



CITY COUNCIL REGULAR MEETING CITY OF BAY CITY

Tuesday, August 22, 2023 at 6:00 PM
COUNCIL CHAMBERS | 1901 5th Street

COUNCIL MEMBERS

Mayor: Robert K Nelson

Mayor Pro Tem: Blayne Finlay

Council Members: Benjamin Flores, Bradley Westmoreland, Becca Sitz, Jim Folse

Vision Statement

Through a united and collaborative effort, we seek to grow the City of Bay City with a diverse culture that is proud to call Bay City home. We envision a thriving family-centered community where citizens are involved in the future development of our city. We desire our citizens to work, play, worship and shop in the community in which we live. Visitors are welcomed and encouraged to enjoy the friendly environment and amenities the citizens and business owners have created together.

AGENDA

THE FOLLOWING ITEM WILL BE ADDRESSED AT THIS OR ANY OTHER MEETING OF THE CITY COUNCIL UPON THE REQUEST OF THE MAYOR, ANY MEMBER(S) OF COUNCIL AND/OR THE CITY ATTORNEY:

ANNOUNCEMENT BY THE MAYOR THAT COUNCIL WILL RETIRE INTO CLOSED SESSION FOR CONSULTATION WITH CITY ATTORNEY ON MATTERS IN WHICH THE DUTY OF THE ATTORNEY TO THE CITY COUNCIL UNDER THE TEXAS DISCIPLINARY RULES OF PROFESSIONAL CONDUCT OF THE STATE BAR OF TEXAS CLEARLY CONFLICTS WITH THE OPEN MEETINGS ACT (TITLE 5, CHAPTER 551, SECTION 551.071(2) OF THE TEXAS GOVERNMENT CODE).

CALL TO ORDER AND CERTIFICATION OF QUORUM

INVOCATION & PLEDGE

Texas State Flag Pledge: *"Honor The Texas Flag; I Pledge Allegiance To Thee, Texas, One State Under God, One And Indivisible."*

Mayor Pro Tem Finlay

MISSION STATEMENT

The City of Bay City is committed to fostering future economic growth by collaborating with our citizens, employers, current and future businesses, as well as the Community and Economic Development Centers. We strive to deliver superior municipal services and to invest in quality-of-life initiatives such as housing, businesses, jobs and activities for all citizens. We make a concerted effort to respond to resident's concerns in a timely and professional manner in order to achieve customer satisfaction.

Mayor Pro Tem Finlay

APPROVAL OF AGENDA**PUBLIC COMMENTS**

State Law prohibits any deliberation of or decisions regarding items presented in public comments. City Council may only make a statement of specific factual information given in response to the inquiry; recite an existing policy; or request staff places the item on an agenda for a subsequent meeting.

ACKNOWLEDGEMENT FROM CITY MANAGER**ITEMS / COMMENTS FROM THE MAYOR, COUNCIL MEMBERS AND CITY MANAGER****CONSENT AGENDA ITEMS FOR CONSIDERATION AND/OR APPROVAL**

- 1. City Council Regular Meeting minutes of July 25, 2023.**
- 2. City Council Regular Meeting minutes of August 8, 2023.**
- 3. City Council Workshop minutes of August 10, 2023.**

DEPARMENT REPORTS

- 4. Public Works Reports and Updates.** Krystal Mason, Assistant Public Works Director

REGULAR ITEMS FOR DISCUSSION, CONSIDERATION AND/OR APPROVAL

- 5. Tax ~ Consider placing a proposal to adopt a Tax Rate for the 2024 Fiscal Year as an action item on the agenda of a future Council meeting, specifying therein the desired tax rate and publishing notice thereof.** Scotty Jones, Finance Director
- 6. Tax ~ Consider setting a Public Hearing on the Proposed 2024 Fiscal Year Tax Rate for Thursday, September 7, 2023.** Scotty Jones, Finance director
- 7. Budget ~ Consider setting a Public Hearing on the City of Bay City's proposed 2024 Fiscal Year Budget and the City of Bay City's Five-Year Capital Improvement Plan for Thursday, September 7, 2023.** Scotty Jones, Finance Director
- 8. Budget ~ Consider setting a Public Hearing on the Bay City Community Development Corporation's proposed 2024 Fiscal Year Budget for Thursday, September 7, 2023.** Scotty Jones, Finance Director
- 9. Services ~ Discuss, Consider, and/or Approve Harrison, Waldrop, and Uherek L.L.P. to provide Audit Services for the City of Bay City for the Year Ending September 30, 2023.** Scotty Jones, Finance Director
- 10. Bid ~ Consider and award of a bid regarding purchase of the surface only of real property (no improvements owned by City) located at 2318 Avenue K, Bay City Texas, described as Bay City Original Townsite, Block 145, Lot 9-12.**

CLOSED / EXECUTIVE SESSION**RECONVENE AND ACTION****ADJOURNMENT****AGENDA NOTICES:**

Attendance By Other Elected or Appointed Officials: It is anticipated that members of other city board, commissions and/or committees may attend the meeting in numbers that may constitute a quorum of the other city boards, commissions and/or committees. Notice is hereby given that the meeting, to the extent required by law, is also noticed as a meeting of the other boards, commissions and/or committees of the City, whose members may be in attendance. The members of the boards, commissions and/or committees may participate in discussions on the same items listed on the agenda, which occur at the meeting, but no action will be taken by such in attendance unless such item and action is specifically provided for on an agenda for that board, commission or committee subject to the Texas Open Meetings Act.

