

**City of Alpine  
Special City Council Meeting  
January 22<sup>nd</sup>, 2014  
9:00 A.M.  
Minutes**

- 1. Call to Order, Invocation and Pledge of allegiance to the flag – Mayor Rangra called the City Council meeting to order.**
- 2. Determination of a quorum and proof of notice of the meeting – Mayor Rangra, Councilors Bermudez, Gonzales and Castelli were present. Councilors Davidson and Fitzgerald were absent. Notice had been posted at 11:45 A.M. on January 15<sup>th</sup>, 2014. Jim Stateczny with HCSS, Erik Zimmer, CM and Molly Taylor, CS were present.**
- 3. Presentations, recognitions and proclamations – None**
- 4. Reports – None**
  - City Mayor’s Report -**
  - City Attorney Report –**
  - City Manager Report –**
  - City Staff Updates –**
- 5. Citizens Comments (on agenda items) – None**
- 6. Public Hearings – None**
- 7. Consent Agenda – (Minutes, Financial reports, Department Written Reports, board appointments, etc.) – None**
- 8. Information or Discussion items –**
  - A. Workshop for Council to help understand how the new Hill Country Software System works by Jim Stateczny, Chairman of the Board of HCSS. (A. Bermudez) – Jim Stateczny said he wanted to give the Council some background about the system. He said the system was written initially in 1982 with the assistance of the Kendall County Auditor. He said he had back surgery for a ruptured disk and he was not going anywhere so computers saved his sanity. He said this software has evolved since 1982 and it is in probably 100 county offices and probably**

a dozen city offices in the state of Texas. He said when they initially wrote it, in 1982, 1983, and 1984, the State of Texas at that time had what they called the Red Book. He said this book was recommended accounting procedures for Texas County Government. He said at the same time a few years later they came out with a Blue Book and that is what we would have here. He said it was about an inch thicker than the Red Book. He said it was suggested accounting procedures for Municipal Government. He said he worked with the people at the Comptroller's office. He said Tom Nielsen was probably the main guy at that time. He said a team of people who helped write this book were county treasurers and county auditors and some city financial people. He said when the book was completed, all said and all done, we pretty much had an evaluation of the book being worthless. He said there were some things in the book that were good. He said there were some concepts that they came up with that HCSS followed since those days but a lot of the stuff that was in there does not mean much. He said basically the way the system works is that everything revolves around the general ledger. He said back in 1985, the City of Alpine would have wanted his accounting system. He said the State of Texas would have come out here and converted the city for free. He said that is how much they wanted people to use the system. He said that did not last too long and that kind of went away. He said the critical part of the system is the general ledger and it is getting the chart of accounts set up properly so that everything else can revolve around it. He said looking back at the time we spent converting from the old system to this system, most of the time was spent on the general ledger because your old general ledger, to be polite, was a shambles. He said it was the biggest mess ever known to man. He said an example was the 31 and 1/2 million that we were off and we were off inside of Fund 70 which is your capital assets fund and the only reason it was off was because the chart of accounts inside of Fund 70 was not set up properly. He said they were not categorized properly. He said as soon as we categorized the accounts properly, the 31 and 1/2 million went away just that quick. He said everything that we do with this system is focused around the general ledger. He said the good thing about it is when you get the general ledger set up right as your people do their work, they very seldom work with the general ledger. He said the general ledger is updated constantly. He said if you were to sit at a screen today and look at your books and you wanted to see what a budget line item looked like, you would know that it is current as of this very minute. He said everything posts automatically to the general ledger. He said now as a Council what does this mean to you? He said this means that during the month the staff will perform their jobs and it is going to keep the general ledger updated currently so that when it comes time for a council meeting, the reports that the council will be provided, to evaluate, you will know that they are current reports. He said he thinks he asked a few council members about the previous

system and how you folks could sit up here and make intelligent decisions when the reports you were being given, were at the very least 45 days old and they were very confusing to read. He said the information the council was asked to work with, prior to that stuff that was awful. He said now, you will have up to the moment information and you are going to know that you can follow and ask for the status of any line item to Erik or any of his people and you will know that information is up to date. He said the thing the State of Texas did when they came out with the Red Book and the Blue Book, was that the payment of bills revolves around the city council meeting or the Commissioner's Court meeting. He said theoretically, according to the red book, no bill can be paid without your approval. He said that does not mean you have to approve every check because payroll for instance, at the time you hired the employee, you have approved that employees benefit package. He said you do not have to approve every pay check that comes out. He said he actually had one account he went into years ago because the Commissioner's felt that they had to look at every pay check and give it the official approval before they go out. He said the other bills have to be approved by the council and so the strategy that is going to be employed here, is when you receive your packet, 2 or three days prior to the Council meeting, it will include two things, 1 – a financial report that will show the council the budget and the things that Erik and his staff want them to see. He said the second thing that will be included is a list of all the claims that you are going to be asked to approve. He said the thing they need to get into the habit of doing. He said your council meetings are on a Tuesday night and it means you are getting your packet on Friday. Jim said at the council's leisure during the weekend especially go over the list of cases and list your complaints and make sure everything looks right to you. The City manager said if something does not look right, don't wait until the Council Meeting to bring up a question. He said come up before the council meeting so they can research it and give the right answer, and know if it is the right answer and if something was wrong they have the opportunity to fix it before the council meeting actually occurs and then after the council meeting they go back to the HCSS Software and tell the software in most cases that all claims were approved. He said then in a matter of minutes the checks were printed and the appropriate people began to start signing their names. He said that is the way the overall system is supposed to work. He said it is really pretty straight forward. He said he is here today to show the council and to answer questions. He said the conversion they previously went through did not occur at the best of times. He said there was a lot of sign activity going on that the folks have been asking questions about. He said that is what he wanted to show them today. He said what the accounting system is designed to do. He said we should expect that. He said if you look at some of the other surrounding systems you have your capital assets and that is pretty obvious. He said as of today we

