HONDO

THIS IS GOD'S COUNTRY

REGULAR CITY COUNCIL MEETING

March 27, 2023 at 6:00 PM

City Council Chambers

1600 Avenue M, Hondo, TX

AGENDA

Notice is hereby given that a Regular City Council Meeting of the governing body of the City of Hondo will be held March 27, 2023 at 6:00 p.m. in the City Council Chambers, City Hall at 1600 Avenue M, Hondo, Texas, for the purpose of discussing matters incident and related to the City of Hondo. The following items will be discussed, to-wit:

The public may also access the meeting remotely through video/conference from your computer, tablet or smart phone at: https://boxcast.tv/channel/aetaajdf64jalxx20o9a

Persons may submit questions or comments for items on the agenda by email to: sreyes@hondo-tx.org. Questions or comments submitted by email must be received by the city at least 1 hour prior to the scheduled start of the meeting in order to be presented to the City Council during the meeting

1. Call to order.

2. Quorum check.

3. Invocation by

4. Pledge of Allegiance.

5. Citizens'/Public Comments: *Persons who desire to address the City of Hondo City Council will be received at this time. Those persons wishing to speak should complete a Public Comment Form and submit it to the City Secretary prior to the meeting. If the speaker wishes to comment on a particular agenda item, then the speaker should indicate such item(s) to on the form. Public comment is limited to 3 minutes per speaker. Speakers must conduct themselves in a civil manner. In accordance with the Texas Open Meetings Act, the City of Hondo City Council cannot deliberate or take action on items not listed on the meeting agenda.*

PRESENTATIONS

6. City Manager's Report.

7. Public Works Report.

CONSENT

8. Discuss and consider approving the minutes from March 13, 2023. (SueAnn Reyes)

OTHER BUSINESS

9. Discuss and consider approving the Annual Comprehensive Financial Report (Audit) FY2022. (Chris Hill & Chris Pruitt, PB&H)

10. Hold a public hearing and reconsider a request from Gilbert Sandoval, for a Specific Use Permit to allow for a Tattoo/Body Piercing Parlor to be located at 1208 18th Street Hondo, TX 78861. The legal description being, Hondo Block 15 Lot 7 & 8 in part. In accordance with the Unified Development Code, Chapter 3, Section 3.12.3. Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City Council has been conducted. (Jessica Carpenter)

11. Discussion and possible action regarding a proposal from Gallagher to conduct a comprehensive compensation and benchmarking study. (Scott Albert & Erik Smetana)

12. Discuss and consider the 18th Street Sidewalk Project. (Second Phase) (Rene Saenz)

EXECUTIVE SESSION

13. Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code:

    Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations);Section 551.086 (Meeting concerning municipally owned utility-competitive matters);

    a. Discussion regarding private investment in and around the airport property. (Scott Albert & Peter Kirsch)

    b. Discussion regarding Hondo Creek Farm. (Scott Albert & Patrick Lindner)

    c. Discussion regarding Cemetery Business and Master Plan Proposal by LEES+Associates. (Lora Socarras)

    d. Update regarding C.H.A.S.M.Fest negotiations. (Lora Socarras)

    e. Discussion regarding the residential demolition permit for 413 16th Street. (Bobby Vela)

f. Discussion regarding the annual performance evaluation of the City Manager. (Mayor McAnelly)

14. Discuss and consider appropriate action on items resulting from Executive Session.

15. Adjourn.

ATTEST:

SueAnn Reyes, TRMC
City Secretary

The City Council of the City of Hondo reserves the right to convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071 (Consultations with Attorney), Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations) on any of the above items.

NOTICE OF ASSISTANCE AT PUBLIC MEETINGS
The City of Hondo City Council Meetings is available to all persons regardless of disability. If you require special assistance, contact the City Secretary forty-eight (48) hours prior to the meeting time at 830-426-3378.

HONDO

THIS IS GOD'S COUNTRY

City Council Communication

Title: City Manager's Report.	
Date: March 27, 2023	***From:***

INFORMATION:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

MOTION:

ATTACHMENTS:

None

STAFF CONTACTS:

Public Works Department
City Council Update

I. Water Tower Lighting Project Update

II. New Fountain Road Chip Seal Update from County

III. Pre-Construction meeting to be scheduled/Sidewalk Project (1st Phase).

IV. Ave. V infrastructure update

HONDO

THIS IS GOD'S COUNTRY

City Council Communication

Title: Discuss and consider approving the minutes from March 13, 2023. (SueAnn Reyes)	
Date: March 27, 2023	***From:*** Sue Ann Reyes

INFORMATION:
Regular City Council Meeting minutes from March 13, 2023.

FINANCIAL IMPACT:
None

STAFF RECOMMENDATION:
Approval of March 13, 2023 Regular City Council meeting minutes.

MOTION:
Motion to approve the minutes from the March 13, 2023 Regular City Council meeting.

ATTACHMENTS:
1. 03-13-2023 Draft Minutes

STAFF CONTACTS:
SueAnn Reyes, TRMC
City Secretary

MINUTES
CITY OF HONDO
REGULAR CITY COUNCIL MEETING
February 27, 2023 at 6:00 p.m.

1. Called the meeting to order.
   Mayor McAnelly called the meeting to order at 6:00 p.m.

2. Quorum check.
   Mayor John McAnelly, Mayor Pro Tem Bobby Vela, Council Member Jose "Porky" Ytuarte, Council Member Brett Williams, Council Member Wesley Huesser, Council Member John E. Villa.

   Absent: None

   Staff Present: City Manager Scott Albert, City Attorney Molly Solis, City Secretary Sue Ann Reyes, IT Network Administrator Josh Rodriguez, IT Support Specialist Adolfo Tellez, Public Information Officer Jamie Kindred, Public Works Director Rene Saenz, Director of Parks and Recreation Lora Socarras, Director of Aviation Ryan Elder, Development Services Director Jessica Carpenter, Chief Financial Officer Chris Hill,

3. Invocation by Pastor Steve Peyton, St. Paul Lutheran Church.

4. Pledge of Allegiance.

5. Citizens'/Public Comments: *Persons who desire to address the City of Hondo City Council will be received at this time. Those persons wishing to speak should complete a Public Comment Form and submit it to the City Secretary prior to the meeting. If the speaker wishes to comment on a particular agenda item, then the speaker should indicate such item(s) to on the form. Public comment is limited to 3 minutes per speaker. Speakers must conduct themselves in a civil manner. In accordance with the Texas Open Meetings Act, the City of Hondo City Council cannot deliberate or take action on items not listed on the meeting agenda*)

   Chavel Lopez, 1002 Avenue S, Hondo, expressed the need for a rebate program for electric customers since the rates were raised it would be good to have a rebate program for energy star appliances. The City could give a $100 rebate back to the electric customer. He also stated a solar farm would be a good investment and lower the rates for customers in the future. He also suggested a climate plan proposal. He felt the climate change was affecting the whole planet and a plan would be useful.

PRESENTATIONS

6. Years of Service Awards. (Mayor McAnelly)

   Mayor McAnelly presented years of services awards for Ryan Elder, 5 years; Sergeant Juan Martinez, 10 years; Gilbert Contreras, 15 years and Henry Torres; 20 years.

7. City Manager's Report. (Scott Albert)

   City Manager Scott Albert stated the Starbucks Project Starbucks project site planning, construction plans were approved, but there was no start date yet. There were a few drainage issues that needed to be resolved and they could move forward. The James Avery Project to double the size of manufacturing was currently in the design phase. The Boise Cascade Project was also in the design phase. Mr. Albert stated at the next council meeting, staff would be presenting a contract from TRC Engineering to begin the engineering on the 18th Street Sidewalk Project. The engineering work on rehab clarifiers at the wastewater treatment plant had begun. The City received a grant for $350,000.00 and were matching that grant was $55,000.00 Construction on rehabbing the clarifiers should start by the end of the summer. Mr. Albert extend his condolences on behalf of the City to Jerry Busby's family on his recent passing and a memorial service would be held at the golf course at 4:00 p.m. on Saturday afternoon.

Councilman Vela asked if the comprehensive study could be added on the next agenda, as he would like to see it move forward.

8. Public Works Report. (Rene Saenz)

Mayor McAnelly asked if the Council wanted to continue to receive the detailed work order report of if the summary was sufficient. Councilmen Williams and Vela stated the summary was sufficient for them.

Director of Public Works, Rene Saenz gave an overview of the work orders received noting 136 closed work orders. He stated there was an average of about 150 work orders every two weeks.

Councilman Ytuarte asked who was responsible for the fence along the railroad tracks. Mr. Saenz stated Union Pacific Railroad was responsible. He stated he met with them in the past and told them about the gaps in the fence. Councilman Ytuarte stated it was compromised even more. Mr. Saenz stated the railroad had stated they were going to fix it. He stated he and Mrs. Socarras would make contact again.

Councilman Ytuarte asked why they were asked about the work order report. Mayor McAnelly stated his question was if the Council wanted to continue the detailed work order report or just the summary. Councilman Vela stated the work order report was requested three or four years ago when staff was way behind on work orders and Council wanted to get a handle on it and push staff to get caught up. Council was being reactive and now they were being proactive and did not need a need for it. If Councilman Ytuarte wanted the report, it could be emailed to him, as he knew it was important to him. Mr. Saenz stated he would email him the report. Councilman Villa stated if Mr. Saenz was going to generate the report anyway why not just go ahead and keep it. Councilman Williams stated he would like to see things that were an issue, not day-to-day operations.

Mr. Saenz stated staff had submitted their application for the Clean Water and Drinking Water State Revolving Fund. For the waste water it was $39.7 million and the water it was $13.4 million. He stated he had a meeting with TxDot who also had federal funds for sidewalks and they liked the project staff proposed. He stated TxDot also wanted to include bike lanes and the funds available were $3.2 million. Mr. Saenz gave a street improvement report that included 31st Street, Avenue G, 33rd Street and he include Avenue V. Councilman Vela stated there were was a lot of utility work that needed to be done on Avenue V and it could not move forward until the utilities were done. Councilman Vela suggested separating the streets that were ready to go and the streets that needed the utilities.

Mr. Saenz stated AMI water meters will be installed starting in May and should be completed by September.

Councilman Vela asked about the curve around the prison area and having a conversation with TxDot to reduce the speed. There were a ton of accidents as of late and it was becoming a problem. He stated he knew it was outside the City limits but he felt it was a concern.

Councilman Villa stated he brought that up before and they staff was going to look into doing something about the speed limit. He stated he had seen action from the police and it was good due to the cards coming around the curb at a high rate of speed. Discussion ensued regarding the speed limits in the City.

Councilman Ytuarte stated he did not see the area on 29th and Avenue J they had previous discussed on his list. Mr. Saenz stated this was based on traffic counts. Councilman Ytuarte stated this was a school zone. Mr. Saenz stated he would add it to the list.

9. Presentation regarding insurance proceeds received for proposed building demolition projects. (Chris Hill)

    Chief Financial Officer Chris Hill gave an overview of the insurance proceeds received during to the winter storm. Mr. Hill stated any building repairs would be paid from TML directly to the vendor. The money received for the demolition of the six buildings were in the fund balance and had not been spent yet.

    Discussion ensued regarding the demolition of the buildings, the delay and the contents of the buildings.

10. Parks and Recreation Seasonal Update. (Lora Socarras)

    Director of Parks and Recreation Lora Socarras presented an update regarding programs, events and projects for the upcoming season.

CONSENT

Council Member Ytuarte moved to approve consent agenda items 13, 14 and 15, excluding items 11 and 12; seconded by Council Member Vela. The motion carried by the following vote: AYE: Vela, Ytuarte, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

13. Discuss and consider the LCRA Vegetation Management Contract. (Rene Saenz)

14. Renewal of Interlocal Cooperation Agreement between City and Medina County. (Rene Saenz)

15. Discuss and consider making appointments to various boards and commission. (Mayor McAnelly)

The following item(s) were pulled from consent agenda and considered individually.

11. Discuss and consider approving the minutes from February 27, 2023. (SueAnn Reyes)

    Councilman Williams stated on item number 16 he voted Nay. Councilman Villa stated on item number 17 the funds were not going to be used for repairs from Hondough Pizza to Avenue M. Mayor McAnelly stated it should be noted on item number 21 that he voted Nay to break the tie vote.

Council Member Ytuarte made a motion to approve the minutes with correction from February 27, 2023; seconded by Council Member Williams. The motion carried by the following vote: AYE: Vela, Ytuarte, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

12. Discuss and consider Resolution Number 400-23 authorizing approval for the building contractor award for the HOME Program through the Texas Department of Housing and Community Affairs. (Jamie Kindred)

Councilman Ytuarte asked he did not see a start date. Ms. Kindred stated there was not a start date because they still needed to do a move out process.

Council Member Vela made a motion to approve Resolution Number 400-23 authorizing approval for the building contractor award for the HOME Program through the Texas Department of Housing and Community Affairs; seconded by Council Member Ytuarte. The motion carried by the following vote: AYE: Vela, Ytuarte, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

OTHER BUSINESS

16. Discuss and Consider approving the revised Airport Layout Plan set. (Ryan Elder*)*

Director of Airport Ryan Elder presented a revised Airport Layout Plan on file. Mr. Elder stated after the layout is approved he will notify KSA and they will submit it on the City's behalf. If the City decides to release any land it will be reviewed and the FAA will know it is in the City's plan.

Council Member Ytuarte made a motion to approve the revised Airport Layout Plan set for submission to the FAA; seconded by Council Member Villa. The motion carried by the following vote: AYE: Vela, Ytuarte, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

17. Discuss and consider appropriate action regarding Cemetery Business and Master Plan Proposal by LEES+Associates. (Lora Socarras)

Director of Parks and Recreation Lora Socarras presented the Cemetery Business and Master Plan Proposal on file. Mr. Richard Cook was available for questions. Mrs. Socarras explained the goal was to ensure the cemeteries were socially, environmentally and financial sustainability for the future of the community. Ms. Socarras stated the Cemetery Advisory Board had reviewed the information in detail and recommended approval to the City Council. The recommendation would be to split the costs between the perpetual care fund and the general fund.

Mayor McAnelly asked Mr. Cook to explain the columbaria. Ms. Cook explained it was an above ground niche structure for the interment of cremation remains.

Councilman Ytuarte asked how the plan was going to still make money for the cemetery once it is full to remain financially sustainable. Mr. Cook stated the care maintenance fund would provide capital of which every year there will be interest. The plan will look at the projections on what would be needed for capital to make sure there was sufficient funds to pay for itself.

Councilman Vela asked why the City was not waiting until next year to put it in the budget. If it were something that could wait until next year, he would personally prefer that. Councilman Williams stated was willing to hear the plan but would like to hear how staff intended to fit it into the budget.

Mr. Albert stated at the next meeting after the Council has reviewed the proposal they could discuss the additional expenditure that were included and how the additional expenditure would fit into the fiscal year.

Mr. Albert asked Mr. Cook once Council was ready to move forward with the proposal how soon would he be able to start. Mr. Cook stated he could start within the next two weeks of given notice to proceed. The project would only take about six months and the City would have a plan that would set it straight for a number of years.

Discussion ensued regarding the disrepair of the cemetery, broken headstones and mapping of the cemetery. Mrs. Socarras stated there would be a group of stakeholders to weigh in on the rules and regulation to make it work for the City.

Mayor McAnelly encouraged Council to read the proposal in detail and the proposal would be brought back for discussion and action at the next meeting.

18. Discuss and consider appropriate action regarding a contract with BG Interpool, Inc. for the Hondo Pool Maintenance Project. (Lora Socarras)

    Director of Parks and Recreation Lora Socarras presented a proposal from BG Interpool, a BuyBoard contractor, for the pool maintenance project. Mr. Gabe Garner with BG Interpool stated it had been about 15 years since any money had been spent on the pool. He stated it was an extensive project but they could meet the deadline with no problem.

    Councilman Ytuarte stated the amount not to exceed $127,264.00 but that there was a discrepancy on the contract that stated not to exceed $123,216.00. Mrs. Socarras stated it was a typo on the draft contract and the number should read $127,264.00. Councilman Ytuarte asked about the start date. Mrs. Socarras stated the proposed construction timeline was 60 days. The start date projected was as soon as possible.

    Councilman Vela asked if the project was all flat work. Mr. Garner stated the only thing that was not going to be flat work was the curb on the backside to help with water flow. Councilman Vela stated his personal opinion the prices were very inflated.

    Council Member Villa made a motion to authorize the City Manager to enter into a contract with BG Interpool, Inc. for the Pool Maintenance Project in the amount not to exceed $27,264.00; seconded by Council Member Williams. The motion carried by the following vote: AYE: Vela, Ytuarte, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

The City Council of the City of Hondo convened into executive session at 7:36 p.m.

<u>EXECUTIVE SESSION</u>

19. Executive Session: The City Council of the City of Hondo may convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code:

    Section 551.071(1) (A) and (2) (Consultations with Attorney) and Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations); Section 551.086 (Meeting concerning municipally owned utility-competitive matters);

    a. Discussion regarding Airport Water Rights RFB. (Ryan Elder)
    b. Discussion regarding the employment of Roberto Benavides, Facilities Maintenance

Worker. (Scott Albert)

c. Discussion regarding airport development. (Peter Kirsch and Scott Albert)
d. Discussion regarding Hondo Creek Farms. (Jessica Carpenter and Scott Albert)

The City Council of the City of Hondo reconvened into regular session at 8:45 p.m.

20. Discuss and consider appropriate action on items resulting from Executive Session.

Council Member Huesser made a motion to approve the issuance of an RFP for the lease of the South Texas Regional Airport space irrigation, groundwater rights.; seconded by Council Member Williams. The motion carried by the following vote: AYE: Vela, Ytuarte, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

Council Member Ytuarte made a motion to continue with the reasonable accommodations for Roberto Benavides; seconded by Council Member Williams. The motion carried by the following vote: AYE: Vela, Ytuarte, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

21. Adjourn.

Council Member Vela made a motion to adjourn; seconded by Council Member Williams. The motion carried by the following vote: AYE: Ytuarte, Vela, Williams, Huesser, Villa. NAY: None. ABSTAIN: None. ABSENT: None.

PASSED AND APPROVED THIS 27th DAY OF MARCH 2023.

____
JOHN McANELLY, JR., MAYOR

ATTEST:

____
SueAnn Reyes, TRMC
City Secretary

HONDO

THIS IS GOD'S COUNTRY

City Council Communication

Title: Discuss and consider approving the Annual Comprehensive Financial Report (Audit) FY2022. (Chris Hill & Chris Pruitt, PB&H)
Date: March 27, 2023 ***From:*** Chris Hill

INFORMATION:

We are pleased to present the Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Hondo for the fiscal year ended September 30, 2022.

The City of Hondo's financial statements have been audited by Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hondo's financial statements for the fiscal year ended September 30, 2022, are fairly presented in conformity with U.S. GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Government Finance Officers Association (GFOA) has presented a Certificate of Achievement for Excellence in Financial Reporting to the City of Hondo.

FINANCIAL IMPACT:

N/A

STAFF RECOMMENDATION:

Staff recommends City Council approve the Annual Comprehensive Financial Report (Audit) FY2022.

MOTION:

I move to approve the Annual Comprehensive Financial Report (Audit) FY2022.

ATTACHMENTS:

1. Required Communications with Governance 2022
2. Annual Comprehensive Financial Report 2022

STAFF CONTACTS:

Chris Hill
Chief Financial Officer
chill@hondo-tx.org

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

Honorable Mayor and
Members of the City Council
City of Hondo, Texas

We have audited the financial statements of the City of Hondo, Texas as of and for the year ended September 30, 2022 and have issued our report thereon dated March 20, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 20, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Hondo, Texas solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement we assisted in preparing the financial statements, schedule of expenditures of federal awards, and related notes to the financial statements of the City of Hondo, Texas in conformity with U.S. generally accepted accounting principles based on information provided by management. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards.*

In order to reduce threats to our independence caused by these nonattest services to an acceptable level, we applied certain safeguards. These safeguards include a concurring review, which is a review of the financial statements and key audit areas which is performed by an individual who has adequate experience in audits of local governments, but who was not involved in this audit engagement. The concurring reviewer serves as an evaluator of the performance of the engagement team and the nonattest services provided.

In addition, management assumed responsibility for the financial statements, schedule of expenditures of federal awards, related notes to the financial statements and any other nonaudit services we provided. Management acknowledged in the management representation letter our assistance with the preparation of the financial statements, schedule of expenditures of federal awards, and related notes to the financial statements and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were overseen by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

Significant Risks Identified

We have identified the following significant risks during our audit process, which required special audit consideration.

Significant Risk Identified	Reasoning for Special Audit Consideration
1. Management override of controls	Inherent fraud risk
2. Lease accounting	New accounting standard GASB 87, *Leases*, presents new financial reporting and note disclosures.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Hondo, Texas is included in the notes to the financial statements. As described in the notes to the financial statements, during the year, the City changed its method of accounting and disclosures for leases by adopting Governmental Accounting Standards (GASB) Statement No. 87, *Leases*. Accordingly, the adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets and liabilities were recognized, and more extensive note disclosures were required. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the allowance for uncollectible receivables is based on historical collection experience.

Management's estimate of the accumulated depreciation on capital assets is based on the related estimated useful lives of capital assets.

Management's estimate of the net pension and other postemployment benefit (OPEB) liabilities is based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuarial makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension and OPEB liabilities and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City of Hondo, Texas's financial statements relate to the net pension and OPEB liabilities. The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Hondo, Texas's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated March 20, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Hondo, Texas, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Hondo, Texas's auditors.

New Accounting Pronouncements

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the entity include the following:

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

Statement No. 96, Subscription-Based Information Technology Arrangements - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement will become effective for reporting periods beginning after June 15, 2022, and the impact has not yet been determined.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

Other Information Included in the Annual Report

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's Annual Comprehensive Financial Report, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information and considered whether a material inconsistency exists between the other information and the financial statements, or if the other information otherwise appears to be materially misstated.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Restriction on Use

This report is intended solely for the information and use of the City Council, and management of the City of Hondo, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 20, 2023

CITY OF HONDO, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2022

Prepared by: Finance Department

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HONDO, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2022

INTERNAL CONTROL AND COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

HONDO
THIS IS GOD'S COUNTRY

City of Hondo
1600 Avenue M ● Hondo, Texas 78861 ● (830) 426-3378 ● (830) 426-5189 fax

March 20,2023

To the Honorable Mayor, City Council, and the Citizens of City of Hondo:

We are pleased to present the Annual Comprehensive Financial Report of the City of Hondo, Texas (the City) for the fiscal year ended September 30, 2022. State law requires that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Hondo for the fiscal year ended September 30, 2022.

This report consists of management's representations concerning the finances of the City of Hondo. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hondo has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hondo's financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hondo comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hondo's financial statements have been audited by Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hondo for the fiscal year ended September 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hondo's financial statements for the fiscal year ended September 30, 2022, are fairly presented in conformity with U.S. GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hondo's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Hondo, incorporated in 1942, is located approximately 40 miles west of San Antonio, Texas. The City of Hondo occupies approximately 9.6 square miles of land. The City of Hondo is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statue to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body. The City has operated under the council-manager form of government.

Policymaking and legislative authority are vested in a City Council consisting of the Mayor and five councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing the heads of the various departments. The City provides a full range of services, including police and fire protection, the construction and maintenance of streets, recreational facilities, cultural events, airport operations, water, electric, sanitation and sewer services.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hondo operates.

Local Economy

Hondo is a community west of San Antonio. The major local employers of the City are the County, School District and City itself. The remaining workforce commutes to the San Antonio and surrounding area. The City (through the Economic Development Corporation) is working to expand the South Texas Regional Training Center to offer job training. At the same time, the City is actively marketing undeveloped land to businesses. The City anticipates the additional skilled workforce and available real estate will attract new employers.

Long-term Financial Planning

The City continues to long-range plan for its aging infrastructure during the budget process every year. Recently, a shift took place with capital planning to a more long-range focus with infrastructure plans. Job growth and sales tax growth has also led to an increase in services provided for the residents which also impacts long-range planning with personnel. Growth will undoubtedly hit the City of Hondo soon as continued expansion of the San Antonio metro takes place and the City is focused on addressing its infrastructure going forward.

Financial Information

Internal Control

Management is responsible for establishing and maintaining internal controls designed to ensure that assets of the City are protected from loss, theft or misuse and to provide adequate accounting information compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The internal control system is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of an internal control should not exceed the benefits derived from the internal control. The City utilizes financial accounting software which is designed with a system of internal controls. These controls are continually being reevaluated to provide reasonable, but not absolute, assurances.

Budget Controls

The City also utilizes budgetary controls. Legally expenditures cannot exceed the appropriated amount. The objective of these budgetary controls is to ensure compliance with the adopted budget approved by the City Council as mandated by the city charter and state law. The levels of budgetary control are established at the department basis and at the fund level. Staff believes these controls help monitor and direct approved expenditures to a level within the budget parameters which directly results in a strong financial performance.

Financial Results

Assets and fund balances continue to grow as the City grows and financial results remain strong. Staff closely monitors and plans the amount of issuance to keep steady debt ratios per capita, per revenue, and per operations tax rate to the debt tax rate. Examples of these ratios can be found in the Statistical Section of the report (as listed in the table of contents). A more detailed summary of the City's Financial Performance is available in the Management Discussion and Analysis section (as listed in the table of contents).

Independent Audit

An independent audit is performed every year of the general ledger, accounts, financial records, and transactions of all city departments. The audit is completed by an independent certified public accounting firm selected by the City Council. The City is in compliance with this requirement and the independent auditor's report by Pattillo, Brown & Hill, L..L.P. Certified Public Accountants, has been included in this report.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. In conclusion, we would have none of the success we have enjoyed without the assistance of each staff member, as well as the support and strategic direction from the Mayor and the City Council during the strategic planning, pre-budget, and budget approval process.

Respectfully submitted,

Scott L. Albert	Chris Hill
City Manager	Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hondo
Texas

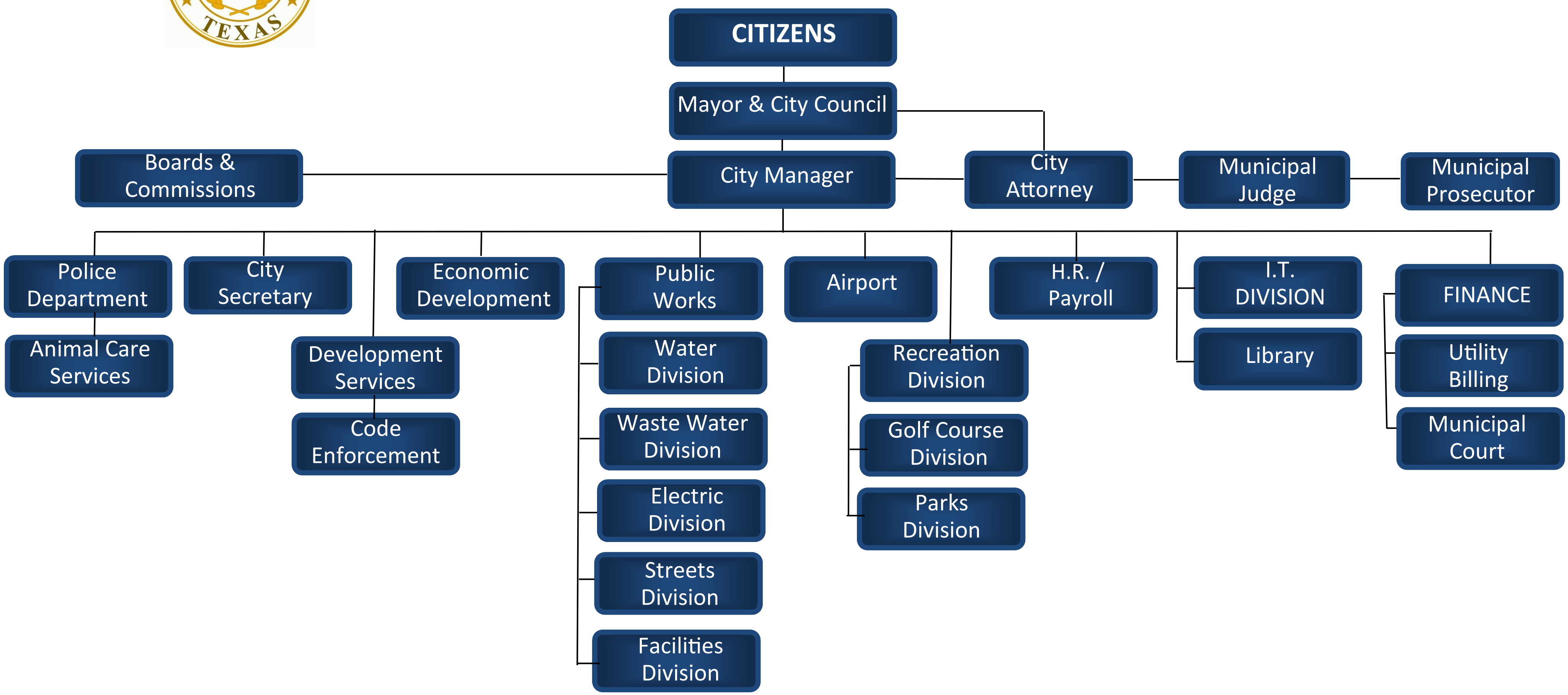
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morrill

Executive Director/CEO

CITY OF HONDO ORGANIZATIONAL CHART



Revised 09/21/2022 sg

CITY OF HONDO, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2022

CITY OFFICIALS

Mayor	John McAnelly
Council Members	John E. Villa
	Brett Williams
	Bobby Vela
	Jose Ytuarte
	Wesley Huesser
City Manager	Scott Albert

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Hondo, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hondo, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the City of Hondo, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 20, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hondo's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position was $53,984,712 at September 30, 2022.
- The City's governmental expenses were $629,866 less than the $9,477,799 generated in general and program revenues for governmental activities, including transfers. The total cost of the City's governmental programs decreased 5.0% from the prior year due primarily to decreases in general government and public work activities.
- The City's business-type expenses (including transfers) were $2,072,379 less than the $17,519,448 generated in charges for services and other revenues. The total cost of the City's business-type activities increased 0.57% from the prior year primarily from an increase in grant funding projects.
- The General Fund reported a fund balance of $4,654,666, an increase of $1,409,145, largely due to overall increased revenues and decreased capital outlay.
- The City issued Sales Tax Refunding Bonds, Taxable Series 2021, for the purpose of refunding the Sales Tax Revenue Bonds, Series 2010. The City also issued Tax Maintenance Notes, Series 2022, for the purpose of finance the purchase of vehicles, machinery and equipment for various City purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements – The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

- The government-wide financial statements of the City include the Governmental activities. Most of the City's basic services are included here, such as general government, public safety, streets, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

Fund Financial Statements – The fund financial statements provide more detailed information about the City's most significant funds— not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, which explains the relationship (or differences) between them.

- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was $53,984,712 at September 30, 2022. (See Figure A-1).

Figure A-1
City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 15,851,219	$ 13,867,807	$ 15,868,669	$ 9,508,291	$ 31,719,888	$ 23,376,098
Capital assets	13,995,002	14,053,261	30,520,044	31,085,356	44,515,046	45,138,617
Total assets	29,846,221	27,921,068	46,388,713	40,593,647	76,234,934	68,514,715
Deferred outflows of resources	291,073	380,857	103,952	115,644	395,025	496,501
Long-term liabilities	7,977,581	7,953,761	6,245,507	6,826,326	14,223,088	14,780,087
Other liabilities	1,738,321	920,671	1,331,457	1,305,952	3,069,778	2,226,623
Total liabilities	9,715,902	8,874,432	7,576,964	8,132,278	17,292,866	17,006,710
Deferred inflows of resources	917,898	553,865	4,434,483	168,174	5,352,381	722,039
Net position:						
Net investment in capital assets	10,625,513	11,515,548	24,672,346	25,962,052	35,297,859	37,477,600
Restricted	3,900,145	4,636,555	-	-	3,900,145	4,636,555
Unrestricted	4,977,836	2,721,525	9,808,872	6,446,787	14,786,708	9,168,312
Total net position	$ 19,503,494	$ 18,873,628	$ 34,481,218	$ 32,408,839	$ 53,984,712	$ 51,282,467

Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2022 decreased, but increasing property values led to an increase in ad valorem tax revenue of 5.7%.
- Sales tax collections increased 5.6% to $1,989,510. Inflation and additional consumer spending contributed to the increase in the current year.
- Expenses decreased due to lower expenditures in general government and public works of $605,820 and 694,129, respectively.

Business-Type Activities

- Expenses increased slightly by an average of 0.57%. The largest expense increase occurred in the Airport expenses due to increases in materials and supplies of $150,935.
- Total revenues from all business-type activities increased from the prior year by $482,792, or 2.8%. The customer base and usage is fairly flat.

