham funds except as provided under the terms of this Investment Policy as approved by the City Council.

Investment Officers shall:

- Obtain training as defined by the Act and this Policy
- Prepare, sign, and submit quarterly investment reports to Council
- Maintain compliance files on all counter-parties (brokers) and provide the list for Council approval at least annually
- Provide for competitive bidding
- Maintain full and complete records of the City's portfolio and transactions.

Quality and Capability of Investment Management

The Investment Officers shall obtain training in investments. The seminars should be offered by professional organizations, associations, and other independent sources approved by Council. The training is to insure the quality and capability of investment management in compliance with the Act.

In accordance with the Act, the designated Investment Officers shall attend 10 hours of investment training session within 12 months of their designation and every successive two years. A newly appointed Investment Officer must attend a training session of at least 10 hours of instruction within twelve months of the date the officer took office or assumed the officer's duties. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom the City of Brenham may engage in an investment transaction.

Internal Controls

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Chief Financial Officer shall establish a process for a compliance audit on policies and procedures. The internal controls shall address the following points at a minimum.

- Control of collusion.
- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for telephone (voice) transactions for investments and wire transfers.
- Development of a wire transfer agreement with the depository bank or third party custodian.
- Review of compliance with the Act and this Policy.

The Chief Financial Officer shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the City Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

Prudence

The standard of prudence to be applied to all transactions shall be the “prudent person rule”. This rule states that “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- The investment of all funds, or funds under the City’s control, over which the Officer had responsibility rather than a consideration as to the prudence of a single investment.
- Whether the investment decision was consistent with the written approved Investment Policy of the City.

Indemnification

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally liable for a specific investment’s credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City’s ability to govern effectively. Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with

the proper execution and management of the investment program, or that would impair their ability to make impartial decisions.

Council members, employees and Investment Officers shall disclose to the Texas Ethics Commission and the City Manager, and the City Manager discloses to the City Council if:

- a) The officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City; or
- b) The officer is related within the second degree by affinity of consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the City; or
- c) The officer has any material interests in financial institutions with which they conduct business; or
- d) The officer has any personal financial/investment positions that could be related to the performance of the investment portfolio.

Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of Brenham.

VI. SUITABLE AND AUTHORIZED INVESTMENTS

City funds may be invested only in the instruments described below, all of which are authorized and further defined by the Act. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

I. Authorized Investments

1. Obligations of the United States of America, its agencies and instrumentalities with stated maturities not to exceed three (3) excluding mortgage backed securities.
2. Obligations of the this State or any State or agency thereof including political subdivisions having been rated as investment quality by two nationally recognized investment rating firm, and having received a rating of not less than "AA" or its equivalent with maturities not to exceed three (3) years.
3. Fully insured or collateralized Certificates of Deposit issued by a bank doing business in Texas insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner provided for by this Policy and state law with maturities not to exceed 12 months .
4. Fully collateralized direct repurchase agreements as defined by the Act with a defined termination date. Collateral shall be pledged to the City, held in the City's name, and deposited with a third party approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution

doing business in Texas. A Bond market Association Master Repurchase Agreement must be executed prior to investment. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a continuous market value equal to or greater than 102%. Repurchase agreements shall not have maturities over 3 months. Flex repurchase agreements used exclusively for capital project funds may exceed three months but may not be for a period longer than the expected expenditure of the bond proceeds.

5. AAA-rated money market mutual funds that are 1) registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) are rated AAA by at least one nationally recognized rating service, and 4) seek to maintain a net asset value of \$1.00 per share.
6. Constant dollar, local government investment pools, which 1) are created under and conform to the requirements of the Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, 3) seek to maintain a \$1.00 net asset value, and 4) are authorized by resolution or ordinance by the City Council.

II. Un-authorized Investments

The Act and this Policy prohibits investment in the following investment instruments:

- Obligations whose payment represents the coupon payments of the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal (Interest Only mortgage backed securities);
- Obligations whose payment represents the principal stream of cash flow from underlying mortgage-backed security collateral and bear no interest (Principal only mortgage backed securities);
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and

The practice of “leveraging” whereby funds are borrowed for the sole purpose of investing is prohibited.