CERTIFICATION OF POSTING

This is to certify that the above notice of a Regular Called Council Meeting was posted on the front window of the City Hall of the City of Bay City, Texas on **Friday, August 18, 2023 before 6:00 p.m.** Any questions concerning the above items, please contact the Mayor and City Manager's office at (979) 245-2137.

CITY OF BAY CITY

MINUTES • JULY 25, 2023

COUNCIL
CHAMBERS | 1901
5th Street

City Council Regular Meeting

6:00 PM

1901 5TH STREET
BAY CITY TX,77414



Mayor

Robert K. Nelson

Mayor Pro Tem

Blayne Finlay

Councilman

Jim Folse

Councilman

Bradley Westmoreland

Councilwoman

Becca Sitz

Councilman

Benjamin Flores

Through a united and collaborative effort, we seek to grow the City of Bay City with a diverse culture that is proud to call Bay City home. We envision a thriving family-centered community where citizens are involved in the future development of our city. We desire our citizens to work, play, worship and shop in the community in which we live. Visitors are welcomed and encouraged to enjoy the friendly environment and amenities the citizens and business owners have created together.

CALL TO ORDER AND CERTIFICATION OF QUORUM

The meeting was called to order by Mayor Robert K. Nelson at 6:00 p.m.

PRESENT

Mayor Robert K. Nelson
Mayor Pro Tem Blayne Finlay
Councilman Benjamin Flores
Councilman Jim Folse
Councilman Brad Westmoreland
Councilwoman Becca Sitz

INVOCATION & PLEDGE

Texas State Flag Pledge: *"Honor The Texas Flag; I Pledge Allegiance To Thee, Texas, One State Under God, One And Indivisible."*

Councilman Bradley Westmoreland

MISSION STATEMENT

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Councilman Bradley Westmoreland

APPROVAL OF AGENDA

Motion made by Mayor Pro Finlay to approve the agenda, Seconded by Councilman Westmoreland. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Finlay, Councilman Flores. Motion carried.

PUBLIC COMMENTS

David Torrez concerned about potholes, streets and Girl's Softball being moved.

ACKNOWLEDGEMENT FROM CITY MANAGER

There were no acknowledgements.

ITEMS / COMMENTS FROM THE MAYOR, COUNCIL MEMBERS AND CITY MANAGER

There were no items from Council.

CONSENT AGENDA ITEMS FOR CONSIDERATION AND/OR APPROVAL

1. **City Council Workshop Meeting minutes of June 6, 2023.**
2. **City Council Workshop Meeting minutes of July 11, 2023.**
3. **City Council Regular Meeting minutes of July 11, 2023.**
4. **Accounts Payable, Direct Payable and Utility Refunds for April, May, and June 2023**

Motion made by Mayor Pro Tem Finlay, Seconded by Councilman Folse. Voting Yea: Mayor Nelson, Mayor Pro Tem Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Finlay, Councilman Flores. Motion carried.

DEPARTMENT REPORTS

5. **Municipal Court 2nd Fiscal Quarter update**

Katy Plunkett, Court Administrator, presented the Municipal Court update, correcting that it was the 3rd quarter and not the 2nd.

6. **Day of The Dead Festival update**

Darve Smith, Tourism Manager, presented the Day of The Dead Festival update, stating that it will be a 2 day event on November 3rd and 4th. They have been advertising and different committees formed to carry out responsibilities.

7. **Library Quarterly Report and Updates**

Samantha Denbow, Library Director, presented the Library Quarterly Report and Updates.

8. **Public Works Reports and Updates**

Krystal Mason, Assistant Public Works Director, presented the Public Works Reports and Updates. Discussion included the issue with the use of chip seal on some streets.

REGULAR ITEMS FOR DISCUSSION, CONSIDERATION AND/OR APPROVAL

9. **Appointment ~ Discuss, consider, and/or approve the appointment of Candice L. Brown and Abigail R. Coates to the Public Housing Authority.** Robert K. Nelson, Mayor

Motion made by Councilman Folse to approve the appointments, Seconded by Councilwoman Sitz. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Mayor Pro Tem Finlay, Councilman Flores. Motion carried.

- 10. Ordinance ~ Discuss, consider, and/or approve an Ordinance amending the City Code of Ordinances relating sections of Chapter 38, Article V "Noise" including sections shown on the attached "Exhibit A"; providing for penalties; providing an effective date.**

Edward Guzman, Police Lieutenant, presented the amended ordinance.

Motion made by Councilwoman Sitz to approve the ordinance, Seconded by Councilman Folse.