Figure A-2
Changes in City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 714,670	$ 715,536	$ 17,122,928	$ 16,364,357	$ 17,837,598	$ 17,079,893
Operating grants and contributions	41,269	1,191,787	-	-	41,269	1,191,787
Capital grants and contributions	11,076	102,879	32,642	311,965	43,718	414,844
General revenues:						
Property tax	1,888,019	1,785,669	-	-	1,888,019	1,785,669
Sales tax	1,989,510	1,883,673	-	-	1,989,510	1,883,673
Other taxes	201,951	190,201	-	-	201,951	190,201
Investment earnings	47,973	19,081	24,651	399	72,624	19,480
Gain on sale of capital assets	-	37,830	-	-	-	37,830
Miscellaneous	156,965	46,772	339,227	359,935	496,192	406,707
Total revenues	5,051,433	5,973,428	17,519,448	17,036,656	22,570,881	23,010,084
Expenses:						
General government	2,506,244	3,106,383	-	-	2,506,244	3,106,383
Public safety	2,275,794	2,198,655	-	-	2,275,794	2,198,655
Judicial	133,103	114,812	-	-	133,103	114,812
Public works	1,779,049	2,472,981	-	-	1,779,049	2,472,981
Culture and recreation	1,918,308	1,244,278	-	-	1,918,308	1,244,278
Interest on long-term debt	179,467	172,059	-	-	179,467	172,059
Issuance cost	55,968	-	-	-	55,968	-
Electric utility	-	-	6,101,439	5,976,797	6,101,439	5,976,797
Water and sewer	-	-	2,196,852	2,492,616	2,196,852	2,492,616
Airport	-	-	1,373,368	1,202,003	1,373,368	1,202,003
Sanitation	-	-	1,349,044	1,287,090	1,349,044	1,287,090
Total expenses	8,847,933	9,309,168	11,020,703	10,958,506	19,868,636	20,267,674
Increases in net position before transfers	(3,796,500)	(3,335,740)	6,498,745	6,078,150	2,702,245	2,742,410
Transfers	4,426,366	4,561,934	(4,426,366)	(4,561,934)	-	-
Change in net position	629,866	1,226,194	2,072,379	1,516,216	2,702,245	2,742,410
Net position, beginning	18,873,628	17,955,390	32,408,839	30,892,623	51,282,467	48,848,013
Prior period adjustment	-	(307,956)	-	-	-	(307,956)
Net position, ending	$ 19,503,494	$ 18,873,628	$ 34,481,218	$ 32,408,839	$ 53,984,712	$ 51,282,467

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General Fund increased its fund balance by $1,409,145, which is higher than last year's increase of $383,109 due primarily to increased taxes and less capital expenditures. Also, the Utility Billing department was moved from the General Fund to the Water and Sewer Fund. Culture and recreation expenditures increased by $647,025 largely caused by the creation of the parks department. The City separated the Parks and Facilities departments to identify the cost of maintaining the parks. The City issued Tax Maintenance Notes, Series 2022 of $685,000 to fund various costs associated with the Public Works Department.

- All of the proprietary funds generated sufficient operating revenues to cover operating expenses and debt service. The Airport rental and lease revenue increased $478,887 from 2021 totals in an effort to continue to sell available land and pursue rental agreements to cover operations. Electric charges for services increased $238,818 from 2021 totals of $9,090,890. This was largely attributed to an increase in electric consumption throughout the City.

Budgetary Highlights

- General Fund budgeted revenues exceeded actual amounts by $1,161,547, mostly due to intergovernmental revenue ($1,412,313). Sales tax varies from year to year and the sales tax was greater than budgeted amounts. Most other revenue line items were within budgeted amounts.

- General Fund expenditures were $2,302,707 under budget. A large portion of the savings was from the general government and culture and recreation. General government saw significant grant savings from budgeted amounts due to anticipated grant programs not started in current year. The City also made some minor budget amendments during the year for unexpected increases in fuel costs, street repairs costs and facility maintenance.

- The General Fund balance increased $1,409,145, which was $1,814,356 better than what the final budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2022, the City had invested $44,515,046 in a broad range of capital assets, including land, equipment, buildings, vehicles, and right to use. Significant changes in fiscal year 2022 included $542,720 of additions to Governmental infrastructure. Significant additions were also made to the City's Water and Sewer infrastructure, as well as various construction projects, the largest of which was the completion of the cemetery water line. (See Figure A-4)

Figure A-4
City's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	$ 628,148	$ 628,148	$ 2,284,349	$ 2,284,349	$ 2,912,497	$ 2,912,497
Water rights	-	-	199,541	199,541	199,541	199,541
Construction in progress	14,540	-	1,374,723	1,612,213	1,389,263	1,612,213
Buildings and improvements	10,526,618	10,494,833	19,164,586	19,164,586	29,691,204	29,659,419
Infrastructure	17,971,220	17,428,500	27,976,510	27,248,348	45,947,730	44,676,848
Vehicles and equipment	3,554,975	3,277,501	2,696,731	2,573,842	6,251,706	5,851,343
Right to use	129,342	-	70,033	-	199,375	-
Accumulated depreciation	(18,829,841)	(17,775,721)	(23,246,429)	(21,997,523)	(42,076,270)	(39,773,244)
Total	$ 13,995,002	$ 14,053,261	$ 30,520,044	$ 31,085,356	$ 44,515,046	$ 45,138,617

More detailed information about the City's capital assets is presented in the note IV to the financial statements.

Long Term Debt – The City had bonds, tax notes, leases, and compensated absences payable at year end as outlined in Figure A-5. $615,000 of Sales Tax Refunding Bonds and $685,000 of Tax Maintenance Notes were issued during the fiscal year. More detailed information about the City's debt is presented in the VII to the financial statements.

Table A-5
City's Long-Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Bonds payable	$ 6,758,032	$ 7,136,394	$ 6,050,910	$ 6,588,440	$ 12,808,942	$ 13,724,834
Tax notes	685,000	-	-	-	685,000	-
Leases	91,534	92,357	55,552	57,704	147,086	150,061
Compensated absences	109,994	110,475	20,111	23,244	130,105	133,719
Total	$ 7,644,560	$ 7,339,226	$ 6,126,573	$ 6,669,388	$ 13,771,133	$ 14,008,614

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Hondo continues to focus on expanding the City's commercial and business districts along with the Hondo Rail Yard and Airport. We proudly announce that within the next twelve months, Boise Cascade, a Fortune 500 company, will begin construction on a 200,000+ square foot material warehouse/distribution facility that will service the Austin/San Antonio area and the South Texas region. At full operations, the facility will employ 100 people, increasing business activity in the area. The Perryman Group estimates that the gain in business activity in the City of Hondo generated by the facility will be $20.2 million in annual gross product and 186 jobs.

Over the next twelve months, the City will also see the construction of a Starbucks along HWY 90, James Avery doubling its manufacturing space in Hondo, and the opening of the TXN Central Bank.

During 2023 the City will be working on plans to create a public-private partnership for developing approximately 2,000 acres adjacent to the airport with rail access.

The City will continue to prepare for the population increase in the San Antonio region, which is estimated to increase from 3,013,139 (2020) to 5,219,393 (2070) based on population data from the Texas Water Development Board.

We will continue to be conservative in our financial matters and maintain at least ninety-day reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830) 426-3378 or visit the City's website at www.hondo-tx.org.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC
FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 11,279,271	$ 6,664,954	$ 17,944,225
Investments	2,762,947	-	2,762,947
Receivables, net:			
Taxes	106,263	-	106,263
Accounts	506,910	3,692,543	4,199,453
Internal balances	69,039	(69,039)	-
Lease receivable	-	4,137,274	4,137,274
Interest receivable	-	6,905	6,905
Inventory	-	620,251	620,251
Prepaid expenses	7,734	-	7,734
Total current assets	14,732,164	15,052,888	29,785,052
Noncurrent assets:			
Restricted assets:			
Cash and investments	578,799	622,836	1,201,635
Capital assets (net of accumulated depreciation):			
Non-depreciable	642,688	3,858,613	4,501,301
Depreciable	13,352,314	26,661,431	40,013,745
Net pension asset	540,256	192,945	733,201
Total noncurrent assets	15,114,057	31,335,825	46,449,882
Total assets	29,846,221	46,388,713	76,234,934
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	230,702	82,392	313,094
Deferred outflows related to OPEB -SDBF	60,371	21,560	81,931
Total deferred outflows of resources	291,073	103,952	395,025
LIABILITIES			
Current liabilities:			
Accounts payable	430,131	787,518	1,217,649
Accrued liabilities	104,171	37,022	141,193
Interest payable	32,991	25,298	58,289
Unearned revenue	1,171,028	24,503	1,195,531
Customer deposits	-	457,116	457,116
Long-term liabilities:			
Due in one year:			
Bonds payable	424,620	544,380	969,000
Tax maintenance notes	90,000	-	90,000
Leases	40,481	16,028	56,509
Compensated absences	21,999	4,022	26,021
Due in more than one year:			
Bonds payable	6,012,470	5,506,530	11,519,000
Bonds premium	320,942	-	320,942
Tax maintenance notes	595,000	-	595,000
Leases	51,053	39,524	90,577
Compensated absences	87,995	16,089	104,084
Total OPEB liability - SDBF	333,021	118,934	451,955
Total liabilities	9,715,902	7,576,964	17,292,866
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	898,837	321,008	1,219,845
Deferred inflows related to OPEB - SDBF	19,061	6,806	25,867
Deferred inflows related to leases	-	4,106,669	4,106,669
Total deferred inflows of resources	917,898	4,434,483	5,352,381
NET POSITION			
Net investment in capital assets	10,625,513	24,672,346	35,297,859
Restricted for:			
Nonexpendable perpetual care trust	566,576	-	566,576
Debt service	189,475	-	189,475
Economic development	2,914,574	-	2,914,574
Police, municipal court, and library	5,727	-	5,727
Tourism development	194,213	-	194,213
Community programs	24,863	-	24,863
Grants	4,717	-	4,717
Unrestricted	4,977,836	9,808,872	14,786,708
Total net position	$ 19,503,494	$ 34,481,218	$ 53,984,712

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,506,244	$ 406,575	$ 12,000	$ -
Public safety	2,275,794	49,720	14,453	-
Judicial	133,103	42,216	-	-
Culture and recreation	1,918,308	216,159	14,816	11,076
Public works	1,779,049	-	-	-
Interest on long-term debt	179,467	-	-	-
Issuance cost	55,968	-	-	-
Total governmental activities	8,847,933	714,670	41,269	11,076
Business-type activities:				
Electric Utility	6,101,439	9,329,708	-	-
Water and Sewer	2,196,852	5,250,831	-	3,070
Airport	1,373,368	1,116,441	-	29,572
Sanitation	1,349,044	1,425,948	-	-
Total business-type activities	11,020,703	17,122,928	-	32,642
Total primary government	$ 19,868,636	$ 17,837,598	$ 41,269	$ 43,718

General revenues and transfers:
Taxes:
Property
Sales
Other
Unrestricted investment income
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$(2,087,669)	$ -	$(2,087,669)
(2,211,621)	-	(2,211,621)
(90,887)	-	(90,887)
(1,676,257)	-	(1,676,257)
(1,779,049)	-	(1,779,049)
(179,467)	-	(179,467)
(55,968)	-	(55,968)
(8,080,918)	-	(8,080,918)
-	3,228,269	3,228,269
-	3,057,049	3,057,049
-	(227,355)	(227,355)
-	76,904	76,904
-	6,134,867	6,134,867
$(8,080,918)	$ 6,134,867	$(1,946,051)
$ 1,888,019	$ -	$ 1,888,019
1,989,510	-	1,989,510
201,951	-	201,951
47,973	24,651	72,624
156,965	339,227	496,192
4,426,366	(4,426,366)	-
8,710,784	(4,062,488)	4,648,296
629,866	2,072,379	2,702,245
18,873,628	32,408,839	51,282,467
$ 19,503,494	$ 34,481,218	$ 53,984,712

CITY OF HONDO, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General	American Rescue Plan	General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,823,686	$ 1,717,557	$ 4,058,087	$ 1,679,941	$ 11,279,271
Investments	889,392	-	-	1,873,555	2,762,947
Receivables (net of allowances for uncollectibles):					
Accounts	341,462	-	-	165,448	506,910
Taxes	80,407	-	-	25,856	106,263
Due from other funds	81,118	-	-	-	81,118
Prepaid items	7,734	-	-	-	7,734
Restricted cash and investments	-	-	-	578,799	578,799
Total assets	5,223,799	1,717,557	4,058,087	4,323,599	15,323,042
LIABILITIES					
Accounts payable	337,331	-	1,549	91,251	430,131
Accrued liabilities	101,399	-	-	2,772	104,171
Due to other funds	-	-	-	12,079	12,079
Unearned revenue	5,050	1,712,840	-	34,248	1,752,138
Total liabilities	443,780	1,712,840	1,549	140,350	2,298,519
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	74,661	-	-	24,124	98,785
Unavailable revenue - court fines	50,692	-	-	-	50,692
Total deferred inflows of resources	125,353	-	-	24,124	149,477
FUND BALANCES					
Nonspendable:					
Prepaid items	7,734	-	-	-	7,734
Perpetual care trust	-	-	-	566,576	566,576
Restricted for:					
Debt service	-	-	-	198,342	198,342
Economic development	-	-	-	2,914,574	2,914,574
Police department	-	-	-	5,727	5,727
Tourism development	-	-	-	194,213	194,213
Capital projects	-	-	4,056,538	-	4,056,538
Community programs	-	-	-	24,863	24,863
Grants	-	4,717	-	-	4,717
Committed for:					
South TX regional training center	-	-	-	252,811	252,811
Other	-	-	-	2,019	2,019
Assignment for:					
Blue santa program	6,967	-	-	-	6,967
Unassigned	4,639,965	-	-	-	4,639,965
Total fund balances	4,654,666	4,717	4,056,538	4,159,125	12,875,046
Total liabilities, deferred inflows of resources and fund balances	$ 5,223,799	$ 1,717,557	$ 4,058,087	$ 4,323,599	$ 15,323,042

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

Total fund balances - governmental funds balance sheet	$ 12,875,046
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	13,995,002
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources in the funds:	
Property taxes	74,661
Property tax penalties and interest	24,124
Court fines and fees	50,692
Intergovernmental receivables	581,110
Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds.	(32,991)
Long-term liabilities and deferred losses on bond refundings, reported as deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds. A summary of these items are as follows:	
Long-term liabilities:	
Bonds payable	(6,437,090)
Tax notes payable	(685,000)
Bonds premium	(320,942)
Compensated absences	(109,994)
Leases	(91,534)
The City had a net pension asset of $540,256, this included a deferred outflow of $230,702 and deferred inflow of $898,837. These items are not payable in the current period and therefore are not reported in the governmental funds balance sheet.	(127,879)
The total OPEB liability and related deferred inflows and outflows are not included in the fund financial statements.	(291,711)
Net position of governmental activities	$ 19,503,494

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	American Rescue Plan	General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	$ 1,433,047	$ -	$ -	$ 449,112	$ 1,882,159
Sales tax	1,328,979	-	-	660,531	1,989,510
Other taxes	78,759	-	-	123,192	201,951
Licenses and permits	169,709	-	-	-	169,709
Intergovernmental	27,478	629,889	-	-	657,367
Charges for services	358,414	-	-	159,103	517,517
Fines and forfeitures	42,776	-	-	-	42,776
Investment income	24,193	4,717	15,117	3,946	47,973
Miscellaneous	70,302	-	-	2,124	72,426
Total revenues	3,533,657	634,606	15,117	1,398,008	5,581,388
EXPENDITURES					
Current:					
General government	2,059,121	-	-	340,794	2,399,915
Public safety	2,250,874	-	-	501	2,251,375
Judicial	141,326	-	-	-	141,326
Culture and recreation	1,704,261	-	-	116,108	1,820,369
Public works	1,386,959	-	-	-	1,386,959
Capital outlay	365,469	-	557,260	-	922,729
Debt service:					
Principal	37,808	-	-	416,470	454,278
Interest	546	-	-	163,777	164,323
Issuance costs	28,000	-	-	44,860	72,860
Total expenditures	7,974,364	-	557,260	1,082,510	9,614,134
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,440,707)	634,606	(542,143)	315,498	(4,032,746)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,087,093	-	-	219,651	5,306,744
Transfers out	(43,765)	(629,889)	-	(206,724)	(880,378)
Issuance of debt	685,000	-	-	-	685,000
Refunding bonds issued	-	-	-	615,000	615,000
Payment to refunded bond escrow agent	-	-	-	(570,140)	(570,140)
Leases issued	36,985	-	-	-	36,985
Insurance recoveries	84,539	-	-	-	84,539
Total other financing sources and uses	5,849,852	(629,889)	-	57,787	5,277,750
NET CHANGE IN FUND BALANCES	1,409,145	4,717	(542,143)	373,285	1,245,004
FUND BALANCES, BEGINNING	3,245,521	-	4,598,681	3,785,840	11,630,042
FUND BALANCES, ENDING	$ 4,654,666	$ 4,717	$ 4,056,538	$ 4,159,125	$ 12,875,046

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances - total governmental funds	$ 1,245,004
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital outlay recorded in the current period.	903,504
Depreciation on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(1,054,120)
Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Posiiton.	454,278
Issuance of debt	(1,336,985)
Bond refunding	560,000
Amortization of:	
Premium on bond issuance	16,892
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(5,004)
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	481
Net OPEB liability	107,141
Net Pension liability	353,169
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(614,494)
Change in net position of governmental activities	$ 629,866

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds									
		Water and Sewer		Electric Utility		Airport		Sanitation		Total
ASSETS										
Current assets:										
Cash and cash equivalents	$	5,054,819	$	1,137,116	$	-	$	473,019	$	6,664,954
Receivables, net		1,190,911		2,287,766		86,245		127,621		3,692,543
Lease receivable		-		-		4,137,274		-		4,137,274
Interest receivable		-		-		6,905		-		6,905
Inventory		183,629		388,349		48,273		-		620,251
Net pension asset		94,961		61,009		36,975		-		192,945
Total current assets		6,524,320		3,874,240		4,315,672		600,640		15,314,872
Noncurrent assets:										
Restricted cash and investments		622,836		-		-		-		622,836
Capital assets:										
Nondepreciable		1,911,989		137,104		1,809,520		-		3,858,613
Depreciable		12,623,117		1,336,583		12,701,731		-		26,661,431
Total noncurrent assets		15,157,942		1,473,687		14,511,251		-		31,142,880
Total assets		21,682,262		5,347,927		18,826,923		600,640		46,457,752
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows related to pensions		40,551		26,052		15,789		-		82,392
Deferred outflows related to OPEB - SDBF		10,611		6,817		4,132		-		21,560
Total deferred outflows of resources		51,162		32,869		19,921		-		103,952

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)

SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
LIABILITIES					
Current liabilities:					
Accounts payable	$ 62,462	$ 568,027	$ 31,175	$ 125,854	$ 787,518
Accrued liabilities	20,532	9,560	6,930	-	37,022
Due to other funds	-	-	69,039	-	69,039
Accrued interest payable	24,029	957	312	-	25,298
Unearned revenue	-	19,653	4,850	-	24,503
Customer deposits	114,905	342,211	-	-	457,116
Noncurrent liabilities:					
Due in one year:					
Bonds payable	479,380	50,000	15,000	-	544,380
Leases	1,566	-	14,462	-	16,028
Compensated absences	2,025	1,231	766	-	4,022
Total current liabilities	704,899	991,639	142,534	125,854	1,964,926
Due in more than one year:					
Bonds payable	5,161,530	265,000	80,000	-	5,506,530
Leases	4,063	-	35,461	-	39,524
Compensated absences	8,100	4,924	3,065	-	16,089
Total OPEB liability - SDBF	58,535	37,607	22,792	-	118,934
Total noncurrent liabilities	5,232,228	307,531	141,318	-	5,681,077
Total liabilities	5,937,127	1,299,170	283,852	125,854	7,646,003
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to to pensions	157,989	101,502	61,517	-	321,008
Deferred inflows related to OPEB - SDBF	3,350	2,152	1,304	-	6,806
Lease related	-	-	4,106,669	-	4,106,669
Total deferred inflows of resources	161,339	103,654	4,169,490	-	4,434,483
NET POSITION					
Net investment in capital assets	8,962,331	1,343,687	14,366,328	-	24,672,346
Unrestricted	6,672,627	2,634,285	27,174	474,786	9,808,872
Total net position	$ 15,634,958	$ 3,977,972	$ 14,393,502	$ 474,786	$ 34,481,218

CITY OF HONDO, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
OPERATING REVENUES					
Charges for services					
Utility service	$ 5,250,831	$ 9,329,708	$ -	$ 1,425,948	$ 16,006,487
Fuel sales	-	-	451,373	-	451,373
Rentals and leases	-	-	665,068	-	665,068
Miscellaneous	140,714	184,281	-	14,232	339,227
Total operating revenues	5,391,545	9,513,989	1,116,441	1,440,180	17,462,155
OPERATING EXPENSES					
Personnel services	840,505	471,725	297,312	-	1,609,542
Materials and supplies	89,795	371,471	360,203	-	821,469
Contractual services	513,085	5,129,951	191,184	1,349,044	7,183,264
Depreciation	604,023	122,311	522,572	-	1,248,906
Total operating expenses	2,047,408	6,095,458	1,371,271	1,349,044	10,863,181
OPERATING INCOME (LOSS)	3,344,137	3,418,531	(254,830)	91,136	6,598,974
NONOPERATING REVENUES (EXPENSES)					
Investment income	18,621	4,356	-	1,674	24,651
Interest expense	(149,444)	(5,981)	(2,097)	-	(157,522)
Total nonoperating revenues (expenses)	(130,823)	(1,625)	(2,097)	1,674	(132,871)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,213,314	3,416,906	(256,927)	92,810	6,466,103
Capital contributions - Intergovernmental	3,070	-	29,572	-	32,642
Transfers in	44,349	353,649	13,857	-	411,855
Transfers out	(1,524,444)	(3,068,364)	(96,613)	(148,800)	(4,838,221)
Total capital contributions and transfers	(1,477,025)	(2,714,715)	(53,184)	(148,800)	(4,393,724)
CHANGE IN NET POSITION	1,736,289	702,191	(310,111)	(55,990)	2,072,379
TOTAL NET POSITION, BEGINNING	13,898,669	3,275,781	14,703,613	530,776	32,408,839
TOTAL NET POSITION, ENDING	$ 15,634,958	$ 3,977,972	$ 14,393,502	$ 474,786	$ 34,481,218

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 5,641,451	$ 9,574,104	$ 1,053,544	$ 1,451,016	$ 17,720,115
Cash paid to employees	(887,773)	(536,134)	(320,086)	-	(1,743,993)
Cash paid to suppliers for goods and services	(725,793)	(5,434,749)	(637,124)	(1,338,207)	(8,135,873)
Net cash provided by operating activities	4,027,885	3,603,221	96,334	112,809	7,840,249
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	3,070	-	29,572	-	32,642
Principal repayment on bonds	(466,901)	(50,000)	34,923	-	(481,978)
Interest and related fees paid on long-term debt	(150,815)	(6,101)	(2,110)	-	(159,026)
Acquisition and construction of capital assets	(607,630)	-	(75,963)	-	(683,593)
Net cash used by capital and related financing activities	(1,222,276)	(56,101)	(13,578)	-	(1,291,955)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investments and cash equivalents	18,621	4,356	-	1,674	24,651
Net cash provided by investing activities	18,621	4,356	-	1,674	24,651
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments in lieu of taxes and transfers	(1,480,095)	(2,714,715)	(82,756)	(148,800)	(4,426,366)
Net cash used by noncapital financing activities	(1,480,095)	(2,714,715)	(82,756)	(148,800)	(4,426,366)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,344,135	836,761	-	(34,317)	2,146,579
CASH AND CASH EQUIVALENTS, BEGINNING	4,333,520	300,355	-	507,336	5,141,211
CASH AND CASH EQUIVALENTS, ENDING	$ 5,677,655	$ 1,137,116	$ -	$ 473,019	$ 7,287,790

The accompanying notes are an integral part of these financial statements.

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income	$ 3,344,137	$ 3,418,531	$(254,830)	$ 91,136	$ 6,598,974
Adjustments to reconile operating income to net cash provided (used) by operating activities:					
Depreciation	604,023	122,311	522,572	-	1,248,906
(Increase) decrease in:					
Accounts receivable	247,246	30,567	(25,622)	10,856	263,047
Interest receivable	-	-	(6,905)	-	(6,905)
Lease receivable	-	-	(4,137,274)	-	(4,137,274)
Inventories	(73,075)	21,818	(21,058)	-	(72,315)
Deferred outflows of resources	(776)	12,493	(25)	-	11,692
Increase (decrease) in:					
Accounts payable	(49,838)	44,855	2,728	10,837	8,582
Accrued liabilities	(2,036)	(8,464)	(3,497)	-	(13,997)
Unearned revenue	-	19,653	235	(20)	19,868
Customer deposits	2,660	9,895	-	-	12,555
Deferred inflows of resources	88,065	37,686	4,140,558	-	4,266,309
Net OPEB liability	7,992	(7,897)	2,835	-	2,930
Net pension liability/ (asset)	(137,938)	(99,700)	(53,945)	-	(291,583)
Compensated absences	(2,575)	1,473	(2,031)	-	(3,133)
Total adjustments	683,748	184,690	351,164	21,673	1,241,275
Net cash provided by operating activities	$ 4,027,885	$ 3,603,221	$ 96,334	$ 112,809	$ 7,840,249

The accompanying notes are an integral part of these financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hondo, Texas ("City") was incorporated in 1942 under the provisions of the State of Texas. The City operates under a Home Rule Charter adopted May 12, 2007. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Based on these criteria, the financial information of the following entity has been blended within the financial statements.

Blended Component Unit

The City exerts significant control over the Economic Development Corporation (EDC), a legally separate entity. The EDC uses the taxing authority of the City and provides services almost exclusively to the City and its constituents. This poses a significant benefit to the City. The Component unit's governing body is substantially the same as the governing body of the primary government. City Council appoints all members of the Board, approves the Budget, and is charged with hiring and firing of EDC employees. In addition, management of the City has operational responsibility for the component unit. The City is entitled to and can otherwise access all of the resources of the EDC. This qualifies the EDC as a component unit, which is recorded as a separate Special Revenue Fund of the City, using the blended method described in the previous paragraph. The EDC collects a ½ cent sales tax to promote economic growth in the City of Hondo. The EDC does not issue separate financial statements.

B. Government-wide Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Culture and Recreation, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All of the City's proprietary funds are all major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are aggregated in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of this report.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the component unit. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, other taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the personnel services, materials and supplies, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column. However, interfund services provided and used are not eliminated in the process of consolidation.

Governmental Funds

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, and payments in lieu of taxes from proprietary funds. Primary expenditures are for general administration, public safety, recreation, and public works.

The ***American Rescue Plan Fund*** is used to account for grant receipts and expenditures related to the American Rescue Plan grant related to COVID-19.

The ***General Capital Projects Fund*** is used to account for financial resources to be used for the acquisition or major construction of major capital facilities.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

The ***Electric Utility Fund*** accounts for the City owned electric distribution system and is in charge of the electrical supply to the City's customers.

The ***Water and Sewer Fund*** accounts for the activities associated with providing water and sewer utility services primarily to residents of the City of Hondo.

The ***Airport Fund*** accounts for transactions related to the South Texas Regional Airport at Hondo and those related to the property given to the City by the War Assets Department in 1948, i.e. the Old Army Airfield.

The ***Sanitation Utility Fund*** accounts for the activities associated with providing sanitation utility services to customers.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents and restricted cash*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash is reported as restricted only if the restriction on the cash is narrower than the purpose of the fund as a whole. For the City, these balances generally consist of the cemetery trust and unspent bond proceeds for specific projects.

Proceeds from the sale of burial plots are permanently restricted in the Perpetual Care permanent fund. The principal may not be spent for any purpose. Earnings on these balances may be used to maintain the cemetery.

Restricted cash reported in the Water and Sewer Fund represents unspent 2017 Series bond proceeds, which are restricted for the plant improvements. The cash is held in an escrow account controlled by the Texas Water Development Board and is released on a reimbursement basis.

2. *Investments*

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit and qualifying external investment pools which are carried at amortized cost.

3. *Property Taxes and Other Receivables*

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2021 and past due after January 31, 2022. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles of $29,733 and $9,561 in the General and Debt Service funds, respectively.

Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2021, upon which the fiscal 2022 levy was based, was $383 million (i.e., market value less exemptions). The estimated market value was $430 million, making the taxable value 89% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to $2.50 per $100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2022, was $0.4866 per $100 of assessed value. The City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

4. *Inventories and Prepaid Items*

Inventories are valued at average cost on a first-in, first-out basis. Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used rather than when purchased).

Prepaid items are payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds to indicate it is not available for other subsequent expenditures. Prepaid items are defined as payments that benefit future periods. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Capital Assets*

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of $5,000 or more and a useful life in excess of 1 year. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs, and utilities. Capital assets are recorded at historical costs if purchased or constructed. In general, donated capital assets are recorded at estimated fair market value at the date of donation. However, donated works of art and capital assets received in a service concession arrangement are reported at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10 - 40
Streets, utilities, and infrastructure	10 - 60
Furniture, fixtures, and vehicles	5 - 30
Right to use - vehicles and equipment	2-5

6. *Deferred Inflows and Outflows of Resources*

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Differences between expected and actual economic experience for the City’s pension plan– These effects on the pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

- Changes in actuarial assumptions and other inputs included in determining the pension and OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents a consumption of net assets that applies to future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The City has unavailable revenue associated with property taxes, grants, and court fines.

In addition, the City has deferred inflows of resources which are required to be reported on the Statements of Net Position under the full accrual basis of accounting. Deferred inflows of resources reported in the Statements of Net Position are as follows:

- Differences between expected and actual economic experience for the City's pension and OPEB plan – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

- Changes in actuarial assumptions and other inputs included in determining the OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Unavailable revenue – Receivables not collected soon enough to pay or the current period's expenditures. This item arises only under the modified accrual basis of accounting.

- Deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

7. *Compensated Absences*

Full-time employees earn vacation leave at varying rates depending on length of service. No more than 80 hours may be carried over annually based on the employee's anniversary date. Accumulated vacation leave is paid on termination up to 120 hours. Full-time employees earn sick leave at 10 hours per month up to a maximum of 320 hours. Unused sick leave is not paid upon termination.

Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

8. *Long-term Debt*

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

9. *Leases*

The City has The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

10. *Pensions*

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. *Other Postemployment Benefits (OPEB)*

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the TMRS supplemental death benefits fund, have been determined on the same basis as they are reported by TMRS.

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the retiree insurance plan, have been determined on the economic resources measurement focus. There are no trusts for these plans as they are pay as you go. On the government-wide and proprietary statements, a liability is recorded for the present value of future benefits. In the governmental funds, a liability is recorded only to the extent benefits are due and payable.

12. *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager and Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

13. *Fund balance flow assumptions*

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

14. *Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

15. *Change in Accounting Principle*

GASB Statement No. 87, Leases, was adopted effective October 1, 2021. The statement addresses accounting and financial reporting for lease contracts. Statement No. 87 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to leases in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets, deferred inflows and liabilities were recognized, and more extensive note disclosures were required.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Compliance

For the year ended September 30, 2022, expenditures exceeded appropriations in the following funds:

- General Fund – General Government – Tax by $150
- General Fund – Culture and Recreation – Library by $23,241
- General Fund – Debt Service by $66,354
- Debt Service Fund – Issuance Costs by $44,860
- Debt Service Fund – Other Financing Sources and Uses by $653,605

- Perpetual Care Fund – General Government – Perpetual Care by $179
- South Texas Regional Training Center Fund – General Government – Services by $23,229

These excess expenditures were funded by greater than anticipated revenues and/or available fund balance.

III. DEPOSITS AND INVESTMENTS

A. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2022, the carrying amount of the City's deposits were fully collateralized.

B. Investments

The City's investments at September 30, 2022 consist of $3,344,849 in certificates of deposit covered by pledged securities from the City's depository. The certificates are reported at amortized cost.

