

**MINUTES  
CITY OF GAINESVILLE  
CITY COUNCIL WORKSHOP  
200 South Rusk  
Gainesville, Texas 76240  
August 1, 2017**

The City Council of the City of Gainesville, Texas met in regular session on August 1, 2017 at 5:30 p.m. with the following persons in attendance.

**MEMBERS PRESENT:** Mayor Jim Goldsworthy, Keith Clegg, Carolyn Hendricks, Ken Keeler, Steve Gordon, Mary Jo Dollar

**MEMBERS ABSENT:** Tommy Moore

**STAFF PRESENT:** Barry Sullivan, City Manager; Bill Harris, City Attorney; Caitlyn Huddleston, City Secretary

**CALL TO ORDER**

Mayor Pro Tem Keith Clegg called the meeting to order at 5:35 p.m.

**DISCUSSION ON SALES TAX REIMBURSEMENT FROM THE STATE OF TEXAS**

City Manager Barry Sullivan advised the group that the Texas Comptroller of Public Accounts provided the City of Gainesville a deadline of December 2017 to decide on repayment of a recent demand of \$3.5 million in reimbursement for overpayment of sales tax revenues. Sullivan explained that if payment is made in one lump sum, there is a 2% discount, or repayment can be made over a ten and a half year span, instead of the three and a half year timeframe previously provided. First Southwest, the City's financial advisor, has recommended the City make a one-time payment, otherwise, the City will have to explain the large liability amount with every budget adopted and bond issued.

Sullivan suggested work on Martin Luther King Blvd and Cummings Street stop, as it isn't a major thoroughfare like O'Neal, complete the work on O'Neal, move the cost of demolitions to the General Fund from the Assigned Fund, utilize the Assigned Fund for repayment, and raise the tax rate one cent. Sullivan added that improvements to both the Farmer's Market area and O'Neal Street would be stopped at any time in the future, if needed. He noted that the Elevated Storage Tank and Pecan Creek Projects would not be impacted. Sullivan also made clear that \$500,000 would be moved from the Hospital Demolition Fund, (and that he was comfortable doing so since the owner already spent \$470,000 on asbestos abatement), and that the building that was formerly the Boys and Girls Club on Hird Street would not be demolished, but the City would mow and maintain the lot. Mayor Pro Tem Clegg suggested the City look into the cost to demolish the wood structure only at the former Boy's and Girl's Club site.

City Manager Sullivan explained that the City would still maintain around 120 days in General Fund Reserves and 111 days in Stormwater Funds. First Southwest also advised that the payback from utility funds are legitimate charges so there would be no issues.

Councilmember Keeler asked for a status update on the old hospital building at Ritchey and O'Neal; Sullivan replied that they had not been issued a building permit, did complete some asbestos removal a year ago, asked for lis pendens to be removed, so that the City's legal case on

the property would not show to other lien holders, and that the City wouldn't be listed as the first lien holder. Sullivan stated the City will not agree to remove the lis pendens.

Mayor Goldsworthy arrived at 6:00 p.m.

City Manager Sullivan added that the City will do a thorough investigation of the audit provided by the State Comptroller's office and will do their due diligence to see if there's any standing to challenge administrative ruling, or if they provided a "break" they shouldn't have. The Gainesville Economic Development Corporation is responsible for a portion of the reimbursement and a repayment plan and property gift agreement could be established. Sullivan added that if it is discovered that a business received sales tax rebates from the City or GEDC, the City and GEDC could request a return. Sullivan requested a definite answer on the course of action from the Council.

Councilmember Keeler voted to make the payment now. Mayor Pro Tem Clegg added that there is weight to be put behind the opinion of First Southwest and seconds making payment now. Mayor Goldsworthy commended City Manager Sullivan and noted that the diligent work he has done with finances, the City has the opportunity to make the one-time payment and move on. He further instructed Sullivan to proceed with the plan as discussed. Councilmember Keeler further commented that this would be an opportunity for good PR.

City Manager Sullivan did note that once payment is made, \$3 million will show as deducted from sales tax, so the effective and rollback tax rates increase. The tax rate for consideration at the following, regular meeting includes one cent increase for the demolition program. Council may vote to adopt a rate lower than the one presented, just not any higher.

Sullivan closed the meeting by reminded Council that Staff would do their due diligence in investigation the audit, but will budget based on the plan presented and approved.

**ADJOURN**

With no further business to come before the City Council, the meeting was adjourned at 6:06 p.m.

Respectfully submitted,

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**Caitlyn Huddleston, City Secretary**

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**Jim Goldsworthy, Mayor**