AGENDA
CITY COUNCIL REGULAR MEETING
AUGUST 22, 2017 at 5:30 P.M.
CITY HALL COUNCIL CHAMBERS
815 NORTH KILGORE STREET

R. E. SPRADLIN, III – MAYOR
HARVEY MCCLENDON – MAYOR PRO TEM, PLACE 2
MERLYN HOLMES – COUNCIL MEMBER, PLACE 1
NEIL BARR – COUNCIL MEMBER, PLACE 3
VICTOR A. BOYD – COUNCIL MEMBER, PLACE 4

Citizens may address the Council regarding any posted agenda item by filling out a speakers’ card prior to the item being called. These presentations shall be limited to three minutes. The Mayor may extend the time limit.

A. Call to Order – Mayor Spradlin

B. Opening Prayer – Rev. Jayson Galler, Pilgrim Lutheran Church

C. Pledge of Allegiance – U.S. flag and Texas flag (“Honor the Texas flag. I pledge allegiance to thee, Texas, one state under God, one and indivisible.”)

D. Approval of the Agenda
   This section shall approve of the order and content of the agenda. The Mayor or any Council member may ask for the order and/or content of the agenda to be modified under this item upon consent of a majority of the Council.

E. Public Forum
   Citizens have an opportunity to address the City Council, which has no obligation to respond in any manner to comments or questions asked of them by the speaker. Any response by a member of the City Council is limited by Texas law to a statement of specific factual information, a recitation of existing policy, or a proposal to place the subject on the agenda for a future City Council meeting.

F. Items of Community Interest
   This section of the agenda shall allow any member of the City Council, the Mayor, or the City Manager the opportunity to discuss minor, non-action items such as recognitions, scheduling, and upcoming civic events that are not listed on this agenda and which require no action by the Council.

G. Presentations
   1. Recognition of Whitney Hill for volunteer work in City Park on July 4, 2017 – Mayor Spradlin
   2. Introduction of Stacey Cole as new Library Director – Josh Selleck, City Manager
   3. Recognition of Michael Bagley for 5 years’ service with the City of Kilgore – Danny Downing
   4. Introduction of Mason Barrett, new Fire Department employee – Chief Johnny Bellows
   5. Promotion of Jovane Rossum to the position of Driver Engineer – Chief Bellows
   6. Quarterly Investment Report for period April 1 through June 30 – Bill Martin, Finance Director

H. Consent Agenda
   This section shall provide for items that require action by the Council, but where no discussion is anticipated. By a single motion, second and affirmative majority vote, items under this section are
1. Minutes of City Council Regular Meeting on August 8, 2017

I. Public Hearings/Ordinances/Resolutions
   1. Consider approval of Resolution No. 17-08 regarding the Investment Policy and Strategies of the City of Kilgore, in conformance with the Texas Public Funds Investment Act – Bill Martin
   2. First Public Hearing on the FY2018 Proposed Budget
   3. First Public Hearing on Proposed 2017 Tax Rate

J. Discussion and Possible Action Items
   None

K. Executive Session
   Pursuant to Chapter 551, Texas Government Code, the City Council reserves the right to convene in Executive Session(s) from time to time as deemed necessary during this meeting. The City Council may convene into Executive Session to discuss any or all of the following topics:
   1. Pending or contemplated litigation or to seek the advice of the City Attorney pursuant to Section 551.071
   2. Possible purchase, exchange, lease, or value of real estate pursuant to Section 551.072
   3. Personnel matters pursuant to Section 551.074
   4. Economic development negotiations pursuant to Section 551.087

L. Take action on items in Executive Session

M. Adjournment

This facility is wheelchair accessible, and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Clerk’s office at 903-988-4127 or FAX 903-988-4131 for further assistance.
MINUTES
REGULAR CITY COUNCIL MEETING
AUGUST 8, 2017

R. E. SPRADLIN, III – MAYOR
HARVEY MCCLENDON – MAYOR PRO TEM
MERLYN HOLMES – COUNCIL MEMBER
NEIL BARR – COUNCIL MEMBER
VICTOR A. BOYD – COUNCIL MEMBER