have not converted the capital assets from the old system to the new system. He said the reason we have not is we have started evaluating the capital assets. He said the priority was to get your cash under control. He said we have started to evaluate your capital assets as with the rest of the old software, the capital assets are not in that good of a shape and it is almost to the point where we may consider starting over to where we go on and get some good tags and just repeat the process. He said when he asks a question "Can you show me a list of tag numbers and what they represent so I can try to cross reference it into the capital asset data base?" we have not done that for quite a while. He said that project is pretty much being handled by your outside auditors. He said that is fund 7 and that is where the large amount of capital assets is that this small city has. Jim said he was surprised at the large amount of capital assets. He said to have \$70 million dollars in assets and to be a city of this size is quite amazing to him. He said when you look at the land and the buildings that the city owns, it all makes sense. Councilor Gonzales asked about the amount of Capital Assets. Jim said he believes it is up around there. He said that is not exact but around that amount. Mayor Rangra said that is probably the appraised or catalog value. Jim said then you have your depreciation too. Mayor Rangra said this building could be appraised at one million or one and one half million. Jim said the 70 million could be wrong. He said he had too many numbers floating around in his head. Jim said another contributing system is your accounts payable system. He said that is pretty obvious to everyone. He said that is where all of your bills are fed into. He said that is where they are prepared and processed and getting ready to be presented to the council for approval or disapproval. He said the payroll system handles your payroll. He said the big difference between the old software and the new software is that in the old software you had a fund 2 which was the payroll fund. He said that fund is gone away and now all of your payroll is departmentalized which means it is charged to the appropriate department so that you know how much payroll is coming from the gas company and how much payroll is coming from the sewer and your different departments. He said fund 2, the old payroll fund, is pretty much phased out. He said he thinks there are still numbers in there but they should be gone from there shortly. He said your receipt system is how we bring money into the system. He said whenever someone brings money to the city, a receipt is issued. He said the receipts that come in via the gas company, via utilities all come into the system via receipt. He said right now at the end of the day or first thing in the morning a receipt is issued into the system that represents the previous day's activity so we know how much came in for this and how much came in for that. He said when we get around to redoing the utility system, and replacing it with another piece of software, that action will be automatic. He said you will get the flow directly from the utility systems into the general ledger. He said your financial people will have to oversee that. He said that is

the way that the package wraps us. He said there are five systems that are working together. Councilor Gonzales said he would like to ask a question about the payroll system. He said he understands that there was a discrepancy in being able to tell vacation, sick leave or comp time. Jim said he thought we pretty much accounted for the difference between vacation, sick and comp. He said it took him a little while to figure it out but he thinks that was all accounted for properly. He said and then the one report that the Mayor asked him (Jim) to write, and it turns out that the timing of this report was pretty much perfect. He said he has to believe that these auditors who come in and audit you, whether they are auditing a city or they are auditing a county, have to be certified by the state of Texas to be able to do this. He said he has to believe that every year the state comes out with something that want them to focus on and for some reason the focus in the past year or two has been payroll and overtime. He said he took the report that he wrote for Mayor Rangra back to the users conference back in November. He said the rest of his customers saw it and it was like "where has this been?" and "why have we not had this before now?". He said he told them that nobody had asked for it before. He said the Mayor of Alpine asked for it. He said apparently that has become a sensitive issue and the thing is it is attached to these homeland security grants. He said not that anybody here in Alpine would do it but these deputies, depending on how they work is charged, to the city or to a grant, it is a different way to pay. He said these guys will figure out how to make sure they are getting the higher rate of pay for the overtime. He said he thinks that is where the focus has come from, from the state of Texas. He said he thinks, Councilor Gonzales, in order to answer his original question, he thinks when it is all said and done, he thinks we had payroll, comp and overtime pretty well covered before. He said Megan can answer that question better than he can. He said he thinks we have it pretty well under control. Councilor Gonzales, said he understood that the previous audits did not include the payroll. He said they were not looking at that. Jim said he really did not know. He said he was sure they did because, especially Shaw's group, his company audits around 20 or 30 of his customers and he is pretty thorough. He said he does not know for sure what he focused on here or what he did. Mayor Rangra said so what he hears from Jim is that the state directs the auditors to focus on certain things. Jim said that was his opinion, yes. Jim said another example of this came about 10 or 15 years ago. He said the state came down on counties and cities and said there were too many checking accounts. He said there were too many checking accounts being managed by people who should not be managing them. He said they were not focusing on one group in particular, but we can look at JP Court and Municipal Court. He said the JP's had their own checking account and they were putting money in it and taking money out of it. He said the state said no, no, no. He said there is only one person in the county that manages the money