Voting Yea: Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Mayor Pro Tem Finlay

Voting Nay: Councilman Flores. Motion carried.

- 11. Agreement ~ Discuss, consider, and/or approve an Interlocal Agreement between the City of Bay City and Matagorda County providing for repairs of certain length of 12th street.** Shawna Burkhart, City Manager

Motion made by Councilwoman Sitz to approve the Interlocal Agreement, Seconded by Mayor Pro Tem Finlay. Voting Yea: Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Mayor Pro Tem Finlay. Voting Nay: Councilman Flores. Motion carried.

- 12. Report ~ Discuss, consider, and/or approve the City's Quarterly Financial and Investment Report for the quarter ending June 30, 2023.** Scotty Jones, Finance Director

Motion made by Councilman Westmoreland to approve the City's Quarterly Financial and Investment Report, Seconded by Councilman Folse. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Mayor Pro Tem Finlay, Councilman Flores

- 13. Bid Rejection ~ Discuss, consider and/or reject bid submitted by Matula & Matula Construction Inc. for the Hardeman Park Soccer Field Light Light Poles Project.** Scotty Jones, Finance Director

Motion made by Councilman Folse to reject bid submitted by Matula & Matula Construction, Seconded by Councilwoman Sitz. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Mayor Pro Tem Finlay, Councilman Flores. Motion carried.

CLOSED / EXECUTIVE SESSION

Council adjourned into an executive session at 7:40 p.m.

- 14. Executive Session pursuant to Texas Government Code Section 551.072 (Deliberation regarding Real Property).**

RECONVENE AND ACTION

Council reconvened back into regular session at 8:06 pm. Council took no action.

ADJOURNMENT

Motion made by Mayor Pro Tem Finlay to adjourn, Seconded by Councilman Westmoreland. Voting Yea: Mayor Nelson, Councilman Folsie, Councilwoman Sitz, Councilman Westmoreland, Mayor Pro Tem Finlay, Councilman Flores. Motion carried and the meeting adjourned at 8:06 p.m.

PASSED AND APPROVED, this 22nd day of August 2023.

ROBERT K. NELSON, MAYOR

CITY OF BAY CITY, TEXAS

JEANNA THOMPSON

CITY SECRETARY

CITY OF BAY CITY

MINUTES • AUGUST 08, 2023

COUNCIL
CHAMBERS | 1901
5th Street

City Council Regular Meeting

6:00 PM

1901 5TH STREET
BAY CITY TX,77414



Mayor

Robert K. Nelson

Mayor Pro Tem

Blayne Finlay

Councilman

Jim Folse

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Bradley Westmoreland

Councilwoman

Becca Sitz

Councilman

Benjamin Flores

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CALL TO ORDER AND CERTIFICATION OF QUORUM

The meeting was called to order by Mayor Robert K. Nelson at 6:00 p.m.

PRESENT

Mayor Robert K. Nelson
Councilman Jim Folse
Councilwoman Becca Sitz
Councilman Brad Westmoreland
Councilman Benjamin Flores

ABSENT

Mayor Pro Tem Blayne Finlay

INVOCATION & PLEDGE

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Councilwoman Becca Sitz

MISSION STATEMENT

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Councilwoman Becca Sitz

APPROVAL OF AGENDA

Motion made by Councilman Westmoreland to approve the agenda with items 4 and 5 moved to the start of Regular Items, Seconded by Councilwoman Sitz. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Mayor Pro Tem Flores. Motion carried.

PUBLIC COMMENTS

There were no public comments.

ACKNOWLEDGEMENT FROM CITY MANAGER

Shawna Burkhart, City Manager, recognized the Street Department for their work in San Jose subdivision.

ITEMS / COMMENTS FROM THE MAYOR, COUNCIL MEMBERS AND CITY MANAGER

Councilman Jim Folse stated that he noticed Public Works working on the drainage at United Rentals. Councilman Flores thanked the City Manager for showing him the use of "Eye on Water" app that helped him monitor water use and recommend all citizens to use. Councilwoman Sitz requested street sweeping.

CONSENT AGENDA ITEMS FOR CONSIDERATION AND/OR APPROVAL
1. City Council Workshop meeting minutes of July 20, 2023

Motion made by Councilman Folse to approve consent items, Seconded by Councilman Westmoreland. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores

REGULAR ITEMS FOR DISCUSSION, CONSIDERATION AND/OR APPROVAL
4. PID ~ Discussion relating to the Crescent Capital Investments LLC (Russell Ranch) Development PID budget and comparisons.

Marla Jasek, G&W Engineering for Crescent Capital, reviewed the probable costs, stating that Bay City Gas Company may cover \$45,000, requirement of Lift Station early on has been eliminated due to gravity flow. Shawna Burkhart, City Manager, reviewed private costs vs. public costs.