C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

IV. RECEIVABLES

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Water and Sewer	Electric Utility	Airport	Sanitation
Sales and Mixed Beverage	$ 222,432	$ 109,824	$ -	$ 28,248	$ -	$ 8,165
Taxes	110,140	35,417	-	-	-	-
Franchise Fees	15,659	-	-	-	-	-
Hotel Occupancy	-	28,363	-	-	-	-
Customer Charges	-	-	1,201,183	2,351,780	110,775	124,501
Court Fines	533,356	-	-	-	-	-
Gross Receivables	52,679	27,261	313	27,956	-	-
Lease Receivable	-	-	-	-	4,137,274	-
Interest Receivable	-	-	-	-	6,905	-
Less Allowance for Uncollectibles	(512,397)	(9,561)	(10,585)	(120,218)	(24,530)	(5,045)
Total	$ 421,869	$ 191,304	$ 1,190,911	$ 2,287,766	$ 4,230,424	$ 127,621

Leases Receivable

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

A summary of the City's lease receivables as of September 30, 2022 is as follows:

Purpose of Lease	Interest Rate	Amount of Initial Lease Receivable	Interest Current Year	Reductions Current Year	Amounts Receivable 9/30/22
Right to Use:					
Land	0.632%-1.8710%	$ 394,799	$ 5,458	$ 65,797	$ 329,003
Buildings	.2130%-1.8710%	3,974,885	57,086	169,562	3,808,271
Totals			$ 62,544	$ 110,664	$ 4,137,274

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

Primary Government

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 628,148	$ -	$ -	$ 628,148
Construction in progress	-	14,540	-	14,540
Total assets not being depreciated	628,148	14,540	-	642,688
Capital assets, being depreciated:				
Buildings and improvements	10,494,833	31,785	-	10,526,618
Infrastructure	17,428,500	542,720	-	17,971,220
Vehicles and equipment	3,277,501	277,474	-	3,554,975
Right to use - vehicles and equipment	92,357	36,985	-	129,342
Total capital assets being depreciated	31,293,191	888,964	-	32,182,155
Less accumulated depreciation:				
Buildings and improvements	(3,485,753)	(262,264)	-	(3,748,017)
Infrastructure	(11,996,763)	(441,104)	-	(12,437,867)
Vehicles and equipment	(2,293,205)	(313,572)	-	(2,606,777)
Right to use - vehicles and equipment	-	(37,180)	-	(37,180)
Total accumulated depreciation	(17,775,721)	(1,054,120)	-	(18,829,841)
Total capital assets being depreciated, net	13,517,470	(165,156)	-	13,352,314
Governmental activities capital assets, net	$ 14,145,618	$(150,616)	$ -	$ 13,995,002

	Beginning Balance	Additions	Adjustments/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,284,349	$ -	$ -	$ 2,284,349
Water rights	199,541	-	-	199,541
Construction in progress	1,612,213	108,111	(345,601)	1,374,723
Total assets not being depreciated	4,096,103	108,111	(345,601)	3,858,613
Capital assets, being depreciated:				
Buildings and improvements	19,164,586	-	-	19,164,586
Infrastructure	27,248,348	382,561	345,601	27,976,510
Vehicles and equipment	2,573,842	122,889	-	2,696,731
Right to use	57,704	12,329	-	70,033
Total capital assets being depreciated	49,044,480	517,779	345,601	49,907,860
Less accumulated depreciation:				
Buildings and improvements	(7,833,070)	(458,461)	-	(8,291,531)
Infrastructure	(12,735,020)	(254,005)	-	(12,989,025)
Vehicles and equipment	(1,429,433)	(14,529)	-	(1,443,962)
Right to use	-	(521,911)	-	(521,911)
Total accumulated depreciation	(21,997,523)	(1,248,906)	-	(23,246,429)
Total capital assets being depreciated, net	27,046,957	(731,127)	345,601	26,661,431
Business-type activities capital assets, net	$ 31,143,060	$(623,016)	$ -	$ 30,520,044

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	198,004
Public safety		177,350
Public works		479,886
Culture and recreation		198,880
Total depreciation expense - governmental activities	$	1,054,120
Business-type activities:		
Electric utility	$	122,311
Water and sewer		604,023
Airport		522,572
Total depreciation expense - business-type activities	$	1,248,906

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund		Amount
General	Nonmajor Governmental	$	12,079
General	Airport		69,039
		$	81,118

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less.

Interfund Transfers

Interfund transfers during the year ending September 30, 2022 were as follows:

Transfer In	Transfer Out		Amount	Purpose
Nonmajor	Nonmajor	$	169,876	Contributions toward debt payments
Nonmajor	General		43,765	Fair Hall maintenance
General	Nonmajor		36,848	Cemetery maintenance and EDC IT
General	Water and Sewer		1,524,444	General administration
General	Electric Utility		3,068,364	General administration
General	Airport		96,613	General administration
General	Sanitation		148,800	General administration
General	American Rescue Plan		212,024	Recognition pay
Electric Utility	American Rescue Plan		353,649	Recognition pay and utility credits
Water and Sewer	American Rescue Plan		44,349	Recognition pay
Airport	American Rescue Plan		13,857	Recognition pay
Nonmajor	American Rescue Plan		6,010	Recognition pay
		$	5,718,599	

LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2022:

	Balance 9/30/2021	Increases	Reductions	Balance 9/30/2022	Due Within One Year
Governmental activities:					
General obligation bonds -					
Private placement	$ 1,288,560	$ -	$(221,470)	$ 1,067,090	$ 219,620
Certificates of obligation -					
Private placement	4,950,000	-	(130,000)	4,820,000	140,000
Sales tax revenue bonds	560,000	-	(560,000)	-	-
Sales tax refunding bonds	-	615,000	(65,000)	550,000	65,000
Bond premium	337,834	-	(16,892)	320,942	-
Tax maintenance notes	-	685,000	-	685,000	90,000
Leases	92,357	36,985	(37,808)	91,534	40,481
Compensated absences	110,475	53,056	(53,537)	109,994	21,999
Total governmental long-term liabilities	$ 7,339,226	$ 1,390,041	$(1,084,707)	$ 7,644,560	$ 577,100
Business-type activities:					
General obligation bonds -					
Private placement	$ 1,103,440	$ -	$(177,530)	$ 925,910	$ 179,380
Certificates of obligation -					
Private placement	5,485,000	-	(360,000)	5,125,000	365,000
Leases	57,704	12,328	(14,480)	55,552	16,028
Compensated absences	23,244	17,432	(20,565)	20,111	4,022
Total business-type long-term liabilities	$ 6,669,388	$ 29,760	$(572,575)	$ 6,126,573	$ 564,430

Accrued Compensated Absences

Accrued compensated absences are payable from the fund responsible for the employee's compensation. Of the liability attributed to governmental activities at September 30, 2022, significantly all is payable from the General Fund.

Net Pension Liability and Total Other Post Employment Benefit (OPEB) Liabilities

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

Sales Tax Revenue Bonds, Series 2010

The City (through the Economic Development Corporation) issued $1,000,000 in revenue bonds in 2010 for improvements to the South Texas Regional Training Center. The debt service is funded by the sales tax collections of the Economic Development Corporation. The bonds mature serially through February 1, 2030 and bear interest at rates between 2.75% and 5.00%. These bonds were privately placed through a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2013

The City issued $490,000 in certificates of obligation in May 2013 for utility system improvements. The debt service on the certificates are to be paid by the water/sewer utility fund. The bonds mature serially through February 1, 2023 and bear interest at rates between 0.38% and 1.86%. These bonds were privately placed through the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

General Obligation Refunding Bonds, Series 2014

The City issued $1,672,000 in general obligation bonds in May 2014 to refund the majority of the Certificates of Obligation, Series 2005. The debt service on the 2014 series will be paid in the same ratio as the series 2005 bonds: 63% General Fund and 37% Water/Sewer utility. The bonds mature serially through February 1, 2025 and bear interest at rates between 0.95% and 3.15%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015

In December 2015, the City issued $3,450,000 in bonds: $2.03 million for library construction to be repaid with property taxes and $1.42 million for water utility improvements to be repaid with excess utility revenues. The bonds mature serially through August 1, 2035 and bear interest of 0.67% and 3.62%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

General Obligation Refunding Bonds, Series 2016

In November 2016, the City issued $2,635,000 in bonds to refund series 2007. All of the funds originally involved in the 2007 bonds are to service the same percentage of the 2016 bonds: General Fund (Debt Service) (27%), Electric Utility (22%), Water/Sewer Utility (22%), Airport (7%) and Economic Development Corporation (22%). The bonds mature serially through February 1, 2027 and bear interest at rates between 0.963% and 2.012%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2017

In January 2017, the City issued $5,470,000 in bonds through the Texas Water Development Board's Drinking Water State Revolving Fund for water and sewer plant improvements. The bonds will be serviced by the Water & Sewer Fund, mature serially through August 1, 2036 and bear interest at rates between 0.11% and 2.92%. The proceeds are held in an escrow account and released by the TWDB upon approved outlay requests. The unspent proceeds are reported as restricted cash on the Statement of Net Position. These bonds were privately placed through the Texas TWDB and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021

In September 2021, the City issued $3,725,000 in bonds to reconstruct streets and to be repaid with property taxes. The bonds mature serially through February 1, 2041 and bear interest at a rate of 3.00%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Sales Tax Revenue Refunding Bonds, Taxable Series 2021

In October 2021, the City (through the Economic Development Corporation) issued $615,000 in bonds to fully refund the Sales Tax Revenue Bonds, Series 2010. The debt service on the 2021 series will be paid in the same ratio as the series 2010 bonds: 100% Economic Development Corporation. The bonds mature serially through February 1, 2030 and bear interest at rate of 2.00%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Tax Maintenance Notes, Series 2022

In March 2022, the City issued $685,000 in bonds to finance the purchase of vehicles, machinery and equipment for various City purposes, such as animal control, information technology and costs associated with the City's Public Works Department and to be repaid with property taxes. The bonds mature serially through February 1, 2029 and bear interest at a rate between 1.07% and 1.89%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Changes in Bonds Payable

	Balance 9/30/2021	Increases	Reductions	Balance 9/30/2022	Due Within One Year
Governmental activities:					
Bonds payable					
2010 Series	$ 560,000	$ -	$(560,000)	$ -	$ -
2014 Series - private placement	448,560	-	(106,470)	342,090	109,620
2015 Series - private placement	1,225,000	-	(75,000)	1,150,000	75,000
2016 Series - private placement	840,000	-	(115,000)	725,000	110,000
2021 Series - private placement	3,725,000	615,000	(120,000)	4,220,000	130,000
2022 Series - private placement	-	685,000	-	685,000	90,000
Total governmental activities	$ 6,798,560	$ 1,300,000	$(976,470)	$ 7,122,090	$ 514,620
Business-type activities:					
Bonds payable					
2013 Series - private placement	$ 100,000	$ -	$(50,000)	$ 50,000	$ 50,000
2014 Series - private placement	263,440	-	(62,530)	200,910	64,380
2015 Series - private placement	1,065,000	-	(65,000)	1,000,000	65,000
2016 Series - private placement	840,000	-	(115,000)	725,000	115,000
2017 Series - private placement	4,320,000	-	(245,000)	4,075,000	250,000
Total business-type activities	$ 6,588,440	$ -	$(537,530)	$ 6,050,910	$ 544,380

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2022, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities - Private Placement Principal	Governmental Activities - Private Placement Interest
2023	$ 514,620	$ 189,078
2024	544,030	173,523
2025	573,440	161,066
2026	600,000	146,768
2027	825,000	138,947
2028-2032	1,625,000	498,471
2033-2037	1,420,000	260,458
2038-2041	1,020,000	62,250
Total	$ 7,122,090	$ 1,630,561

Year Ending September 30,	Business-type Activities - Private Placement Principal	Business-type Activities - Private Placement Interest
2023	$ 544,380	$ 149,295
2024	501,970	139,334
2025	514,560	128,925
2026	520,000	118,040
2027	535,000	54,355
2028-2032	1,850,000	413,170
2033-2036	1,585,000	144,443
Total	$ 6,050,910	$ 1,147,562

Leases Payable

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

A summary of the governmental and business-type lease payables as of September 30, 2022, is as follows:

Purpose of Lease - Governmental	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/22
Right to Use:					
NeoPost Mail Sorter	0.248%	2021	$ 5,844	$ 14	$ 1,950
NeoPost Postage Machine	0.328%	2021	7,190	24	5,143
Xerox Printers/ Copiers	2.093%	2022	36,985	774	32,473
Xerox Large Format Printer	0.25%	2021	5,985	15	2,996
Golf Cart	0.328%	2021	73,339	241	48,972
Totals				$ 1,068	$ 91,534

Purpose of Lease - Business-type	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/22
Right to Use:					
Airport Refueler	0.4750%	2021	$ 55,704	$ 265	$ 44,728
Xerox Printers/ Copiers	2.093%	2022	12,328	258	10,824
Totals				$ 523	$ 55,552

A lease payments maturity are as follows:

Year Ending September 30,	Governmental Activities - Leases Principal		Interest	
2023	$	40,481	$	737
2024		35,813		454
2025		10,455		209
2026		4,785		29
Total	$	91,534	$	1,429

Year Ending September 30,	Business-type Activities - Leases Principal		Interest	
2023	$	16,028	$	382
2024		16,154		256
2025		16,281		129
2026		7,089		16
Total	$	55,552	$	783

VII. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member’s benefit is calculated as if the sum of the member’s contributions, with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

Employees covered by benefit terms

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	75
Inactive employees entitled to but not yet receiving benefits	113
Active employees	106
Total	294

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 8.56% and 8.00% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were $383,135 and were equal to the required contributions.

Net Pension Liability. The City's net pension liability (NPL) was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2020	$ 17,353,786	$ 16,930,300	$ 423,486
Changes for the year:			
Service cost	571,407	-	571,407
Interest	1,157,171	-	1,157,171
Difference between expected and actual experience	(24,144)	-	(24,144)
Contributions - employer	-	416,802	i
Contributions - employee	-	249,305	(249,305)
Net investment income	-	2,205,156	(2,205,156)
Benefit payments, including refunds of employee contributions	(992,432)	(992,432)	-
Administrative expense	-	(10,212)	10,212
Other changes	-	70	(70)
Net changes	712,002	1,868,689	(1,156,687)
Balance at 12/31/2021	$ 18,065,788	$ 18,798,989	$(733,201)

The following represents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension asset	$ 1,983,257	$(733,201)	$(2,918,646)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. The report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the City recognized pension expense of $80,906.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 6,013	$ 85,893
Changes in actuarial assumptions	16,691	-
Difference between projected and actual investment earnings	-	1,133,952
Contributions subsequent to the measurement date	290,390	-
Total	$ 313,094	$ 1,219,845

$290,390 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2023	$(234,438)
2024	(509,698)
2025	(240,532)
2026	(212,473)
Total	$(1,197,141)

<u>Defined Other Post-Employment Benefit Plans</u>

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	16
Active members	106
Total	179

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.22% for 2022 and 0.21% for 2021, of which 0.14% and 0.12%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered-employee payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2022 and 2021 were $6,410 and $5,544, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	1.84%
Projected salary increases	3.5% to 11.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with both male and female rates multiplied by 107.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used for males and females with both multiplied by 107.5% with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3%% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. As such, a single discount rate of 1.84% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.84%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's total OPEB liability	$ 559,838	$ 451,955	$ 370,253

OPEB Liability, Expense, and Deferred Outflows of Resources Related to OPEB. The City's total OPEB liability of $451,955 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2022, the City recognized OPEB expense of $49,018. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability (a)
Balance at 12/31/2020	$ 428,823
Changes for the year:	
Service cost	21,440
Interest	8,731
Difference between expected and actual experience	(15,481)
Changes of assumptions	14,425
Benefit payments	(5,983)
Net changes	23,132
Balance at 12/31/2021	$ 451,955

Changes in assumptions and other inputs reflect a change in the discount rate from 2.00% to 1.84%.

At September 30, 2022, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 20,564
Changes in actuarial assumptions	76,706	5,303
Contributions subsequent to the measurement date	5,225	-
Total	$ 81,931	$ 25,867

$5,225 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts of the reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2023	$ 15,960
2024	18,289
2025	14,315
2026	2,283
2027	(8)
Total	$ 50,839

VIII. EDUCATION FACILITY CORPORATIONS

On August 6, 2013, the City created City of Hondo, Texas Higher Education Facilities Corporation (HHEFC), a nonprofit corporation under Section 53.35(b) of The Texas Education code. The HHEFC was established for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the HHEFC. The HHEFC is not consolidated into the financial statements of City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2022, the HHEFC had issued three series of bonds:

Issue	Original Principal	Amount Outstanding	Maturity
2013 Series	$ 2,500,000	$ 2,500,000	2028
2016 Series	5,000,000	4,219,000	2035
2019 Series	5,000,000	4,562,500	2024

IX. COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

X. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to $1,000,000.

XI. SIGNIFICANT FORTHCOMING STANDARDS

Statement No. 91, Conduit Debt Obligations – This Statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

XII. SUBSEQUENT EVENTS

In October 2022, the City issued $1,455,000 in tax notes. The notes mature serially through February 1, 2029 and bear an interest rate between 3.06% and 3.29%.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	$ 1,438,456	$ 1,438,456	$ 1,433,047	$(5,409)
Sales tax	1,150,000	1,150,000	1,328,979	178,979
Other taxes	41,300	41,300	78,759	37,459
Licenses and permits	137,000	137,000	169,709	32,709
Intergovernmental	1,439,791	1,439,791	27,478	(1,412,313)
Charges for services	358,857	383,857	358,414	(25,443)
Fines and forfeitures	62,900	62,900	42,776	(20,124)
Investment income	10,500	10,500	24,193	13,693
Miscellaneous	31,400	31,400	70,302	38,902
Total revenues	4,670,204	4,695,204	3,533,657	(1,161,547)
EXPENDITURES				
Current:				
General government				
Council	65,725	65,725	46,769	18,956
Administration	486,254	591,254	568,562	22,692
Tax	37,500	37,500	37,650	(150)
Finance	247,623	272,623	247,803	24,820
Code compliance	438,935	438,935	413,476	25,459
City secretary	121,802	121,802	110,531	11,271
Nonprofits	20,880	20,880	16,380	4,500
Human resources	126,754	129,754	119,795	9,959
Information technology	532,267	527,267	457,747	69,520
Grants	1,671,330	1,671,330	40,408	1,630,922
Total general government	3,749,070	3,877,070	2,059,121	1,817,949
Public safety				
Police	2,099,017	2,225,017	2,085,037	139,980
Emergency	19,250	19,250	7,581	11,669
Animal control	145,058	161,558	158,256	3,302
Total public safety	2,263,325	2,405,825	2,250,874	154,951
Judicial				
Municipal court	142,224	142,224	141,326	898
Total judicial	142,224	142,224	141,326	898
Culture and recreation				
Library	362,715	362,715	385,956	(23,241)
Parks	666,928	666,928	580,120	86,808
Recreation	562,611	562,611	453,000	109,611
Golf	307,481	326,791	285,185	41,606
Total culture and recreation	1,899,735	1,919,045	1,704,261	214,784
Public works				
Streets	695,854	743,354	734,691	8,663
Buildings and grounds	467,234	500,134	497,171	2,963
Public works administration	234,503	234,503	155,097	79,406
Total public works	1,397,591	1,477,991	1,386,959	91,032
Debt Service				
Principal	-	-	37,808	(37,808)

The accompanying notes are an integral part of this schedule.

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Interest	-	-	546	(546)
Issuance costs	-	-	28,000	(28,000)
Total debt service	-	-	66,354	(66,354)
Capital outlay	449,916	454,916	365,469	89,447
Total expenditures	9,901,861	10,277,071	7,974,364	2,302,707
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(5,231,657)	(5,581,867)	(4,440,707)	1,141,160
OTHER FINANCING SOURCES (USES)				
Transfers in	4,908,421	4,908,421	5,087,093	178,672
Transfers out	(43,765)	(43,765)	(43,765)	-
Issuance of debt	300,000	300,000	685,000	385,000
Leases	-	-	36,985	36,985
Sale of capital assets	12,000	12,000	-	(12,000)
Insurance recoveries	-	-	84,539	84,539
Total other financing sources (uses)	5,176,656	5,176,656	5,849,852	673,196
NET CHANGE IN FUND BALANCES	(55,001)	(405,211)	1,409,145	1,814,356
FUND BALANCES, BEGINNING	3,245,521	3,245,521	3,245,521	-
FUND BALANCES, ENDING	$ 3,190,520	$ 2,840,310	$ 4,654,666	$ 1,814,356

The accompanying notes are an integral part of this schedule.

CITY OF HONDO, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Plan Year	2014	2015
A. Total pension liability		
Service Cost	$ 380,720	$ 454,101
Interest (on the total pension liability)	876,063	928,615
Difference between expected and actual experience	(9,620)	(333,876)
Changes of assumptions	-	66,360
Benefit payments, including refunds of employee contributions	(530,190)	(536,015)
Net change in total pension liability	716,973	579,185
Total pension liability - beginning	12,589,918	13,306,891
Total pension liability - ending (a)	$ 13,306,891	$ 13,886,076
B. Plan fiduciary net position		
Contributions - employer	$ 367,137	$ 375,069
Contributions - employee	191,417	199,868
Net investment income	652,089	17,814
Benefit payments, including refunds of employee contributions	(530,190)	(536,015)
Administrative expense	(6,808)	(10,850)
Other	(560)	(538)
Net change in plan fiduciary net position	673,085	45,348
Plan fiduciary net position - beginning	11,399,193	12,072,278
Plan fiduciary net position - ending (b)	12,072,278	12,117,626
C. Net pension liability/(asset) - ending (a) - (b)	$ 1,234,613	$ 1,768,450
D. Plan fiduciary net position as a percentage of total pension liability	90.72%	87.26%
E. Covered payroll	$ 3,828,342	$ 3,997,364
F. Net pension liability as a percentage of covered payroll	32.25%	44.24%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2022, only 8 years are included and additional years will be added in the future as the information becomes available.

2016	2017	2018	2019	2020	2021
$ 451,176	$ 529,405	$ 525,962	$ 536,045	$ 580,429	$ 571,407
930,512	966,146	1,003,207	1,052,133	1,117,674	1,157,171
(147,843)	(199,900)	(140,952)	39,421	(166,323)	(24,144)
-	-	-	109,421	-	-
(652,613)	(837,486)	(652,242)	(684,644)	(891,818)	(992,432)
581,232	458,165	735,975	1,052,376	639,962	712,002
13,886,076	14,467,308	14,925,473	15,661,448	16,713,824	17,353,786
$ 14,467,308	$ 14,925,473	$ 15,661,448	$ 16,713,824	$ 17,353,786	$ 18,065,788
$ 361,571	$ 388,643	$ 398,019	$ 380,018	$ 406,669	$ 416,802
199,981	221,323	222,300	227,138	247,202	249,305
819,014	1,778,722	(430,504)	2,149,110	1,211,124	2,205,156
(652,613)	(837,486)	(652,242)	(684,644)	(891,818)	(992,432)
(9,249)	(9,220)	(8,323)	(12,148)	(7,842)	(10,212)
(497)	(466)	(436)	(365)	(307)	70
718,207	1,541,516	(471,186)	2,059,109	965,028	1,868,689
12,117,626	12,835,833	14,377,349	13,906,163	15,965,272	16,930,300
12,835,833	14,377,349	13,906,163	15,965,272	16,930,300	18,798,989
$ 1,631,475	$ 548,124	$ 1,755,285	$ 748,552	$ 423,486	$(733,201)
88.72%	96.33%	88.79%	95.52%	97.56%	104.06%
$ 3,869,430	$ 4,426,466	$ 4,445,998	$ 4,542,753	$ 4,944,033	$ 4,986,101
42.16%	12.38%	39.48%	16.48%	8.57%	-14.70%

CITY OF HONDO, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year	**2015**	**2016**
Actuarial determined contribution	$ 374,593	$ 353,707
Contributions in relation to the actuarially determined contribution	375,510	353,707
Contribution deficiency (excess)	(917)	-
Covered payroll	3,979,540	3,887,020
Contributions as a percentage of covered payroll	9.41%	9.10%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2022, only 8 years are included and additional years will be added in the future as the information becomes available.

2017	2018	2019	2020	2021	2022
$ 387,082	$ 409,452	$ 381,972	$ 378,922	$ 455,991	$ 383,135
387,082	409,452	381,972	378,922	455,991	383,135
-	-	-	-	-	
4,283,333	4,586,352	4,482,180	4,587,930	5,481,700	4,720,058
9.04%	8.93%	8.52%	8.26%	8.32%	8.12%

CITY OF HONDO, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Plan Year	**2017**	**2018**	**2019**	**2020**	**2021**
Total OPEB liability					
Service Cost	$ 11,951	$ 13,338	$ 12,265	$ 18,787	$ 21,440
Interest (on the total OPEB liability)	9,304	9,615	10,314	9,676	8,731
Difference between expected and actual experience	-	(12,219)	(9,076)	(1,748)	(15,481)
Changes of assumptions	24,197	(20,899)	59,222	60,898	14,425
Benefit payments	(1,771)	(1,778)	(1,817)	(2,472)	(5,983)
Net change in total OPEB liability	43,681	(11,943)	70,908	85,141	23,132
Total OPEB liability - beginning	241,036	284,717	272,774	343,682	428,823
Total OPEB liability - ending	$ 284,717	$ 272,774	$ 343,682	$ 428,823	$ 451,955
Covered-employee payroll	$ 4,426,466	$ 4,445,998	$ 4,542,753	$ 4,944,033	$ 4,986,101
Total OPEB liability as a percentage of Covered-employee payroll	6.43%	6.14%	7.57%	8.67%	9.06%

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2022, only 5 years are included. Additional years will be added in the future as the information becomes available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The levels of budgetary control are established at the department basis and at the fund level. However, additional information about expenditures at the object level is also included. The City Manager is authorized to adjust the budget within departments so long as it does not change the department total.

The following are the funds which have legally adopted annual budgets: General Fund, Debt Service, Economic Development, STRTC Fund, Hotel Fund and Perpetual Care Fund.

Budgetary preparation and control are exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL STATEMENTS AND SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

The ***Debt Service Fund*** is used to account for property taxes levied specifically to service voter approved bond issues.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures.

> ***Seizure and Forfeiture Fund*** – to account for assets seized or forfeited as part of criminal activities. The funds are restricted by law in support of the police department.
>
> ***Unclaimed Funds*** – to account for City payments and refunds not claimed by the payee. Balances are held for the required period by law. Income from the assets is used to cover the administrative costs of the fund.
>
> ***Economic Development Fund*** – to account for the ½ cent sales tax used to promote business development in the City.
>
> ***South Central Regional Training Center (STRTC) Fund*** – to account for rental and intergovernmental revenues to support the operations of the STRTC Center.
>
> ***Hotel Tax Fund*** – to account for the Hotel Tax revenues paid to the City and restricted by State Law. The revenues provide for contributions to various civic organizations and to support activities that generate tourism in the City.
>
> ***Fair Hall & Livestock*** – to account for the revenue and expenses to aid the City identifying a plan for enhancing the grounds and facilities.

PERMANENT FUNDS

The ***Perpetual Care Fund*** is used to account for fees on the sale of burial plots restricted by ordinance to be held in perpetuity. Income from the payments may be used to maintain the cemetery grounds.

CITY OF HONDO, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

		Special Revenue	
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
ASSETS			
Cash and cash equivalents	$ 196,610	$ 28,133	$ 10,327
Investments	-	-	7,999
Receivables:			
Taxes	25,856	-	-
Accounts, net	-	-	-
Restricted cash and investments	-	-	-
Total assets	222,466	28,133	18,326
LIABILITIES			
Liabilities:			
Accounts payable	-	-	16,307
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	22,406	-
Total liabilities	-	22,406	16,307
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	24,124	-	-
Total deferred inflows of resources	24,124	-	-
FUND BALANCES			
Nonspendable:			
Perpetual Care Trust	-	-	-
Restricted:			
Debt service	198,342	-	-
Economic development	-	-	-
Police department	-	5,727	-
Tourism development	-	-	-
Community programs	-	-	-
Committed for:			
South TX regional training center	-	-	-
Other	-	-	2,019
Total fund balances	198,342	5,727	2,019
Total liabilities, deferred inflows of resources and fund balances	$ 222,466	$ 28,133	$ 18,326

Special Revenue				Permanent Fund	
Economic Development	STRTC Fund	Hotel Tax	Fair Hall & Livestock	Perpetual Care	Total Other Governmental Funds
$ 965,527	$ 284,392	$ 165,850	$ 29,102	$ -	$ 1,679,941
1,865,556	-	-	-	-	1,873,555
-	-	-	-	-	25,856
109,824	27,261	28,363	-	-	165,448
-	-	-	-	578,799	578,799
2,940,907	311,653	194,213	29,102	578,799	4,323,599
26,333	45,508	-	2,959	144	91,251
-	1,492	-	1,280	-	2,772
-	-	-	-	12,079	12,079
-	11,842	-	-	-	34,248
26,333	58,842	-	4,239	12,223	140,350
-	-	-	-	-	24,124
-	-	-	-	-	24,124
-	-	-	-	566,576	566,576
-	-	-	-	-	198,342
2,914,574	-	-	-	-	2,914,574
-	-	-	-	-	5,727
-	-	194,213	-	-	194,213
-	-	-	24,863	-	24,863
-	252,811	-	-	-	252,811
-	-	-	-	-	2,019
2,914,574	252,811	194,213	24,863	566,576	4,159,125
$ 2,940,907	$ 311,653	$ 194,213	$ 29,102	$ 578,799	$ 4,323,599

CITY OF HONDO, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Special Revenue	
	Debt Service	Seizure & Forfeiture	Unclaimed Funds
REVENUES			
Property tax	$ 449,112	$ -	$ -
Sales tax	-	-	-
Other taxes	-	-	-
Charges for services	-	-	-
Investment income	934	-	5
Miscellaneous	-	-	-
Total revenues	450,046	-	5
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	501	-
Culture and recreation	-	-	-
Debt service:			
Principal	416,470	-	-
Interest	163,777	-	-
Issuance cost	44,860	-	-
Total expenditures	625,107	501	-
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(175,061)	(501)	5
OTHER FINANCING SOURCES (USES)			
Transfers in	129,876	-	-
Transfers out	-	-	-
Refunding bonds issued	615,000	-	-
Payment to refunded bond escrow agent	(570,140)	-	-
Total other financing sources and uses	174,736	-	-
NET CHANGE IN FUND BALANCES	(325)	(501)	5
FUND BALANCES, BEGINNING	198,667	6,228	2,014
FUND BALANCES, ENDING	$ 198,342	$ 5,727	$ 2,019

Special Revenue				Permanent Fund	
Economic Development	STRTC Fund	Hotel Tax	Fair Hall & Livestock	Perpetual Care	Total Other Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 449,112
660,531	-	-	-	-	660,531
-	-	123,192	-	-	123,192
-	97,812	-	34,341	26,950	159,103
1,866	48	767	-	326	3,946
-	-	-	2,124	-	2,124
662,397	97,860	123,959	36,465	27,276	1,398,008
52,660	201,246	85,709	-	1,179	340,794
-	-	-	-	-	501
-	-	-	116,108	-	116,108
-	-	-	-	-	416,470
-	-	-	-	-	163,777
-	-	-	-	-	44,860
52,660	201,246	85,709	116,108	1,179	1,082,510
609,737	(103,386)	38,250	(79,643)	26,097	315,498
-	2,742	-	87,033	-	219,651
(146,724)	-	(40,000)	-	(20,000)	(206,724)
-	-	-	-	-	615,000
-	-	-	-	-	(570,140)
(146,724)	2,742	(40,000)	87,033	(20,000)	57,787
463,013	(100,644)	(1,750)	7,390	6,097	373,285
2,451,561	353,455	195,963	17,473	560,479	3,785,840
$ 2,914,574	$ 252,811	$ 194,213	$ 24,863	$ 566,576	$ 4,159,125

CITY OF HONDO, TEXAS

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	$ 457,244	$ 457,244	$ 449,112	$(8,132)
Investment income	-	-	934	934
Total revenues	457,244	457,244	450,046	(7,198)
EXPENDITURES				
Debt service:				
Principal	1,038,250	1,038,250	416,470	621,780
Interest	247,335	247,335	163,777	83,558
Issuance cost	-	-	44,860	(44,860)
Total expenditures	1,285,585	1,285,585	625,107	660,478
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(828,341)	(828,341)	(175,061)	653,280
OTHER FINANCING SOURCES (USES)				
Transfers in	828,341	828,341	129,876	(698,465)
Refunding bonds issued	-	-	615,000	615,000
Payment to refunded bond escrow agent	-	-	(570,140)	(570,140)
Total other financing sources and uses	828,341	828,341	174,736	(653,605)
NET CHANGES IN FUND BALANCE	-	-	(325)	(325)
FUND BALANCE, BEGINNING	198,667	198,667	198,667	-
FUND BALANCE, ENDING	$ 198,667	$ 198,667	$ 198,342	$(325)

CITY OF HONDO, TEXAS

ECONOMIC DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Sales tax	$ 500,000	$ 500,000	$ 660,531	$ 160,531
Investment income	13,000	13,000	1,866	(11,134)
Total revenues	513,000	513,000	662,397	149,397
EXPENDITURES				
Current:				
General government				
Economic development	173,891	173,891	52,660	121,231
Total general government	173,891	173,891	52,660	121,231
Total expenditures	173,891	173,891	52,660	121,231
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	339,109	339,109	609,737	270,628
OTHER FINANCING SOURCES (USES)				
Transfers out	(339,109)	(339,109)	(146,724)	192,385
Total other financing sources (uses)	(339,109)	(339,109)	(146,724)	192,385
NET CHANGE IN FUND BALANCES	-	-	463,013	463,013
FUND BALANCES, BEGINNING	2,451,561	2,451,561	2,451,561	-
FUND BALANCES, ENDING	$ 2,451,561	$ 2,451,561	$ 2,914,574	$ 463,013

CITY OF HONDO, TEXAS

PERPETUAL CARE
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services	$ 16,000	$ 16,000	$ 26,950	$ 10,950
Investment income	5,000	5,000	326	(4,674)
Total revenues	21,000	21,000	27,276	6,276
EXPENDITURES				
Current:				
General government				
Perpetual care	1,000	1,000	1,179	(179)
Total general government	1,000	1,000	1,179	(179)
Total expenditures	1,000	1,000	1,179	(179)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	20,000	20,000	26,097	6,097
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCES	-	-	6,097	6,097
FUND BALANCES, BEGINNING	560,479	560,479	560,479	-
FUND BALANCES, ENDING	$ 540,479	$ 540,479	$ 566,576	$ 26,097