and that is the treasurer. He said there is only one person in the city that manages the money and that is your finance people. He said to give an example to what has gone on in the county with Jerry Sotello, who is a big JP, he actually has his own checking account but all he can do is put money into it. He cannot reconcile it and he cannot write a check. He said he actually does write a check but the treasurer has to sign the check. He said about 5 years ago, the state issued one of these suggestions as he calls them, because the counties and cities were getting sloppy and were fading back to what they used to do. He said they were instructed to go in and clamp back down on this and get this back under control. He said that is why he thinks, he knows that happened, because Shaw told him that they had been asked to go in and do this. He said he has to believe that the state, since they pretty much control these outside auditors, because they have to certify them, give them focus points. Jim said again that is his opinion. He said another issue they have with the conversion is that the transaction history in the old software lacked a whole lot to be desired. He said there were areas where it was almost impossible to go back and figure out what was going on. He said what he did was set up a line item and it was called the conversion reconciliation account and what we did was things we couldn't account for or explain, we posted that against that account, with the idea that as we moved forward, as time for more research became possible, that as we found out what these items were, we would then go back and un-post them against the account. He said this is a strategy that he used in some other places where they had to convert a mess, similar to what we had here. He said the whole idea is that when it was all said and done everything comes back to zero. He said in the other two places that he used them, that has occurred. He said he is not that optimistic here because he thinks there are things the way the transactions were kept. He said you had a self destructing accounting system and at the end of each month there was a reason they did not close the month until the 2<sup>nd</sup> or 3<sup>rd</sup> week because once you did, you lost it. He said there was a reason at the end of the year that they did not close the year until two or three weeks into the year because when you closed that year all the transactions went away. He said the thing we were never able to find was a backup somewhere that he still believes had to have been made, that would have had a copy of these files at the end of each fiscal year. He said having that and trying to decipher what was wrong was quite a challenge. Mayor Rangra asked if anyone had talked to Ricky to ask him to decipher some of these problems. Jim said indirectly. He said he never spoke to him directly but he did not figure that it was his place to confront him directly. He said then Chuck left and what happened after that he does not know. Mayor Rangra said Shaw Skinner was the city's auditor for years using this system which you (Jim) said was a mess. Mayor Rangra asked if Shaw had any idea about this and some of these problems. Jim said yes. He said what happened

was, when Shaw would get ready to audit the city, Ricky would go to his office and install the system on his computer, which had everything for the year, right there. He said that was part of what Shaw used to do the audit. He said whenever he was through with that, he destroyed that stuff because he figured it was over here. Mayor Rangra said "Shaw did that?" Jim said it was Shaw's computer and he deleted it when he was through with it, because it was not his place to keep it. He said he assumed it was kept over here. He said looking back we wish he had not done that, but that is more water under the bridge. Jim said that is what that account is all about and he thinks that we have the money pretty much under control and he thinks Erik and Megan can show us that. He said we will never know for sure about everything that went on. He said Ricky was asked to help but was non-cooperative, and wanted to be paid for it. Erik said he thought, and this is just his opinion, if Ricky gave back information it could have made him more vulnerable in the future. He said he thought his non-cooperation was predicated on that. He said that is not based on fact. He said that is just based on why people do or don't do the things that they do historically. He said the guy who held the keys to the bus and the only set of keys is not going to relinquish those when he is being indicted. Erik said Ricky was asked. Mayor Rangra said when he put Ricky on paid leave, he visited Shaw and Shaw said the Mayor had made a mistake to put Ricky on paid leave. The Mayor asked why and Shaw suggested to him that he should bring Ricky back to work. The Mayor said no, but Shaw had faith in Ricky. The Mayor said the whole system is bad. He said we had an auditor looking at and auditing our books and how was he able to look at all the numbers properly. Jim talked about the checks and the safety finish on the checks themselves. Jim said they use a magnetic toner so that we are actually putting the numbers along the bottom of the check. He said those numbers all have to check out. He said you do not go in and white out. Mayor Rangra said he had a question on duplication. He said he heard a person got two checks in refunds and a vendor got two checks. He said one was a \$50,000 check to pay the fuel. He said it was the same invoice and same number. He said we should be able to flag that something is wrong. Jim said somebody can always find a way to try to slip something by you but eventually it is going to show up. Jim said it will show up. Erik said there are some key changes. He said number 1, in his opinion going to a vendor that is not a member of the city staff to provide software. He said the vendor before was Ricky and his partner Dearing. He said that would have been and was a red flag. He said the auditor who was used got into the same cycle (he said he did not know Shaw Skinner but would recognize him if he walked into the room, but does not know him personally). He said it is healthy to take the auditing function and leave it to an outside entity. He said then it was migration to a budget variance methodology where every month we are looking at expenses, provides further checking at the department head, city manager, finance director