5. Agreement ~ Discuss, consider, and/or approve an amended development agreement in regard to development standards between the City of Bay City and Crescent Capital Investments LLC (Russell Ranch). Shawna Burkhart, City Manager

Shawna Burkhart, City Manager, presented the amendment changing the street width to 28 feet. Jessica Russell, BCCDC Executive Director, added that originally this came up due to parking on street, a 28 foot wide road does not allow for emergency vehicles. Ms. Russell stated that this is something that the HOA can address and enforce. Anne Marie Odefey, City Attorney, reviewed other changes including subdivision name change from Almaf Ranch to Russell Ranch.

Motion made by Councilman Folse, Seconded by Councilman Westmoreland. Voting Yea: Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Voting Nay: Mayor Nelson. Motion carried.

2. Benefits ~ Discuss, consider, and/or approve a fitness incentive and employee reimbursement of gym fees extended to Police Department staff.

Sgt. Ruben Gutierrez, Bay City Police Department, and All-Star Fitness presented the fitness incentive with three options to consider. Councilman Westmoreland stated that a full gym is being provided in the proposed new police facility. Councilman Folse stated that some insurance companies add a discount for wellness and asked that we

look into. Mayor Nelson also added that no one really had an answer on how to set up who's paying and that he suggest city pay and deduct from employee checks. Councilman Westmoreland asked for more discussion during benefits workshop.

3. **Resolution ~ Discuss, consider, and/or approve a Resolution approving the submission of the "Lone Star Grant Program" application under the Homeland Security Grants Division with the Office of the Governor Public Safety Office.** Sgt. Chris Hadash, BCPD

Motion made by Councilwoman Sitz, Seconded by Councilman Folse. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Motion carried.

6. **Agreement ~ Discuss, consider, and/or approve an Economic Development Professional Services Agreement with David Pettit Economic Development, LLC., relating to the creation of a Public Improvement District (PID) in the City of Bay City, Texas.** Shawna Burkhart, City Manager

Item removed

7. **Agreement ~ Discuss, consider, and/or approve a Professional Services Payment Agreement between the City of Bay City and Bold Fox Development, LLC.** Shawna Burkhart, City Manager

Item removed

8. **Ordinance ~ Discuss, consider, and/or approve amending the City Code of Ordinances relating sections of Chapter 98, Sections 98-3, 98-39, 98-123; Chapter 46, Section 46-21 and Chapter 62, Section 62-5; removing all references to Drainage District in the City of Bay City Code of Ordinances; and providing an effective date.** Councilman Jim Folse

Anne Marie Odefey, City Attorney, stated that the amendment does not change the law that requires Drainage District approval. Councilman Folse emphasized that if it's already a law then it does not need to be stipulated in our ordinance.

Motion made by Councilwoman Sitz, Seconded by Councilman Flores. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Motion carried.

9. **Resolution ~ Discuss, consider, and/or approve a resolution authorizing the City of Bay City to offer Group Health Insurance to City Council members at City Council Member's expense.** Shawna Burkhart, City Manager

Motion made by Councilman Flores to approve the resolution, no second was offered.

- 10. Grants ~ Discuss, consider, and or approve various equipment to be funded by the American Rescue Plan Funds and authorize staff to proceed with procurement.** Scotty Jones, Finance Director

Motion made by Councilman Folse to approve the 4 police units and flat bed truck and explore co-op with county, Seconded by Councilman Westmoreland. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. motion carried.

- 11. Budget ~ Discuss and review the City's budget calendar.**

Scotty Jones, Finance Director, reviewed the revised budget calendar with Council. August 17th Special Called meeting to set public hearings was removed from the calendar due to Councilman Folse, Councilwoman Sitz, and Councilman Westmoreland unable to attend.

- 12. Grant ~ Discussions regarding rescoping of Texas Water Development Board Application #2 for arsenic and other desired projects.**

Shawna Burkhart, City Manager, discussed the application with the TWDB, emphasizing that we are not requesting the full amount but need time to develop the amount needed due to rescoping of the job.

- 13. Committee ~ Discuss, consider, and/or approve the formation of an Ad Hoc Committee to study LCRA canals.** Councilwoman Becca Sitz

- 14. Committee ~ Discuss, consider, and/or approve the formation of an Ad Hoc Committee to study Nile Valley Road extension.** Councilwoman Becca Sitz

- 15. Committee ~ Discuss, consider, and/or approve the formation of an Ad Hoc Committee to study Railroad Quiet Zone.** Councilwoman Becca Sitz

- 16. Committee ~ Discuss, consider, and/or approve the formation of an Ad Hoc Committee to study the north to east waterline roadway.** Councilwoman Becca Sitz

Council discuss **items 13 thru 16**, each introduced by Councilwoman Sitz. Recommendation that members consist of Mayor, two councilmembers, BCCDC, EDC, and Public Works Director.

Motion made by Councilwoman Sitz to approve the formation of Ad Hoc Committees to study LCRA canals, study Nile Valley Road extension, study Railroad Quiet Zone, study the north to east waterline roadway, Seconded by Councilman Folse. Voting Yea: Mayor Nelson, Councilman Folse, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Motion carried.