A. Call to Order – With a quorum of Council members present, Mayor Spradlin called the meeting to order at 5:30 p.m.

B. Prayer – Jonathan Latham, Victim Services Coordinator with the Kilgore Police Department, led the opening prayer.

C. Pledges of Allegiance – Mayor Pro Tem McClendon led the pledges to the U.S. and Texas flags.

D. Approval of the Agenda (4:30 on 08/08/17 Council Recording)

Motion: Upon the recommendation of City Manager Josh Selleck to remove Agenda Item G. 1., Council Member Holmes made the motion to approve the agenda as amended, with the removal of Item G. 1. Motion was seconded by Council Member Boyd and carried unanimously.

E. Public Forum (5:50 on 08/08/17 Council Recording)

Mayor Spradlin opened the Public Forum and recognized Angela Fugler of 406 Beckley, a student at Texas A&M Commerce, who is a master’s degree candidate. She spoke about the research paper she has done to complete the master’s degree program. Briefly summarizing her research, she said that research has shown that lack of sidewalks in Kilgore translates to a social problem, creating economic and racial disparity because of the absence of sidewalk corridors that connect one part of town with another. Mayor Spradlin thanked Ms. Fugler for her comments, and as there were no further requests to speak, the mayor closed Public Forum.

F. Items of Community Interest (10:38 on 08/08/17 Council Recording)

- 08/17/17 – Morning Brew 8:00 a.m. at East Texas Regional Airport
- 08/21/17 - First day of school KISD
- 08/28/17 – First day of classes KC
- 09/01/17 – Fridays After Five in downtown Kilgore, featuring the band “Teaser”
- 09/08/17 – Kilgore Chamber Golf Classic at Meadowbrook Golf & Events Center
- 09/16/17 – Annual S.A.A.F.E. Day on in Downtown Kilgore
- 09/30/17 – Cinema in the Park featuring “Goonies”
- 10/07/17 – Burn Run
- 10/14/17 Oktoberfest in Downtown Kilgore
- 10/25/17 – East Texas Oilmen’s Chili Cookoff
G. Presentations (13:20 on 08/08/17 Council Recording)
   1. Item removed.
   2. Recognition of Assistant Chief Roman Roberson and Lt. Tony Stone for 20 years’ service with the Kilgore Police Department
      Police Chief Todd Hunter gave a brief presentation recognizing Chief Roberson and Lt. Stone, who began working for the Kilgore Police Department on the same day in 1997. He presented 20-year pins, and Mr. Selleck presented certificates to each.
   3. Recognition of Assistant Chief Mike Simmons and Driver Blake Barker for five years’ service with the Kilgore Fire Department
      Fire Chief Johnny Bellows made a presentation honoring Chief Simmons and Blake Barker for completing five years of service each with the Kilgore Fire Department. Mr. Selleck also presented them with certificates.
   4. Recognition of Capt. Kyle Huckabee, Justin Cope, Marcus Haney, and Tyler Wallace for recent landscaping project at Fire Station 3
      Chief Bellows recognized the three firefighters for their hard work in renovations and landscaping at Station #3.

H. Consent Agenda (33:24 on 08/08/17 Council Recording)
   1. Minutes of City Council regular meeting on July 11, 2017 and City Council workshop on August 1, 2017
   2. Minutes of KEDC Board of Directors meeting on July 18, 2017

Motion: Mayor Pro Tem McClendon made the motion to approve the Consent Agenda as presented. Motion was seconded by Council Member Holmes and carried unanimously.

I. Public Hearings/Ordinances/Resolutions (34:09 on 08/08/17 Council Recording)
   1. Consider approval of Ordinance No. 1692 regarding amendment of Section 1.05.001 Depositories in the City of Kilgore Code of Ordinances
      • Public Hearing
         Mayor Spradlin opened the Public Hearing and recognized Mr. Selleck, who told Council this amendment to the City’s Code of Ordinance is a housekeeping issue to bring Section 1.05.001 up to date, stating this section has not been updated since 1987. There were no further requests to speak, and Mayor Spradlin closed the Public Hearing.
      • Approval of Ordinance No. 1692

Motion: Council Member Boyd made the motion to approve and adopt Ordinance 1692 as presented. Council Member Barr seconded the motion, which carried unanimously.