VII. INVESTMENT PARAMETERS

Maximum Maturities

The longer the maturity of investments, the greater their price volatility; therefore, it is the City’s policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

The City shall attempt to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than three (3) years from the date of purchase; however, the above described obligations, certificates, or agreements may be collateralized using longer dated investments.

The consolidated portfolio will have a maximum dollar-weighted average maturity of six months. This dollar-weighted average will be calculated using the stated final maturity dates of each security.

Diversification

The City of Brenham recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid over concentration in investments from a specific issuer or business,
- Limiting investment in investments that have higher credit risks
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the City of Brenham’s total portfolio:

1. U.S. Treasury Securities	90 %
2. Agencies and Instrumentalities	80 %
3. Certificates of Deposit	20 %
4. Repurchase Agreements*	80 %
5. Money Market Mutual Funds.....	20 %
6. Authorized Pools	100 %

*Excluding flexible repurchase agreements for bond proceeds investments

VIII. SELECTION OF BANKS AND DEALERS

Depository

As required by the City of Brenham Charter, every two (2) years a banking services depository shall be selected through a competitive process, which shall include a formal request for proposal (RFP) and be consistent with state law. The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state law.
- The ability to provide required services.
- The ability to meet all requirements in the banking RFP.
- The lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
- The credit worthiness and financial stability of the bank.

All banks will execute a written depository agreement in accordance with FIRREA¹ designating authorized collateral.

Authorized Brokers/Dealers

The City Audit/Investment Committee shall, at least annually, review, revise, and adopt a list of qualified broker/dealers and financial institutions (banks and pools) authorized to engage in securities transactions with the City. Those firms that request to become qualified bidders for securities transactions will be required to provide information for the City's questionnaire that provides information regarding creditworthiness, contact information, and experience; and 2) the City's certification stating the firm has received, read and understood the City of Brenham's Investment Policy and have in place controls to prohibit selling the City any security not authorized by that Policy.

The City shall have a minimum of three broker/dealers to assure competitive bidding. Authorized firms may include primary dealers or regional dealers and qualified depositories. All investment providers, including financial institutions, banks, and local government investment pools, must sign the City's certification

Competitive Bids

All transactions will be made on a competitive basis. The Chief Financial Officer shall develop and maintain procedures for ensuring a competition in the investment of the City funds.

Delivery vs. Payment

Securities shall be purchased only using the **delivery vs. payment** method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received by the custodian.

IX. SAFEKEEPING OF SECURITIES AND COLLATERAL

Safekeeping and Custodian Agreements

The City of Brenham shall contract with a depository for the safekeeping of securities either owned by the City of Brenham as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the City of Brenham shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by an independent third party custodian outside of the pledging bank and evidenced by original safekeeping receipts of the pledging institution with which the collateral is deposited. Original safekeeping receipts shall be delivered to the City.

¹ The Financial Institutions Resource and Recover Enforcement Act governs the actions of the FDIC in cases of bank default.

Collateral Policy

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require collateralization of City funds in time and demand deposit with any depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the City of Brenham may require a higher level of collateralization for certain investment securities.

Securities pledged as collateral shall be held by an independent third party outside the holding company of the pledging bank with whom the City has a current custodial agreement. The Chief Financial Officer is responsible for entering into collateralization agreements with custodians. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to and retained by the City. Collateral shall be priced weekly at a minimum and to assure that the market value of the pledged securities is adequate.

Any substitution of collateral shall require prior City approval. The substituted security's market value will be equal to or greater than the required security value. Written notification of the substitution must be provided to the bank or safekeeping agent prior to any security release.

Collateral Defined

The Entity shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities including mortgage backed securities
- Direct obligations of the state of Texas or its agencies and instrumentalities rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent

Subject to Audit

All collateral shall be subject to inspection and audit by the Chief Financial Officer or the City of Brenham's independent auditors.

X. PERFORMANCE

Performance Standards

The City of Brenham's investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio shall be designed with the objective of obtaining a reasonable yield throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the City.

Performance Benchmark

It is the policy of the City of Brenham to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the City shall seek to optimize interest earnings utilizing allowable investments available on the market at that time. Market value will be calculated on a monthly basis on all securities owned and compared to current book value. The City of Brenham's portfolio shall be designed with the objective of regularly meeting or exceeding the period average yield on the six month U.S. Treasury Bill which is comparable to the City's maximum weighted average maturity in days based on its cash flow analysis.