- 17. Capital Planning ~ Discuss, consider, and/or approve a change from easement acquisitions to land acquisitions for north to east waterlines into the five (5) year Capital Plan.** Councilwoman Becca Sitz

Motion made by Councilwoman Sitz to approve adding to the Five (5) Year Capital Plan \$250,000.00 for any land acquisitions for the north to east waterlines, Seconded by Councilman Flores. Voting Yea: Mayor Nelson, Councilman Folsie, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Motion carried.

- 18. Policy ~ Discuss, consider, and/or approve amending the appointment of Council Members as Liaisons and the City Administrative Divisions.** Jeanna Thompson, City Secretary

Motion made by Councilman Folsie, Seconded by Councilman Westmoreland. Voting Yea: Mayor Nelson, Councilman Folsie, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Motion carried.

CLOSED / EXECUTIVE SESSION

Council adjourned into an executive session at 8:00 p.m.

- 19. Executive Session pursuant to Texas Government Code Section 551.072 (Deliberation regarding Real Property).**
- 20. Personnel ~ Closed meeting to discuss personnel matters in accordance with Title 5, Section 551.074 of the Texas Government Code (To discuss appointment, employment, evaluation, responsibilities, and duties of an officer or employee: City Manager**
- 21. Personnel ~ Closed meeting to discuss personnel matters in accordance with Title 5, Section 551.074 of the Texas Government Code (To discuss appointment, employment, evaluation, responsibilities, and duties of an officer or employee: Public Works Director**

RECONVENE AND ACTION

Council reconvened back into regular session at 9:43 pm. Council took no action on items #19 and #21.

Motion on item #20 made by Councilwoman Sitz to approve \$5,000.00 salary increase for the City Manager, Seconded by Councilman Folsie. Voting Yea: Mayor Nelson, Councilman Folsie, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Motion carried.

ADJOURNMENT

Motion made by Mayor Pro Tem Folsie to adjourn, Seconded by Councilwoman Sitz. Voting Yea: Mayor Nelson, Mayor Pro Tem Folsie, Councilwoman Sitz, Councilman Westmoreland, Councilman Flores. Motion carried and the meeting adjourned at 9:44 p.m.

PASSED AND APPROVED, this 22th day of August 2023.

ROBERT K. NELSON, MAYOR

CITY OF BAY CITY, TEXAS

JEANNA THOMPSON

CITY SECRETARY

CITY OF BAY CITY

MINUTES • AUGUST 10, 2023

COUNCIL CHAMBERS 1901 5th Street	City Council Workshop	5:00 PM
-------------------------------------------	------------------------------	----------------

**1901 5TH STREET
BAY CITY TX, 77414**



Mayor

Robert K. Nelson

Mayor Pro Tem

Blayne Finlay

Councilman

Jim Folse

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Bradley Westmoreland

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CALL TO ORDER

The meeting was called to order by Mayor Robert K. Nelson at 5:00 pm.

CERTIFICATION OF QUORUM**PRESENT**

Mayor Robert K. Nelson
Mayor Pro Tem Blayne Finlay
Councilman Benjamin Flores
Councilman Jim Folse
Councilman Brad Westmoreland
Councilwoman Becca Sitz

PUBLIC COMMENTS

There were no public comments.

REGULAR ITEMS FOR DISCUSSION, CONSIDERATION AND / OR APPROVAL

1. **Receive and discuss the Bay City Community Development Budget Proposal for 2024 Fiscal Year.** Jessica Russell, Executive Director

Jessica Russell, Executive Director, reviewed the Bay City Community Development Budget Proposal for 2024 which included items in support of Council 2040 plan

2. **Review and discuss Utility Rate Study and take any action deemed necessary.**

Megan Kirkland with NewGen Strategies reviewed the Utility Rate study that included the WIFIA funding. Councilman Westmoreland was concerned that the projected housing growth for 2024 was optimistic and asked for a modification. Councilwoman Sitz asked about the cost of the rate study and if required and Ms. Kirkland replied that it was by TWDB.

3. **Report ~ Discuss, consider and review proposed amendments to Appendix B Fee Schedule.**

James Mason, Airport Manager, reviewed airport fees and explained that most were a 4.9% increase. Krystal Mason, Assistant Public Works Director, reviewed building fees explaining that they were pass through fees from Bureau Veritas contract. Katy Plunkett, Municipal Court Administrator, stated that she is still waiting Legislature to update their fees. Samantha Denbow, Library Director, reviewed the library fees that eliminated some.

ADJOURNMENT

Motion made by Councilwoman Sitz to adjourn, Seconded by Councilman Westmoreland. Voting Yea: Mayor Nelson, Mayor Pro Tem Finlay, Councilman Flores, Councilman Folsie, Councilman Westmoreland, Councilwoman Sitz. Motion carried and the meeting adjourned at 6:21 pm.

PASSED AND APPROVED, this 22nd day of August 2023.

ROBERT K. NELSON, MAYOR
CITY OF BAY CITY, TEXAS

JEANNA THOMPSON
CITY SECRETARY

~ CONSIDER PLACING A PROPOSAL TO ADOPT A TAX RATE FOR THE 2024 FISCAL YEAR AS AN ACTION ITEM ON THE AGENDA OF A FUTURE COUNCIL MEETING, SPECIFYING THEREIN THE DESIRED TAX RATE AND PUBLISHING NOTICE THEREOF.