   2. Consider approval of Ordinance No. 1693 regarding proposed amendments to the FY2017 Budget
      • Public Hearing
         Mayor Spradlin opened the Public Hearing and recognized Mr. Selleck, who summarized the budget amendments. There were no further requests to speak, and Mayor Spradlin closed the Public Hearing.
      • Approval of Ordinance No. 1693

Motion: Mayor Pro Tem McClendon made a motion to approve and adopt Ordinance 1693 amending the FY2017 Budget as presented. Council Member Holmes seconded the motion, which carried unanimously.
J. Discussion and Possible Action Items (46:24 on 08/08/17 Council Recording)

1. Consider approval of Change Order No. 5 by Bloc Design/Build, LLC in the amount of $103,750.00 for improvements to the Utility Supervisory Control and Data Acquisition (SCADA) System

Mr. Selleck told Council that Bloc Design/Build, LLC was authorized under a design/build contract on December 1, 2016 to design and install the components required to upgrade the Utility’s SCADA system. During the course of design and construction, several items outside the original scope of the project were discovered and rectified under the conditions of this contract.

Motion: Council Member Holmes made a motion to approve Change Order No. 5 in the amount of $103,750.00 as presented. Council Member Boyd seconded the motion, which carried unanimously.

2. Consider appeal of code violation notice regarding property at 1200 Pentecost

Discussion on this item was led by B. J. Owen, Director of Special Services, with comments by Mr. Victor Dunn on behalf of Mr. Paul Cornett, as well as comments by Mr. Selleck.

Motion: Council Member Holmes made the motion to deny the appeal by Mr. Cornett and to uphold the Code Enforcement Department’s action against Mr. Cornett. Council Member Barr seconded the motion, which carried unanimously.

3. Consider approval of the Kilgore Fire Department’s proposed 10-year Master Plan for the period 2017 to 2027

Chief Bellows gave a brief overview of the Master Plan and requested Council approval prior to submittal of the Master Plan to Texas Association of Fire Chiefs Best Practices Program.

Motion: Council Member Barr made the motion to approve the Master Plan as presented. Motion was seconded by Council Member Holmes and carried unanimously.

4. Consider the following regarding the proposed FY2018 Budget:
   - Submission of proposed FY2018 Budget by City Manager
   - Schedule public hearings on proposed Budget to be August 22, 2017 and September 12, 2017, in accordance with the Kilgore City Charter, Article VI, Section 4

Mr. Selleck gave a presentation covering the following FY2018 Budget items for Council discussion:

   - Overview of FY2018 Budget and Budget Philosophy
   - Overview of core revenues
     - Sales tax revenue to miss budget by $200,000 to $400,000
     - Property tax revenue decline of 5.3 percent
   - CPI Growth: Cumulative inflation over the last five years has been 10 percent
   - Ad Valorem value decreased $65.1 million from 2015 to 2016, representing a decrease of $130,000 in revenue
   - Summary of budget balancing strategies, including personnel organization and reorganization to allow for market wage adjustments
• Summary of tax rate history in City of Kilgore over the last 30 years
• Year-to-year base budget comparison between FY2017 and FY2018
• Summary of balancing strategies
• Summary of inter-departmental personnel adjustments and adjustments to vehicle and machinery replacements
• Recommended property tax rate of .5390
• General Fund Budget Overview

Motion: Council Member Holmes made the motion to approve scheduling public hearings on the proposed FY2018 Budget to be August 22, 2017, and September 12, 2017, in accordance with Kilgore City Charter, Article VI, Section 4. Motion was seconded by Mayor Pro Tem McClendon and carried unanimously.

5. Consider the following regarding the proposed 2017 Tax Rate:
   • Discuss proposed Tax Rate
   • Schedule two public hearings on the Tax Rate to be August 22, 2017 and September 12, 2017

Motion: Council Member Holmes made the motion to approve scheduling public hearings on the proposed FY2018 Budget to be August 22, 2017, and September 12, 2017. Mayor Pro Tem McClendon seconded the motion, which carried unanimously.