etc. He said all those things combined really tightened up the process for us. Jim said another thing that this software does is that whenever money moves, whether it be entering an invoice or entering a check or entering a receipt, correcting an invoice or making a budget adjustment, a transaction is logged. He said it is logged on this date by this employee who caused this transaction to happen. He said once this transaction is in the system, it is there for the rest of time. He said you cannot delete it or alter it. He said you can enter another transaction to offset it but as he had years ago, a customer he just installed called him and said they had a big problem. He said she told him that they had a bad transaction. He said they had a transaction for a million and one half dollars. He said she put the invoice in and instead of putting in \$1,500 it came out one million and one half dollars and then she went back and fixed it but the two transactions for a million and one half are still there. Jim said that is right. He said those two transactions are there for everybody to see for the rest of time. He said they do not go away. He said even in the court systems, whenever money moves, there is a transaction and you will not steal from his software. He said you might get away with something temporarily but they will catch you. He said that is how tight the system is. He said the other difference between HCSS and the system the city used to have is that the old system was written in what was called DB5 was which was an old general purpose data based system. He said the only problem was that you could go into the DB files and you could modify them. He said HCSS files are more proprietary which in some ways is good and in some ways is not but the good thing about it is that you cannot go in and mess with it. He said they are encrypted and you cannot go in and do that. He said they have gone into a lot of links to make sure that the system is as air tight as it can be. Jim said as Erik was saying, everything revolves around the budget. He said as he tells people there are only two things that count in government accounting, cash in the bank and the budget and nothing else matters. He said that is what it is all about. He said what they are trying to do is give the city better reporting to monitor the budget and monitor the cash flow. He said the other report that the city has given him the idea to write, the cash flow analysis report, has gone over really big with the rest of their customers as well. He said a lot of times, you guys that sit up here, are more interested in how much money do we have instead of how we stand with the budget. He said they are both equally important but sometimes it is just easier to look at what do we actually have in this checking account. He said they know what they have in the budget to spend but what do they actually have in their checking account. He said he thinks this system will give all of that information. He said the other trick is to make it as concise and brief as they can so the user does not wear themselves out trying to go through and figure something out and where the information you want is more readily available to you and you do not have to wade through a bunch of

other paperwork to get it. The City Manager said that is part of the goal from Megan and himself. He said it is to take profit loss analysis and cash flow variances and provide that on the second Tuesday of every month but there will be a cover sheet or two with bullet points and highlights that will allow you to understand those pages. He said you can dig into these as much as you want. He said we need to be sure that we are giving you the bullet points and highlights. He said Jim has worked with them on the budget variance reports. He said if you had a duplicative \$50,000 check, we would see that immediately from a budget variance perspective. Mayor Rangra said that is a big difference and we were negative at one point and the Council was asked to borrow money from the bank. The City Manager said in the Airport Enterprise Fund a \$50,000 duplicate would put you from the black to the red. Mayor Rangra said we did not have to borrow money from the bank after all. Jim said now better things are going to happen. Mayor Rangra asked if we were now using the HCSS system exclusively or were we still working with the old system and this one. The City Manager said we will still go into the old system and pull data out as we have a need and we think we can find it. Mayor Rangra said we started with HCSS in 2013 in October. The City Manager said the old system conversion was in July of 2013. Jim said this fiscal year is totally in this system. He said 2012 and 2013 is split between the old and the new. Councilor Castelli asked how that would be reflected in the audit. Jim said they will have to audit both sets of books. Councilor Castelli said that won't be an excuse for poor performance, will it? The City Manager said we sat down with Craig Gibson (our auditors) for about an hour and went over all of the things that we had gone through last summer, what we went through during conversions, where we had problems, where the issues came up and basically what we did and how we came up to where we are. He said he thought Craig basically understood everything. He said they have more questions every day but that is fine. He said he thinks they have it totally under control. Jim said they seem like a pretty nice group of people. The City Manager said Craig had three ladies here who were very sharp and very data detail oriented and they were hard diggers. He said they were really digging into this data. He said that is all they do, twelve months out of the year. Councilor Gonzales said he had a picture in his mind about what is going on here and he wanted to be corrected if he is wrong. He said there has been a group of expenditures and we have broken it down to actual accounts. He said he is assuming that over here in this group of payments that have been made, you cannot match them to the expenditures. He asked if that was correct. He said the reason he asked that is because here is money that has been directed to be spent for a certain purpose and over here you have another group of things that have been spent but we do not know where it fits on the overall picture. He asked if this was true and if it was true was this money equal to the amount of money that is missing over in the other column. He said Jim