EXECUTIVE SUMMARY

Tax Rate Information	Adopted FY 2023	Proposed FY 2024
Property Tax Rate	.63500	.XXXXX
No-New Revenue Tax Rate	.59683	.56995
No-New Revenue M&O Tax Rate	.44118	.43058
Debt Rate	.15425	.13542
Voter-Approval Tax Rate	.65556	.58338
De Minimis Rate	.64497	.60988

Debt service requirements for the City of Bay City are currently \$.13542 of the current **proposed** property tax rate of **\$.XXXXX**. The City has twelve outstanding debt issues. At the end of Fiscal Year 2024, outstanding general obligation bond and certificates of obligation bonds will be \$58,487,000 however only \$7,378,658 is currently supported by property taxes.

Note: The new public hearing notice for the tax hearing requires a record vote on the proposed rate.

2023 Governing Body Summary #2A*
Tax Increase Compared to No New Revenue Tax Rate (NNR)
City of Bay City

Date: 08/18/2023 12:58 PM

INCREASE IN CENTS PER \$100	TAX RATE PER \$100	TAX LEVY**	ADDITIONAL TAX LEVY***
0.00	NNR	\$0.569954	\$6,494,622
0.50		\$0.57495	\$6,551,597
1.00		\$0.57995	\$6,608,571
1.50		\$0.58495	\$6,665,546
2.00		\$0.58995	\$6,722,521
2.50		\$0.59495	\$6,779,496
3.00		\$0.59995	\$6,836,471
3.50		\$0.60495	\$6,893,446
4.00		\$0.60995	\$6,950,421
4.50		\$0.61495	\$7,007,396
5.00		\$0.61995	\$7,064,371
5.50		\$0.62495	\$7,121,346
6.00		\$0.62995	\$7,178,321
6.50		\$0.63495	\$7,235,296
7.00		\$0.63995	\$7,292,271
7.50		\$0.64495	\$7,349,246
8.00		\$0.64995	\$7,406,221
8.50		\$0.65495	\$7,463,196
9.00		\$0.65995	\$7,520,171
9.50		\$0.66495	\$7,577,146
10.00		\$0.66995	\$7,634,121
10.50		\$0.67495	\$7,691,096
11.00		\$0.67995	\$7,748,071
11.50		\$0.68495	\$7,805,046
12.00		\$0.68995	\$7,862,021
12.50		\$0.69495	\$7,918,996
13.00		\$0.69995	\$7,975,971
13.50		\$0.70495	\$8,032,946
14.00		\$0.70995	\$8,089,921
14.50		\$0.71495	\$8,146,896
15.00		\$0.71995	\$8,203,871
15.50		\$0.72495	\$8,260,846
16.00		\$0.72995	\$8,317,821
16.50		\$0.73495	\$8,374,796
17.00		\$0.73995	\$8,431,771
17.50		\$0.74495	\$8,488,746
18.00		\$0.74995	\$8,545,721
18.50		\$0.75495	\$8,602,696
19.00		\$0.75995	\$8,659,671
19.50		\$0.76495	\$8,716,646
20.00		\$0.76995	\$8,773,621

1¢
 Voter Approval
 Tax Rate
 .58338

*These figures are provided as estimates of possible outcomes resulting from varying the tax rate. Please be aware that these are only estimates and should not be used alone in making budgetary decisions.
 **Tax levies are calculated using line 21 of the No-New-Revenue Tax Rate Worksheet and this year's frozen tax levy on homesteads of the elderly or disabled.
 ***Tax increase compared to no-new-revenue tax rate.

Proposed Budget - .58000

~ CONSIDER SETTING A PUBLIC HEARING ON THE PROPOSED 2024 FISCAL YEAR TAX RATE FOR THURSDAY, SEPTEMBER 7, 2023 (IF REQUIRED).



EXECUTIVE SUMMARY

PUBLIC HEARING DATE:
THURSDAY, SEPTEMBER 7, 2023 AT 6 PM

Sec. 26.06. NOTICE, HEARING, AND VOTE ON TAX INCREASE. (a) A public hearing required by Section [26.05](#) may not be held before the fifth day after the date the notice of the public hearing is given.

~ CONSIDER SETTING A PUBLIC HEARING ON THE PROPOSED 2024 FISCAL YEAR BUDGET AND CAPITAL IMPROVEMENT PLAN FOR THURSDAY, SEPTEMBER 7, 2023.



EXECUTIVE SUMMARY

PUBLIC HEARING DATE:
THURSDAY, SEPTEMBER 7, 2023 AT 6 PM

BUDGET HEARING WILL BE ON THE FOLLOWING:

FY 2024 Proposed Budget- City of Bay City (Charter section 10.05)
Five-Year Capital Improvement Program FY 2024-2028 (Charter section 10.16)

All City Budget Information will be available online at www.cityofbaycity.org/193/Budget

~ CONSIDER SETTING A PUBLIC HEARING ON THE BAY CITY COMMUNITY DEVELOPMENT CORPORATION'S PROPOSED 2024 FISCAL YEAR BUDGET FOR THURSDAY, SEPTEMBER 7, 2023.