6. Discussion regarding the proposed Master Fee Schedule for FY2018
   Mr. Selleck led discussion on the Master Fee Schedule for FY2018 and said that he proposes only two changes: a utility rate increase of five percent and an adjustment in the fee schedule for reinspections made by the Special Services Department.

K. Executive Session
   No Executive Session was held.

L. Take action on items in Executive Session
   N/A

M. Adjournment
   Upon a motion by Council Member Boyd and second by Council Member Barr, the meeting was adjourned at 8:19 p.m.

ATTEST:                                      CITY OF KILGORE, TEXAS

____________________________  ____________________________
DEBORAH DANE, CITY CLERK                R. E. SPRADLIN, III, MAYOR
Investment Report for the period of:

4/1/2017 – 6/30/2017

Reviewed by:

______________________________  ______________________________
Bill Martin, Director of Finance  Joshua Selleck, City Manager
ECONOMIC COMMENTARY

The Federal Reserve has “officially” reached the end of the current cycle of tightening monetary policy as far as short term rates go. Their next task will be to reduce the Fed’s holdings in US Treasuries and mortgage backed securities that accumulated during the period called “quantitative easing” which simply put meant the Fed was trying to take rates below 0%.

The amount currently is staggering- approximately $4 Trillion dollars. What they have announced they will do is as securities mature they will not reinvest all the proceeds from those maturities. The amount they will not reinvest has not yet been determined, but it is clear they will proceed very slowly at first. This is not expected to begin until December.

On a macro-economic note, most global economies are doing somewhat better and the easy money days appear over. However, the stimulus has been in place so long that there is now a glut of supply in most consumer commodities. This is another reason why the Fed will stand fast; they want inflation at the consumer level to be approximately 2% yet we are running well below that by most measures. Pricing power is virtually non-existent and this will also put a squeeze on corporate profits.

As we move into the final quarter of the fiscal year we have grown the portfolio to a level we can feel comfortable with. If an opportunity to invest funds presents itself we can still take advantage of it but we are not overexposed should market conditions change significantly.
## Quarterly Portfolio Valuation Report*

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<th>Description</th>
<th>Amount</th>
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<tr>
<td>Opening Balance (Quarter ended 03/31/17)</td>
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<td>Closing Balance (Quarter ended 06/30/17)</td>
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<td>Market Value of securities (Quarter ended 03/31/17)</td>
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<td>Market Value of securities (Quarter ended 06/30/17)</td>
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<td>Book Value of securities (Quarter ended 06/30/17)</td>
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<td>Unrealized Gain (Loss)</td>
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<td>Net portfolio change **</td>
<td>$39,181.48</td>
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* as required by the Texas Public Funds Investment Act

** The fund balances will fluctuate as budgeted income is received and expenses are paid.

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<th>Description</th>
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<td>Interest earnings (Quarter ended 06/30/17)</td>
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## Portfolio Details

**City of Kilgore**  
**Portfolio Management**  
**June 30, 2017**

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### Negotiable CDs

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### TexSTAR

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### Portfolio Totals

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## Quarterly Portfolio Valuation Report*

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<tr>
<td>Opening Balance (Quarter ended 03/31/17)</td>
<td>$ 7,735,749.21</td>
</tr>
<tr>
<td>Closing Balance (Quarter ended 06/30/17)</td>
<td>$ 7,320,449.06</td>
</tr>
<tr>
<td>Market Value of securities (Quarter ended 03/31/17)</td>
<td>$ -</td>
</tr>
<tr>
<td>Market Value of securities (Quarter ended 06/30/17)</td>
<td>$ -</td>
</tr>
<tr>
<td>Book Value of securities (Quarter ended 06/30/17)</td>
<td>$ -</td>
</tr>
<tr>
<td>Unrealized Gain (Loss)</td>
<td>$ -</td>
</tr>
<tr>
<td>Net portfolio change **</td>
<td>$ (415,300.15)</td>
</tr>
</tbody>
</table>