said something about that we do not have any money missing involving spending by the city. He asked if we were still trying to match. The City Manager said we have not uncovered anything that says the money was spent on anything other than the city. He said what we saw in 2011, not so much CO 2011 because that was just allocation dollars, but the 2011 was pervasive through all the different funds out there, the lack of documentation. He said you may budget or allocate on paper dollars to certain line items but when the expenses actually come through, you may have no documentation or it may be partially allocated to one item or partially to another and they do not always match up. He said because when you close out a month and close out a year in the old software those transactions go poof! He said recreating them requires us to try to find paper documentation somewhere in our archives or go back to the bank and pull checks and then try to piece that back together about what seems logical. He said that is why in your packet you saw these checks that went out to the individual groups but not necessarily hard copies of what this invoice was for and the detail behind it because that was not kept in a clear concise filing manner and so you got the picture. He said you allocate over here and you budget over here and then spending over here is like a free for all with no documentation and then now we are trying to say that the furniture is really listed as a roof and where does it go to and literally there are hundreds if not thousands like that. He said he is not trying to embellish this. He said there are probably thousands of transactions like that. Mayor Rangra asked what we are doing to try to avoid this from happening in the future. The City Manager said now we have a strong finance director that is working with Abel and Grisell on items that are coming in, in categorization of the items plus the magic to it is when you get into the budget variance process where departments have their individual budgets and if you have material in a supply line item and you go over, now with the software here, Abel or Grisell will open up that line item and say "here are your twelve transactions" and if there was something that was miscoded they could go in and say "you know what, this really was an item that should have been coded over here". He said Megan has to give approval on the re-categorizing of the expense and if it is a large dollar amount then she will come to the City Manager. He said we have this process of structure in place that is really looking at it. He said we are going through this process every month so that when we come to the end of the year we have a discussion with Craig Gibson, the auditor about the audit, he is getting much cleaner data. He said the good thing about this too is the on-site and the support from HCSS to ensure that we are entering the transactions correctly and that we are getting appropriate output. Mayor Rangra offered a suggestion. He asked if we could scan our checks and put them in the archives and in this way we can go back and forth to check them. He said we can look and see if they have been miscoded. The City Manager said the Mayor was talking about his utopian world and yes, he would

like to get there. Mayor Rangra said when Chuck came on board that was one of the things that they talked about. He said he thought that might help us. He said the City can even scan checks and make a deposit from City Hall. The City Manager said he spoke with Linda Lassiter and we are going to enable that capability. He said what would be better for us is if they would deploy a drop box or a lock box program where people who are mailing in their checks, mail it to a PO Box and then the bank deposits it and provides us with a scan and then Jim writes the code that allows the lockbox up-code into the system. He said that way we save labor but West Texas National Bank does not do a lockbox product right now. He said he thinks the lockboxes will take a little longer. Mayor Rangra said he would talk to the bank. The City Manager said it is helpful for us to have a bank branch here because we need to have someone who has a branch here because we are in and out. Councilor Bermudez asked who signs checks now. The City Manager said primarily himself and Molly Taylor, the City Secretary. He said we still have four signatories on the checks, including Mayor Rangra and Mayor Pro Tem Davidson. Mayor Rangra said he does not have any problem signing checks now since the system is in good shape. He said he had a problem before when he tried to get information and it was not available. He said if he was needed to sign checks, he would be more than happy to. The City Manager said he reviews the payroll when we have the first run. Jim said HCSS can sign the checks for you. He said that function has been disabled as of now but it is still out there. He said right now you have a hodge podge of equipment in the City starting with the server that is actually on loan to us from Mark Hannan. He said once we can redo the hardware and put in a scanner or two, we can scan every invoice. He said you can attach an image to any kind of record inside of the software, be it a payroll record, check record, capital asset record and it is very simple to do if we have the super structure set up in place to handle it. He said then if you have a question on an invoice, instead of having to go back to the storage building and get it out it is ready and available to you on the screen. He said there are a lot of more things we are going to be able to do once we get the hardware situation under control. He said right now the network here is kind of weak. He said it goes down for no reason at all sometimes and it all needs to be redone. He said we have been visiting on how to get that done as well. He said there is a lot of potential in this software that we have down the road as soon as we have the proper facilities to use it. Councilor Gonzales said as far as items that are sitting in that special fund, we do not know where they go. He said you can come up with a number but Jim is saying that we are not missing any money and that it has all been spent but we just can't put it in the right spot based on totals. He said in one place it looks like we are missing money and do not have money here. The City Manager said if you look back historically in the city you overspent your revenues. He said that money had to come from somewhere. He said the