EXECUTIVE SUMMARY

PUBLIC HEARING DATE:

THURSDAY, SEPTEMBER 7, 2023 AT 6 PM

FY 2024 Proposed Budget- Bay City Community Development Corporation

All City Budget Information will be available online at www.cityofbaycity.org/193/Budget/

DISCUSS, CONSIDER, AND/OR APPROVE HARRISON, WALDROP, AND UHEREK, L.L.P. TO PROVIDE AUDIT SERVICES FOR THE CITY OF BAY CITY FOR THE YEAR ENDING SEPTEMBER 30, 2023.



EXECUTIVE SUMMARY

AUDIT SERVICES

BACKGROUND:

An engagement letter is signed between the City and the Audit firm each year prior to the close of the fiscal year to be audited. This is a standard document that details the responsibility of management, the audit objectives, and the associated fees.

FINANCIAL IMPLICATIONS:

The audit fee could change from year to year. The fee presented of \$36,000 is the same as prior year audit period. An additional \$4,000 will be incurred for a Single Audit if applicable.

IMPACT ON COMMUNITY SUSTAINABILITY:

It provides financial information to the public and other interested 3rd parties. Audits portray a City's financial strength or weakness and determine whether a City's financial statements are free of any material misstatements to the reader.

RECOMMENDATION:

Staff recommends City Council approve the engagement letter with Harrison, Waldrop, and Uherek (HWU). HWU has strong municipal audit experience and has the ability to rotate audit staff.

ATTACHMENTS: Audit Engagement Letter



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

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(361) 573-3255
FAX: (361) 573-9531

July 26, 2023

COPY

The Honorable Mayor and
Members of the City Council
City of Bay City
Bay City, Texas 77414

We are pleased to confirm our understanding of the services we are to provide the City of Bay City, Texas (the "City") for the year ended September 30, 2023.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of the City as of and for the year ended September 30, 2023. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's 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. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedule
3. Pension Information
4. OPEB Information

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditors' report on the financial statements:

1. Combining and Individual Fund Statements and Schedules
2. Schedule of Expenditures of Federal and State Awards

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic 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.

1. Introductory Section
2. Statistical Data

The objectives of our audit 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 issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as whole. 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. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures-Internal Control

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and/or state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on the City's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal and state awards, and related notes of the City in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on the information provided by you. In addition, we will propose the necessary cash to accrual conversion journal entries, maintain amortization schedules, and assist with the implementation of new accounting standards for the City. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal and state awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements, schedule of expenditures of federal and state awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal and state awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal and state awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal and state awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; and (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal and state awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal and state awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal and state awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate correction action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal and state awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal and state awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal and state awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal and state awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal and state awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal and state awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal and state awards.

You are also responsible for the preparation of the other supplementary information which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to including the auditor's report in an exempt offering document, you agree that the aforementioned auditor's report, or reference to Harrison, Waldrop & Uherek, L.L.P., will not be included in any such offering document without or prior permission or consent. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement.

Also, with regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Engagement Administration, Fees, and Other

We understand that your employees will prepare cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will schedule the engagement based in part on deadlines, working conditions, and the availability of key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Harrison, Waldrop & Uherek, L.L.P. and constitutes confidential information. However, subject to applicable laws or regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. General Accounting Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Harrison, Waldrop & Uherek, L.L.P. personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the cognizant agency, oversight agency or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Ms. Melissa M. Terry, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign them. We expect to begin our audit during the month of September 2023 and to plan to issue our reports no later than March 2024.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Based on our preliminary estimates, the fee for the audit should not exceed \$36,000. This fee estimate is based on anticipated cooperation from your personnel, the assumption that unexpected circumstances will not be encountered during the audit, and does not include additional time that may be required to implement any procedures necessary to comply with new professional standards and/or reporting requirements not currently effective. Fees for any additional services provided outside the scope of the audit of the City's financial statements will be billed based upon our standard hourly rates which range from \$115 to \$150 per hour. Furthermore, we estimate that our fee will be approximately \$4,000 (in addition to the amount previously quoted) and \$2,500 for each additional major program to comply with the financial audit requirements of Uniform Guidance should the City be subject to those requirements for the year ending September 30, 2023.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2020 peer review report accompanies this letter.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Honorable Mayor and Members of the City Council of the City of Bay City, Texas. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary to us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state (1) the purpose of the report is solely to describe the scope of 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, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We appreciate the opportunity to be of service to the City of Bay City, Texas and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Harrison, Waldrop & Uherek, LLP

COPY

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of the City of Bay City, Texas.