* as required by the Texas Public Funds Investment Act

** The fund balances will fluctuate as budgeted income is received and expenses are paid.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest earnings (Quarter ended 06/30/17)</td>
<td>$ 14,699.85</td>
</tr>
</tbody>
</table>
## Kilgore Economic Development Corporation
### Portfolio Details
#### June 30, 2017

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>YTM Rate</th>
<th>Maturity Date</th>
<th>Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>999999991</td>
<td>108</td>
<td>Texpool</td>
<td>09/01/14</td>
<td>$5,408,957.64</td>
<td>$5,408,957.64</td>
<td>$5,408,957.64</td>
<td>0.882%</td>
<td>07/01/17</td>
<td>1</td>
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<tr>
<td>999999991</td>
<td>112</td>
<td>Texpool</td>
<td>11/17/15</td>
<td>$301,621.92</td>
<td>$301,621.92</td>
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<td>0.882%</td>
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<td></td>
<td>$5,710,579.56</td>
<td>$5,710,579.56</td>
<td>$5,710,579.56</td>
<td>0.882%</td>
<td></td>
<td></td>
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<tr>
<td>999999992</td>
<td>101</td>
<td>TexSTAR</td>
<td>09/01/14</td>
<td>$1,407,269.73</td>
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<td>0.863%</td>
<td>07/01/17</td>
<td>1</td>
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<tr>
<td>999999992</td>
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<td>TexSTAR</td>
<td>09/01/14</td>
<td>$202,599.77</td>
<td>$202,599.77</td>
<td>$202,599.77</td>
<td>0.863%</td>
<td>07/01/17</td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td>$1,609,869.50</td>
<td>$1,609,869.50</td>
<td>$1,609,869.50</td>
<td>0.863%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio Totals</td>
<td></td>
<td></td>
<td></td>
<td>$7,320,449.06</td>
<td>$7,320,449.06</td>
<td>$7,320,449.06</td>
<td>0.878%</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>
RESOLUTION NO. 17-08


WHEREAS, the City of Kilgore desires to meet the requirements of the "Public Funds Investment Act" Chapter 2256 of the Government Code; and

WHEREAS, the City desires a policy which achieves safety, liquidity, yield, and public trust for all investment activity.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Kilgore, Texas:

1. That the attached Investment Policy and Strategies is adopted for the City of Kilgore, Texas, to meet statutory requirements of the "Public Funds Investments Act".

2. That the Investment Policy and Strategies include the following areas: Scope of Policy, Prudence, Objectives, Responsibility and Control, Authorized Investments and Strategies, Portfolio and Investment Asset Parameters, Authorized Broker/Dealers and Financial Institutions, Investment Collateral and Safekeeping, Investment Reporting and Performance Evaluation, and Investment Policy Adoption.

3. That the City of Kilgore Investment Policy and Strategies, last adopted by the City Council on July 12, 2016, will remain the same.

PASSED, APPROVED AND RESOLVED this the 22nd day of August, 2017.

CITY OF KILGORE, TEXAS

R. E. SPRADLIN, III, MAYOR

ATTEST:

________________________________________
DEBORAH DANE, CITY CLERK

APPROVED AS TO FORM AND EFFECT:

________________________________________
ROBERT G. SCHLEIER, JR., CITY ATTORNEY
CITY OF KILGORE
INVESTMENT POLICY AND STRATEGIES

I. PURPOSE AND NEED FOR POLICY

Chapter 2256 of the Government Code, ("Public Funds Investment Act"), as amended from time to time by the Texas State Legislature requires each city to adopt rules governing its investment practices and to define the authority of the investment official. The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of the City of Kilgore funds.

II. SCOPE OF POLICY

A. Funds Included
This investment policy applies to the investment and management of all funds under direct authority of the City of Kilgore, Texas, at the present time and any funds to be created in the future. All funds may be pooled for investment purposes and shall include but not limited to the following funds:

- General Fund
- Enterprise Funds
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Internal Service Funds
- Component Unit Funds managed by City

B. Funds Excluded
This policy shall not govern funds which are managed under separate investment programs in accordance with Section 2256.004 of the Act. Such funds currently include: funds established by the City for deferred employee compensation plans, the city’s participation in the Texas Municipal Retirement System, and defeased bonds that are held in trust escrow accounts.