overspend was on city related items and when you ingest, like with the CO 2011, ingest 1.2 million in, and you take a budget of 10.5 million and spend 10.8 or 10.9 million and your revenue is only 10.2 you have to get that \$600,000 from somewhere. He said the \$600,000 came from CO 2011. He said you spent it on city items that were not categorized as CO 2011 and that is where you saw that \$500,000 delta in your sheets. He said that delta occurred because that money was spent using other things to operate the city. He said whether it was equipment purchases or something else. He said as you walk through the warehouse you see a lot of things that maybe we did not need but we spent \$100,000 in equipment there. He said when he is digging through trying to figure out when was this purchased and why was this purchased and what account was it taken to, sometimes you are able to find them and you'll see that it was taken to the water department material. He said it is a fact that your revenues were less than your expenses and the money had to come from somewhere. Mayor Rangra said the Council had information available in a timely fashion. He said an item came before the council to purchase something and what happened in the past is they looked at the manager and asked if they had the money and he said we had the money. Mayor Rangra said he would also take the responsibility. He said when we want to spend "x" number of dollars in the water department and we are looking at if we have the money in the water department. He said if we do not have the money in the water department we should transfer money from another account with permission from the council so the council will know what is going on. Mayor Rangra said we have not had that in the past. The City Manager said there will not be an approval without a specific line item that will be used to address that. He said 99% of the time it is going to be a required transfer. He said if a \$7,000 expense comes up that is necessary in the public works department and we are running low on our expenses in the administrative fund so the council could vote on covering the expense out of the administrative fund. He said the council would be voting on if they wanted to transfer the money over to cover the expense. He said we will also be getting the budget variance every month that the council can look at and say the administrative fund is running light on their expenses in that line item so it does make sense. He said that is when, as a council, you have to be educated as to what is happening from the financial piece so that you can make a decision based on that information. He said that is his responsibility to deliver it that way. Mayor Rangra said he liked the wiring system. He said that is what he does in his business, transfer money from one account to the other. He said if he has to borrow money from his personal account for the business it goes there. He said how can the deposits exceed the revenues. The City Manager said there are fund sheets that will come out every month. He said some of that money is not ours, like hotel motel and INS. He said it is not ours theoretically but we are the guardian of it. He said the whole

notion of throwing everything in the general fund, you cannot throw other people's money into your own account. Mayor Rangra said this will be able to address quite a few concerns that the council has on what you saw when you were transferring the data from the old system to the new HCSS. He said nothing is perfect. Jim said what you are going to have now is equality in your chart of accounts which the City Manager can control and when you get these funding issues like a CO you can set up the chart of accounts properly to reflect the information. He said you did not have that before. He said before you just asked Chuy if we had the money, yes or no, and you had no clue. He said plus the reports that you were getting from them were at least 45 days old. He said so how you could sit up there and make a decision when all you had to rely on was, did you have the money, yes or no. He said that is all you had. He said the council has to approve every transfer and expenditure. He said that is your job. He said if he is going to be able to give you the information you need to look at to intelligently make that decision correctly plus the charter. The City Manager said there were transfers made consistently that did not have the approval of the Council. It was discussed that a few transfers occurred after Chuy. City Manager Zimmer came in 6 weeks into the fiscal year. He said this year is a good indication of where we will be. He said 2015 will be a much better reflection of where we are going. Councilor Gonzales said he had another question. He said we are four months into the new software. The City Manager said we are going to do a budget revisit but we put the brakes on even more as far as spending goes. He said there were a lot of expense line items that were trending much lower. He said looking into them and not being able to go back, we do not have the visibility to always go back. He said we will be building the budget from scratch. He said we will be looking at the trend but then saying what is it that we really need. He said we are putting the brakes on 2014. Councilor Gonzales said he understands that but we are using this year to determine what next year will look like. Councilor Gonzales asked what the repercussion would be if you exceeded your budget. The City Manager said if it was blatant mismanagement, they will be terminated for overspending their budget. He said if you are given \$15,000 in a line item and you spend \$28,000 and you spend \$1,600 to buy sweet smelling perfumes to put into the sewer plant then we have a big problem. He said he is mixing some theories with some actual items. Councilor Bermudez said if they think they need to exceed their budget they need to come to the City Manager to be advised. The City Manager said that is the beauty of looking at their budget every month so they can understand where they are further out. He said we should not pay unemployment in most circumstances. He said the second thing is the purchase order process. He said there was not a purchase order process and people would just go to True Value and would call the office and get a purchase order number and buy a bunch of stuff. He said now department heads are