CITY OF HONDO, TEXAS

SOUTH TEXAS REGIONAL TRAINING CENTER
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services	$ 116,994	$ 116,994	$ 97,812	$(19,182)
Intergovernmental	93,600	93,600	-	(93,600)
Investment income	-	-	48	48
Total revenues	210,594	210,594	97,860	(112,734)
EXPENDITURES				
Current:				
General government				
Supplies	320,863	320,863	146,286	174,577
Services	31,731	31,731	54,960	(23,229)
Capital outlay	44,000	44,000	-	44,000
Total expenditures	396,594	396,594	201,246	195,348
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(186,000)	(186,000)	(103,386)	82,614
OTHER FINANCING SOURCES (USES)				
Transfers in	186,000	186,000	2,742	183,258
Total other financing sources and uses	186,000	186,000	2,742	183,258
FUND BALANCES, BEGINNING	353,455	353,455	353,455	-
FUND BALANCES, ENDING	$ 539,455	$ 539,455	$ 252,811	$(286,644)

CITY OF HONDO, TEXAS

HOTEL TAX FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Occupancy tax	$ 120,000	$ 120,000	$ 123,192	$ 3,192
Investment income	-	-	767	767
Total revenues	120,000	120,000	123,959	3,192
EXPENDITURES				
Current:				
General government				
Administration	97,500	97,500	85,709	11,791
Total general government	97,500	97,500	85,709	11,791
Total expenditures	97,500	97,500	85,709	11,791
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	22,500	22,500	38,250	15,750
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,500)	(62,500)	(40,000)	(22,500)
Total other financing sources and uses	(22,500)	(62,500)	(40,000)	(22,500)
FUND BALANCES, BEGINNING	195,963	195,963	195,963	-
FUND BALANCES, ENDING	$ 150,963	$ 70,963	$ 194,213	$ 123,250

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

This part of the City of Hondo, Texas' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

CITY OF HONDO, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)
(accrual basis of accounting)

	Fiscal Year			
	2022	2021	2020	2019
Governmental activities:				
Net investment in capital assets	$ 10,625,513	$ 11,515,548	$ 11,284,765	$ 11,207,516
Restricted	3,900,145	4,636,555	3,650,503	3,321,276
Unrestricted	4,977,836	2,721,525	3,020,122	2,006,771
Total governmental activities net position	$ 19,503,494	$ 18,873,628	$ 17,955,390	$ 16,535,563
Business-type activities:				
Net investment in capital assets	$ 24,672,346	$ 25,962,052	$ 25,744,316	$ 25,074,025
Restricted	-	-	-	-
Unrestricted	9,808,872	6,446,787	5,148,307	4,031,012
Total business-type activities net position	$ 34,481,218	$ 32,408,839	$ 30,892,623	$ 29,105,037
Primary government:				
Net investment in capital assets	$ 35,297,859	$ 37,477,600	$ 37,029,081	$ 36,281,541
Restricted	3,900,145	4,636,555	3,650,503	3,321,276
Unrestricted	14,786,708	9,168,312	8,168,429	6,037,783
Total primary government net position	$ 53,984,712	$ 51,282,467	$ 48,848,013	$ 45,640,600

Source: Annual Comprehensive Financial Reports

Fiscal Year					
2018	2017	2016	2015	2014	2013
$ 9,422,569	$ 8,182,720	$ 7,122,538	$ 6,850,373	$ 8,339,222	$ 8,868,905
3,645,681	2,697,464	3,880,549	3,185,244	1,415,138	1,713,408
989,918	2,009,275	1,332,046	1,254,484	1,275,488	859,873
$ 14,058,168	$ 12,889,459	$ 12,335,133	$ 11,290,101	$ 11,029,848	$ 11,442,186
$ 24,902,646	$ 23,843,466	$ 25,154,199	$ 23,941,373	$ 23,910,599	$ 22,941,746
-	-	-	-	210,020	586,691
2,555,856	2,693,999	1,260,092	1,417,576	1,099,641	88,369
$ 27,458,502	$ 26,537,465	$ 26,414,291	$ 25,358,949	$ 25,220,260	$ 23,616,806
$ 34,325,215	$ 32,026,186	$ 32,276,737	$ 30,791,746	$ 32,249,821	$ 31,810,651
3,645,681	2,697,464	3,880,549	3,185,244	1,625,158	2,300,099
3,545,774	4,703,274	2,592,138	2,672,060	2,375,129	948,242
$ 41,516,670	$ 39,426,924	$ 38,749,424	$ 36,649,050	$ 36,250,108	$ 35,058,992

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year			
	2022	2021	2020	2019
EXPENSES				
Governmental activities:				
General government	$ 2,506,244	$ 3,106,383	$ 2,610,975	$ 1,683,062
Public safety	2,275,794	2,198,655	2,094,485	2,100,858
Judicial	133,103	114,812	100,901	110,905
Culture and recreation	1,918,308	1,244,278	1,268,470	1,928,242
Public works	1,779,049	2,472,981	2,477,122	1,284,772
Interest on long-term debt	179,467	172,059	276,529	110,796
Issuance cost	55,968	-	-	-
Total governmental activities expenses	8,847,933	9,309,168	8,828,482	7,218,635
Business-type activities:				
Electric	6,101,439	5,976,797	6,231,640	6,110,591
Water and sewer	2,196,852	2,492,616	2,907,202	2,441,478
Airport	1,373,368	1,202,003	1,311,027	1,379,249
Sanitation	1,349,044	1,287,090	1,331,743	1,321,953
Total business-type activities expenses	11,020,703	10,958,506	11,781,612	11,253,271
Total primary government expenses	$ 19,868,636	$ 20,267,674	$ 20,610,094	$ 18,471,906
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	$ 406,575	$ 390,501	$ 888,289	$ 320,971
Public safety	49,720	100,215	51,194	38,982
Judicial	42,216	54,134	35,663	60,570
Culture and recreation	216,159	170,651	124,310	244,274
Public works	-	35	403,261	708
Operating grants and contributions	41,269	1,191,787	690,274	105,371
Capital grants and contributions	11,076	102,879	162,618	726,762
Total governmental activities program revenues	767,015	2,010,202	2,355,609	1,497,638
Business-type activities:				
Charges for services:				
Electric	9,329,708	9,090,890	9,760,677	9,360,017
Water and sewer	5,250,831	5,089,597	4,974,223	4,147,771
Airport	1,116,441	750,247	808,866	894,012
Sanitation	1,425,948	1,433,623	1,449,009	1,403,200
Capital grants and contributions	32,642	311,965	134,602	270,856
Total business-type activities program revenues	17,155,570	16,676,322	17,127,377	16,075,856
Total primary government program revenues	$ 17,922,585	$ 18,686,524	$ 19,482,986	$ 17,573,494

TABLE 2

Fiscal Year					
2018	2017	2016	2015	2014	2013
$ 1,569,611	$ 1,537,248	$ 1,398,252	$ 1,341,414	$ 1,932,881	$ 1,584,053
1,904,235	1,885,309	1,699,171	1,629,587	1,539,701	1,429,390
107,932	116,926	103,791	133,077	95,117	72,587
1,886,141	1,815,614	1,574,709	1,511,370	1,593,578	1,454,435
1,324,824	1,437,598	1,450,028	1,328,843	1,567,434	1,318,524
118,552	165,322	186,883	141,642	-	95,841
-	-	-	-	-	-
6,911,295	6,958,017	6,412,834	6,085,933	6,728,711	5,954,830
6,905,253	6,897,935	6,435,595	6,052,647	5,744,881	6,001,541
2,309,930	2,524,656	2,271,277	2,322,578	2,093,799	1,899,773
1,304,189	1,360,976	1,318,748	1,383,178	1,490,499	1,260,199
1,317,579	1,319,815	1,203,091	1,175,650	1,217,815	1,170,246
11,836,951	12,103,382	11,228,711	10,934,053	10,546,994	10,331,759
$ 18,748,246	$ 19,061,399	$ 17,641,545	$ 17,019,986	$ 17,275,705	$ 16,286,589
$ 265,375	$ 289,589	$ 355,682	$ 208,224	$ 822,324	$ 374,376
85,381	71,296	69,511	54,803	19,701	16,181
86,539	111,206	101,527	159,637	110,065	72,360
247,293	233,647	208,417	178,880	126,683	120,150
-	-	-	-	-	-
4,783	140,211	15,256	7,871	54,465	-
731,675	223,284	-	-	-	695,573
1,421,046	1,069,233	750,393	609,415	1,133,238	1,278,640
9,493,009	9,178,972	10,163,815	9,128,350	9,203,394	8,144,304
4,075,548	3,876,333	2,867,187	2,354,102	2,397,845	2,311,614
837,023	776,901	827,271	840,819	841,029	1,149,867
1,358,728	1,328,645	1,271,633	1,254,646	1,239,036	772,920
62,102	316,636	63,218	292,272	1,507,203	587,380
15,826,410	15,477,487	15,193,124	13,870,189	15,188,507	12,966,085
$ 17,247,456	$ 16,546,720	$ 15,943,517	$ 14,479,604	$ 16,321,745	$ 14,244,725

CITY OF HONDO, TEXAS

CHANGES IN NET POSITION
(continued)

LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year 2022	2021	2020	2019
NET (EXPENSE) REVENUES				
Governmental activities	$(8,080,918)	$(7,298,966)	$(6,472,873)	$(5,720,997)
Business-type activities	6,134,867	5,717,816	5,345,765	4,822,585
Total primary government net expense	(1,946,051)	(1,581,150)	(1,127,108)	(898,412)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	1,888,019	1,785,669	1,694,073	1,601,434
Sales	1,989,510	1,883,673	1,729,403	2,896,251
Other	201,951	190,201	127,592	175,727
Investment earnings	47,973	19,081	83,300	99,953
Miscellaneous	156,965	46,772	74,240	151,729
Gain on sale of capital assets	-	37,830	322,914	-
Transfers and PILOT	4,426,366	4,561,934	3,861,178	3,273,298
Total governmental activities	8,710,784	8,525,160	7,892,700	8,198,392
Business-type activities:				
Investment earnings	24,651	399	30,987	85,036
Miscellaneous	339,227	359,935	167,012	12,212
Gain on sale of capital assets	-	-	105,000	-
Transfers and PILOT	(4,426,366)	(4,561,934)	(3,861,178)	(3,273,298)
Total business-type activities	(4,062,488)	(4,201,600)	(3,558,179)	(3,176,050)
Total primary government	4,648,296	4,323,560	4,334,521	5,022,342
CHANGE IN NET POSITION				
Governmental activities	629,866	1,226,194	1,419,827	2,477,395
Business-type activities	2,072,379	1,516,216	1,787,586	1,646,535
Total primary government	$ 2,702,245	$ 2,742,410	$ 3,207,413	$ 4,123,930

Source: Annual Comprehensive Financial Reports

TABLE 2

Fiscal Year					
2018	2017	2016	2015	2014	2013
$(5,490,249)	$(5,888,784)	$(5,662,441)	$(5,476,518)	$(5,595,473)	$(4,676,190)
3,989,459	3,374,105	3,964,413	2,936,136	4,641,513	2,634,326
(1,500,790)	(2,514,679)	(1,698,028)	(2,540,382)	(953,960)	(2,041,864)
1,511,949	1,389,066	1,183,968	1,070,383	1,019,171	992,802
1,824,144	1,509,044	1,631,989	1,591,844	1,324,079	1,270,315
141,969	189,760	172,642	184,952	101,677	112,885
75,061	22,730	11,178	8,927	14,936	10,506
66,729	74,111	554,349	32,381	118,496	95,704
-	-	-	-	-	-
3,273,297	3,258,399	3,153,347	3,320,854	2,744,033	1,639,289
6,893,149	6,443,110	6,707,473	6,209,341	5,322,392	4,121,501
30,523	7,468	78	663	557	1,498
248,333	-	244,198	50,174	(96,988)	65,741
-	-	-	-	-	-
(3,273,297)	(3,258,399)	(3,153,347)	(3,320,854)	(2,744,033)	(1,639,289)
(2,994,441)	(3,250,931)	(2,909,071)	(3,270,017)	(2,840,464)	(1,572,050)
3,898,708	3,192,179	3,798,402	2,939,324	2,481,928	2,549,451
1,402,900	554,326	1,045,032	732,823	(273,081)	(554,689)
995,018	123,174	1,055,342	(333,881)	1,801,049	1,062,276
$ 2,397,918	$ 677,500	$ 2,100,374	$ 398,942	$ 1,527,968	$ 507,587

CITY OF HONDO, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

(modified accrual basis of accounting)

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
General Fund				
Non-spendable	$ 7,734	$ 4,336	$ 7,686	$ 4,627
Restricted	-	-	-	24,309
Committed	-	-	-	449,113
Assigned	6,967	-	74,713	-
Unassigned	4,639,965	3,241,185	3,937,618	2,542,749
Total general fund	$ 4,654,666	$ 3,245,521	$ 4,020,017	$ 3,020,798
All other governmental funds				
Non-spendable	566,576	560,479	554,399	564,290
Restricted	7,398,974	7,468,573	2,624,358	2,721,289
Committed	254,830	355,469	219,545	269,468
Unassigned, reported in:				
Special revenue funds	-	-	-	-
Total all other governmental funds	$ 8,220,380	$ 8,384,521	$ 3,398,302	$ 3,555,047

Source: Annual Comprehensive Financial Reports

Fiscal Year					
2018	2017	2016	2015	2014	2013
$ 5,149	$ 66,382	$ 2,040	$ 56,717	$ -	$ -
25,141	24,325	19,376	18,235	-	-
144,066	85,786	268,770	483,515	195,475	34,606
-	-	-	-	-	-
1,887,629	2,221,841	2,397,127	1,346,429	1,008,975	645,663
$ 2,061,985	$ 2,398,334	$ 2,687,313	$ 1,904,896	$ 1,204,450	$ 680,269
545,990	532,590	519,290	600,835	-	-
3,065,666	2,712,416	3,366,672	2,587,639	971,097	1,414,643
128,840	96,259	89,534	206,686	-	-
-	-	-	-	233,712	297,634
$ 3,740,496	$ 3,341,265	$ 3,975,496	$ 3,395,160	$ 1,204,809	$ 1,712,277

CITY OF HONDO, TEXAS

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)
(modified accrual basis of accounting)

	Fiscal Year			
	2022	2021	2020	2019
REVENUES				
Taxes:				
Property	$ 1,882,159	$ 1,793,943	$ 1,716,679	$ 1,596,908
Sales	1,989,510	1,883,673	1,729,403	2,896,251
Other	201,951	190,201	127,592	175,727
Licenses and permits	169,709	124,549	312,905	185,801
Intergovernmental	657,367	521,376	373,408	920,943
Charges for services	517,517	511,639	443,137	437,220
Fines and forfeitures	42,776	61,395	39,206	60,824
Interest income	47,973	19,081	83,300	99,974
Payments in lieu of taxes	-	-	-	3,154,988
Miscellaneous	72,426	46,772	74,240	51,213
Total revenues	5,581,388	5,152,629	4,899,870	9,579,849
EXPENDITURES				
General government	2,399,915	2,884,633	2,139,053	1,589,873
Public safety	2,251,375	2,053,805	1,931,559	1,931,022
Judicial	141,326	118,515	101,587	109,830
Culture and recreation	1,820,369	1,059,696	1,092,810	1,726,498
Public works	1,386,959	2,081,668	1,623,890	805,287
Capital outlay	922,729	500,131	649,590	2,246,299
Debt service:				
Principal	454,278	437,690	423,910	416,390
Interest and fiscal charges	164,323	159,410	279,089	111,962
Bond issuance costs	72,860	-	-	-
Total expenditures	9,614,134	9,295,548	8,241,488	8,937,161
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$(4,032,746)	$(4,142,919)	$(3,341,618)	$ 642,688
OTHER FINANCING SOURCES (USES)				
Issuance of debt	685,000	3,725,000	-	-
Refunding bonds issued	615,000	-	-	-
Premium on bonds	-	337,834	-	-
Payment to refunded bond escrow agent	(570,140)	-	-	-
Leases issued	36,985	-	-	-
Sale of capital assets	-	37,830	322,914	12,366
Transfers in (out)	4,426,366	4,561,934	3,861,178	118,310
Insurance recoveries	84,539	-	-	-
Total other financing sources (uses)	5,277,750	8,662,598	4,184,092	130,676
NET CHANGE IN FUND BALANCES	$ 1,245,004	$ 4,519,679	$ 842,474	$ 773,364
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	7.1%	7.1%	9.3%	7.9%

Source: Annual Comprehensive Financial Reports

TABLE 4

Fiscal Year					
2018	2017	2016	2015	2014	2013
$ 1,487,987	$ 1,378,474	$ 1,174,053	$ 1,064,110	$ 1,018,498	$ 993,367
1,824,144	1,509,043	1,631,988	1,591,844	1,324,079	1,270,315
141,969	189,759	172,642	184,954	258,918	156,473
138,474	162,402	218,810	76,182	39,431	35,185
663,097	496,456	20,539	10,778	49,730	651,955
473,401	445,275	415,343	382,035	1,236,014	434,637
91,039	117,486	103,921	162,693	110,066	72,360
75,062	22,732	11,169	8,924	14,936	10,506
3,154,988	3,154,988	3,155,000	3,155,004	-	-
124,062	46,154	63,189	23,837	83,800	225,287
8,174,223	7,522,769	6,966,654	6,660,361	4,135,472	3,850,085
1,488,800	1,442,226	1,284,656	1,297,852	1,765,100	1,751,045
1,825,309	1,760,014	1,607,141	1,603,595	1,501,501	1,372,327
108,650	116,165	101,102	132,518	95,117	72,587
1,737,885	1,793,557	1,438,348	1,474,574	1,503,475	1,355,922
906,233	1,006,556	1,029,662	957,164	1,205,369	985,097
1,642,161	1,954,319	2,327,330	380,035	-	-
414,500	384,907	248,829	187,712	1,131,657	153,951
119,814	111,371	180,513	141,988	144,109	98,075
-	25,504	-	-	-	-
8,243,352	8,594,619	8,217,581	6,175,438	7,346,328	5,789,004
$(69,129)	$(1,071,850)	$(1,250,927)	$ 484,923	$(3,210,856)	$(1,938,919)
-	1,300,000	2,030,000	-	1,053,360	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(1,272,005)	-	-	-	-
-	-	-	-	-	-
13,702	17,234	585,333	935	-	48,932
118,309	103,411	(1,653)	165,850	2,744,033	1,639,289
-	-	-	-	-	-
132,011	148,640	2,613,680	166,785	3,797,393	1,688,221
$ 62,882	$(923,210)	$ 1,362,753	$ 651,708	$ 586,537	$(250,698)
8.1%	7.5%	7.3%	5.7%	17.4%	4.4%

TABLE 5

CITY OF HONDO, TEXAS

TAX REVENUE BY SOURCE - GOVERNEMNTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	Property	Sales & Use	Mixed Beverage	Franchise	Hotel	Total
2022	$ 1,882,159	$ 1,989,510	$ 7,476	$ 71,283	$ 123,192	$ 4,073,620
2021	1,785,669	1,883,673	2,937	66,733	120,531	3,859,543
2020	1,716,679	1,729,403	857	43,349	83,386	3,573,674
2019	1,596,908	2,896,251	1,210	41,801	132,716	4,668,886
2018	1,487,987	1,824,144	2,952	28,896	110,121	3,454,100
2017	1,378,474	1,509,043	3,301	66,664	119,794	3,077,276
2016	1,174,053	1,631,988	4,708	62,024	105,910	2,978,683
2015	1,064,110	1,591,844	2,714	58,654	123,584	2,840,906
2014	1,018,498	1,324,079	2,720	157,241	98,957	2,601,495
2013	993,367	1,270,315	1,491	45,109	111,364	2,420,155

TABLE 6

CITY OF HONDO, TEXAS

TOTAL WATER AND SEWER CONSUMPTION AND RATES

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Water Consumption (In Gallons)	Water Base Rate (Includes first 2,000)	Water Initial Rate Per 1,000 Gallons	Sewer Base Rate (Includes first 2,000)	Sewer Initial Rate Per 1,000 Gallons
2022	602,567,631	31.21	2.44	25.00	1.70
2021	536,810,300	31.21	2.44	25.00	1.70
2020	536,564,300	30.00	2.44	25.00	1.70
2019	476,853,400	30.00	2.44	25.00	1.70
2018	447,534,800	30.00	2.44	25.00	1.70
2017	526,194,400	30.00	2.44	25.00	1.70
2016	378,476,700	23.00	2.44	15.00	1.70
2015	483,572,500	11.50	2.44	7.08	1.70
2014	490,208,500	11.50	2.44	7.08	1.70
2013	501,434,700	11.50	2.44	7.08	1.70

TABLE 7

CITY OF HONDO, TEXAS

PRINCIAL WATER AND SEWER CONSUMERS

CURRENT AND NINE YEARS AGO

	2022			2013		
Consumers	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Water Consumption	Total Water Consumption (in Gallons)	Rank	Percentage of Total City Consumption Consumption
Texas Dept of Criminal Justice	217,650,000	1	36.12%	89,067,300	1	17.76%
Texas Dept of Criminal Justice	27,660,000	2	4.59%	23,168,400	2	4.62%
PTCAA	15,143,700	3	2.51%	-		-
Martin Resources	4,969,800	4	0.82%	-		-
Las Palomas	4,206,600	5	0.70%	-		-
City of Hondo Swimming pool	3,639,800	6	0.60%	1,769,800	10	0.35%
Medina County Sheriff's Office	2,869,700	7	0.48%	2,659,700	7	0.53%
South Texas Liquid Terminal	2,282,700	8	0.38%	1,851,600	9	0.37%
City of Hondo	2,272,800	9	0.38%	-		-
Medina Electric Coop Inc.	2,152,600	10	0.36%			-
City of Hondo Golf Course	-			21,184,200	3	4.22%
Medina County Courthouse	-		-	8,749,100	4	1.74%
Medina Ranch Mobile Homes	-		-	3,864,600	5	0.77%
Hondo ISD	-		-	2,927,000	6	0.58%
Best Western	-			2,188,200	8	0.44%
TOTAL	282,847,700		46.94%	157,456,900		31.40%
Total City Water Consumption	602,567,631			501,434,700		

CITY OF HONDO, TEXAS

TOTAL ELECTRIC CONSUMPTION AND RATES

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Electric Consumption (In KWH)	Electric Base Rate	Initial Rate Per Per KWH
2022	78,286,807	15.00	0.1137
2021	73,038,220	15.00	0.1137
2020	75,767,613	15.00	0.1137
2019	73,616,091	15.00	0.1137
2018	76,206,703	15.00	0.1137
2017	72,464,108	15.00	0.1137
2016	73,555,397	15.00	0.1137
2015	74,378,945	9.30	0.1160
2014	74,963,254	9.30	0.1160
2013	72,520,229	9.30	0.1040

TABLE 9

CITY OF HONDO, TEXAS

PRINCIPLE ELEXTRIC CONSUMERS

CURRENT AND NINE YEARS AGO

	2022			2013		
Consumers	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Electric Consumption	Total Electric Consumption (in KWH)	Rank	Percentage of Total City Consumption Consumption
Texas Dept of Criminal Justice	6,394,196	1	8.17%	7,526,400	1	10.38%
Wal-mart Stores	3,748,500	2	4.79%	4,262,500	2	5.88%
Medina Community Hospital	3,634,500	3	4.64%	2,645,250	3	3.65%
Martin Resources	2,179,000	4	2.78%	1,048,994	7	1.45%
City of Hondo	1,779,000	5	2.27%	2,148,600	4	2.96%
James Avery Craftsman	1,590,920	6	2.03%	1,052,160	6	1.45%
HEB	1,473,000	7	1.88%	-		-
City of Hondo Water Tower	1,190,600	8	1.52%	818,400	8	1.13%
Medina County Sheriff's Office	1,017,200	9	1.30%	1,624,500	5	2.24%
Hondo ISD	698,200	10	0.89%	760,600	9	1.05%
McDonald's	-		-	684,960	10	0.94%
TOTAL	23,705,116		30.28%	22,572,364		31.13%
Total City Electric Consumption	78,286,807			72,520,229		

CITY OF HONDO, TEXAS

ASSESS VALUE AND ACTUAL TAXABLE VALUE OF PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Residential Property	Agricultural & Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2022	$ 219,050,573	$ 175,555,656	$ 41,418,847	$ 353,187,382	0.4866
2021	216,587,473	174,641,114	39,171,839	352,056,748	0.4940
2020	170,955,903	187,347,334	19,873,170	338,430,067	0.5105
2019	166,674,313	176,297,851	33,483,972	309,488,192	0.5109
2018	163,024,971	164,400,490	36,092,637	291,332,824	0.5139
2017	137,805,351	141,818,105	25,719,269	253,904,187	0.5139
2016	137,129,210	140,440,295	19,092,370	258,477,135	0.4527
2015	134,856,515	142,109,350	19,263,450	257,702,415	0.4974
2014	123,259,604	125,039,826	18,904,001	229,395,429	0.4089
2013	123,279,725	124,368,380	18,804,061	228,844,044	0.4089

Source: Medina County Appraisal District

* Total Taxable Assessed Value and Total Estimated Actual Value of taxable property is the same.

CITY OF HONDO, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates		
Fiscal Year	Basic Rate	Debt Service	Total	Hondo ISD	Medina County	Medina County Hospital
2022	0.2894	0.1476	0.4370	1.1446	0.4822	0.0937
2021	0.3668	0.1198	0.4866	1.1320	0.4312	0.0984
2020	0.3796	0.1144	0.4940	1.1997	0.4562	0.1000
2019	0.3823	0.1286	0.5109	1.3750	0.5517	0.0645
2018	0.3759	0.1380	0.5139	1.3750	0.5517	0.0644
2017	0.3866	0.1273	0.5139	1.3800	0.5517	0.0638
2016	0.3614	0.0913	0.4527	1.3150	0.5517	0.0641
2015	0.3010	0.1964	0.4974	1.1400	0.5250	0.0608
2014	0.3362	0.0727	0.4089	1.1400	0.5250	0.0581
2013	0.3181	0.0908	0.4089	1.1400	0.5380	0.0581

TABLE 12

CITY OF HONDO, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT AND NINE YEARS AGO

	2022			2013		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Stores Business Trust	7,046,270	1	2.00%	8,430,660	1	3.68%
2805 Ave U LLC	4,360,902	2	1.23%			-
Siddhi Inc. Best Western	3,608,760	3	1.02%	1,955,745	4	0.85%
Irene B. Hoadley	3,565,076	4	1.01%	2,061,771	3	0.90%
Medina Electric CO-OP Inc.	2,758,021	5	0.78%			-
Cecil Atkission Ford	2,496,760	6	0.71%	1,255,072	10	0.55%
Revive Landmark Hondo LLC	2,269,538	7	0.64%			-
HEB Grocery	2,126,831	8	0.60%	2,242,331	2	0.98%
Groff Land Enterprises LP	2,039,059	9	0.58%			-
Olmos Realty Investments	1,813,540	10	0.51%			-
Medina Nursing Property, LLC			-	1,766,011	5	0.77%
Hanumante LLC			-	1,370,849	7	0.60%
Holland & Lee Properties LLC			-	1,330,201	8	0.58%
Hanbeck LTD			-	1,300,000	9	0.57%
James Avery Craftsman Inc			-	1,481,392	6	0.65%
Total	$ 32,084,757		16.07%	$ 23,194,032		10.14%

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HONDO, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	989,383	954,488	96.47%	34,428	988,916	99.95%
2014	1,007,151	972,266	96.54%	34,362	1,006,628	99.95%
2015	1,062,074	1,027,490	96.74%	33,816	1,061,306	99.93%
2016	1,178,873	1,137,045	96.45%	40,475	1,177,520	99.89%
2017	1,367,968	1,322,063	96.64%	43,214	1,365,277	99.80%
2018	1,489,579	1,441,735	96.79%	44,688	1,486,423	99.79%
2019	1,582,108	1,534,743	97.01%	43,337	1,578,080	99.75%
2020	1,742,423	1,709,313	98.10%	28,055	1,737,368	99.71%
2021	1,739,126	1,698,163	97.64%	27,488	1,725,652	99.23%
2022	1,865,706	1,810,909	97.06%	-	1,810,909	97.06%

CITY OF HONDO, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities				
Fiscal Year	Certificates of Obligation	General Obligation Bonds	Revenue Bonds	Tax Notes	Leases
2022	$ 5,140,942	$ 1,067,090	$ 550,000	$ 685,000	$ 91,534
2021	5,287,834	1,288,560	560,000	-	-
2020	1,405,000	1,496,250	610,000	-	-
2019	2,230,160	1,050,000	655,000	-	-
2018	2,561,550	1,090,000	700,000	-	-
2017	2,761,050	1,260,000	745,000	-	-
2016	2,953,030	1,317,314	785,000	31,975	-
2015	1,023,120	1,395,814	825,000	62,215	-
2014	1,038,870	1,498,502	865,000	91,489	-
2013	-	2,622,331	905,000	119,827	-

Business-Type Activities							
Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Tax Notes	Leases	Total Primary Government	Percent of Personal Income	Per Capita
$ -	$ 5,125,000	$ 925,910	$ -	$ 55,552	$ 13,585,476	7.70%	1,388
-	5,485,000	1,103,440	-	-	13,387,000	7.39%	1,395
-	5,845,000	1,278,750	-	-	10,635,000	5.97%	1,127
-	6,200,000	1,451,840	-	-	11,587,000	6.90%	1,234
-	6,550,000	1,648,450	-	-	12,550,000	8.14%	1,349
-	6,900,000	1,783,950	-	-	13,450,000	9.32%	1,461
-	1,717,685	1,917,970	-	-	8,722,974	6.65%	961
-	1,849,186	600,880	-	-	5,756,215	4.67%	639
-	2,013,318	652,310	27,629	-	6,187,118	5.15%	692
-	2,787,669	-	54,453	-	6,489,280	5.02%	730

CITY OF HONDO, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding						
Fiscal Year	Certificates of Obligation	General Obligation Bonds	Available in Debt Service Funds	Total	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
2022	$ 5,140,942	$ 1,067,090	$(189,475)	$ 6,018,557	$ 353,187,382	1.70%	615
2021	4,950,000	2,392,000	(193,852)	7,148,148	352,056,748	2.03%	745
2020	1,405,000	2,775,000	(169,725)	4,010,275	329,798,889	1.22%	425
2019	1,050,000	3,682,000	(160,421)	4,571,579	309,488,192	1.48%	487
2018	1,090,000	4,210,000	(160,094)	5,139,906	291,332,824	1.76%	552
2017	1,260,000	4,545,000	(166,158)	5,638,842	253,904,187	2.22%	613
2016	1,317,314	4,871,000	(162,788)	6,025,526	258,477,135	2.33%	664
2015	1,395,814	1,624,000	(167,495)	2,852,319	257,702,415	1.11%	317
2014	1,498,502	1,691,180	(148,764)	3,040,918	229,395,429	1.33%	340
2013	2,622,331	-	(189,475)	2,432,856	228,844,044	1.06%	274

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Per Capita was derived using population data on Table 21.