III. PRUDENCE

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

(1) the investment of all funds, or funds under the City’s control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
(2) whether the investment decision was consistent with the written investment policy of the City.

All investment officials will seek to act responsibly as custodians of the public trust. Investment officials will avoid any transaction that might impair public confidence in the City's ability to govern effectively. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust.

IV. OBJECTIVES OF POLICY

The primary objectives of the City of Kilgore investment activities shall be: Safety, Liquidity, Yield, and Public Trust. It is the policy of the City of Kilgore to invest public funds in a manner which is consistent with state and federal law that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust.

Safety: Preservation of capital and protection of investment principal is the foremost objective of the City. Investments of the City of Kilgore shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City’s investment portfolio shall be diversified to avoid incurring unreasonable market risks.

Liquidity: The City of Kilgore’s investments will be structured to enable the City to meet all operating requirements, which can be reasonably anticipated. Liquidity will be achieved by matching investment maturities with forecasted cash flow requirements.

Yield: It shall be the design of this policy to earn the greatest return on investments with safety as the primary and liquidity being the secondary objectives of the portfolio structure. The maximum allowable stated maturity of any individual investment owned by the City of Kilgore shall not exceed two years unless approved by the City Council.

Public Trust: Officials of the City of Kilgore with investment authority shall seek to act responsibly as custodians of the public trust. All officials of the City of Kilgore shall avoid any transaction, which might impair public confidence in the City’s ability to govern effectively. The City of Kilgore investment portfolio shall be open public records and shall be made readily available upon request by the Mayor and City Council. Reports of the investment portfolio shall be made to the Mayor and City Council quarterly.

V. RESPONSIBILITY AND CONTROL

Delegation of Authority and Training
The City Manager and his designee are designated as the Investment Officers for the City of Kilgore and are responsible for all investment activities. Investment Officers of the City, as required by law, must attend a training session within 6 months of assuming their duties. Additionally, Investment Officers must receive at least 10 hours of training not less than once
every two fiscal years. Such training shall be provided by an independent source other than a Business Organization with whom the City of Kilgore may engage in an investment transaction.

Internal Controls
The Investment Officers are responsible for establishing and maintaining an internal control structure designed to ensure the assets of the City of Kilgore are protected from loss, theft or misuse. The Investment Officers shall annually provide for the independent review by an external auditor to assure compliance with policies and procedures.

The Investment Officers, acting in good faith and in accordance with this policy, exercising due diligence, shall be relieved of personal liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Mayor and City Council and that appropriate and immediate action by the Investment Officer is taken to control adverse developments.

The Investment Officers shall refrain from personal business activity that could conflict with proper execution of the City's investment program. An investment officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree of affinity or consanguinity to a seller of investments to the City shall file a statement disclosing that relationship with the Texas Ethics Commission and the City Council. For purposes of this section, an investment officer has a personal business relationship with a business organization if the investment officer:

1. Owns 10% or more of the voting stock
2. Owns $5,000 or more of the fair market value
3. Receives funds in excess of 10% of gross income
4. Acquires personal investment equal to $2,500 or more

VI. AUTHORIZED INVESTMENTS AND STRATEGIES

The Investment Officers shall invest the City of Kilgore funds in accordance with Chapter 2256 of the Texas Government Code. Approved investments are as follows:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities including Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB) and Federal Home Loan Mortgage Corporation (FHLMC).

2. Direct obligations of the State of Texas or its agencies and instrumentalities and direct obligations of any other state or political subdivision rated not less than A or its equivalent.

3. Depository Banks and Credit Unions in Texas which are insured by FDIC or NCUA.

4. Local Government Investment Pools authorized under Section 2256.016 of the Texas Government Code which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
(5) Certificates of Deposits and Share Certificates authorized under Section 2256.010 of the Texas Government Code.