authorizing purchase orders. He said then they have to bring in that authorization sheet with the invoice to our finance department. He said they also know what their line item is and they have to put the line item that is to be charged there. He said we are pushing more accountability with department heads instead of just calling and asking if they can spend money on something. He said really what you have done is that there is no level of accountability for department heads. He said now there is, which is why he was asking the question a few minutes ago. Councilor Castelli asked what we did when an enterprise fund loses revenue in the amount of \$7,000 per quarter. The City Manager said we should see that happen but right now with our gas department.....Councilor Castelli said our new software cost quite a bit of money. He said we had received a report that we can talk about but if we do not do our jobs as council people and just look at that report and just pass it though and wait for our next trip to Austin, where is that going to take us? He said that is the situation that we have. He said we have had that report for two and one half weeks and not a word has been said. He said and here is the business that we took over because it was going to be a cash cow for the city and now we have lost \$157,000 in a quarter and nobody on the council talks about it. The City Manager said systematically what he can see happening with the gas department is losing money. Councilor Castelli said this is our responsibility. The City Manager said he appreciates the comment. He said he sees that and he is concerned about the gas department. He said we are losing money at the gas department and we should be making money. He said what is going to happen over the next several months and what will absolutely happen in 2015 is there will be allocations of his, Molly's and Megan's wages to the enterprise fund department. He said we do not do that currently. He said what you see on paper from a profit and loss statement is actually a better representation of where we are at. He said because he makes decisions for the gas department and the water department, Molly has a certain amount of accountability and the finance director. He said he has reviewed that with Mick and he has always allocated the chief administrative salaries across the different departments. He said the city of Alpine has not done that. He said the profit looks higher than what it is or the loss is lower than what it is. He said when we start doing even more allocations we are going to see many of these enterprise departments maybe operating in the red. He said we have to correct that. He said the gas department has lower rates and whoever made the decision to go from where it was to down here where it is and you had several hundred thousand in reserve and had customer deposits that came in and they all got spent. He said we have \$100,000 in reserve in the gas department and we have \$160,000 in liabilities for customer deposits because we do not even have that in reserve. He said you're operating in the red on top of it and that is not even taking all of your allocations of expense to that enterprise unit. He

said the nice thing about working with Mick McKamie is that he has worked on these different kinds of rate increases in the past and we are buttoning down that information to come together and say what do we need to do. He said part of that also is tightening down expenses. He said some of your overage is also related to inappropriate spending. Mayor Rangra said when we approved this current year's budget, monies from different departments were allocated for the purpose that Erik mentioned. He said it was for his salary and Molly's salary and Megan's salary. He said the salaries had to be proportionately allocated. He said they had discussed that at the Water Development Board and they had to assure the board that this would happen and that we were doing that. He said now actually what we have done is take "x" number of dollars from the police department, gas department, city hall and we have not done that. He said it is not the City Manager's fault but that is the kind of thing that the council needs to be aware of. The City Manager said he would mention that in the gas department, the number one item in revisiting the budget is that there was a representation of a 13% increase in revenue. He said that stuck out to him like a sore thumb. He said how do you increase revenue in a stagnant account. He said that is what was presented and that is what was approved. He said there will be a retraction on that in what you see. He said you cannot fictitiously raise revenues and show this reallocation to cover police, public works and administration. He said you cannot do that. He said the revenue has to be real and it has to be real estimates. Councilor Bermudez said there were quite a few items. Mayor Rangra said look at the expenses and revenues. He said we are \$100,000 in the red. The City Manager said that is to Michael's point. He said it appeared on the budget that it was going to be positive but that was predicated on fictitious revenue assumptions. Mayor Rangra said if you look at the revenues and expenditures that were given to us and look at the budget critically, it is \$100,000 already in the red. He said that is beside the point. Mayor Rangra asked when the council would be able to get the monthly statements and reports from the new software. The City Manager said we will be looking at the profit and loss statements and the budget variance on the second meeting of every month starting in February. He said that does not give him any time to close out January. He said that is why he will give a one or two page bullet summary up front because otherwise you will get 70 pages of back up. He said it is his job to narrow that down. Mayor Rangra said maybe we can use I-pads to have all of this information available to the Council. He said that would be wonderful because then the council would have the information and we would not have to make copies for everybody. The City Manager said nothing would please him more than to see the council members with I-pads. Mayor Rangra said he would rather have this electronically. He said he takes the information that the City Manager gives him and puts it in his own spreadsheet. Jim said we might want to look at things other than an I-pad. He said Microsoft