TABLE 16

CITY OF HONDO, TEXAS

DIRECT AND OVERLAPPING GOVERNEMNTAL ACTIVITIES DEBT

SEPTEMBER 30, 2022

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Hondo ISD	$ 34,818,000	43.93%	$ 15,295,547
Medina County	28,650,000	8.80%	2,521,200
Subtotal, Overlapping Debt			17,816,747
City Governmental Activities Direct Debt			6,208,032
TOTAL NET OVERLAPPING DEBT			$ 24,024,779
Total Direct and Overlapping Debt % of A.V.			6.82%
Total Direct and Overlapping Debt per Capita			$ 32,252

CITY OF HONDO, TEXAS

LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

Assessed Value, 2021 Tax Roll		$353,187,382
Debt Limit - Texas statues do not provide a legal debt limit for cities; however, through accepted practice a practical "economic" debt limit is considered to be 10% of the assessed value.		$ 35,318,738
Amount of Applicable Debt:		
General Bonded Debt	$ 6,208,032	
Less Debt Service Net Position	(189,475)	6,018,557
DEBT MARGIN		$ 29,300,181
Total Net Debt as a Percentage of Debt Margin		21%

	Fiscal Year 2019	2020	2021
Assessed Value	$ 309,488,192	$ 338,430,067	$352,056,748
Debt Limit	30,948,819	33,843,007	35,205,675
Total Net Debt Applicable to Limit	3,119,739	2,731,525	6,039,833
Total Debt Margin	$ 27,829,080	$ 31,111,482	$ 29,165,842
	2016	**2017**	**2018**
Assessed Value	$ 258,477,135	$ 253,904,187	$ 291,332,824
Debt Limit	25,847,714	25,390,419	29,133,282
Total Net Debt Applicable to Limit	4,107,556	3,854,892	3,491,456
Total Debt Margin	$ 21,740,158	$ 21,535,527	$ 25,641,826
	2013	**2014**	**2015**
Assessed Value	$ 228,844,044	$ 229,395,429	$ 257,702,415
Debt Limit	22,884,404	22,939,543	25,770,242
Total Net Debt Applicable to Limit	2,484,312	2,388,608	2,251,439
Total Debt Margin	$ 20,400,092	$ 20,550,935	$ 23,518,803

CITY OF HONDO, TEXAS

PLEDGED REVENUE COVERAGE - WATER AND SEWER REVENUE BONDS

LAST TEN FISCAL YEARS

	Water and Sewer Revenue Bonds					
	Utility	Less:	Net	Debt Service		
Fiscal Year	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	Coverage
2022	$ 5,391,545	$ 1,592,829	$ 3,798,716	$ 472,530	$ 149,385	6.11
2021	5,089,597	2,337,031	2,752,566	470,310	158,350	4.38
2020	5,039,847	2,843,919	2,195,928	470,310	164,767	3.46
2019	4,147,768	1,561,953	2,585,815	456,610	169,107	4.13
2018	4,075,548	1,473,489	2,602,059	450,500	173,069	4.17
2017	3,876,333	1,520,862	2,355,471	957,888	153,823	2.12
2016	2,867,187	1,556,267	1,310,920	188,299	71,937	5.04
2015	2,354,102	1,635,959	718,143	130,828	46,916	4.04
2014	2,397,845	1,454,058	943,787	82,296	51,692	7.04
2013	2,350,539	1,505,266	845,273	65,508	64,610	6.50

CITY OF HONDO, TEXAS

PLEDGED REVENUE COVERAGE - ELECTRIC REVENUE BONDS

LAST TEN FISCAL YEARS

	Electric Revenue Bonds					
	Utility	Less:	Net	Debt Service		
Fiscal	Service	Operating	Available			
Year	Charges	Expenses	Revenue	Principal	Interest	Coverage
2022	$ 9,513,989	$ 5,973,147	$ 3,540,842	$ 50,000	$ 5,981	63.25
2021	9,090,890	5,970,117	3,120,773	50,000	6,791	54.95
2020	9,760,677	6,231,743	3,528,934	50,000	6,791	62.14
2019	9,360,015	5,719,139	3,640,876	50,000	7,939	62.84
2018	9,487,016	6,543,267	2,943,749	45,000	8,470	55.05
2017	9,178,970	6,535,110	2,643,860	613,868	18,424	4.18
2016	10,163,815	6,072,879	4,090,936	35,389	29,039	63.50
2015	9,128,350	5,705,769	3,422,581	130,828	19,476	22.77
2014	9,203,395	5,446,641	3,756,754	30,892	31,879	59.85
2013	8,144,305	5,924,023	2,220,282	29,421	33,268	35.42

CITY OF HONDO, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Year	Population	Total Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2022	9,788	$ 176,437,046	$ 18,026	34.7	4.0%
2021	9,596	181,124,500	18,875	32.4	6.2%
2020	9,436	178,104,500	18,875	32.4	3.3%
2019	9,387	167,830,173	17,879	30.1	3.0%
2018	9,305	154,267,595	16,579	30.1	3.4%
2017	9,206	144,304,050	15,675	30.5	3.6%
2016	9,079	131,246,024	14,456	30.0	4.7%
2015	9,002	123,210,374	13,687	29.6	4.4%
2014	8,941	120,175,981	13,441	31.1	4.6%
2013	8,895	129,333,300	14,540	33.1	5.9%

Note: Information for this schedule was obtained from the United States Census Bureau.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HONDO, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2022			2013		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Dept of Corrections	432	1	4.50%	497	1	5.59%
Medina County	325	2	3.39%	205	4	2.30%
Medina Healthcare System	282	3	2.94%	150	5	1.69%
Hondo ISD	278	4	2.90%	475	2	5.34%
Walmart	150	5	1.56%	260	3	2.92%
City of Hondo	144	6	1.50%	98	8	1.10%
HEB	118	7	1.23%	115	7	1.29%
Medina Electric	66	8	0.69%	66	9	0.74%
Hondo Rail	48	9	0.50%	124	6	1.39%
Total	1,843		19.21%	1,990		22.37%

Note: Information for this schedule was obtained from the City of Hondo Economic Development Corporation.

CITY OF HONDO, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

Function	Fiscal Year 2013	2014	2015	2016
General Government				
Building Permits Issued	574	538	607	498
Police				
Citations Issued	1,132	1,898	2,598	1,067
Park and Civic Center				
Park User Reservations	74	71	85	96
Civic Center Rentals	71	78	111	100
Library				
Annual Circulation	24,036	28,988	18,689	14,292
Library Visits	53,265	49,991	50,917	46,932
Items in Collection	26,349	29,162	25,069	20,153
Water & Sewer				
Water Customers	2,699	2,717	2,723	2,762
Sewer Customers	2,535	2,536	2,530	2,566
Total Consumption (hundreds of gallons)	5,014,347	4,902,085	4,835,725	3,784,767
Average Monthly Consumption	15,483	15,035	14,799	11,419
Electric Utility				
Electric Customers	2,979	2,975	2,981	3,012
Total Consumption	72,520,229	74,963,254	74,378,945	73,555,397
Sanitation				
Customers	2,361	2,354	2,346	2,368
Airport				
Gallons of Fuel Sold	50,634	49,640	76,248	100,989
Number of Flights	1,156	1,027	1,454	2,222

Fiscal Year					
2017	2018	2019	2020	2021	2022
612	477	507	700	1,080	387
1,106	865	604	432	578	510
100	122	103	44	83	140
108	142	117	135	111	140
18,748	23,703	24,978	16,145	15,212	23,258
46,380	44,808	45,106	25,934	16,937	28,740
14,607	14,637	16,168	17,208	17,654	16,776
2,731	2,735	2,736	2,813	2,841	2,716
2,548	2,536	2,530	2,752	2,763	2,523
5,261,944	4,475,348	4,768,534	5,365,643	5,368,103	6,144,747
16,056	13,636	14,524	15,895	15,746	18,851
2,990	2,987	2,893	2,721	2,751	2,968
72,464,108	76,206,703	73,616,091	75,767,613	73,038,220	78,286,807
2,354	2,350	2,353	2,368	2,153	2,373
76,862	96,602	95,878	80,545	70,414	85,424
1,669	1,880	4,208	4,581	8,312	13,625

CITY OF HONDO, TEXAS

CAPITAL ASSET STATISTICS

LAST TEN FISCAL YEARS

	Fiscal Year			
Function	2013	2014	2015	2016
Streets				
Streets, paved (miles)	63.59	63.59	63.59	63.59
Streets, unpaved (miles)	55.39	55.39	55.39	55.39
Alleys, unpaved (miles)	13.28	13.28	13.28	13.28
Police				
Stations	1	1	1	1
Patrol Units	30	31	31	32
Animal Control				
Facility	1	1	1	1
Control Vehicle	2	2	2	2
Library				
Facility	1	1	1	1
Volumes in Collection	26,349	29,162	25,069	20,153
Parks and Recreation				
Parks	16	16	16	16
Swimming Pools	1	1	1	1
Baby Pools	1	1	1	1
Baseball/Softball Diamonds	3	3	5	5
Soccer Fields	2	2	2	2
Community Centers	1	1	1	1
Water & Sewer				
Number of Storage Tanks	5	5	5	5
Number of Pump Stations	3	3	3	3
Water Mains (Miles)	70	70	70	70
Sewer Mains (Miles)	50	50	50	50
Sewer Treatment Plants	1	1	1	1
Electric				
Facility	1	1	1	1
Substations	1	1	1	1
Power Lines (Miles)	69	69	69	69
Facilities Maintenance				
City Buildings (Square Feed)	381,868	381,868	381,868	381,868

TABLE 23

Fiscal Year					
2017	2018	2019	2020	2021	2022
63.59	63.59	63.59	63.59	63.59	63.59
55.39	55.39	55.39	55.39	55.39	55.39
13.28	13.28	13.28	13.28	13.28	13.28
1	1	1	1	1	1
32	34	34	36	37	27
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
14,607	14,637	16,168	16,168	16,168	16,776
16	16	16	16	16	16
1	1	1	1	1	1
1	1	1	1	1	1
5	5	5	5	5	5
2	2	2	2	2	2
1	1	1	1	1	1
5	5	5	5	5	5
3	3	3	3	3	3
70	70	70	70	70	70
50	50	50	50	70	50
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
69	69	69	69	69	69
385,034	385,034	385,034	385,034	385,034	385,034

TABLE 24

CITY OF HONDO, TEXAS

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Administration	5	4	4	3	3	3	3	3	4	1
Finance	3	3	3	3	4	4	4	4	3	2
Police	21	22	23	23	23	23	24	25	25	25
Crossing Guards	7	7	7	7	7	7	7	7	7	7
Legal & Courts	1	1	2	2	1	1	1	1	1	1
Animal Control	1	1	2	2	2	2	2	2	2	2
Streets	11	10	10	10	10	10	10	10	11	11
Library	7	6	7	7	6	6	6	6	6	6
Parks	13	12	12	12	12	12	13	-	-	10
Facilities Maintenance	4	4	4	6	6	6	6	-	-	7
Building & Grounds Maintenance	-	-	-	-	-	-	-	19	19	-
Recreation	16	16	19	19	21	21	21	21	21	21
Golf Course	5	5	4	4	4	4	4	4	4	5
Development Services	3	3	3	3	3	4	4	4	4	4
City Secretary	1	3	4	2	2	2	2	1	1	1
Public Works	-	1	1	2	2	2	2	3	3	2
Human Resources	-	-	-	-	-	-	-	-	-	1
Information Technology	-	-	-	-	-	-	-	-	-	2
Electric	10	10	10	10	10	10	10	10	9	8
Water & Sewer										
Water	8	8	8	8	8	8	8	8	8	8
Sewer	4	4	4	4	4	4	4	4	4	5
Utility Billing	4	4	4	4	4	4	4	4	4	4
Airport	4	4	4	4	4	4	4	4	4	5
Sanitation	1	1	1	1	1	1	-	-	-	-
STRTC (Training Center)	-	-	-	-	-	-	-	-	-	1
Fair Hall	-	-	-	-	-	-	-	-	-	1
Economic Development	1	1	1	1	1	1	1	1	2	-
TOTAL	130	130	137	137	138	139	140	141	142	140

INTERNAL CONTROL AND COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
Members of the City Council
City of Hondo, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 20, 2023

CITY OF HONDO, TEXAS

PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Item 2021-001

Condition: During the inventory count, 15 of the 50 items selected for testing did not agree to the inventory details.

Effect: The differences in the inventory counts, resulted in a difference of $1,747.

Cause: The city has had turnover in the positions involved with the inventory. Additionally, the City does not have written policies and procedures in place for the inventory process for the various locations.

Recommendation: We recommend the City continue with its efforts to improve the inventory process by performing the following:

- Establishing and following written policies and procedures on the inventory process.
- Gaining and understanding of the inventory system and its reports.
- Train staff and review the inventory details and subledgers.

Status: This has been resolved

THIS PAGE LEFT BLANK INTENTIONALLY

HONDO

THIS IS GOD'S COUNTRY

City Council

Title: Reconsider a request from Gilbert Sandoval, for a Specific Use Permit to allow for a Tattoo/Body Piercing Parlor to be located at 1208 18th Street Hondo, TX 78861. The legal description being, Hondo Block 15 Lot 7 & 8 in part. In accordance with the Unified Development Code, Chapter 3, Section 3.12.3. Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City Council has been conducted.	
Date: March 27, 2023	***From:*** Jessica Carpenter, Development Services Director

BACKGROUND:

The City of Hondo has received a request from Gilbert Sandoval, for a Specific Use Permit to allow for a Tattoo/Body Piercing Parlor to be located at 1208 18th Street Hondo, TX 78861. The legal description being, Hondo Block 15 Lot 7 & 8 in part. In accordance with the Unified Development Code, Chapter 3, Section 3.12.3. Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City Council has been conducted.

PROPERTY I.D. AND LEGAL DESCRIPTION:
Parcel number: R16373
Legal Description: Hondo Block 15 Lot 7 & 8 in part

GENERAL LOCATION:
Generally located to the north of 18th Street, on the west side of Avenue M, adjacent.

FINANCIAL IMPACT:
None.

SPECIFIC USE PERMIT DESCRIPTION:
The Planning and Zoning Commission may recommend additional restrictions or stipulations as the facts and circumstances of each case may warrant. Specific Use Permits are valid conditioned upon that the permitted use continues and the applicant complies with all ordinances, codes, regulations, conditions, and stipulations of the City of Hondo and as set forth in this section.

UDC code reference with links provided below.

3.12.3 Application for Specific Use Permit:
Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City

Council has been conducted. The proposed use must comply with all regulations and restrictions as contained in the UDC. In addition all requests for a Specific Use Permit must comply with all State and Federal laws and regulations applicable to such use. The Planning and Zoning Commission may recommend additional restrictions or stipulations as the facts and circumstances of each case may warrant. Specific Use Permits are valid conditioned upon that the permitted use continues and the applicant complies with all ordinances, codes, regulations, conditions, and stipulations of the City of Hondo and as set forth in this section.
https://z2.franklinlegal.net/franklin/Z2Browser2.html?showset=hondoset&collection=hondo&doccode=z2Code_z20000288

5.2.1 "CBD" Central Business District

a. Purpose. The purpose of the "CBD" Central Business District zoning category is to accommodate the types of business and commercial uses that have historically been located in the Hondo central business area.

d. Specific Use
Tattoo/Body Piercing Parlor
https://z2.franklinlegal.net/franklin/Z2Browser2.html?showset=hondoset&collection=hondo&doccode=z2Code_z20000276

6.2 Specific Uses.

Upon authorization by the City of Hondo, a Specific Use Permit may be issued upon submission of an application and appropriate material describing the proposed use. The purpose of this Specific Use Permit is to provide for uses that generally have unusual nuisance characteristics or are of a public or semipublic character often essential or desirable for the general convenience and welfare of the community, which without specific consideration may have possible adverse impact on neighboring properties. A Specific Use Permit is valid conditioned upon that the permitted use continues and any person, corporation, or group of persons having a proprietary interest in any property which proposes to use such property in a manner which requires a Specific Use Permit complies with all ordinances, codes, regulations, conditions, and stipulations of the City of Hondo and that all structures shall comply with the electrical code, fire code, plumbing code, building code, and other applicable ordinances or codes of the City, and all state and federal laws and regulations applicable to such use.

6.2.2

Nonresidential Use.

Uses other than those unconditionally permitted to occur within the "CBD" Central Business District may be permitted by means of a Specific Use Permit authorized by the City. Said uses must be listed as Specific Use Permit uses for the "CBD" Central Business District, within the "CL" Commercial - Light District, the "C" Commercial District, the "LI" Light Industrial District, the "HI" Heavy Industrial District, in Use Table and must be granted in accordance with the regulations provided in "SP" Specific Use Permit.
(Ordinance 1148-01-18 adopted 1/8/18)
https://ecode360.com/40597405

STAFF RECOMMENDATION:

Staff Recommends approval to a request from Gilbert Sandoval, for a Specific Use Permit to allow for a Tattoo/Body Piercing Parlor to be located at 1208 18th Street Hondo, TX 78861. The legal description being, Hondo Block 15 Lot 7 & 8 in part. In accordance with the Unified Development Code, Chapter 3, Section 3.12.3. Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City Council has been conducted.

PLANNING AND ZONING COMMISSION:

Planning and Commission approved the request from Gilbert Sandoval, for a Specific Use Permit to allow for a Tattoo/Body Piercing Parlor to be located at 1208 18th Street Hondo, TX 78861. The legal description being, Hondo Block 15 Lot 7 & 8 in part. In accordance with the Unified Development Code, Chapter 3, Section 3.12.3. Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City Council has been conducted.

ATTACHMENTS:
Supplemental Information Package

STAFF CONTACT(S):
Jessica Carpenter, Development Services Director

DEVELOPMENT PROJECT APPLICATION

HONDO
THIS IS GOD & COUNTRY

Application must be accompanied by applicable documents and fees. Content of application submittal must be in accordance with the requirements of the Unified Development Code and applicable checklist. No incomplete application packages will be accepted.

APPLICATION TYPE

☐ **Preliminary Plat** | ☐ **Final Plat** | ☐ **Minor Plat** | ☐ **Site Plan** | ☐ **Planned Development**

☐ **Variance** | ☐ **Zoning Change** | ☒ **Specific Use Permit** | ☐ **Annexation** | ☐ **Other**________

PROJECT DESCRIPTION

Project Address: 1208 18th St. Hondo, TX 78861 **Parcel #** 16373

Project Name: 18th Street Tattoo Parlor

Legal Description: Hondo Block 15 Lot 7 & 8 Parts of

Acreage: 3,920sq.ft **Number of Existing Lots:** 1 **Number of Proposed Lots:** 1

Current Zoning: Comm. Bus. Dist. CBD **Proposed Zoning:** CBD

Description of Project/Request (*attach separate letter if necessary*):

See Page Attached

Proposed Use: ☒ Commercial | ☐ Residential | ☐ Industrial | ☐ Mixed Use

Regulatory Flood Zone: ☐ X (Shaded) | ☐ X (Unshaded) | ☐ A | ☒ AE | ☐ AE (Floodway)
If in A, AE, or AE(Floodway), Floodplain Development Permit is required.

Is the property within the City Limits of Hondo or the Extraterritorial Jurisdiction(ETJ)? ☒ City | ☐ ETJ

Is public infrastructure currently available and adequate to serve each proposed lot? ☒ Yes | ☐ No
Infrastructure review letter from Public Works Department must be attached.

APPLICANT INFORMATION

Company Name: 18th Street Tattoo Parlor **Contact Person:** Gilbert Sandoval

Address: 1208 18th St. Hondo, TX 78861

Phone Number: 210-897-5168 **Fax Number:** ______ **Email:** sabastiansand@yahoo.com

If acting as representative of property owner, application must include notarized authorization letter.

(Application Continues on Next Page)

PROPERTY OWNER INFORMATION	
Company Name:	Contact Person: Raul Ymarte
Address: 1307 Ave E	
Phone Number: 210-204-2800 Fax Number:	Email:

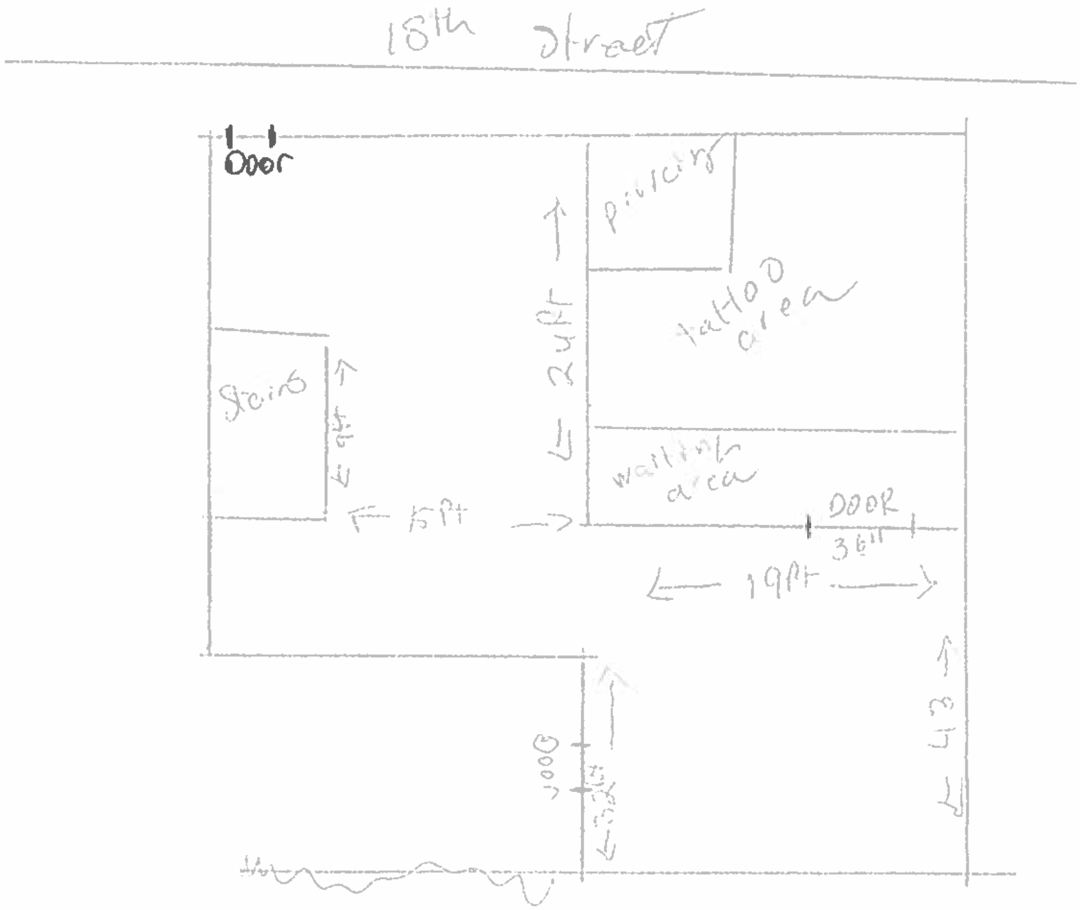
Include proof of ownership as supplemental information on separate sheets.

CONSULTANT INFORMATION

COMPANY NAME	CONTACT PERSON	PHONE NUMBER	LICENSE NUMBER
Architect / Designer			
Engineer			
Surveyor			
Attorney			
Other ______			
Other ______			
Other ______			

As the owner of the subject property as described in the above sections or as the duly appointed representative thereof, I hereby certify that this application is, to the best of my knowledge, complete and accurate. I understand that filing this application does not constitute approval. I also acknowledge that the approval procedure as set out in Texas Local Government Code Chapter § 212.009 shall not begin until the Development Officer has certified in writing that the plat application is completed in accordance with the City Code and State law. Furthermore, I, the undersigned applicant, hereby request approval of this application request and consent to any required posting and publication of public hearing notices, posting notices on my property and mailing of notices to adjacent property owners as may be required.

Signature: ______________ Date: 1/3/2021


18th Street
Door
piercing
tattoo area
Stairs
24ft
waiting area
15ft
DOOR
36"
19ft
43
Door
36"

18th Street Parlor
1208 b 18t street Hondo TX, 78861
Gilbert Sandoval - owner

Mon - 12 pm - 10 pm
Tues - 12 pm - 10 pm
Wed - 12 pm - 10 pm
Thur. - 12 pm - 10 pm
Fri - 12 pm - 10 pm
Sat - 12 pm - 10 pm
Sun - 12 pm - 10 pm

Business Description

I am a 15 year tattoo artist. I will be owner and operater of this tattoo Parlor to serve Hondo city and Region with quality tattoos and piercings. I am very deverse in all styles of tattooing and uphold very Sanitary Health Standard with my tattooing and piercing procedure.

Gilbert Sandoval
1-12-23

VG-11-2021-2021013690

Medina County
Gina Champion
Medina County Clerk

Instrument Number: 2021013690

Assumed Name

Recorded On: December 15, 2021 02:14 PM

Number of Pages: 2

" Examined and Charged as Follows: "

Total Recording: $23.50

************ THIS PAGE IS PART OF THE INSTRUMENT ************

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number:	2021013690
Receipt Number:	20211215000057
Recorded Date/Time:	December 15, 2021 02:14 PM
User:	Delia C
Station:	ccscan1.medinacounty.local

Record and Return To:

GILBERT SANDOVAL

COUNTY COURT ★ COUNTY OF MEDINA, TX. ★

STATE OF TEXAS
Medina County
I hereby certify that this Instrument was filed in the File Number sequence on the date/time printed hereon, and was duly recorded in the Official Records of Medina County, Texas

Gina Champion
Medina County Clerk
Medina County, TX

Gina Champion, County Clerk
Medina County, Texas
1300 Avenue M, Room 163
Hondo, Texas 78861

Assumed Name Certificate

Name of Business or Professional Service 18th Tatt oo Parlor
Print or Type

Business Address ~~1802~~ 1208 B Hondo TX 78861
Print or Type City State Zip

The period during which the assumed name will be used is(not to exceed 10 years) 10 years. (Pursuant to Title 5, Chapter 71.151(a).

The Business or Professional Service under this Assumed name will be conducted as a (check one)

- ✓ Sole Proprietorship
- __ Real Estate Investment Trust
- __ Corporation
- __ Joint Venture
- __ Estate
- __ Other (name type) ____________
- __ General Partnership
- __ Company

I/We, the undersigned, am/are the owners(s) of the above listed business and my/our names(s) and address(es) given is/are true and correct and there is/are no ownership(s) in said business other than those listed below.

Name: Gilbert Sandoval Signature [signature]
Print or Type

Address: 1703 AVE. B Hondo TX 78861
Print or Type City State Zip

Name: ______________________ Signature ______________________
Print or Type

Address: ______________________
Print or Type City State Zip

Name: ______________________ Signature ______________________
Print or Type

Address: ______________________
Print or Type City State Zip

THE STATE OF TEXAS
COUNTY OF Medina

BEFORE ME, THE UNDERSIGNED AUTHORITY, on this day personally appeared Gilbert Sandoval known to me to be the person(s) whose name subscribed to the foregoing instrument, and acknowledged to me that he/she/they executed the same for the purpose therein expressed.

Given under my hand and seal of office, this 15 day of December, 2021.

(seal)

CHERYL DENISE AHR
Notary ID #125451045
My Commission Expires
October 6, 2025

Cheryl Denise AHR
Signature of Notary Public

CHERYL Denise AHR
Printed Name of Notary Public

TEXAS Health and Human Services

Texas Department of State Health Services

BUSINESS FILING AND VERIFICATION SECTION
TATTOO STUDIO
Initial / Renewal License Application
(Health and Safety Code, Chapter **146**
Return both the completed application, and non-refundable check or money order made payable to:
Texas Department of State Health Services, Food & Drug Licensing,
PO Box 12008, Austin, Texas 78711
For assistance in completing this application call
(512) 834-6727

TATTOO 2505

BUDGET: **ZZ105**
FUND: **088**
LICENSE #

Please note: Additional documentation on page 2 must be submitted with this application

Name Business is Conducted Under (DBA): 18 str tatoo Parlor

Physical Address to be Licensed: 1208 b 18th street

City, County, State, Zip Code: Hondo, Medina, 78861

Telephone # at address: (210) 897-5168

Type of Operation (Check all that apply): ☑ Tattooing ☐ Micro-blading ☐ Scarification ☐ Permanent cosmetics

If you are a tattoo studio that also provides body piercing services, a separate application and fee are required for body piercing.

☑ **$927.00** - Tattoo Studio initial/renewal license or change of ownership fee

☐ **$464.00** – Temporary event Only

Date of event (Beginning) ________________(Ending) ________________
mon/day/yr mon/day/yr

(License is valid for a maximum of seven consecutive days)

☐ **Late Fee** - A person who files a renewal application after the expiration date must pay an additional $100.00. Any returned checks received after renewal date will be assessed an additional $100.00 late fee.

BE CERTAIN TO COMPLETE ALL PAGES OF THIS FORM

REQUIRED DOCUMENTATION ----ZONING CODE COMPLIANCE VERIFICATION:

According to Texas Health and Safety Code, Chapter 146, Sec 146.003, you must submit evidence from the appropriate zoning officials in the municipality or county in which the studio is proposed to be located that confirms that the studio is in compliance with existing zoning codes applicable to the studio. A license will not be issued until this documentation has been received by the Department.

What this means – you are required to submit a written document from your local city/county Health Department, Zoning Section, which states the address of your business, and that the operation you are performing is allowed at the location. A Certificate of Occupancy will not be accepted.

☑ I have attached evidence (written document) that confirms that the studio is in compliance with existing zoning codes applicable to the studio.

VERIFICATION: I swear or affirm that all information in this application is true and correct. Further certify by signature hereon, that I am authorized to execute this document on behalf of the corporation and am eligible to receive a license. If signing this as owner of a sole proprietorship, I am not delinquent in the payment of any child support owed under chapter 232, Family Code. If signing as a sole proprietor, I certify I have filed the assumed name certificate in appropriate counties pursuant to Business and Commerce Code, Chapter 36. I hereby certify that the studio at the address listed above is located in an area in which the location is permissible under local zoning codes. I further certify that I have read and understand Chapter 146 of the Health & Safety Code, the applicable provisions of 25 Texas Administrative Code, Chapter 229, and agree to abide by them.

Print Name: Gilbert Sandoval	**Title:** ☑ Owner ☐ President ☐ Partner ☐ Corporate Designee / Agent
sign here▶ [signature]	**Date:** ~~12-15-21~~ 3-1-23

PRIVACY NOTIFICATION: With few exceptions, you have the right to request and be informed about information that the State of Texas collects about you. You are entitled to receive and review the information upon request. You also have the right to ask the state agency to correct any information that is determined to be incorrect. You may visit our website listed below for more information on the Privacy Notification (Reference: Government Code, Section 552.021, 552.023 and 559.004).

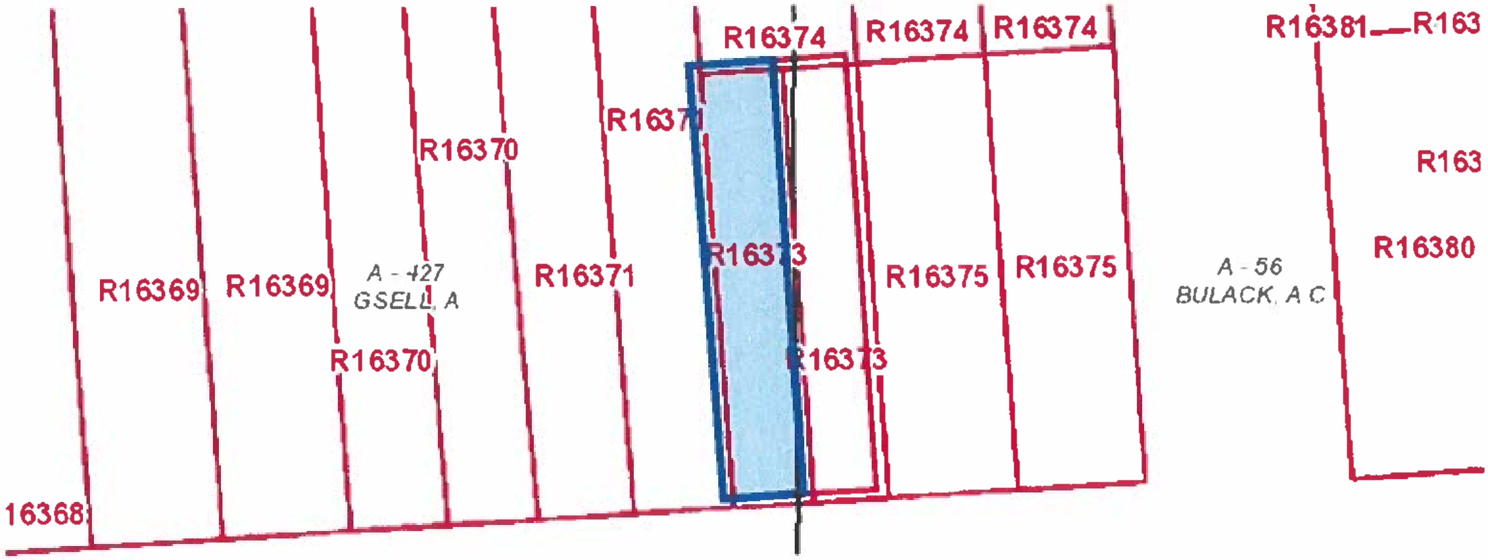
ALL SIX PAGES OF THE APPLICATION FORM MUST BE COMPLETED BEFORE A LICENSE WILL BE ISSUED. Please allow 4-6 weeks for processing.

Visit our website at: **www.dshs.texas.gov**

Please address **correspondence only** to:

Texas Department of State Health Services
Food and Drug Licensing Group, MC 2835
PO Box 149347
Austin, Texas 78714-9347

Map



Property Details

ccount	
roperty ID:	16373
egal escription:	HONDO BLOCK 15 LOT 7 & 8 PARTS OF
eographic ID:	HO0001-00015-00007-16373
gent:	
ype:	Real
ocation	
ddress:	1208 18TH ST HONDO, TX 78861
ap ID:	
eighborhood D:	SHOIN
wner	
wner ID:	63836
ame:	YTUARTE RAUL & SHERRI JO
ailing Address:	1307 AVE E HONDO, TX 78861
Ownership:	100.0%
xemptions:	For privacy reasons not all exemptions are shown online.

Property Values

nprovement Homesite Value:	$
nprovement Non-Homesite Value:	$176,87
and Homesite Value:	$
and Non-Homesite Value:	$5,92
gricultural Market Valuation:	$
arket Value:	$182,79
g Use Value:	$
ppraised Value:	$182,79
omestead Cap Loss:	$
ssessed Value:	$182,79

VALUES DISPLAYED ARE 2022 CERTIFIED VALUES.

Information provided for research purposes only. Legal descriptions and acreage amounts are for appraisal district use only and should be verified prior to using for legal purpose and or documents. Please contact the Appraisal District to verify all information for accuracy.