(6) Security and Exchange Commission registered no-load money market mutual funds

If an investment in the City’s portfolio becomes an unauthorized investment due to changes in the Investment Policy of the Public Funds Investment Act, or an authorized investment is rated in a way that causes it to become an unauthorized investment, the investment officials of the City shall review the investment and determine whether it would be more prudent to hold the investment until its maturity, or to redeem the investment. Officials shall consider the time remaining until maturity of the investment, the quality of the investment, and the quality and amounts of any collateral which may be securing the investment in determining the appropriate steps to take.

VII. PORTFOLIO AND INVESTMENT ASSET PARAMETERS

A. Bidding Process for Investments

It is the policy of the City to require competitive bidding for all investment transactions (securities and bank C.D’s) except for:

(1) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates): and

(2) treasury and agency securities purchased at issue through an approved broker/dealer. At least three bids or offers must be solicited for all other investment transactions. In a situation where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price of the security. Security swaps are allowed as long as maturity extensions, credit quality changes and profits or losses taken are within the other guidelines set forth in this policy.

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

- U.S. Treasury Notes/Bills .................................................. 50%
- U.S. Government Agencies & Instrumentalities .......... 75%
- State and Local Obligations ........................................... 75%
- Certificates of Deposit.................................................... 100%
- Money Market Mutual Funds .......................................... 25%
- Local Government Investment Pools......................... 100%

The maximum maturity permitted in all funds except Reserve funds will be two years. The portfolio, excluding Reserve funds, will be structured to maintain a maximum dollar weighted average maturity of 1 year. The maximum maturity permitted in Reserve funds will be three years. The maximum dollar weighted average maturity of Reserve funds will be 18 months.

VIII. AUTHORIZE BROKER/DEALERS AND FINANCIAL INSTITUTIONS

A. Investment officials will maintain a list of financial institutions and broker/dealers selected by credit worthiness, who are authorized to provide investment services to the City. These firms may include:
• All primary government securities dealers; and
• Those regional broker/dealers who qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), and who meet other financial credit criteria standards in the industry.

B. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the investment officials with the following:
• Audited financial statements;
• Proof of National Association of Securities Dealers (N.A.S.D.) certification, unless it is a bank;
• Resumes of all sales representatives who will represent the financial institution or broker/dealer firm in dealings with the City; and
• An executed written instrument, by the qualified representative, in a form acceptable to the City and the business organization substantially to the effect that the business organization has received and reviewed the investment policy of the City and acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's investment policy.

IX. INVESTMENT COLLATERAL AND SAFEKEEPING

The City's depository bank shall comply with Chapter 2257 of the Government Code, Collateral for Public Funds, as required in the City's bank depository contract. Depositor's holding deposits and investments of the City funds that are secured by pledged collateral, shall anticipate market changes. The level of security and collateralization will be equal to or greater than 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or NCUA. Evidence of the pledged collateral shall be maintained by the City Investment Officers. Collateral shall be reviewed to assure that the market value of the pledged securities is adequate.

The City of Kilgore shall accept only the following collateral and securities:
• FDIC or NCUA insurance coverage
• A bond, certificate of indebtedness or Treasury Note of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest by the United States.
• Obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas
• A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (no less that "A" or its equivalent) by a nationally recognized rating agency.

All collateral shall be subject to inspection and audit by the City's independent auditor.

All investments except funds placed in investment pools or money market mutual funds will be made on a delivery versus payment basis to the City's designated depository safekeeping account. The depository bank will promptly issue a safekeeping receipt to the Investment Officer to verify the City has perfected interest in any investment placed in the account.
X. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

An investment Officer shall prepare and submit to the members of the City Council a written report showing the cash and investment positions of all City Funds. The report shall be submitted to the City Council within 45 days following the end of the quarter.