XI. REPORTING

Methods

The Investment Officer shall prepare an internal investment report on a monthly basis and on a quarterly basis for Council that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investment securities, maturities including the yield for the quarter.

The quarterly investment report shall be in compliance with the Act and include a summary statement of investment activity prepared in compliance with generally accepted accounting principals. This summary will be prepared in a manner that will allow the City Audit/Investment Committee to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the City Council for review. The report will include the following:

- A listing of individual securities held at the end of the reporting period.
- Unrealized gains or losses as calculated on the beginning and ending book and market value of securities for the period.
- Additions and changes to the market value during the period.
- Average weighted yield of portfolio as compared to the City's benchmark.
- Listing of investments by maturity date.
- Fully accrued interest and earnings for the reporting period
- The percentage of the total portfolio that each type of investment represents.
- Any additional reporting information as required by the Act.
- Statement of compliance of the City of Brenham's Investment Policy and the Act

Month-end market prices on each security are to be obtained from nationally recognized security databases (e.g., The Wall Street Journal, Bloomberg, etc.).

An independent auditor will perform an annual formal review of the quarterly reports with the results reported to the governing body.

Monitoring Market Value

Market value of all securities in the portfolio will be determined on a monthly basis. These values will be obtained from a reputable and independent source reported in the quarterly report.

XII. INVESTMENT POLICY ADOPTION

The City of Brenham’s Investment Policy shall be adopted no less than annually by resolution of the City Council. The City of Brenham’s Investment Policy shall be subject to revisions consistent with changing laws, regulations, and needs of the City but any such changes must be adopted by the Council before use. The resolution adopting the policy and strategies must include any changes or modifications to the Policy.

Authority/Date Issued:

<i>City Council Resolution # R-07-026</i>	<i>November 15, 2007</i>
<i>City Council Resolution # R-08-037</i>	<i>October 16, 2008</i>
<i>City Council Resolution # R-09-024</i>	<i>October 15, 2009</i>
<i>City Council Resolution # R-10-025</i>	<i>November 4, 2010</i>
<i>City Council Resolution #R-11-020</i>	<i>November 3, 2011</i>



AGENDA ITEM 12

DATE OF MEETING: November 29, 2012	DATE SUBMITTED: November 21, 2012	
DEPT. OF ORIGIN: Administration	SUBMITTED BY: Terry K. Roberts	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1 ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2 ND READING
<input checked="" type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> RESOLUTION
	<input type="checkbox"/> WORK SESSION	
AGENDA ITEM DESCRIPTION: Section 551.074 - Texas Government Code – Personnel Matters – Discuss and Consider Re-Appointment and Compensation for Municipal Court Judges Julian Weisler and Robert Wright and City Prosecutor Bill Kendall		
SUMMARY STATEMENT: Executive Session discussion.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
A. PROS:		
B. CONS:		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: None.		
FUNDING SOURCE (Where Applicable):		
RECOMMENDED ACTION: Discussion only.		
APPROVALS: Terry K. Roberts		



AGENDA ITEM 13

DATE OF MEETING: November 29, 2012	DATE SUBMITTED: November 21, 2012	
DEPT. OF ORIGIN: Administration	SUBMITTED BY: Terry K. Roberts	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1 ST READING
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2 ND READING
<input type="checkbox"/> EXECUTIVE SESSION	<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> RESOLUTION
	<input type="checkbox"/> WORK SESSION	
AGENDA ITEM DESCRIPTION: Discuss and Possibly Take Action as a Result of an Executive Session Regarding Re-Appointment and Compensation for Municipal Court Judges Julian Weisler and Robert Wright and City Prosecutor Bill Kendall		
SUMMARY STATEMENT: To be discussed in Executive Session.		
STAFF ANALYSIS (For Ordinances or Regular Agenda Items):		
A. PROS:		
B. CONS:		
ALTERNATIVES (In Suggested Order of Staff Preference):		
ATTACHMENTS: None		
FUNDING SOURCE (Where Applicable):		
RECOMMENDED ACTION:		
APPROVALS: Terry K. Roberts		