Property Taxing Jurisdiction

ntity	Description	Tax Rate	Market Value	Taxable Value	Estimated Tax	Freez Ceilin
AD	APPRAISAL DISTRICT	0.000000	$182,790	$182,790	$0.00	
HO	CITY OF HONDO	0.437000	$182,790	$182,790	$798.79	
ED3	MCESD #6 - HONDO-YANCEY VFD	0.100000	$182,790	$182,790	$182.79	
ED6	MCESD #3 - COMMUNITY EMS	0.042800	$182,790	$182,790	$78.23	
ME	MEDINA COUNTY	0.391300	$182,790	$182,790	$715.26	
SP	MEDINA COUNTY HOSPITAL DISTRICT	0.093700	$182,790	$182,790	$171.27	
WD	MEDINA COUNTY GROUNDWATER CONSERVATION DISTRICT	0.007903	$182,790	$182,790	$14.45	
FM	COUNTY F.M. ROAD	0.083000	$182,790	$182,790	$151.72	
HO	HONDO ISD	1.144600	$182,790	$182,790	$2,092.21	

Total Tax Rate: 2.300303

Estimated Taxes With Exemptions: $4,204.72

Estimated Taxes Without Exemptions: $4,204.72

Property Improvement - Building

escription: COMMERCIAL BLDG **Type:** COMMERCIAL **State Code:** F1 **Living Area:** 2,660.00sqft **Value:** 176,870

ype	Description	Class CD	Exterior Wall	Year Built	SQF
OMM	COMMERCIAL	MRAC	STU	1908	2,660.C
	ALL TYPES	MRAC		1908	2,090.C

Property Land

ype	Description	Acreage	Sqft	Eff Front	Eff Depth	Market Value	Prod. Valu
FT	SQUARE FOOT	0.09	3,920.00	40.00	98.00	$5,920	$

Property Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap Loss	Assesse
2023	N/A	N/A	N/A	N/A	N/A	N/
2022	$176,870	$5,920	$0	$182,790	$0	$182,79
2021	$125,380	$5,920	$0	$131,300	$0	$131,30
2020	$125,380	$5,920	$0	$131,300	$0	$131,30
2019	$98,450	$15,680	$0	$114,130	$0	$114,13
2018	$98,450	$15,680	$0	$114,130	$0	$114,13
2017	$98,450	$15,680	$0	$114,130	$0	$114,13
2016	$62,050	$15,680	$0	$77,730	$0	$77,73
2015	$62,050	$15,680	$0	$77,730	$0	$77,73
2014	$62,050	$15,680	$0	$77,730	$0	$77,73
2013	$62,050	$15,680	$0	$77,730	$0	$77,73
2012	$62,050	$15,680	$0	$77,730	$0	$77,73

Property Deed History

Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Numb
/13/2010	WDVL	WARRANTY DEED - VENDOR'S LIEN	YTUARTE, ELSA	YTUARTE RAUL & SHERRI JO	780	27	20170031
/15/2006	P	PROBATE	YTUARTE, EDWARDO ESTATE	YTUARTE, ELSA	130	307	
/10/2000	WD	WARRANTY DEED	YTUARTE, JOSE LOUIS	YTUARTE, EDWARDO ESTATE	371	1188	
/15/1988	CONV	CONVERSION	UNION STATE BANK	YTUARTE, JOSE LOUIS	83	740	
	CONV	CONVERSION	YTUARTE JOSE LUIS	UNION STATE BANK	60	830	

Jessica Carpenter

Subject:	Tattoo Shop
Location:	Jessica Office
Start:	Thu 1/12/2023 11:00 AM
End:	Thu 1/12/2023 12:00 PM
Show Time As:	Tentative
Recurrence:	(none)
Meeting Status:	Not yet responded
Organizer:	Jessica Carpenter
Required Attendees:	sabastiansand@yahoo.com

ARTICLE A7.000 CODES AND DEVELOPMENT

Building, development and inspection fees

Specific use permit fee $100.00

https://z2.franklinlegal.net/franklin/Z2Browser2.html?showset=hondoset&collection=hondo&doccode=z2Code_z20000151

Jessica Carpenter

From: Jessica Carpenter
Sent: Wednesday, January 11, 2023 4:59 PM
To: sabastiansand@yahoo.com
Subject: Tattoo Shop

Gilbert,

Here is the information regarding the address at

1208 18th St.
Suite B
Hondo, Texas 78861

Requires an SUP for the Tattoo Shop in the CBD District. All code and zoning is referenced below. I look forward to working with you to guide this process through meetings in February.

Nonresidential Zoning District

5.2.1 "CBD" Central Business District

a. Purpose. The purpose of the "CBD" Central Business District zoning category is to accommodate the types of business and commercial uses that have historically been located in the Hondo central business area.

d. Specific Use

Hotel or Motel

College or University

Childcare or Preschool (0-5)

Private School (PK-12)

Electrical Substation

Swimming Pool (Private)

Telephone Line and Exchange Switching or Relay Station

Water Reservoir, Water Pumping Station or Well

Water Treatment Plant

Dance Hall, Tavern, or Nightclub, Bar, Pub

Arcade

Vehicle/Carwash

Gasoline Service Stations

Used Auto Parts (in building)

Restaurant with Private Club

Retail Stores and Shops Other Than Those Listed

Tattoo/Body Piercing Parlor

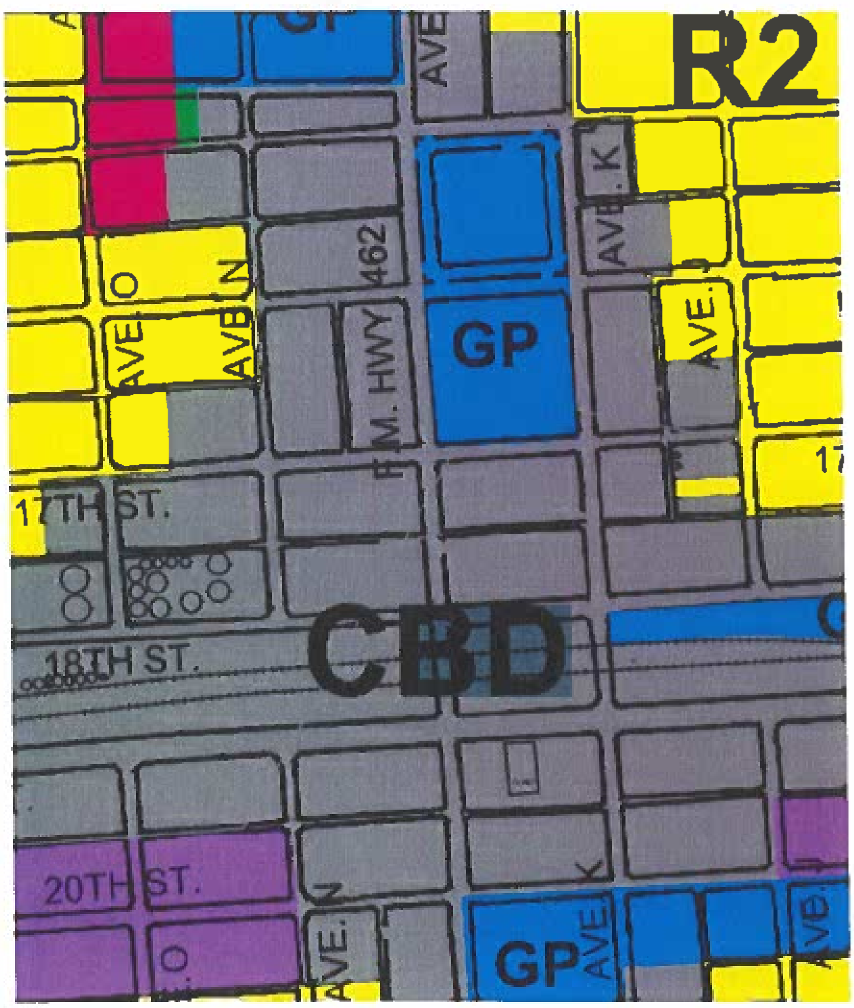
Bail Bonds Office

Building Materials Sales or Lumberyard

Cabinet or Upholstery Shop

Engine and Motor Repairing

Welding or Machine Shop



2

Thank you,

Jessica Carpenter
Development Services Director
1600 Ave M, Hondo, TX 78861
Email: jcarpenter@hondo-tx.org
Office: 830-426-3378
Cell: 830-444-2824

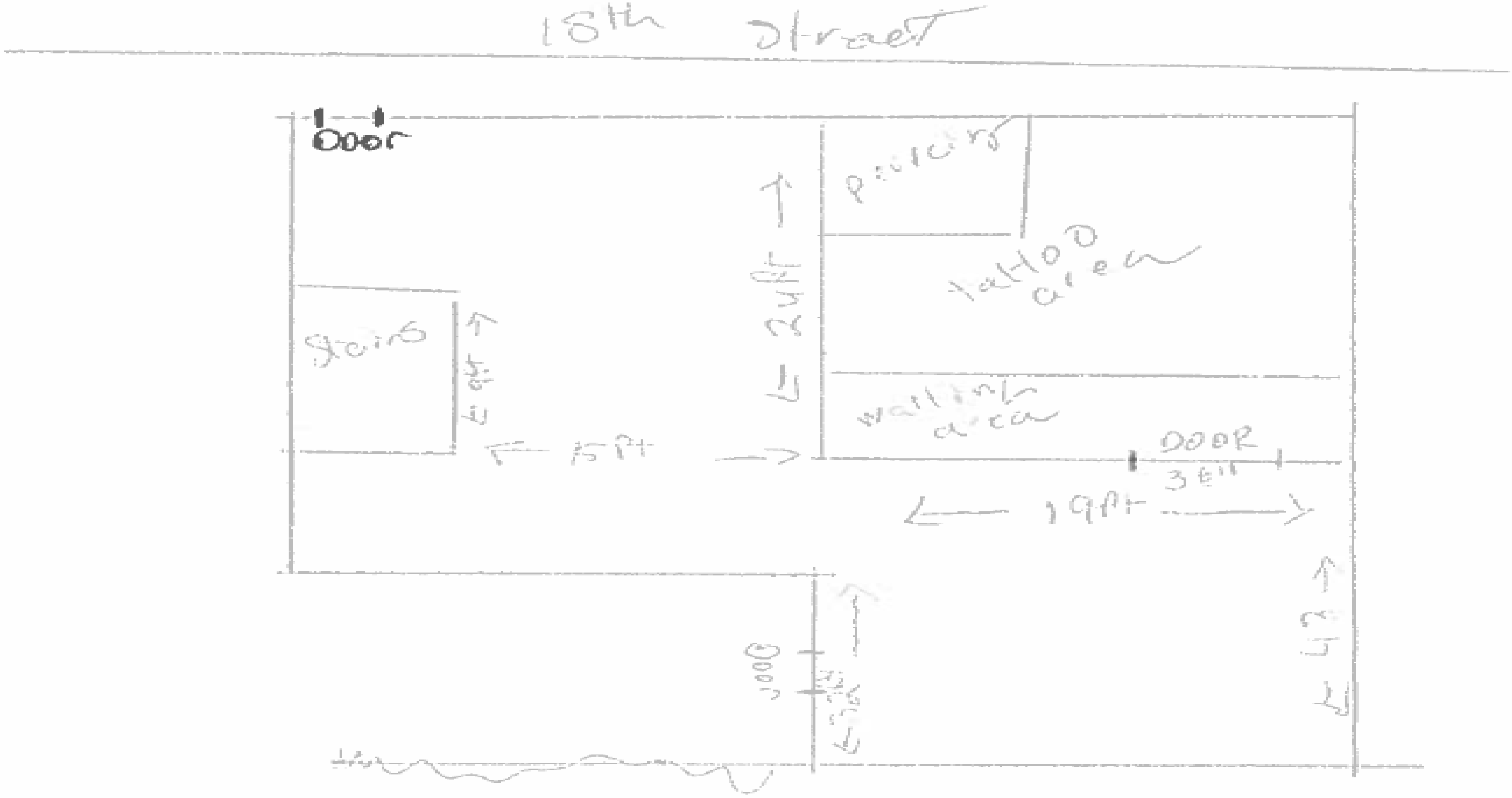
HONDO
THIS IS GOD'S COUNTRY

HONDO

THIS IS GOD'S COUNTRY

City Council | February 27, 2023


Tattoo


18th Street
Door
Stairs
15ft
24ft
DOOR
3ft
19ft

18th Street Parlor
1208 b 18t street Hondo TX, 78861
Gilbert Sandoval - owner

Mon - 12pm - 10pm
Tues - 12pm - 10pm
Wed - 12pm - 10pm
Thur - 12pm - 10pm
Fri - 12pm - 10pm
Sat - 12pm - 10pm
Sun - 12pm - 10pm

Business Description

I am a 15 year tattoo artist. I will be owner and operater of this tattoo Parlor to serve Hondo City and Region with quality tattoos and piercings. I am very deverse in all styles of tattooing and uphold very Santary Health Standard with my tattooing and piercing procedure.

Gilbert Sandoval
1-12-23

NOTICE OF PUBLIC HEARING

You are hereby notified, as a property owner that your property is within **200** feet of a property proposed for a **Specific Use Permit.** The City of Hondo will hold the following two (2) public hearings: **Planning and Zoning Commission** on **Monday, February 21, 2023 at 6:00 p.m.,** and **Hondo City Council** on **Monday, February 27, 2023 at 6:00 p.m.** Each public hearing will be held at the City Hall Council Chamber, 1600 Ave M, Hondo, Texas. Public hearings are available to all persons regardless of disability. If you require special assistance, please contact the City office at least 48 hours prior to either meeting. The following case will be heard, and all interested persons will be given an opportunity to speak:

Specific Use Permit P-XXX-23 – 0.09-Acre Property: A request from Gilbert Sandoval, for a Specific Use Permit to allow for a Tattoo/Body Piercing Parlor to be located at 1208 18th Street Hondo, TX 78861. The legal description being, Hondo Block 15 Lot 7 & Lot 8 in part. This property is currently zoned Commercial Business District. In accordance with the Unified Development Code, Chapter 3, Section 3.12.3. Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City Council has been conducted.

If you are unable to attend this public hearing but would still like to lend either your support for, or your objection to this request, please complete the response form below and return it to **SueAnn Reyes at 1600 Ave M, Hondo, Texas 78861**. If you are no longer the owner of the property, please forward this letter to the owner or return it to City Hall. If you have any questions concerning this request, please call 830-426-3370 for more information.

RESPONSE FORM (below this line)

PLEASE CHECK ONE OF THE FOLLOWING:

I Agree____________ - OR - Disagree ✓____________

Specific Use Permit P-XXX-23 – 0.09-Acre Property: A request from Gilbert Sandoval, for a Specific Use Permit to allow for a Tattoo/Body Piercing Parlor to be located at 1208 18th Street Hondo, TX 78861. The legal description being, Hondo Block 15 Lot 7 & Lot 8 in part. This property is currently zoned Commercial Business District. In accordance with the Unified Development Code, Chapter 3, Section 3.12.3. Any person, firm or corporation, either as landowner or tenant, may request the use of property which requires a Specific Use Permit. A Specific Use Permit may be granted after application has been properly made and a public hearing before the Planning and Zoning Commission and the City Council has been conducted.

That location always brings trouble especially with the type of businesses put there. Past businesses create issues for my property because of the drug & alcohol use. It affects my business & customers.

DATE: 2-24-2023

PRINT NAME: LAWRENCE HABY **SIGNATURE:** Lawrence Haby

THIS IS GOD'S COUNTRY

City Council Communication

Title: Discussion and possible action regarding a proposal from Gallagher to conduct a comprehensive compensation and benchmarking study. (Scott Albert & Erik Smetana)
Date: March 27, 2023 ***From:*** Scott Albert, City Manager

<u>INFORMATION:</u>
INFORMATION:
Previously we have discussed conducting a compensation study for all roles currently employed by the city. This evening, the City Council will consider a proposal from Gallagher to do this study, which will include a:

Market Analysis

- Conduct a full market analysis of the City's current full-time and part-time jobs.
- Identify and use relevant markets for use in conducting comparative analysis.
- The analysis will include an appropriate number of benchmark positions, sufficient to represent the City's workforce.
- The analysis will include a review of market data, collection of custom data as appropriate, development of costing models and pay structures, as well as analysis of current staff to the market.

Gallagher will work with City staff to identify benchmark job classes for the purposes of identifying a competitive market analysis, including compensation and benefit details. Gallagher will survey current rates of pay, minimum and maximum rates of pay, relevant benefits, and employer and employee costs.

Salary Structure Redesign

- Develop a new salary structure that is reflective of the appropriate talent market.
- Make recommendations for slotting existing positions into the newly developed salary structure.
- Identify the cost impact of implementing the new structure – i.e., adjustments to range minimum, smoothing compression, and equity adjustments.

Gallagher will develop a reliable salary structure integrating market data and custom survey results. Based on agreed-upon criteria, Gallagher will assign all jobs to the correct pay grade and all employees to the right place in the range. During this phase, Gallagher may also discuss how pay progression is integrated into a sustainable system that grows with the City and allows for employee development and contribution. Up to three implementation scenarios will be provided for the City.

FINANCIAL IMPACT:

The budget for FY 2022-23 includes $50,000.00 for a compensation study. The estimated cost of Gallagher's proposal is $47,500.00, assuming all meetings, discussions, or presentations will be held via teleconference or video. In the event on-site visits are requested, they will be billed at $4,000.00 per day.

STAFF RECOMMENDATION:

Staff recommends the City Council authorize the City Manager to execute a proposal with Gallagher to conduct a compensation and benchmarking study not to exceed $50,000.00.

MOTION:

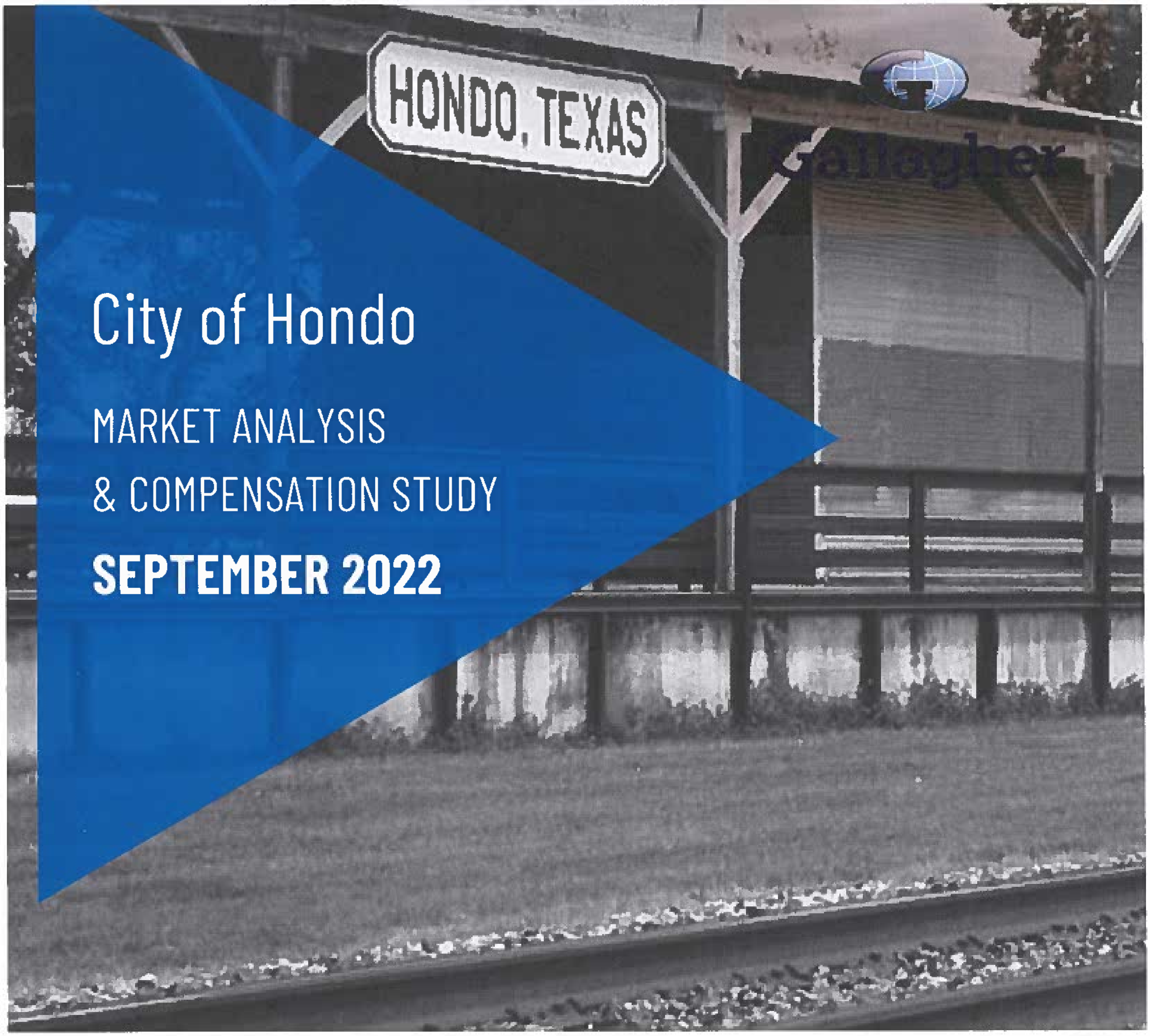
Motion to authorize the City Manager to execute a proposal with Gallagher to conduct a compensation and benchmarking study not to exceed $50,000.00.

ATTACHMENTS:

1. Gallagher Compensation Proposal

STAFF CONTACTS:

salbert@hondo-tx.org



City of Hondo

MARKET ANALYSIS
& COMPENSATION STUDY

SEPTEMBER 2022

MR. ERIK SMETANA
PRINCIPAL CONSULTANT
ERIK_HENRYSMETANA@AJG.COM | 314.494.4849

GALLAGHER
HR & COMPENSATION CONSULTING
PUBLIC SECTOR & HIGHER ED PRACTICE

Gallagher

September 23, 2022

Mr. Scott Albert
City Manager
City of Hondo, Texas

Dear Mr. Albert:

We appreciate the opportunity to present this proposal regarding the services that Gallagher's Public Sector & Higher Education consulting practice is able to offer the City of Hondo, Texas (the City). It is our understanding that the City is seeking a consultant for the purpose of conducting a comprehensive compensation & benchmarking study covering covering the staff employed by the city.

Based on this understanding we have prepared said proposal which describes our practice's capabilities, experience, and approach to the project.

We believe we will provide the City with the most experientially and demographically diverse project team of any consulting practice in the country, which enhances the solutions and recommendations we will provide on this engagement. The questions and perspectives provided by our team ensure we anticipate the many issues the City may face throughout this project, as well as the ongoing management of associated frameworks, programs, and structures.

We appreciate the opportunity to submit this proposal and look forward to the possibility of assisting the City in conducting this study.

Sincerely,

Erik Smetana
Principal Consultant

Gallagher Benefit Services > HR & Compensation Consulting > Public Sector & Higher Ed

Gallagher

Table of Contents

Statement of Scope

The goals of this project are similar to those of many other projects we have successfully performed for hundreds of non-profit and public sector organizations throughout the country. Our extensive experience includes developing and communicating a compensation philosophy, designing and implementing market-aligned pay structures, and developing job evaluation methods to maintain internal equity. We conduct benchmark analyses, including conducting custom tailored salary surveys, and recommend appropriate administrative and procedural guidelines to maintain the compensation system. We ensure that our clients are in compliance with applicable laws and regulations, such as the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), and Equal Employment Opportunity (EEO) standards and have pay systems that are appropriate for their organization and market strategy.

The scope of the engagement is to conduct a compensation and benchmarking study representative of the staff and roles currently in the employ of the City. Gallagher will work with the City to develop a project plan and timeline that supports the scope of services described the City below.

Compensation & Benchmarking Study

Market Analysis

- Conduct a full market analysis of the City's current full-time and part-time jobs.
- Identify and use relevant markets for use in conducting comparative analysis.
- The analysis will include an appropriate number of benchmark positions, sufficient to represent the City's workforce.
- Analysis will include review of market data, collection of custom data as appropriate, development of costing models and pay structures, as well as analysis of current staff to the market.

Salary Structure Redesign

- Develop a new salary structure that is reflective of appropriate talent market.
- Make recommendations for slotting existing positions into the newly developed salary structure.
- Identify cost impact of implementing the new structure—i.e. adjustments to range minimum, smoothing compression and equity adjustments.

In order to appropriately address these objectives and the scope of services described, Gallagher has developed a detailed project plan that addresses the key project areas.

Executive Summary

This proposal outlines our services, methodology, project team qualifications, references, and costing. We would like to first introduce you to our firm and demonstrate how the City may benefit from our experience...

- Our team comes to this project with a significant and diverse background of HR practitioner and leadership experience, with a strong history of compensation and classification experience as a core specialty.
- The scope of this project is similar to the goals of many other engagements that we have successfully performed for public sector organizations throughout the country, with our practice having served clients in this space for more than forty (40) years.
- Our people are proven, experienced professionals. Some of the many credentials our team brings to this particular effort, include: CCP (Certified Compensation Professional) designation from WorldatWork, IPMA-SCP (Certified Professional) designation from the International Public Management Association for Human Resources, SWP (Certified Strategic Workforce Planner) designation from the Human Capital Institute, and/or specialized degrees in HR Management/Industrial Relations, or Public/Business Administration at the masters and doctoral levels, and more.
- We listen to you to understand your current situation. We want to make sure that our approach is appropriate to your needs.
- We have the technical experience, as well as sensitivity to the significant impact of total rewards decisions to ensure results are appropriate for the City.

We believe we are well suited to assist you in conducting this sensitive and critical study. Our commitment to our clients is well established and we encourage you to contact other organizations that we are currently assisting or have recently assisted. We pride ourselves on offering our clients a level of customer service and quality work product that exceeds our competitors. The following outlines our methodology to complete this study.

Market Comparison & Benchmarking
We will work with the City to identify benchmark job classes for the purposes of a competitive market analysis, to include compensation and benefits details. We recommend that the City should be collecting market data on its job titles to ensure sufficient data and validity of the resulting salary structure. We will survey both current rates of pay, minimum and maximum rates of pay, in addition to the relevant benefits and the employer and employee cost. We will also integrate private sector salary information in the market comparison process from survey sources representing the local area market as appropriate.

Executive Summary, continued

Salary Structure Development & Implementation Analysis
To develop a reliable salary structure, we integrate market data and custom survey results with the internal equity ratings from job evaluation so that the structure is internally equitable and externally competitive. In this step, we assign all jobs to the right pay grade and all employees to the right place in the range based on agreed-upon criteria. During this phase, we may also discuss how pay progression is integrated into a sustainable system that grows with the City and allows for employee development and contribution to goal achievement. Up to three implementation scenarios will be provided to the City.

Final Report
Our final report will be prepared which outlines the process, methods, techniques and findings and recommendations of the study. It will include a financial impact analysis and recommended ways to implement and maintain the system in the future. We will provide the data in a format that can be used to update your HRIS system based on your implementation approach. Finally, we will train the HR staff in the proper procedure and methods to manage and maintain the system as well as provide tools and resources to support this maintenance.

Key Personnel & Project Team

Gallagher's Public Sector & Higher Education practice serves clients nationally from our offices in Richmond, VA, and Brentwood, TN, as well as through several Gallagher offices around the country including the state of Texas.

Richmond, Virginia Office	Brentwood, Tennessee Office
National Managing Director Ronnie Charles ronnie_charles@ajg.com | 651.234.0848 5516 Falmouth Street, Suite 201 Richmond, Virginia 23230	**Principal Consultant** Erik Smetana erik_henrysmetana@ajg.com | 314.494.4849 8 Cadillac Drive, Suite 200 Brentwood, Tennessee 37027

Key Personnel

Ronnie Charles

National Managing Director :: *Project Advisor* :: 30+ years of experience

Mr. Charles is responsible for leading Gallagher's public sector Human Resources & Compensation Consulting practice. Mr. Charles has over 30 years of Public Sector HR experience including Chief Human Resources Officer (CHRO) experience most recently in the City of Baltimore with additional professional stints in the District of Columbia, State of Virginia, and City of Suffolk, Virginia. Mr. Charles has a Bachelor's Degree in Management from Saint Paul's College. Mr. Charles is a member of several professional organizations, including the International Public Management Association for Human Resources (IPMA-HR) and is a past chair of the International IPMA-HR Professional Development Committee. In addition, Mr. Charles is a past Chair of the Human Resources Institute (HRCI). He brings vast experience in domestic U.S., and Global HR compensation practices and has previously earned professional certifications including the SPHR, GPHR, and IPMA-SCP. Mr. Charles is located in Virginia.

Erik Smetana

Principal Consultant :: *Project Director* :: 20+ years of experience

Mr. Henry-Smetana, a St. Louis area native, serves as a Principal Consultant with Gallagher's Public Sector & Higher Education practice. In this role, Erik provides high quality consulting services by leading projects specific to client needs and managing relationships between Gallagher experts and clients. Erik's 20-plus year work history has led him to serve in a variety of diverse roles across human resource management and people strategies, particularly in compensation and benefits, talent management and organizational development, people analytics, and employee relations and policy development. Erik has extensive experience in both private and public sectors, working with an eclectic mix of dynamic organizations including Fortune 500 companies across multiple industries, international not-for-profit organizations, membership associations, media outlets (e.g. NPR and NBC affiliates), institutions of higher education and research, and others. Prior to joining Gallagher, he served as the enterprise-wide Deputy CHRO with the University of Missouri System and for Vanderbilt University as the Executive Director of People & Engagement leading, designing, and implementing compensation and people-focused programs and initiatives. Erik has a Bachelor's degree in Psychology, an MBA, and Master's degree in Writing. He has previously earned professional certifications including the SPHR, SHRM-SCP, SWP (Strategic Workforce Planner), and HCS (Human Capital Strategist).

Key Personnel & Project Team, continued

Gallagher fosters a commitment of excellence, professionalism, integrity, collaboration, and urgency to each of our clients. With each unique client, Gallagher combines these principles to deliver client services customized, specifically to meet your needs. Your Gallagher consulting team has years of experience consulting to public sector, non-profit, and higher education clients and our project teams are designed to ensure our collaboration is one that is managed effectively, efficiently, and with you as our client as the focus of our efforts.

Project Staff

Larry Robertson

Senior Consultant :: *Leadership Support* :: 25+ years of experience

Mr. Robertson serves as a Senior Consultant with Gallagher's Human Resources and Compensation Consulting practice. Larry's 25-plus year work history includes a variety of roles that focused on compensation, human resources information systems, recruiting as well as enterprise-wide leadership roles. Larry has experience in both private and public sectors, working in a manufacturing environment before moving to higher education for the 21 years prior to coming to Gallagher. Prior to joining Gallagher he served as Director of HR for Benefits, Compensation and HR Systems for Collin County Community City District in McKinney, Texas and as Director of Compensation and HR Systems for Oklahoma City Community City. Larry has a Bachelor's degree in Business Administration and a MA in Religious Education. He has previously earned professional certifications including the SPHR.

Derek Smith, PhD

Senior Consultant :: *Leadership Support* :: 20+ years of experience

Prior to joining Gallagher, Dr. Smith served as the National Executive Director of the Higher Education Recruitment Consortium and as a part-time consultant with Sawgrass Consulting, following more than 15+ years in higher education leadership roles at places like UNLV, Kansas State University, the University of Missouri System and the University of Pittsburgh. Derek has a Bachelor's degree in History, a Master's of Science, a Master's of Business Administration and a PhD in Public Policy and Leadership. He has previously earned professional certifications with the Human Resources Certification Institute (PHR), Society for Human Resource Management (SHRM-CP) and the Korn Ferry Leadership Architect.

Deeksha Garg

Consultant :: *Staff Support* :: 10+ years of experience

Ms. Garg has a Bachelor's Degree in Psychology from Bangalore University, India and a Master's Degree in Human Resources and Industrial Relations from the University of Minnesota. She previously worked at Nielsen Company (India) as a consultant for two years and later joined Basix Microfinance (India) in talent acquisition. Ms. Garg is located in Texas.

Jaime Parker

Consultant :: *Staff Support* :: 15+ years of experience

Ms. Parker is a Consultant with Gallagher's Human Resources and Compensation Consulting practice. She has 15 years of experience in Higher Education with 7.5 of those years in compensation and organizational effectiveness. Prior to joining Gallagher she worked at Kansas State University in Human Capital Services, and also in the Office of Institutional Effectiveness. Before her career in Higher Education, Jaime worked in the Banking Industry as a Banking Center Manager and Customer Service Manager. Jaime is a graduate of Kansas State University with a Bachelor's degree in Accounting.

Key Personnel & Project Team, continued

Shevaun Festervand

Associate Consultant :: Staff Support :: 10+ years of experience
Mrs. Festervand applies expert knowledge, industry experience, and relentless energy to serving clients and their needs. Shevaun has over ten years of experience in a variety of human resources roles such as benefits administration, talent development, recruitment and employee retention, and classification and compensation. Prior to launching her consulting career with Gallagher, she has worked with organizations like Colorado State University, JBS USA, the University of Mississippi, and the PGA of America. Shevaun is a graduate of the University of Mississippi with a Bachelor's degree in Psychology and a minor in Business Administration.

Will McLaughlin

Associate Consultant :: *Leadership Support* :: 5 years of experience
Mr. McLaughlin is an Associate Consultant with Gallagher's Human Resources & Compensation Consulting practice. Prior to joining Gallagher, William worked as a Compensation Analyst and an Human Resource Specialist at Tulsa City Community College. William has a Bachelor of Science in Business Administration, with a major in economics, from Oklahoma State University and has earned his SHRM-CP certification.

Genesis Roberts

Consultant :: *Staff Support* :: 3+ years of experience
Ms. Roberts has experience in compensation relationship management for business groups and corporate centers. Additionally, Genesis has extensive experience in the development, analysis, administration and communication of strategically focused compensation programs for global companies. Prior to joining Gallagher, Genesis was a Data Analytics and Compensation Associate at PGIM Real Estate. Her work experience at PGIM included global compensation management, headcount reporting, talent analytics, compensation forecasting, and budgeting. She is also a US Army veteran. In 2018, Genesis received her bachelor of Business Administration and Finance from the University of Texas. Then one year later Genesis received her Master in Financial Analysis from Rutgers University in New Jersey.

Additional leadership and staff support, not noted herein, are available within the Public Sector & Higher Education practice to assist as necessary and appropriate based on project needs and in order to ensure an effective and efficient delivery of consulting services and project deliverables.

