

MINUTES
SPECIAL CITY COUNCIL MEETING
CITY OF GREY FOREST, TEXAS
GREY FOREST COMMUNITY CENTER
18249 SHERWOOD TRAIL
HELOTES, TX 78023
May 19, 2021 at 6:30 PM

I. CALL TO ORDER

Mayor Thornton called the meeting to order at 6:30 p.m.

II. ROLL CALL

Mayor Charles M. Thornton Jr., Mayor Pro Tem Susan Darst, Council Member Jennifer Nottingham, Council Member Geri Poss, Council Member Sean Skaggs, and Council Member Kimberly Verity

Staff Present: City Attorney Sonya Herrera, City Secretary Miguel Cantu, Sgt Scott Ristow, CEO of Grey Forest Utilities Jeff English, Stephanie Leibe, Norton Rose Fulbright US LLP, Senior Managing Director Mark McLiney, SAMCO Capital

III. PLEDGE OF ALLEGIANCE AND INVOCATION

The meeting commenced with the Pledge of Allegiance.

IV. PRESENTATIONS BY CITIZENS AND VISITORS

Mayor Thornton opened the floor for presentations by citizens and visitors. No presentations.

V. NEW BUSINESS:

- a) **CONSIDERATION AND APPROVAL OF AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF GREY FOREST, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF GREY FOREST, TEXAS GAS SYSTEM REVENUE BONDS, TAXABLE SERIES 2021"; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PRIOR LIEN OBLIGATIONS, BY A PRIOR AND FIRST LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY'S NATURAL GAS SYSTEM; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AND A PURCHASE CONTRACT; AUTHORIZING THE EXECUTION OF ANY NECESSARY ENGAGEMENT AGREEMENT WITH THE CITY'S FINANCIAL ADVISORS.**

Mayor Thornton called on CEO of Grey Forest Utilities Jeff English. Mr. English explained that the area experienced an unprecedented and historic eight-day period of winter weather across South-Central Texas. During this time, he stated that he was asked by the energy provider, Koch, that he needed to post a credit resource worth \$18 million dollars. As the days continued, the Utility Company received a preliminary bill of in the amount of \$23 million. The utility company had approximately \$6 million in the bank and the company's worth was approximately \$72 million. It was at this moment that Mr. English stated that GFU was in trouble. During a meeting scheduled with Koch, they asked how quick GFU could pay \$23 million. Mr. English requested additional time since the bills were not due until Marth 25th and also questioned the validity of the cost. The questions of price gouging, state, and federal assistance, and rolling prices back were all questions GFU had. Mr. English stated that the first and primary focus was that customers be treated fairly on price. There is an obligation to customers; however, anything GFU proposed, would involve some form of a

long-term payback than GFU writing somebody a check for \$23 million. Koch asked if GFU could obtain a bond to pay. This was one of the reasons GFU requested a Special Meeting of the City Council to address this concern. Mr. English informed City Council that they had sought out other ways of addressing the concern and concluded that the customers would incur a cost of 6% over a period of three years; however, with a bond they could seek out lower interest rates without drastically increasing customer rates. Mr. English stated that the GFU is uniquely positioned to be able to do an in-depth audit of the invoices which was performed. GFU noticed that there were significant anomalies with the invoices and gave Koch marketing group the opportunity to review and address the invoices; however, they did not. On May 3, 2021 Mr. English wrote a dispute letter and laid out the argument that Koch had operated outside of the terms of the contract and in several specific areas that would have impacted the billing; particularly price gauging. Mr. English informed City Council that Koch has had the dispute letter for 15 days and has not responded. Meanwhile, GFU is seeking an 8-year bond that would lessen the impact to the customers. The result would be less than \$15 per month per customer in a period of 8 years. Mr. English added that he felt that GFU had a good legal team to dispute including a Regulatory Attorney in Austin who also was formally the head of the Enforcement Unit for the Railroad Commission. Also, the formal counsel for CenterPoint Energy, and he has also been in a similar situation on the same kind of issue. An attorney from Houston that specializes in enterprise pipeline disputes. Each attorney will play a particular role during the lawsuit with some good expertise. Mr. English concluded by informing City Council that the Grey Forest Utility Board had passed a resolution to pursue the bond and now he is providing the information to the City Council to approve an Ordinance.

Senior Managing Director Mark McLiney, of SAMCO Capital further addressed the bond and that each customer would pay between \$12 to \$15 per customer for the bond. He added that in the event the lawsuit failed, GFU and the City of Grey Forest would not face any further monetary damages to their daily functions.

MAYOR THORNTON REREAD THE AGENDA ITEM: CONSIDERATION AND APPROVAL OF AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF GREY FOREST, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF GREY FOREST, TEXAS GAS SYSTEM REVENUE BONDS, TAXABLE SERIES 2021"; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PRIOR LIEN OBLIGATIONS, BY A PRIOR AND FIRST LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY'S NATURAL GAS SYSTEM; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AND A PURCHASE CONTRACT; AUTHORIZING THE EXECUTION OF ANY NECESSARY ENGAGEMENT AGREEMENT WITH THE CITY'S FINANCIAL ADVISORS. MAYOR THORNTON ASKED FOR A MOTION.

MAYOR PRO TEM DARST MOVED TO APPROVE AN ORDINANCE RELATING TO THE ISSUANCE AND SALE OF OBLIGATIONS DESIGNATED AS "CITY OF GREY FOREST, TEXAS GAS SYSTEM REVENUE BONDS, TAXABLE SERIES 2021." COUNCIL MEMBER NOTTINGHAM SECONDED THE MOTION. COUNCIL VOTED 4-0.

VI. ADJOURNMENT

MOTION WAS MADE BY COUNCIL MEMBER VERITY TO ADJOURN AT 8:04 P.M. COUNCIL MEMBER SKAGGS SECONDED THE MOTION. COUNCIL VOTED 4-0.


PASSED AND APPROVED THIS 22ND DAY OF JUNE, 2021.

APPROVED:



Charles Mitchell Thornton, Jr.

ATTEST:



Miguel Cantu, TRMC
City Secretary