The Report will include:
- A full description of individual securities held at the end of the reporting period based on amortized value.
- The Fund to which the cash or investment belongs.
- The source location of the invested funds.
- The average maturity of each portfolio.
- The rate of return being earned on the investments.
- Unrealized gains or losses by security and total portfolio.
- Overall change in market value during the period as a measure of volatility.
- Weighted average yield of the portfolio and yield of its benchmark.
- Earnings (accrued plus net amortization) for the period.
- Analysis of the total portfolio by market sector and maturity.
- A statement that the investments comply with the adopted policy of the City and the relevant provisions of the Public Funds Investment Act as amended.

XI. INVESTMENT POLICY AND STRATEGIES ADOPTION

The City of Kilgore’s Investment Policy and Strategies shall be adopted by resolution by the City Council. The City Council is required by state statute and by this investment policy to review this investment policy and investment strategies not less than annually and to adopt a resolution stating the review has been completed and recording any changes made to either the policy or strategy statements.
Approved Broker/Dealer List

Int'l FC Stone (Treasuries & Agencies)
Hapoalim Securities (Treasuries & Agencies)
Mizuho Securities (Treasuries & Agencies)
Stifel, Nicolaus & Co. (All permitted securities)
Bank of America Merrill Lynch (All permitted securities)
Mutual Securities, Inc. (All permitted securities)
NOTICE OF PUBLIC HEARING

PROPOSED BUDGET FOR FISCAL YEAR 2018

AUGUST 22, 2017 AND SEPTEMBER 12, 2017

5:30 P.M.

The Kilgore City Council will conduct Public Hearings in the City Hall Council Chambers, 815 N. Kilgore Street, on Tuesday, August 22, 2017 and on Tuesday, September 12, 2017 at 5:30 p.m. on the proposed budget for Fiscal Year 2018.

This budget will raise more total property taxes than last year’s adopted budget by $78,997 or 1.2% and of that amount $22,379 or .4% is tax revenue to be raised from new property added to the roll this year.

Copies of the Proposed FY2018 Budget are available at City Hall, 815 N. Kilgore, and the Kilgore Public Library, 301 N. Highway 259, or online at www.cityofkilgore.com.

________________________________________________
/s/
Deborah Dane, City Clerk
NOTICE OF 2017 TAX YEAR
PROPOSED PROPERTY TAX RATE FOR
THE CITY OF KILGORE

A tax rate of $ ______________ per $100 valuation has been proposed for adoption by the governing body of _______________________________________. This rate exceeds the lower of the effective or rollback tax rate, and state law requires that two public hearings be held by the governing body before adopting the proposed tax rate.

The governing body of ______________________________________ proposes to use revenue attributable to the tax rate increase for the purpose of funding maintenance and operations expenses due to a 5.3% decline in 2017 taxable value.

<table>
<thead>
<tr>
<th>PROPOSED TAX RATE</th>
<th>$ ______________ per $100</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRECEDING YEAR’S TAX RATE</td>
<td>$ ______________ per $100</td>
</tr>
<tr>
<td>EFFECTIVE TAX RATE</td>
<td>$ ______________ per $100</td>
</tr>
<tr>
<td>ROLLBACK TAX RATE</td>
<td>$ ______________ per $100</td>
</tr>
</tbody>
</table>

The effective tax rate is the total tax rate needed to raise the same amount of property tax revenue for ______________________________________ from the same properties in both the _____________ tax year and the _____________ tax year.

The rollback tax rate is the highest tax rate that ______________________________________ may adopt before voters are entitled to petition for an election to limit the rate that may be approved to the rollback rate.

YOUR TAXES OWED UNDER ANY OF THE ABOVE RATES CAN BE CALCULATED AS FOLLOWS:

\[ \text{property tax amount} = ( \text{rate} ) \times ( \text{taxable value of your property} ) / 100 \]

For assistance or detailed information about tax calculations, please contact:

Kirk Shields
Gregg County tax assessor-collector
Gregg County Courthouse, 101 E. Methvin St., Longview, TX 75601
903-237-2552

http://www.co.gregg.tx.us/tax-assessor-collector

You are urged to attend and express your views at the following public hearings on the proposed tax rate:

First Hearing: August 22, 2017 at 815 N. Kilgore St., Kilgore, TX 75662
Second Hearing: September 12, 2017 at 815 N. Kilgore St., Kilgore, TX 75662