Offeror History

Arthur J. Gallagher & Co. opened its doors for business in 1927 and is still "growing strong" because of a practiced ability to help clients think ahead. Founded by its namesake who was previously the leading producer for Chicago's largest insurance brokerage, Gallagher is now one of the world's largest human capital, insurance brokerage and risk management services firms. Headquartered in Rolling Meadows, IL, we have operations in 33 countries, and extend our client-service capabilities to more than 90 countries through a global network of correspondent brokers and consultants.

The ideals, principles and values embodied by the founder whose name still appears on our door are part of our corporate DNA. Gallagher's approach to business, cultivated through three generations of family leadership, has always centered on creating relationship value as true partners to our clients.

Gallagher's interactions with you will be straightforward and candid. By earning the trust of our clients, we've sustained a reputation for ethics and a commitment to transparency that continue to contribute to our growth. In fact, Gallagher was the first insurance broker named to the Ethisphere® Institute's annual list of the World's Most Ethical Companies in 2012 — and has earned this recognition for eight consecutive years, through 2020. This is a tremendous achievement: in 2018, only 135 companies based in 23 countries and representing 57 industry categories received this honor. Gallagher is the only insurance broker to have ever been recognized.

The high standards of conduct we've set for our external professional relationships are the same rules we follow internally. The Gallagher Way, a one-page document that outlines our 25 shared values, was written in 1984 but is just as culturally relevant today. It speaks to the value of relationships and several tenets set guidelines for ethical behavior. Gallagher combines innovative solutions, thoughtful advice and honest business practices to minimize risk and help fuel your success.

Our Public Sector & Higher Education practice has been in business since 1981, serving clients in the public space with the utmost integrity, customer care, and delivery of strategic services focused on compensation and classification, strategic and operational people centric programs and services, and collaborative partnerships with public sector, non-profit, and higher education organizations.

References

We have included a few key references that demonstrates our experience in conducting engagements for public sector organizations. Contact names, phone numbers, and addresses are listed for each project. These projects are relevant in demonstrating our ability to meet the needs of the City and show considerable experience in developing compensation programs and related strategies and frameworks to serve current and future needs for a variety of public sector organizations. Our references can attest to the timeliness, quality, and responsiveness of the services we provide, as well as our knowledge of legal issues, such as the ADA and FLSA, our understanding of job classifications, and our skill and ability in dealing with public organizations and sensitive personnel issues.

South Dakota Unified Judicial System

Beth Urban :: *Human Resources Director* :: 605.773.4867 :: beth.urban@ujs.state.sd.us

In 2022, we conducted a compensation study covering employees, ranging from full-time, part-time, to on-call for the state court system, utilizing a custom survey and published survey data. This study required recognition and incorporation of pay changes, mid-project, as well as a review and outline of opportunities to address pay compression for the the system over time and in recognition of budget constraints.

Comfort Lake Forest Lake Watershed District

Michael Kinney:: *District Administrator* :: 651.395.5850 :: michael.kinney@clflwd.org

Our practice has been engaged in several projects with the District since 2021. One project involved a comprehensive market analysis and benchmarking study to support the District determine competitive rates through a comprehensive salary and benefits survey and market analysis, resulting in the development of a new pay structure. Second, we were retained in 2022 to conduct a performance management study for both the District Administrator as well as staff, and provide a revised process design that clarified linkages between pay and performance.

City of Austin, Texas

Bryan Dore :: *Compensation Manager* :: 512.974.3216 :: bryan.dore@austintexas.gov

Beginning in 2016, we initiated an ongoing working relationship with the city - including the conduct of multiple function-specific pay equity studies, comprehensive compensation studies including but not limted to executive positions, emergency management, and currently the execution of studies focused on non-sworn police positions and mobility services roles as well as sutdies focused on COVID-19 workforce impacts and council member council member and staff compensation and classification.

Additional references and/or case studies are available upon request to support client decision-making.

Gallagher

Approach

Our practice takes a thoughtful and collaborative approach to all of our client engagements, where we work to ensure our efforts are ones which demonstrate how the Public Sector & Higher Education practice C.A.R.E.S. - collaborate/consult, advise/assess, recommend/resource, engage/endorse, and strategize/serve - about our clients and their needs. To that end our project approach starts with our process and client communications.

Gallagher has integrated the Scope of Services into our phased approach and deliverables to address the City's requests. All phases will require that designated City team members and Gallagher have ongoing status meetings to explain the process, review the project's progress, review draft materials, address questions, and discuss next steps. The phased work plan is as follows:

Phase 1: Project Initiation, Strategy, Planning & Administration
• Initial meeting with key City staff to initiate the project, discuss the study methodology, the process and tasks to be performed, the scope of the study, and dedicate key personnel to these tasks and accessibility. • Discuss provisions regarding regular progress reports for the Human Resources office or designee at agreed upon intervals. • Collecting organization & salary material. • Identify possible barriers to implementing and maintaining change. • Discuss/review the strengths and weaknesses of the City's current compensation frameworks. • Discuss the City's current compensation philosophy and supporting strategies. • Confirm the project comprehensive timeline for completion of all tasks included herein. • Conduct project orientation sessions for employees or other stakeholders as necessary for successful project outcomes. *All meetings are presumed to be virtual and are included. Additional on-site visits are available at an additional charge to the City.*

Approach, continued

Phase 2: Analysis, Project Study, and Development of Resources & Deliverables (Study)

- Analyze existing compensation programs and recommend changes to current plan based on market and other associated data. work performed.
- Utilize current job description information to assess and understand existing, roles, duties and related details for comparison to the market.
- Recommend appropriate framework position for each employee, including correction of identified discrepancies between existing and proposed classifications. Identify career ladders/promotional opportunities as deemed appropriate and recommendations for reporting structures.
- Appropriate FLSA status verified for classification to ensure proper Fair Labor Standards Act (FLSA) status for all employees.
- Confirm labor market(s), comparator organization, and desired data for collection from local, state, regional, and national sources.
- Benchmark positions identified, reviewed, and summarized.
- Develop and deploy data collection methodology (e.g. custom survey, published survey, data-mining) as appropriate to collect compensation and other pertinent information. Integrate published survey data as appropriate.

The following activities will be performed on all data:

- Comprehensive internal salary relationship analysis of data to ensure the structure is internally equitable and externally competitive.
- Examine other key compensation practices and recommend changes to areas that address the City's employee health, welfare, wellbeing, and other benefits. Competitive analysis performed.
- Diagnostic review of current salary structures conducted to identify opportunities for simplification, reduction in pay compression.
- Recommended pay structure developed or existing structures updated (includes 1 revision if requested).
- Internal review conducted and consolidated feedback provided by the City. The City approves the updates to the pay plan(s) and other recommendations and implementation options.
- Provide the City with up to three (3) transition options, recommendations and next steps/ongoing maintenance.

Phase 3: Project Finalization, Presentation & Deliverables

- Draft report developed and discussed with key City staff.
- Quality assurance reviews conducted. City review conducted and feedback incorporated.
- Final report of study findings and presentation to key City Staff.
- Provide administrative guidelines and policies for review by the City.
- Solicit feedback from City executive leadership on recommendations and address any questions or concerns in writing; make modifications to recommendations, as needed, based on feedback
- Recommend the best approach to coordinate the recommended pay plan with the current pay plan, including an implementation timeline that considers the City's budget constraints.
- Recommend policies, guidelines, and procedures for administration, including how the plan can be adjusted for cost of living and cost of labor and how employees advance through salary ranges.
- Present findings and recommendations to project team and other staff and elected officials as designated.
- Submit a final report with an executive summary of project results and the approved recommendations by the project team. This report will be used by the City, for which Gallagher will anticipate and deliver a presentation to client-identified stakeholders.
- Provide training and tools, resources, and documentation for City staff to maintain the system independently post-implementation.

Approach, continued

Building upon our process, client communications, and phased project management plan, we strive to provide not just great value but also the highest quality consulting and advisory services. To that end, we hold ourselves to a high standard related to quality assurance. In conducting salary studies, we follow professionally accepted compensation principles and practices as outlined by WorldatWork, SHRM, the U.S. Department of Justice and the Federal Trade Commission. Some of these guidelines are listed on the following pages. We have also authored many articles on various aspects of conducting salary studies as well as human resources more broadly.

- We follow guidelines for benchmark selection in terms of how many benchmarks should be selected; either at least 30% if utilizing a formal job evaluation methodology or at least 50% if using a pure market approach. We include representation of all job families and levels throughout the organization; highly populated jobs; jobs found in most comparator organizations; and jobs with recruitment or retention problems.
- We review job descriptions to ensure the duties and responsibilities are understood as well as to make sure we understand the level that the job is functioning at and that reporting relationships are understood so that participating organizations can match their classifications to the benchmark jobs. We will draw on our 40+ years of salary and benefits survey experience to determine if we believe a comparable job can be found in the labor market.
- We follow guidelines for job matching (match only those jobs that match at least 80% of the duties, responsibilities and functions as outlined in the benchmark job summary).
- We follow professionally accepted guidelines for defining labor markets and selecting organizations to survey. We factor in that different jobs will have different recruiting markets, by type of organization, size of organization, and geographic location.
- Any published sources utilized must meet the following criteria:
  - Conducted by a reputable salary survey firm.
  - Survey data is not self-reported.
  - Survey is conducted on a continual basis instead of a one-time event.
  - Survey reports its data sources, the effective date of the data, and was tested to ensure accurate matches and data.

Approach, continued

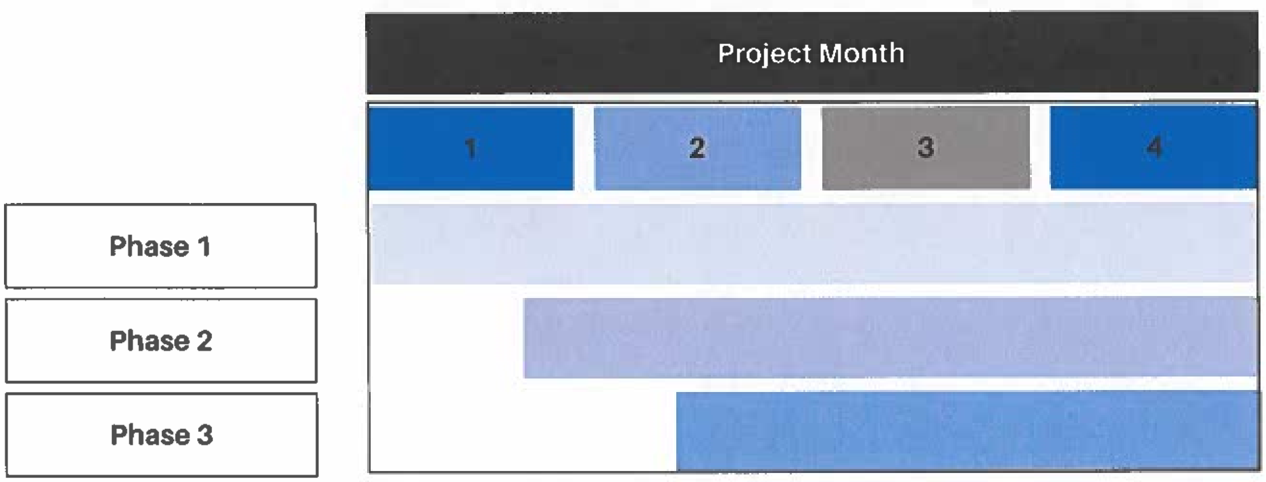
- For surveys, the questions in our data collection form have been field tested through over 40 years of salary and benefits experience to produce valid and accurate data. We pose questions in a fashion easy for participants to answer, as well as providing ease for quantification and analysis. Participants are given the option of completing the survey electronically or in hardcopy.
- We follow-up with participants to ensure data quality and validity of matches and data being reported. If there are questions, we seek job descriptions, organizational charts and other information and weekly status updates on the progress of the compensation study are provided.
- We perform several reviews of the data as well as statistical tests to identify any extreme data and to ensure the validity of the data.
- We utilize trend factors for aging data so that all data is consistent to a current point in time. The trend factors are derived from either the U.S. Department of Labor data or WorldatWork Surveys.
- We apply geographic differentials as appropriate and necessary to ensure that the data are reflective of your labor market and economic conditions. We use third party resources (Economic Research Institute) to identify the appropriate geographic differentials.
- We calculate various statistics for summarizing the data (means, medians, highs, lows, percentiles).
- We follow the U.S. Department of Justice and Federal Trade Commission guidelines that 5 matches should exist per job in order to draw reliable conclusions. Therefore we do not calculate statistics (means, medians, etc.) on jobs with fewer than 5 job matches.
- We submit our survey analysis and draft report internally through our firm's quality control process for review before it is submitted to our clients.
- We document and explain our methodology and processes in written reports and also provide electronic copies of the reports. All of the data and conclusions are transparent and auditable.

Project Timeline

The following is an estimate to complete each phase by month We will discuss the details of each phase during Phase 1 and identify specific deadlines for the project at that time. We will conduct frequent status meetings with the City to ensure that the schedule is monitored throughout the project.

In today's world, speed is very important. However, given the significance of this project, it is just as important for City officials, department heads, and employees to have sufficient time to review and approve the recommendations of Gallagher and to ensure proper communications occur. We have prepared a timeline to ensure the City has the work products in an expeditious manner.

Our phases run concurrently, in that we do not wait until the full completion of a phase to begin another phase. Additionally, the schedule below may be decreased as any efficiencies are identified or gained throughout the project process. We are prepared to commence the work within two weeks of receiving your authorization to proceed, beginning with a Preliminary Meeting with the key project stakeholder/sponsor.



Cost Proposal

We understand the importance of this analysis. Therefore, we have proposed a fee schedule that is sensible and that generates project results that will add value to the City based on the estimated hours necessary to complete the project to our internal standards, deliver to client expectations, and complete the necessary and value-added steps of the project as outlined in this proposal.

Project Phase	Proposed Cost
Phase 1: Project Initiation, Strategy, Planning & Administration	**$5,500**
Phase 2: Study • Analysis, Project Study, and Development of Resources & Deliverables	**$36,500**
Phase 3: Project Finalization, Presentation & Deliverables	**$5,500**
Estimated Total Cost: $47,500	

The above fees assumes all meetings, discussions, or presentations will be held via teleconference or video. In the event on-site visits are requested, they will be billed at $4,000 per day.

Our study costs are directly derived from estimating the number of hours needed to perform the work and the level of the consultant charged with performing the work. Gallagher typically bills on an installment basis, the structure of which is identified at project award in coordination with the client. All expenses are included in this quote.

While we are flexible and open to modifications to the work plan, our approach is tailored to your requirements and designed to achieve your objectives for this project. We hope that the details contained herein provide clarity related to our practice, its history, and most importantly, our ability to serve you and provide outstanding value to meet and exceed your needs.

Gallagher

Insurance | Risk Management | Consulting

THIS IS GOD'S COUNTRY

City Council Communication

Title: Discuss and consider the 18th Street Sidewalk Project. (Second Phase) (Rene Saenz)	
Date: March 27, 2023	***From:*** Rene Saenz, Public Works Director

INFORMATION:

The City of Hondo was awarded funds through CDBG for the improvement of sidewalks on Ave. M, 17th Street and Ave. K. 18th Street sidewalks were not included on that original sidewalk project. This engineering proposal being presented will be for sidewalks along 18th Street between Ave. K and Ave. N. The reconstruction of the 18th Street sidewalks will alleviate tripping hazards, comply with ADA requirements and improve the aesthetics of our downtown corridor.

FINANCIAL IMPACT:

$28,710.00 from 2021 Bond (Certificate of Obligation)

STAFF RECOMMENDATION:

Staff recommends that Council approve the TRC engineering proposal for the additional sidewalk project work on 18th Street from Ave. K to Ave. N

MOTION:

Motion to approve City Manager to sign TRC engineering proposal.

ATTACHMENTS:

1. 20230321 Updated Proposal & Contract - Hondo 18th Street Sidewalks

STAFF CONTACTS:

Rene Saenz, Jr.
Public Works Director
rsaenz@hondo-tx.org

TRC
700 Highlander Blvd.
Suite 210
Arlington, Texas 76015
T 817.522.1000
TRCcompanies.com
T.B.P.E. #F-8632

March 21, 2023

Scott Albert, City Manager
City of Hondo
1600 Ave M
Hondo, TX 78861

Re: City of Hondo
18th Street Downtown Sidewalk Improvements
Engineering Services Proposal

Dear Mr. Albert:

The City of Hondo (City) has requested that TRC Engineers, Inc. (TRC) provide this engineering proposal for design services related to the above referenced project. It is our understanding that sidewalk reconstruction is desired in the area as shown on the attached exhibit which connects related improvements designed and constructed by a separate project. TRC's scope of work will be to provide a set of construction drawings with details and including construction specifications for the above referenced project.

Based on the attached Scope of Work, and including the fee for the RAS/TDLR requirements the cost to provide these services is $28,710. This work would be provided under the Professional Services Agreement.

The opportunity to provide this proposal is greatly appreciated. If you have any questions regarding this information, please feel free to contact this office.

Sincerely,

William Wachel 03/21/2023

William Wachel, P.E. Date
Deputy Director
Design Management Services
TRC Engineers, Inc.

Client Authorization Date
City of Hondo, Texas

CITY OF HONDO, TEXAS
18TH STREET SIDEWALK IMPROVEMENTS
TRC SCOPE OF WORK
MARCH 21, 2023

CIVIL ENGINEERING

TRC will travel one time to perform topographic survey, prepare construction plan sheets including all pertinent standard notes and details, and specifications for the proposed sidewalk and associated improvements, attend one visit to the project site attend a City meeting with public participants. All signage and pavement markings will conform to local regulatory requirements. The plans will be submitted to the City for review and approval prior to bidding and construction. Specifically, tasks include:

1. Topographic Survey
2. Design replacement of existing concrete sidewalks along the north side of 18th street between Ave K and Ave N, and integrating with the adjoining sidewalks and existing parking. Curb and gutter will also be designed to be replaced.
    a. Plan set includes: Cover and Index, General Notes, Sidewalk Plans, Details, and Traffic Control Plan.
3. Bidding (City will place newpaper ad, TRC host bid documents on CivCast), including attendance of one bid opening and providing the City a bid tab and letter of recommendation of award.
4. Construction Administration, including one pre-construction meeting, one construction inspection, one final inspection with the RAS.
5. Record Drawings and Closeout

ASSUMPTIONS

The following assumptions apply to the basis of costs for this project:

- Plan documents will be per TRC's and the City's standards.
- Topographic survey will be required for the project.
- TRC will submit one preliminary design submittal, address all City comments, then prepare final design documents.
- Stormwater drains out of the area adequately. A slight raise to the sidewalks or parking pavement will not pose a drainage problem and if desired a valley gutter will be the most stormwater improvements necessary.
- Zero new ADA parking spaces are included in the design scope.
- Parking requirements will be provided by the City prior to design phase.
- Existing designated ADA parking spaces will be replaced with compliant ADA accessible spaces.
- Existing ramps and sidewalks will be constructed to ADA standards and will need to be submitted to TDLR by a RAS and inspected after construction for compliance with the 2012 Texas Accessibility Standards. The project scope fee includes TRC

to pay directly to the RAS for their fee and any application fee for the TDLR/RAS process.

- The City will place the advertisement for bids within local newpaper, the project will also be placed on CivCast by TRC.
- The project will be bid out to a Construction General Contractor who will perform the demo, and construct the proposed concrete sidewalk and associated improvements.
- The City will be responsible for arranging ROW, easement, and/or property access prior to commencement of fieldwork.
- The City will obtain all necessary permits and approvals for construction from property owners and/or any other regulatory agencies.
- Construction cost estimating will utilize recent sidewalk bids for the project area.

EXCLUSIONS

The following items are excluded from the Scope of Work:

- Parking space evaluation or parking options.
- Utility relocation including water meters or service lines.
- Evaluation of existing building structures or foundations.
- Landscape and/or irrigation design.
- Traffic control plan.
- Construction staking.
- Continuous construction inspection or services other than those listed above.
- Franchise utility coordination.
- Detailed title search or title policy.
- Landowner contact or easement negotiations.
- Attendance at or preparation for condemnation hearings.
- Attendance at or preparation for public outreach or input meetings other than one meeting.
- Environmental or permitting services.

COMPENSATION FOR SERVICES

The cost to provide the design engineering services will be invoiced as a lump sum project. This lump sum fee includes labor and material costs associated with the Scope of Work identified above. A breakdown of the costs for the City's review is shown below.

Civil Engineering	**$27,510**
RAS Submittal and Inspection	**$1,200**

This lump sum fee includes labor and material costs associated with the Scope of Work identified above. TRC's lump sum fee above is based on a continuous flow of work. Any delays or restrictions beyond TRC's reasonable control, caused by customer not providing required information or not providing them in a timely manner, which result in idle-time or inefficiencies, could be cause for additional compensation.

The payment schedule will be via progress billing (percent complete for the work).

Changes in scope, including additional scenarios or modification to the scenarios identified above will be evaluated for additional services and/or materials cost through a formal change order process, which results in approval of the additional cost prior to executing the additional work.

Services are rendered in Travis County, Texas and shall be in accordance with the attached Professional Services Agreement. In the attached terms and conditions, TRC Engineers, Inc. is sometimes referred to as “Firm” and sometimes as “Design Professional”, and the Client is “City of Hondo, Texas”.

Fees for services quoted in this Letter of Agreement are valid for a period of time not to exceed 45 days from the date of this letter.

SCHEDULE

The following project schedule is proposed:

Notice to Proceed given to TRC – April 3, 2023 ***assumed**
Survey Complete – April 28, 2023
Parking Requirements Confirmed by City for TRC - April 28, 2023
Design Complete and Submitted to City – May 26, 2023
City Review and Public Input Meeting Complete – June 9, 2023
Open Bid – July 10, 2023
City Award and Construction Contract Executed – August 21, 2023
Construction Complete (120 days) – December 22, 2023

PROFESSIONAL SERVICES AGREEMENT
for a SINGLE PROJECT

This Professional Services Agreement for a Single Project ("**Agreement**") is made as of March 21, 2023 ("**Effective Date**") by and between City of Hondo, Texas, a City having offices at 1600 Ave M, Hondo, TX 78861, ("**Client**"), and TRC Engineers, Inc., a company having offices at 505 E. Huntland Dr, Suite 250, Austin, TX 78752 ("**TRC**"). Sometimes herein Client and TRC are referred to individually as a "**Party**" and collectively as the "**Parties**."

Whereas, Client desires to contract with TRC to provide professional services on a nonexclusive basis for the 18th Street Downtown Sidewalks Project ("**Project**") located within the downtown public Right of Way the City of Hondo, Texas along north side of 18th street between Avenue K and Avenue N ("**Project Site**"); and

Whereas, TRC is willing to provide professional services to Client on a nonexclusive basis; and

Now Therefore, the Parties understand, acknowledge, and agree that this Agreement will establish the terms and conditions for certain Work (defined below) specifically identified herein to be performed by TRC.

CONSPICUOUS AND FAIR NOTICE

EACH PARTY REPRESENTS TO THE OTHER THAT (1) IT HAS CONSULTED AN ATTORNEY CONCERNING THIS AGREEMENT OR, IF IT HAS NOT CONSULTED AN ATTORNEY, IT WAS PROVIDED THE OPPORTUNITY AND HAD THE ABILITY TO DO SO, BUT MADE AN INFORMED DECISION NOT TO DO SO, AND (2) IT FULLY UNDERSTANDS ITS RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT.

ARTICLE 1. WORK, AGREEMENT DOCUMENTS, AND PROJECT INFORMATION

1.1 Work, Deliverables, Materials. TRC will perform the consulting, engineering, and/or other professional services (the "**Work**"), provide the work product, such as drawings, plans, specifications, reports, or other information ("**Deliverables**"), and/or procure the materials and/or equipment ("**Materials**"), as set forth in detail in Exhibit A.

1.2 Agreement Documents. TRC will perform the Work in accordance with the terms, provisions, conditions, and specifications set forth in the following documents, all of which are incorporated herein by this reference, and which together form the Agreement Documents:

(a) This Agreement, any purchase order or similar document issued by Client authorizing the Work ("**Client Authorization**"), any fully executed amendments, and/or Change Orders;
(b) Exhibit A – Work, Contract Price, and Contract Time; and
(c) Exhibit B – Remittance Instructions.

Any pre-printed terms set forth in any Client Authorization shall be of no effect and are expressly excluded from this Agreement.

1.3 Interpretation. In the event of any conflict or inconsistency between or among any of the Agreement Documents, the order of precedence is as shown in Section 1.2 above unless expressly stated otherwise herein. In the event of any conflict or inconsistency between or among the terms or conditions established in a Change Order or amendment and the Agreement, the terms of such Change Order or amendment will take precedence over those of the Agreement. No other terms or conditions shall be applicable to the Work.

1.4 Defined Terms. Some capitalized terms used in the Agreement are defined in Exhibit A. Any term defined in Exhibit A will have the same meaning throughout the Agreement, and any term defined in the Agreement will have the same meaning in any exhibit.

ARTICLE 2. COMPENSATION AND INVOICING

2.1 Compensation. Client shall pay the Contract Price on a not to exceed lump sum,set forth in Exhibit A.

2.2 Invoicing. TRC will submit monthly invoices for Work rendered in the prior month.

(a) Lump Sum. TRC will invoice on the basis of percentage of completion of Work.

(c) Disputed Invoices. If Client objects to all or any portion of an invoice, it must notify TRC in writing detailing the nature of the objection within seven (7) days from the date of receipt of the invoice, and must pay any undisputed portion of the invoice as provided in Section 2.3 below. The Parties will confer immediately after Client advises of a dispute and the Parties will make every effort to immediately resolve the disputed portion of the invoice. If the Parties fail to reach agreement at the project level on a disputed invoice within thirty (30) days of the date of the invoice, either Party has the option of proceeding in accordance with Article 15, Dispute Resolution.

2.3 Payment Terms. Except as provided in Section 2.2(c) above, Client must pay all invoices as set forth in the remittance instructions in Exhibit B no later than thirty (30) days after the date of the invoice.

2.4 Failure to Pay. Except as provided in Section 2.2(c) above, interest will accrue on all delinquent payments at the rate of 1.5% per month, or the highest rate permissible under applicable law, whichever is less, starting on the 31st day after the date of an invoice. Additionally, if Client does not pay TRC within forty-five (45) days of the date of an invoice, then, upon seven (7) days' written notice to Client, TRC may suspend performance of the Work and any Deliverables until it receives payment of the amount owing. Additionally, Client will reimburse TRC for all reasonable costs incurred by TRC in collecting any overdue payments and related interest, including, without limitation, reasonable attorneys' fees, other legal costs, court costs, and collection agency fees.

2.5 Records/Audit. TRC will keep complete and accurate records in accordance with generally accepted accounting practices with respect to all amounts invoiced by TRC under this Agreement. TRC will keep such records pertaining to each invoice for two (2) years after the date of the invoice. If an audit is commenced within such two (2) year period, Client must provide TRC with advance written notice of the audit, such audit may only be performed during normal business hours, and such audit shall not extend to TRC's overhead, markups, profit/loss information, fixed rates, unit prices, prices expressed as percentages, efficiency in performing Work, or any trade secrets.

ARTICLE 3. TIME FOR PERFORMANCE

3.1 Time for Performance. TRC will use commercially reasonable efforts to perform the Work within the Contract Time to the extent consistent with the terms of this Agreement, the Standard of Care defined below, and the orderly progress of the Work.

3.2 Completion. TRC's Work will be considered complete at the earlier of: (i) the date when TRC's Deliverables are reasonably accepted by Client; or (ii) thirty (30) days after the date when the last of TRC's Deliverables are submitted for final acceptance if Client does not notify TRC in writing within such 30-day period that the Deliverables fail to conform to the requirements of the Agreement.

ARTICLE 4. ADDITIONAL AND CHANGED WORK, DELAYS

4.1 Work Added or Changed by Client. Client shall provide TRC with an equitable adjustment in compensation and time for performance for any Work added or changed by Client. Any changes or additions to the Work shall be set forth in a written document signed by both Parties("**Change Order**"). TRC has no obligation to proceed with changed or additional work until the Parties execute a Change Order.

4.2 Force Majeure Events. No Party will be liable or responsible to the other Party, nor be deemed to have defaulted under this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments to the other Party hereunder), to the extent such failure or delay is caused by a Force Majeure Event. The term "**Force Majeure Event**" means any event which: (a) is not within the reasonable control of the affected Party; and (b) causes the affected Party to be delayed in performance of, or unable to perform, its obligations under this Agreement. Subject to the foregoing, Force Majeure Events include, but are not limited to: drought; fire; flood; extreme weather conditions; earthquake; lightning; epidemic; war (whether declared or undeclared); acts of terrorism, or damage resulting therefrom; acts of God or the public enemy; explosion; rebellion; riot; civil disturbance; sabotage; vandalism; actions of third parties; actions of a court or other governmental entity; actions of, or failure to act by, regulatory agencies; strikes or other concerted acts of workers; accidents in shipping or transportation; and the closing or congestion (beyond reasonably foreseeable levels) in any harbor, dock, port, canal, or other adjunct of the shipping or navigation of or within any place; or pandemic, epidemic, or governmental activity in response to such pandemic or epidemic that impacts a Party's ability to perform. The Party affected by a Force Majeure Event: (i) must promptly notify the other Party by email; (ii) is relieved from fulfilling its contractual obligations during the continuance of the Force Majeure Event to the extent the inability to perform is caused by the Force Majeure Event; (iii) as soon as reasonably possible after the Force Majeure, must fulfill or resume fulfilling its obligations hereunder; (iv) must promptly notify the other Party by email of the cessation or partial cessation of the Force Majeure Event; and (v) will be entitled to equitable compensation and an equitable adjustment of the Contract Time to neutralize the effect of the Force Majeure Event. Within a reasonable time after cessation of the Force Majeure Event, any Party claiming additional time and/or compensation must provide the other Party with supporting information to substantiate its position. If the Parties fail to reach agreement at the project level on an amendment or a Change Order within thirty (30) days of the submission of supporting information, either Party has the option of proceeding in accordance with Article 15, Dispute Resolution.

4.3 Impacts to the Work. TRC will be entitled to equitable compensation for, and an equitable adjustment of the Contract Time, to the extent the Work is impacted by any additional or changed Work as a result of any actions or circumstances not the fault of TRC, including, but not limited to: a failure of Client to perform or cause performance of its obligations in accordance with the Agreement, including, but not limited to, failure to provide necessary access or Information (defined below); failure to provide necessary comments in connection with the development of any Deliverables (defined below); interference with or delay of any Work caused by Client, or other party for whom Client is responsible; any error, omission, or ambiguity in Information; changes in site conditions; and delays in obtaining, or the absence, suspension, termination, or failure of renewal of, any permit, license, or governmental authorization.

4.4 TRC Change Order Requests. Whenever TRC discovers an event or a condition has impacted its Work so as to constitute a basis for a change in compensation or schedule, TRC will notify Client by email promptly after discovery of the event or condition, advising Client of the nature of the impact and requesting a Change Order. Within a reasonable time thereafter, TRC will provide Client supporting information to substantiate TRC's position. If the Parties fail to reach agreement at the project level on a Change Order request within thirty (30) days' of TRC's submission of supporting information, either Party has the option of proceeding in accordance with Article 15, Dispute Resolution.

4.5 Delays by TRC. If the Work is not progressing in accordance with the project schedule due to TRC's fault, TRC will take appropriate corrective measures to recover the schedule at TRC's expense, to the extent the delays are caused by TRC's fault.

ARTICLE 5. CLIENT'S RESPONSIBILITIES

5.1 Client Information. Client will furnish to TRC all existing studies, reports, surveys, inspections, Project Site evaluations, data, and other information available or that becomes available to Client and pertinent to TRC's performance of the Work ("**Information**"), authorize TRC to obtain additional Information as required; and furnish the services of others where necessary for the performance of the Work. TRC will be entitled to use and rely on the completeness and accuracy of all such Information.

5.2 Access. Where necessary for performance of the Work, Client will arrange for TRC access to any site or property.

5.3 Subsurface Investigations. If the Work involves subsurface investigation, excavation, or drilling, Client must provide TRC with assistance in locating underground structures or utilities in the vicinity of any such activities. If despite commercially appropriate practices neither Client nor TRC can confirm the location of such underground structures or utilities, Client agrees that TRC is not responsible for any costs associated with, and accepts all liability and costs associated with, the repair, replacement, or restoration of any damage caused by the performance of the Work.

5.4 Communication. Client will designate an authorized representative who will be responsible for communications and consultation with TRC and who will have the authority to make decisions necessary for TRC to perform its Work.

ARTICLE 6. TRC'S OBLIGATIONS AND WARRANTY

6.1 Standard of Care. TRC will perform the Work consistent with the professional skill and care ordinarily provided by the same type of professional, for a project of similar size, scope, and complexity during the time which the Work is provided, and in a similar locality, under similar circumstances ("**Standard of Care**"). Reasonable people may disagree on matters involving professional judgment and, accordingly, a difference of opinion on a question of professional judgment will not excuse Client from paying for Work rendered.

6.2 Warranty for Materials. In the event TRC procures Materials pursuant to this Agreement, TRC warrants to Client that the Materials will be new and free of defects in workmanship ("**Warranty**").