surface, the way they structured it, is much easier to use. He said it has its own keyboard that can fold down. He said if you just want to use it as a tablet, you can pop the keyboard off and the price is probably less expensive than an I-pad. He said the I-pad is still the most expensive tablet you can buy. He said he has the new style that Microsoft introduced with the Microsoft Surface is far superior and you will like it a whole lot better. He said there are two versions of the Surface. He said one is a tablet and one is a full blown computer. He said with the computer you can put anything you want on it. He said with the tablet you are pretty much limited to what you can work through the internet. He said Microsoft has a new version of the office. Councilor Castelli said you need to have a personal computer and you need to have a city computer and you cannot mix the two. He said the city computer does not allow you to use it for personal uses. The City Manager said what we are looking at are overall networks right now. He said we have spent a lot of money over computer hardware and software over the last 3 or 4 years and we really do not have anything to show for it. He said we need to have good network connections between our offices. He said we are right now addressing Google's product suite for government. Scanning and archiving documents was discussed. The City Manager said the nice thing with Hill Country Software is that on invoices or checks or images tied to an invoice we can load it in to that item. He said the reason why that is critical is when we are looking for an overspend or under-spend to a particular line item we not only have the dollar amount and when the check was written but we also have the back-up invoice already in the software. Mayor Rangra asked about software for billing. The City Manager said as we integrate our water and gas we will address that. He said these projects take us time and money and right now there are just not enough hours in the day. Councilor Castelli said he wanted to make a point and he wished that all five council people were here. He said going back to when he sat out in the audience as a citizen, the red flags that he saw about Chuy and Ricky have not changed and we are still in the same position. He said he sat out there and nothing has changed and he cannot get anybody to hear him. He said there was an item on the agenda about Big Bend Softball league who wanted to put in some softball cages and they asked Chuy if we had the money. He said Chuy said we did have the money. He said Chuy did not know how much money it cost. He said there was no red flag. He said then the lady came to the podium from the Softball league and said the league was not asking for the Council to pay for this. She said they were only asking for permission to build it and that they were going to fund it themselves. He said the council said good and they just went on about their business. He said red flags and nobody asked Chuy why he said we had the money or did not have the money but nobody knew what it cost. He said the public is saying look at these idiots up there approving things and let's go to the next thing on the agenda. Councilor Castelli said here we are

today. He said the City Manager has been providing the council with an unpaid invoice report since July. He said this was under the new system. He said he is the only person who ever asks a question about an item on the report so what good does that report do? He said the City Manager provides us with a quarterly report that shows \$157,000 loss to the gas company. He said the council members do not even ask a question. He said that is a red flag. He said all of these wonderful reports but as a council, the council is failing in their responsibility to the taxpayers to this city. He said he wants somebody to take responsibility for that and he does not want to be the only person time in and time out to ask about an invoice item and then have one or two denigrate him for asking the question. He said he is doing the job that they are not doing and he has been very frustrated listening to this today because the council keeps saying what else can you do for us? He said he is the citizen saying when are you going to do something for me? He thanked the council for hearing him out. Mayor Rangra said that is true. Councilor Castelli said he did not want a response from the Mayor. He said of all people he did not want a response from the Mayor. Councilor Castelli said what he would like is to not be the only person watching the city. Councilor Bermudez said as you know she is not an accountant and sometimes she looks at the reports and does not see everything. She said after the new reports are generated she hopes to be able to see things more clearly. She said the only thing is that no other members of the council ask questions either. She said none of the other council members ask questions about the unpaid invoices at council either. Councilor Bermudez said she knows other things that maybe the other council members do not know. Mayor Rangra said each council member is elected and represents a ward. He said each council member has the right to ask questions. He said if one person asks questions and the others don't it doesn't matter. He said when he was on the council he asked a lot of questions and he was accused of micromanaging. He said the Mayor does not have the authority to stop the process. He said the Mayor can give the chance to the council to speak and he never worried about other people asking questions. He said concerning the budget he was the only one who was prepared. He said he stayed up all night looking at the budget the night before. He said he has asked plenty of questions when he was a council member and now that he is Mayor. The City Manager said there are significant problems that have grown and significant issues that relate to how money has been spent and allocated. He said with a strong system we still have to have a strong output and people who are looking at it and giving an assessment. He said he has a trained eye but there are things that he will not pick up on. He said there are things that we need to challenge ourselves to push the City ahead. He said the notion about approving things without specifically understanding them has to stop. He said it is his responsibility to help the council understand what the expense is and

validate it. He said sometimes he will not have a solution. Mayor Rangra said the council has to approve every expense above \$500. The Council thanked Jim for his information and help.

9. **Action Items to be accompanied by a brief statement of facts, including where funds are coming from, if applicable. (Action items limited to 15 per meeting.) - None**
10. **Citizens Comments (limit 3 minutes) – none**
11. **Council Member’s Comments and Answers – none**
12. **Executive Session – none**
13. **Action – Executive Session – none**
14. **Adjournment – Meeting was adjourned.**

I certify that this notice was posted at 11:45 A.M. on January 15th, 2014, pursuant to Texas Open Meetings Act. (Texas Vernon's Annotated Civil statutes, section 551.043 Texas Government Code.) This facility is wheelchair accessible and accessible parking space is available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please Contact the city secretary’s office at (432) 837-3301 or fax (432) 837-2044 for further information.

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Dr. Avinash Rangra, Mayor

Attest:

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Margaret “Molly” Taylor, City Secretary

I, Margaret “Molly” Taylor, City Secretary, do certify that this notice was posted at 11:45 A.M. on January 15th, 2014, and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Margaret “Molly” Taylor, City Secretary