Management signature: ✓ _____

Title: ✓ _____

Date: ✓ _____

Governance signature: ✓ _____

Title: ✓ _____

Date: ✓ _____

FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

PAUL FARRIS, CPA
DEBRA E. FARRIS, CPA

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farriscpa@aol.com

Report on the Firm's System of Quality Control

January 20, 2021

To the Owners
Harrison, Waldrop & Uherek LLP
And the Peer Review Committee of the Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Harrison, Waldrop & Uherek LLP (the firm) in effect for the year ended June 30, 2020. Our review was conducted in accordance with the standards for Performing and Reporting on Peer Reviews established by the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

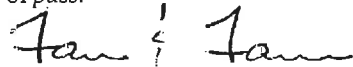
Required Selections and Considerations

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Engagements selected for review included engagements performed under Government Auditing Standards including compliance audits under the Single Audit Act.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Harrison, Waldrop & Uherek LLP in effect for the year ended June 30, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiencies* or *fail*. Harrison, Waldrop & Uherek LLP has received a peer review rating of *pass*.



Farris & Farris CPA's



CERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142

Listing of Governmental Clients and Latest Projects:

	<u>FYE</u>	<u>Type</u>	<u>Scope of Work</u>	<u>Yellow Book</u>	<u>Years of Service</u>
City of Bay City	9/30	Local Govt.	Financial Statement Audit Single Audit GFOA Submission	YES	10+
Bay City Community Development Corporation	9/30	Local Govt.	Financial Statement Audit	no	10+
City of Cuero	9/30	Local Govt.	Financial Statement Audit	YES	25+
Cuero Development Corporation	9/30	Local Govt.	Financial Statement Audit	no	25+
City of Edna	9/30	Local Govt.	Financial Statement Audit	YES	10+
City of Lockhart	9/30	Local Govt.	Financial Statement Audit GFOA Submission	YES	5
City of Port Lavaca	9/30	Local Govt.	Financial Statement Audit Single Audit GFOA Submission	YES	15+
City of Victoria	9/30	Local Govt.	Financial Statement Audit Single Audit GFOA Submission	YES	35+
City of Wharton	9/30	Local Govt.	Financial Statement Audit Single Audit GFOA Submission	YES	15+
Wharton Economic Development Corporation	9/30	Local Govt.	Financial Statement Audit Prep/Assist w/ Form 990/1099s	no	15+
City of Yoakum	9/30	Local Govt.	Financial Statement Audit	YES	25+
City of Ganado	9/30	Local Govt.	Financial Statement Audit	YES	1
County of Victoria	12/31	Local Govt.	Financial Statement Audit Single Audit Special Engagement	YES	35+
Victoria County DD # 3	6/30	Local Govt.	Financial Statement Audit Review of P/R Forms	YES	35+
Victoria County Navigation District	12/31	Local Govt.	Financial Statement Audit Single Audit	YES	25+
County of Victoria Juvenile Probation	8/31	Local Govt.	Financial Statement Audit	YES	20+
Dewitt County	9/30	Local Govt.	Financial Statement Audit Single Audit GFOA Submission	YES	30+
Dewitt County DD # 1	9/30	Local Govt.	Financial Statement Audit	no	30+
Dewitt County Juvenile Probation	8/31	Local Govt.	Financial Statement Audit	YES	20+
Boling ISD	8/31	Local Govt.	Financial Statement Audit Single Audit	YES	4
East Bernard ISD	8/31	Local Govt.	Financial Statement Audit	YES	15+
Goliad ISD	6/30	Local Govt.	Financial Statement Audit Single Audit	YES	20+
Nursery ISD	8/31	Local Govt.	Financial Statement Audit	YES	1
Palacios ISD	8/31	Local Govt.	Financial Statement Audit Single Audit	YES	1
Refugio ISD	8/31	Local Govt.	Financial Statement Audit Single Audit	YES	50+
Sealy ISD	8/31	Local Govt.	Financial Statement Audit Single Audit	YES	10+
24th Judicial District Adult Probation Department	8/31	Local Govt.	Financial Statement Audit	YES	25+

HARRISON, WALDROP & UHEREK, L.L.P.

HWUCERTIFIED PUBLIC ACCOUNTANTS
101 S. MAIN, SUITE 400
VICTORIA, TEXAS 77901-8142**Listing of Governmental Clients and Latest Projects:**

	<u>FYE</u>	<u>Type</u>	<u>Scope of Work</u>	<u>Yellow Book</u>	<u>Years of Service</u>
Port of Calhoun	6/30	Local Govt.	Financial Statement Audit GFOA Submission	no	10+
Port of Bay City	12/31	Local Govt.	Financial Statement Audit	no	2
Golden Crescent Regional Planning Commission	8/31	Local Govt.	Financial Statement Audit Single Audit	YES	20+
Calhoun County DD # 11	12/31	Local Govt.	Financial Statement Audit	no	10+
Calhoun County WCID # 1	12/31	Local Govt.	Financial Statement Audit	no	10+
Quail Creek MUD	9/30	Local Govt.	Financial Statement Audit	no	35+
Jackson County Emergency Services District	9/30	Local Govt.	Financial Statement Audit	YES	5

Assist Prep. Tax & P/R Reports