6.3 Remedies. If TRC's Work fails to meet the Standard of Care ("**Nonconforming Work**"), or if any Materials fail to meet the Warranty ("**Defective Materials**"), and if Client provides written notice to TRC of such failure no later than one (1) year after completion of the Work ("**Correction Period**"), at TRC's option TRC will within a reasonable time after receipt of written notice: (a) re-perform the Non-conforming Work; (b) repair or replace the Defective Materials; or (c) refund the amount of compensation paid to TRC for such Non-conforming Work and/or Defective Materials. Client will provide TRC access to the Project Site so TRC can perform its obligations under this Section 6.3.

6.4 Warranty Limitation. THE STANDARD OF CARE IS NOT A WARRANTY OR GUARANTEE, AND TRC HAS NO SUCH OBLIGATION, EXPRESS OR IMPLIED, WITH RESPECT TO PROFESSIONAL SERVICES. NOTHING IN THIS AGREEMENT WILL BE INTERPRETED TO REQUIRE TRC TO PERFORM PROFESSIONAL SERVICES TO ANY HIGHER STANDARD OR HAVE ANY OBLIGATION IN THE PERFORMANCE OF PROFESSIONAL SERVICES IN EXCESS OF WHAT IS REQUIRED BY THE STANDARD OF CARE, AND THIS SECTION WILL CONTROL OVER ANY CONTRARY PROVISION. OTHER THAN THE EXPRESS WARRANTIES CONTAINED HEREIN, TRC DISCLAIMS ALL WARRANTIES, WHETHER STATUTORY, EXPRESS, OR IMPLIED, INCLUDING ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ALL WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE IN TRADE. SUBJECT TO TRC'S LIABILITY UNDER SECTION 9.2, CLIENT'S EXCLUSIVE REMEDIES AND TRC'S ONLY OBLIGATIONS ARISING OUT OF A CLAIM FOR NONCONFORMING WORK AND/OR DEFECTIVE MATERIALS FOLLOWING SUBSTANTIAL COMPLETION OF THE WORK WILL BE THOSE STATED IN THIS ARTICLE 6.

6.5 Licenses. TRC will obtain in TRC's name the known licenses, permits, or other approvals from any governmental agency or regulatory body that are necessary for TRC to perform the Work.

6.6 Resources. TRC will obtain all tools, equipment, materials, software, and licenses that are necessary for TRC to perform the Work.

6.7 Employees. TRC will employ, discharge, pay, control, and direct its employees. TRC will employ only skilled professionals for Work requiring special qualifications.

6.8 Inspections. If the Work includes inspections during or after construction based upon TRC-prepared drawings or specifications, nothwithstanding anything to the contrary herein, consistent with the Standard of Care, TRC will visit the Project Site at intervals appropriate to the state of the contractor's operations, or as specifically provided in TRC's Work, (1) to become generally familiar with and to keep Client informed about the progress and quality of the portion of the construction work completed, (2) to endeavor to guard Client against defects and deficiencies in the construction work, and (3) to determine in general if the construction work is being performed in a manner indicating that, when fully completed, will be in accordance with the applicable contract documents, but the sole responsibility for compliance with drawings and specifications will be with the entity performing the construction. TRC shall not have control of, nor be in charge of, nor shall be responsible for, the means, methods, techniques, sequences, procedures, construction, or safety precautions and programs in connection with any construction work, as these are solely the construction contractor's rights and responsibilities. Furthermore, TRC shall not be responsible for the failure of Client, or any party under contract with Client, including, but not limited to, any architect, engineer, consultant, contractor, or subcontractor, to carry out their respective responsibilities in accordance with their legal and contractual obligations.

6.9 Communication. TRC will designate an authorized representative who will be responsible for communications and consultation with Client and who will have the authority to make decisions necessary for TRC to perform its Work. TRC will advise Client at regular intervals of the status of the Work.

ARTICLE 7. CONFIDENTIALITY

7.1 Confidentiality Agreement. The Party receiving Confidential Information may include that Party's Representatives ("**Recipient**"). The term "**Representatives**" means a Party's affiliates and their respective employees, agents, and advisors. Recipient is not permitted to reveal Confidential Information (defined in Section 7.2 below) to any third party without written consent from an authorized representative of the Party disclosing the Confidential Information ("**Discloser**"). Notwithstanding the foregoing, Client acknowledges that TRC's review of Client's Confidential Information will inevitably enhance TRC's knowledge and understanding of Client's business in a way that cannot be separated from TRC's other knowledge, and Client agrees that this Agreement shall not restrict TRC in connection with the purchase, sale, or consideration of, or decisions related to, other investments.

7.2 Confidential Information. The term "**Confidential Information**" includes: (i) all non-public information, materials, or products developed pursuant to this Agreement; and (ii) information about a Party's or its Representatives' business affairs, employees, finances, services, intellectual property, trade secrets, and other sensitive, marketing, or proprietary information, whether disclosed orally or in written, electronic, or other form or media. Notwithstanding the foregoing, however, Confidential Information shall not include the following: (i) information which at the time of disclosure is or becomes publicly available other than as a result of a disclosure by an act or omission of Recipient; (ii) information which is or becomes available to Recipient on a nonconfidential basis from a source (other than from Discloser) which is not prohibited from disclosing such information pursuant to a legal, contractual or fiduciary obligation to Discloser; (iii) information which was already known to Recipient; or (iv) information which is independently developed by Recipient.

7.3 Legal Obligation to Disclose. If Recipient is required by applicable law, regulation, or legal process to disclose any of the Confidential Information, Recipient will notify Discloser promptly so Discloser may (i) seek a protective order or other appropriate remedy, (ii) take action to assure confidential handling of such information, and/or (iii) in its sole discretion, waive compliance with the terms of this Agreement. In the event such protective order or other remedy is not obtained, or Discloser waives compliance with the terms hereof, Recipient (i) may so disclose only that portion of the Confidential Information which it is legally required to disclose and shall, upon request, reasonably assist Discloser with Discloser's efforts to obtain reliable assurance that confidential treatment will be afforded such Confidential Information, and (ii) shall not be liable for such disclosure. Notwithstanding the foregoing, Client acknowledges that one or more of TRC's affiliates is a registered investment adviser and that TRC may be subject to routine examinations, investigations, regulatory sweeps, or other regulatory inquiries by applicable regulatory and self-regulatory authorities. Client agrees that TRC may make such disclosures as may be requested by any such authority (or examiner thereof) and will not be required to comply with the process described in this paragraph; provided that if the request by such authority (or examiner thereof) is specifically targeted at Client, TRC will notify Client (to the extent not prohibited by such authority or examiner or by applicable rule, regulation, or law) as promptly as practicable following such request.

7.4 Remedy. Each Party agrees the actual or threatened disclosure or use of any Confidential Information, other than as permitted under this Agreement, will cause irreparable harm to Discloser, and Discloser will be entitled, without prejudice or limit to any other remedy, to obtain injunctive relief to prevent such unauthorized use or disclosure.

7.5 Communications with Third Parties. To the extent the Work requires TRC to communicate with any third party including, but not limited to, owners of the Project Site or other locations, former employees, current employees, or government authorities, TRC shall so inform Client. For all such communications, Client releases TRC from claims of breach of confidentiality, waiver of privilege, or otherwise associated with any such communications.

ARTICLE 8. INSURANCE

8.1 Required Insurance Coverage. TRC will obtain and maintain insurance of the types and amounts set forth herein. The insurance will be in effect before Work commences, and will remain in effect until completion of the Work. TRC will require any subcontractors to obtain and maintain coverages appropriate to their scope of work. TRC will have the following insurance coverage:

(a) Worker's Compensation Insurance and Employer's Liability Insurance as required by the law of the state in which the Project is located, but Employer's Liability coverage will be in the amount of $1,000,000 each accident;

(c) Automobile Liability Insurance in the amount of $1,000,000 combined single limit per accident;

(d) Commercial General Liability Insurance in the amount of $1,000,000 each occurrence, $2,000,000 general aggregate, and $2,000,000 products-completed operations aggregate; and,

(e) Professional Liability Insurance in the amount of $1,000,000 each claim and $2,000,000 annual aggregate.

8.2 Certificates of Insurance. Prior to commencing Work, TRC will furnish Client with certificate(s) of insurance evidencing compliance with the insurance requirements herein. Renewal certificates will be provided to Client upon the expiration of any required insurance policies. No policy will be cancelled or not renewed without thirty (30) days' prior written notice to Client.

ARTICLE 9. INDEMNITY

9.1 Definitions.

(a) "**TRC Group**" means TRC and its subcontractors of all tiers, and each of their parent, subsidiary, and affiliated companies, and all their officers, directors, and employees.

(b) "**Client Group**" means Client and its parent, subsidiary, and affiliated companies, and all their officers, directors, and employees.

(c) "**Losses**" means any and all damages, costs, or expenses, including, but not limited to, reasonable attorneys' fees, expert fees, and expenses and costs of litigation.

(d) "**Claims**" means all third party claims, lawsuits, demands, or actions.

9.2 **TRC'S INDEMNITY OBLIGATIONS.**

(a) TRC WILL INDEMNIFY AND HOLD HARMLESS CLIENT GROUP FROM ANY AND ALL LOSSES ARISING OUT OF CLAIMS TO THE EXTENT SUCH CLAIMS ARE CAUSED BY TRC'S NEGLIGENT ACTS, ERRORS, OR OMISSIONS IN THE PERFORMANCE OF ITS PROFESSIONAL SERVICES UNDER THIS AGREEMENT.

(b) WITH THE EXCEPTION OF CLAIMS ARISING UNDER SECTION 9.2(a), TRC WILL INDEMNIFY AND HOLD HARMLESS CLIENT GROUP FROM LOSSES, AND WILL DEFEND CLIENT GROUP FROM CLAIMS, DUE TO BODILY INJURY, DISEASE, DEATH, OR PROPERTY DAMAGE TO THE EXTENT SUCH BODILY INJURY, DISEASE, DEATH, OR PROPERTY DAMAGE IS CAUSED BY THE NEGLIGENCE OR INTENTIONAL MISCONDUCT OF TRC IN THE PERFORMANCE OF ITS WORK.

9.3 **CLIENT'S INDEMNITY OBLIGATIONS. CLIENT WILL INDEMNIFY AND HOLD HARMLESS TRC GROUP FROM LOSSES ARISING OUT OF CLAIMS DUE TO BODILY INJURY, DISEASE, DEATH, OR**

PROPERTY DAMAGE TO THE EXTENT SUCH BODILY INJURY, DISEASE, DEATH, OR PROPERTY DAMAGE IS CAUSED BY THE NEGLIGENCE OR INTENTIONAL MISCONDUCT OF CLIENT IN THE PERFORMANCE OF THIS AGREEMENT. ADDITIONALLY, NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IN THE EVENT TRC PERFORMS INTRUSIVE GROUND EXPLORATIONS OR INVESTIGATIONS, INCLUDING BUT NOT LIMITED TO, EXCAVATION, DRILLING, BORING, OR PROBING ("SUBSURFACE INVESTIGATION") AS PART OF THE WORK, CLIENT WILL INDEMNIFY TRC GROUP FROM AND AGAINST LOSSES RESULTING FROM, OR ARISING OUT OF, CLAIMS FOR DAMAGES TO SUBSURFACE OR UNDERGROUND UTILITIES OR STRUCTURES, INCLUDING BUT NOT LIMITED TO, GAS, TELEPHONE, ELECTRIC, WATER, OR SEWER UTILITIES, WHOSE LOCATIONS WERE NOT DESIGNATED OR IDENTIFIED TO TRC PRIOR TO THE COMMENCEMENT OF ANY SUBSURFACE INVESTIGATION.

9.4 **RISK OF LOSS TO THE WORK. ADDITIONALLY, NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, IT IS UNDERSTOOD AND AGREED THAT CLIENT BEARS ALL RISK OF LOSS OF OR DAMAGE TO THE WORK AND THE FACILITIES WHICH ARE THE SUBJECT OF THE WORK INCLUDING ALL MATERIALS AND EQUIPMENT TO BE INCORPORATED THEREIN, AND CLIENT HEREBY RELEASES AND SHALL DEFEND, INDEMNIFY, AND HOLD TRC GROUP HARMLESS FROM ANY SUCH LOSS OR DAMAGE, HOWEVER SUCH LOSS OR DAMAGE SHALL OCCUR.**

9.5 **CONDITIONS PRECEDENT. EACH PARTY AGREES THAT AS A CONDITION PRECEDENT TO ITS OBLIGATIONS TO INDEMNIFY AND HOLD HARMLESS, THE INDEMNIFIED PARTY MUST GIVE PROMPT WRITTEN NOTICE TO THE INDEMNIFYING PARTY OF ANY CLAIM COVERED BY ARTICLES 9 OR 10, OR ANY OTHER INDEMNIFICATION CLAUSE IN THIS AGREEMENT. AS AN ADDITIONAL CONDITION PRECEDENT, FOR ANY CLAIM OTHER THAN A CLAIM ARISING OUT OF TRC'S ALLEGED PROFESSIONAL NEGLIGENCE, THE INDEMNIFIED PARTY MUST ALLOW THE INDEMNIFYING PARTY TO REPRESENT THE INTERESTS OF EVERY INDEMNITEE IN DEFENDING AND SETTLING SUCH CLAIM. IN THE EVENT ANY INDEMNITEE FAILS OR REFUSES TO TENDER THE DEFENSE OF ANY SUCH CLAIM TO THE INDEMNIFYING PARTY, SUCH PARTY'S DEFENSE, HOLD HARMLESS, AND INDEMNITY OBLIGATIONS RELATED TO THAT CLAIM WILL BE NULL AND VOID.**

9.6 **APPORTIONMENT OF ATTORNEYS' FEES. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, AFTER RESOLUTION OF A CLAIM UNDER ARTICLES 9 OR 10, OR ANY OTHER PROVISION HEREIN PROVIDING FOR ONE PARTY TO PROVIDE A DEFENSE, IF THE NEGLIGENCE OR OTHER LEGAL FAULT OF ANY INDEMNITEE IS DETERMINED EITHER BY MUTUAL AGREEMENT OF THE PARTIES, OR BY FINAL ADJUDICATION, TO HAVE BEEN A CONTRIBUTING CAUSE OF THE LOSSES RELATED TO SUCH CLAIM, THEN THE INDEMNIFIED PARTY MUST REIMBURSE THE DEFENDING PARTY FOR THE COSTS, ATTORNEYS' FEES, OTHER LEGAL EXPENSES, AND EXPERT FEES EXPENDED FOR DEFENSE IN THE SAME PROPORTION AS THE INDEMNITEES' PROPORTION OF NEGLIGENCE OR OTHER LEGAL FAULT.**

ARTICLE 10. HAZARDOUS SUBSTANCES AND POLLUTION

10.1 Pre-existing Conditions. Client and TRC acknowledge that, prior to the start of this Agreement, TRC has not generated, handled, stored, treated, transported, disposed of, or in any way taken responsibility for any toxic or hazardous substance, including any contaminated soils, wastes, or substances, as defined by law ("**Hazardous Substances**") at the Project Site. Any Hazardous Substances originating with or generated by Client, or any pre-existing Hazardous Substances which are in, on, under, or migrating from the Project Site, or any Hazardous Substances introduced to the Project Site by any party other than TRC Group (collectively, "**Non-TRC Hazardous Substances**"), shall, as between TRC and Client, remain the sole and exclusive property of Client, it being the intention of the Parties that Client be solely responsible for such Non-TRC Hazardous

Substances and shall be regarded as the owner and generator of all such Non-TRC Hazardous Substances for the purposes of this Agreement and all Work performed hereunder.

10.2 Hazardous Substances Encountered During the Work; Disposition of Samples. Client recognizes that, when it is known, assumed, or suspected that Hazardous Substances exist on or beneath the surface of the site of the Work, or within any structure thereon, certain sampling materials such as drill cuttings and drill fluids or asbestos removed for sampling, should be handled as if hazardous or contaminated. Accordingly, when TRC encounters Hazardous Substances during performance of the Work, such as when sampling is included in the scope of Work, and when determined by TRC in its sole and exclusive judgment to be necessary based on TRC's assessment of the degree of contamination, hazard, and risk, TRC will: promptly inform Client that containerization and labeling will be performed; appropriately contain and label such materials; and leave the containers on the Project Site for proper, lawful removal, transport, and disposal by Client. All samples of soil, groundwater, waste, rock, or other materials collected from the Project Site will remain the property of Client and will be returned to Client by TRC within thirty (30) days after submission of TRC's report, unless applicable law requires the retention or other disposition of such samples. All costs associated with the disposition or returning of samples will be charged to Client. TRC will not sign any hazardous waste manifests or bills of lading, and all such manifests and generator numbers will be in the name of, and signed by, Client. Nothing contained in this Agreement will be construed or interpreted as requiring TRC, its officers, agents, servants, or employees to assume the status of a generator, storer, treater, transporter, or disposer of hazardous substances, or an arranger for disposal of hazardous substances, or a disposal facility as those terms appear within the Resource Conservation Recovery Act, 42 USCA, Section 6901, et seq. (RCRA), or within any state statute of similar effect governing the treatment, storage, transportation or disposal of waste.

10.3 **TRC INDEMNITY FOR HAZARDOUS SUBSTANCES AND POLLUTION. TO THE FULLEST EXTENT PERMITTED BY LAW, TRC SHALL ASSUME ALL RESPONSIBILITY FOR, INCLUDING CONTROL AND REMOVAL OF, AND SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD HARMLESS, ALL MEMBERS OF CLIENT GROUP FROM AND AGAINST ANY LOSSES ARISING OUT OF OR RELATING TO ANY HAZARDOUS SUBSTANCES BROUGHT TO OR RELEASED AT THE PROJECT SITE BY TRC GROUP.**

10.4 **CLIENT INDEMNITY FOR HAZARDOUS SUBSTANCES AND POLLUTION. TO THE FULLEST EXTENT PERMITTED BY LAW, CLIENT SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD TRC GROUP HARMLESS FROM AND AGAINST ANY LOSSES ARISING OUT OF OR RELATING TO THE PRESENCE AT THE PROJECT SITE OF NON-TRC HAZARDOUS SUBSTANCES. CLIENT SHALL ASSUME ALL RESPONSIBILITY FOR, INCLUDING CONTROL AND REMOVAL OF, AND SHALL RELEASE, DEFEND, PROTECT, INDEMNIFY AND HOLD HARMLESS ALL MEMBERS OF TRC GROUP FROM AND AGAINST ANY LOSSES ARISING OUT OF OR RELATING TO, ANY NON-TRC HAZARDOUS SUBSTANCES DISCOVERED AT, BROUGHT TO, OR RELEASED AT THE PROJECT SITE, OR LEFT ON THE PROJECT SITE AFTER CONTAINERIZATION BY TRC.**

ARTICLE 11. ALLOCATION OF RISK

11.1 Client's Separate Contractors. The Parties expressly acknowledge and agree that unless otherwise expressly provided for in Exhibit A, during the performance of the Work TRC shall not (a) supervise, direct or control Client's other contractors or subcontractors at any tier; (b) have authority over or responsibility for the means, methods, techniques or sequences of work performed by such other contractors or subcontractors; (c) be responsible for job site safety or enforcement of federal, state, local or other safety requirements in connection with the work performed by such other contractors or subcontractors; (d) be responsible for inspecting equipment or tools used by such other contractors or subcontractors; (e) be liable for any failure of such other contractors or subcontractors to comply with applicable laws, rules, regulations, ordinances, codes, permit stipulations, or orders; or (f) be liable for the acts or omissions of such other contractors or subcontractors including their failure to perform in accordance with their contractual responsibilities.

11.2 Mutual Waiver of Consequential Damages. Notwithstanding anything to the contrary in this Agreement, TRC and Client waive any and all claims against each other, and under no circumstances shall either Party be liable to the other, for incidental, consequential, special, multiple, and punitive damages arising out of or relating to this Agreement, regardless of whether such damages were foreseeable and whether or not the culpable Party was advised of the possibility of such damages, and regardless of whether a Party's claim against the other Party is based in contract (including contract termination), indemnity, warranty, tort (including negligence), strict liability or otherwise. This mutual waiver includes, but is not limited to, rental expenses, loss of use, loss of production, loss of income, loss of profit (except profit arising directly from the Work), loss of financing, loss of business, and loss of reputation.

11.3 Limitation of Liability. To the fullest extent permitted by law, the total liability in the aggregate of TRC and its employees, subcontractors, or suppliers to Client and anyone claiming by, through or under Client, on all claims of any kind arising out of or in any way related to TRC's Work, from any cause or causes whatsoever, including, but not limited to, negligence, errors, omissions, strict liability, indemnity, or breach of contract, will not exceed the compensation received by TRC under this Agreement. All such liability will terminate upon the expiration of the Correction Period specified in Section 6.3. THIS SECTION SETS FORTH TRC'S SOLE LIABILITY AND ENTIRE OBLIGATION AND CLIENT'S EXCLUSIVE REMEDY FOR ANY ACTION BROUGHT AGAINST TRC IN RELATION TO THIS AGREEMENT.

ARTICLE 12. DELIVERABLES

12.1 Ownership of Deliverables. All Deliverables are instruments of service in respect of the Project, and, if delivered to Client during the term of this Agreement, will become the property of Client upon payment therefor. Notwithstanding the foregoing, Client's ownership of the Deliverables will not include any ownership interest in TRC's preexisting information including, but not limited to, computer programs, software, patents, patents pending, standard details, templates, figures or specifications, or TRC's seal, stamp, or certification. Furthermore, Client understands and agrees that TRC is a developer of computer software and that TRC may use its own proprietary software, as well as others properly licensed to TRC, in the performance of the Work, and may develop other proprietary software during the course of performing the Work, which may include preliminary database formats and spreadsheets as well as programming procedures and code. Client understands and agrees that all such programs, efforts, and materials are and will be the exclusive property of TRC (and/or third parties). Additionally, except for the Deliverables, all field data and notes, laboratory test data, calculations, estimates, and other documents prepared by TRC will remain the property of TRC.

12.2 Use of Deliverables. Any Deliverable will be prepared solely for use of Client for this Project. The Deliverables are not intended or represented to be suitable to be reused by Client, or used or relied upon by others outside of Client or on extensions of the Project or on any other project. In the event Client, its employees, permitted assigns, successors, consultants, or contractors subsequently reproduces or otherwise uses the Deliverables or creates a derivative work based upon the Deliverables, unless prohibited by law, Client must remove or completely obliterate the original professional seals, trademarks, logos, and other indications on said Deliverables of the identity of TRC, its employees, and sub-consultants. TRC will be entitled to equitable compensation in connection with documenting any consent for Client or third parties to rely on the Deliverables for any purpose other than the purpose for which TRC prepared them.

12.3 Unauthorized Use of Deliverables. Client is prohibited from providing examples of TRC's Work to any individual or entity known by, or that reasonably should be known by, Client to be a competitor of TRC for the purpose of reducing or eliminating the Work associated with this Agreement. Furthermore, Client is prohibited from providing any statistical sampling information on assessment issues, including but not limited to statistical sampling information on production rates, remedy rates, numbers of pole change outs, types of violations, etc., that is provided to Client by TRC, all of which must be treated by Client as Confidential Information. In the event any Deliverables are utilized or disclosed by Client in any manner outside the scope of, or prohibited by, this Agreement, TRC reserves the right to notify directly any third party of the limitations of its unauthorized use of the Deliverables. Client expressly acknowledges that this reservation by TRC is necessary to protect and preserve TRC's professional reputation with respect to its work product.

ARTICLE 13. SAFETY

13.1 Client's Safety Requirements. Client must inform TRC of any written safety procedures and regulations applicable to the Project Site known to Client, as well as any special safety concerns or dangerous conditions at the Project Site. TRC and its employees will adhere to the written safety procedures and regulations provided by Client.

13.2 Project Site Safety. TRC commits to providing a safe and healthy work environment for its personnel and will require the same of its subcontractors. TRC shall be responsible for the health and safety of its employees and be responsible for its activities, and shall at all times conduct its operations under this Agreement in a manner to avoid risk of endangerment to the health and safety of persons and property. Unless expressly included in the scope of Work, TRC will not have any responsibility for overall job safety for the Project or at the Project Site. If TRC determines that its field personnel are unable to access required locations or perform required Work in conformance with applicable safety standards, TRC may suspend performance until its personnel can safely perform their work. TRC will promptly provide Client with written notice of the location and nature of the unsafe conditions. If Client fails to provide safe access within a reasonable time, TRC may terminate or suspend its performance in accordance with Article 14.

13.3 Reporting of Incidents. In the event TRC is involved in any loss, injury, or damage on Client's premises, or if such injury, loss or damage involves property, equipment, or personnel of Client, or if such accident involves any third party in any manner whatsoever while TRC is performing any duties within the scope of this Agreement, TRC will promptly report such injury, loss, or damage to the attention of Client's designated representative. If the matter involves loss of life, serious injury, or substantial property loss or damage, this report will be made by telephone call, followed immediately by a report in writing sent via email. If the matter is of a less serious nature, notification may be made by email or by letter posted in regular United States mail. All injuries, loss or damage must be reported. The reporting of any such matter will not imply any admission of liability on the part of TRC.

ARTICLE 14. TERMINATION AND SUSPENSION

14.1 Termination for Default. In the event of a material breach of this Agreement by either Party, the nonbreaching Party may give written notice to the breaching Party of the nature of the default and demand for cure. If the breaching Party fails to cure or materially commence to cure within ten (10) calendar days from receipt of the default notice, the non-breaching Party may provide a written notice of termination of the Agreement to the breaching Party.

14.2 Termination or Suspension for Convenience. Either Party may terminate or suspend this Agreement, in whole or in part, by providing written notice to the other Party at least thirty (30) days prior to the effective date of termination.

14.3 Termination for Insolvency. Either Party has the right to immediately terminate the Agreement, by providing written notice to the other Party, in the event that (a) the other Party becomes insolvent, enters into receivership, is the subject of a voluntary or involuntary bankruptcy proceeding, or makes an assignment for the benefit of creditors; or (b) a substantial part of the other Party's property becomes subject to any levy, seizure, assignment or sale for or by any creditor or government agency.

14.4 Payments Due Post-Termination. TRC will be entitled to receive payment for all Work performed prior to the effective date of the suspension or termination, plus all reasonable costs associated with the suspension or termination, including, but not limited to, demobilization costs, re-stocking fees, cancellation fees, and costs incurred with respect to non-cancellable commitments. If the suspension or termination is the result of TRC's breach, prior to paying TRC Client will be entitled to offset its reasonable, direct, documented losses to the extent caused by TRC's breach. If the suspension or termination is the result of Client's breach, in addition to all other compensation to which TRC is entitled, TRC will be entitled to receive payment for its reasonable, direct, documented losses to the extent caused by Client's breach.

ARTICLE 15. DISPUTE RESOLUTION

15.1 Negotiation by Executives. The Parties will attempt in good faith to resolve any dispute, controversy, or claim arising out of or relating to the Project or the Agreement or the breach thereof ("**Dispute**") promptly by negotiation. When either Party determines it has exhausted its efforts to resolve a Dispute at the Project level, that Party may provide written notice to the other Party of the Dispute. Within fifteen (15) days after the date of such notice, executives of both Parties who have authority to agree to a settlement of the Dispute and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement will meet at a mutually acceptable time and place (or, otherwise, at the Project Site), and thereafter as often as they reasonably deem necessary, to attempt to resolve the Dispute. All negotiations pursuant to this subsection are confidential and will be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Parties do not resolve the Dispute within sixty (60) days of a Party notifying the other of the Dispute, unless extended by mutual agreement, either Party may commence litigation.

15.2 Governing Law, Jurisdiction, Venue. Unless otherwise required by law, this Agreement, and any act or transactions to which it will apply, or which are contemplated hereby or hereunder, will be governed by, and construed and interpreted in accordance with, the laws of the State of Connecticut without regard to choice of law or conflicts of law principles. This choice of law expressly includes the applicable statutes of limitation. Venue for all actions under the Agreement will be in Hartford, Connecticut.

15.3 Prevailing Party. In the event of any binding dispute resolution proceeding, declaratory or otherwise, brought by a Party arising out of or relating to this Agreement, including but not limited to any breach or default of the Agreement, the prevailing Party will be entitled to recover from the other Party any and all expenses of litigation, court costs, expert and consultant fees, employee time and expenses, and reasonable attorneys' and other legal fees associated with such proceedings (collectively, "**Litigation Expenses**"), accruing as of commencement of the proceeding and including execution and collection of any award or judgment. Notwithstanding the foregoing, if a written offer of compromise is made by either Party that is not accepted by the other Party within thirty (30) days after receipt and the Party not accepting such offer fails to obtain a more favorable judgment or award, the non-accepting Party will not be entitled to recover its Litigation Expenses (even if it is the prevailing Party) and will be obligated to pay the Litigation Expenses of the offering Party.

ARTICLE 16. MISCELLANEOUS

16.1 Independent Contractor and Waiver of Benefits. TRC is an independent contractor and will not be regarded as an employee or agent of Client. TRC agrees that it will not receive, and is not eligible to participate in, any employee benefit plan, insurance program, disability plan, medical benefits plan, or any other fringe benefit program sponsored and maintained by Client for its regular active employees, and TRC hereby waives any rights or claims related thereto.

16.2 Compliance with Laws. TRC will observe all applicable provisions of the federal, state, and local laws and regulations, including those relating to equal opportunity employment.

16.3 Severability. If any term, covenant, condition, or provision of this Agreement is found by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement will remain in full force and effect, and will in no way be affected, impaired, or invalidated thereby.

16.4 Waiver. No waiver of any provision of this Agreement, or consent to any departure therefrom, shall be effective unless in writing and signed by the waiving Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure or delay on the part of any Party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

16.5 Assignment. Neither Party will assign or transfer this Agreement without the prior written consent of the other Party. Moreover, as a condition of any such written consent, such assignment will be subject to the terms and conditions herein and no greater rights or remedies will be available to the assignee. In the event of an assignment by Client, Client will provide TRC with the information necessary for notices and invoicing (as applicable) prior to the effective date of the assignment. Client hereby agrees that TRC may subcontract and/or assign some or all of the Work to one or more of its corporate affiliates to the extent necessary to provide sufficient staffing and/or to comply with applicable insurance or professional licensing requirements.

16.6 Captions. The captions of the articles and sections in this Agreement are intended solely for the convenience of reference and will not define, limit, or affect in any way the provisions, terms, and conditions hereof or their interpretation.

16.7 Integration. This Agreement represents the entire understanding and agreement between the Parties and supersedes any and all prior or contemporaneous agreements, whether written or oral, and may be amended or modified only by a written amendment signed by both Parties.

16.8 Amendments. This Agreement may be modified only by a Change Order or an amendment executed in writing by a duly authorized representative for each Party.

16.9 No Third Party Beneficiaries. Except as otherwise specifically provided for herein, this Agreement shall not be construed to confer any benefit on any third party not a Party to this Agreement, nor shall it provide any rights to such third party to enforce its provisions. Notwithstanding the foregoing, all liability-limiting provisions of this Agreement shall extend and inure to the benefit of all members of TRC.

16.10 Signatures. This Agreement, any amendment, and any Change Order may be executed in counterparts, each of which will be deemed an original, and all of which together will be deemed to be one and the same instrument. A copy of this Agreement and any subsequent modifications signed electronically and/or delivered by e-mail or other means of electronic transmission will be deemed to have the same legal effect as delivery of a manually signed original. Each person executing this Agreement warrants that he/she is authorized to do so on behalf of the Party for whom he/she signs this Agreement.

16.11 Notices. Any notice permitted to be given by email shall be sent to the below representative. Any other notice required to be given pursuant to this Agreement must be in writing and sent by overnight delivery via USPS or a nationally recognized courier and delivered to the address set forth in the first paragraph above to the attention of the representative below:

If to TRC, send to the attention of:	William Wachel wwachel@trccompanies.com
If to Client, send to the attention of:	Scott Albert, City Manager salbert@hondo-tx.org

Any notice so given will be deemed effective upon receipt. Either Party may change its representative or address effective ten (10) days after written notice thereof to the other Party.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative as of the Effective Date, and by so executing has agreed to be bound by this Agreement.

CLIENT:
City of Hondo, Texas

By: ______________________________

Printed name: ______________________

Title: ______________________________

TRC:
TRC Engineers, Inc.

By: William Wachel

Printed Name: William Wachel, PE.

Title: Deputy Director
Design Management Services

EXHIBIT A

Work, Contract Price, Contract Time

TRC will perform the Work as described in the Proposal Letter dated March 21, 2023.

EXHIBIT B

TRC Remittance Instructions

TRC remittance information for making payments is as follows:

U.S. Postal Service:
TRC Lockbox
PO Box 536282
Pittsburgh PA 15253-5904

Overnight Packages:
TRC Lockbox
Attn: 536282
307 23rd Street Extension, Suite 950
Pittsburgh, PA 15215
877-550-5933

Wire Instructions (PREFERRED METHOD OF PAYMENT)

Beneficiary Account Name:	TRC Companies, Inc. – Concentration
Beneficiary Account Number:	2232037090
Bank Codes:	
ABA Number:	011500120 (Wires only)
Routing Number:	211170114 (ACH only)
Swift Code:	CTZIUS33
Bank Name:	Citizens Bank
Remittance Detail Email:	ARremitdetail@trccompanies.com
TRC Contact:	Dawn Dostie
Contact Phone Number:	207-660-7222