

Village of Salado
Salado Municipal Building
301 N. Stagecoach
Salado, Texas
Minutes of Special Meeting of Board of Aldermen
April 11, 2019 at 6:30 p.m.

The Board of Aldermen meeting was called to order at 6:30 p.m. by Mayor Skip Blancett.

Board Members Present: Mayor Skip Blancett, Mayor Pro-tem Frank Coachman, Aldermen Andy Jackson, Michael Coggin, and Michael McDougal.

Staff Present: Village Administrator Don Ferguson and City Secretary Cara McPartland

1. Discussion and Possible Action

Discuss and consider possible action approving proposed amendments to the Master Development Agreement between the Village of Salado and Stagecoach 1943, LP, executed July 14, 2016, including related documents and deeds for the 2.092 acre site and payments related to the decommissioning of the wastewater treatment plant. (*Village Administrator*)

Village Administrator Ferguson advised the Stagecoach Inn owners approached the Village about expediting the decommission process. Details were provided on required procedures the Village is obligated to follow, including filing of a closure plan with TCEQ and contracting for removal, with the process expected to take 4-6 weeks. As Stagecoach owners were concerned about this timeframe, they asked the Village to expedite the process by conveying the property to Stagecoach 1943, LP, which would allow Stagecoach to hire its own contractor to decommission and remove the plant. Village Administrator Ferguson noted that the proposed amendments provide the Village maximum protection from liability or responsibility, should there be any issues with the decommissioning process or plant removal, including any potential penalties from the state. He noted that this item includes a conveyance ordinance that would require approval on first reading at tonight's meeting, with the second reading scheduled for the Board's April 18th meeting. He advised that Stagecoach owners have indicated their contractor's cost is estimated at \$90,000 to \$100,000, while the Village contractor's cost is estimated at \$140,000. He stated that under the agreement, upon transfer of the property, the Village would reimburse the Stagecoach for their cost, which would result in a cost savings for the Village.

Alderman Coggin and Village Administrator Ferguson discussed procedural matters related to agenda postings on this item. Discussion established that the first reading of the ordinance is part of the agreement amendment as a companion document and the second reading was posted in the event the Board voted to approve first reading at its April 8th meeting. As the Board did not take action to approve the ordinance on first reading on April 8th, the Board will not be able to take action on the second reading of the ordinance as listed in Agenda Item 2.

Alderman McDougal questioned the expertise of the Stagecoach owners and contractors as it relates to decommissioning and removing the treatment plant. Village Administrator Ferguson advised that Stagecoach representatives are here tonight to answer questions from the Board.

Alderman Coggin moved to take no action on the proposed amendments and ordinance. Mayor Pro-tem Coachman seconded.

Stagecoach 1943, LP Principal Clark Lyda spoke on past and upcoming construction projects, investment to date, details on the site's restoration/reconstruction, delays, and associated financial losses encountered due to issues with electrical power and completion of the Village of Salado Wastewater System. He spoke on the coming spring and summer as critically important to the survival of the project. Mr. Lyda expressed concerns regarding the dismantling of the plant next to the hotel's main entry during April and May, which he said represents half of their season. Mr. Lyda said he is confident in his contractor's expertise in removing the containment vessels in large pieces and hauling them away, but stated negotiations with Village Administrator Ferguson are ongoing relating to cleaning the inside of the tanks. Mr. Lyda cited \$3,000 per day costs for every day of delay in dismantling and decommissioning the old plant. He feared the delay could lead to bankruptcy of the business. He said they are doing everything they can to think of ways to expedite this process. He spoke of pending construction projects, including an additional 60 rooms and demolition of the café building. Mr. Lyda spoke of his conversation with Village Administrator Ferguson regarding compliance with applicable regulations and notice requirements, including indemnifying the Village should there be any civil fines or penalties arising from a violation. Mr. Lyda stressed that this is a critical issue and the 6 to 8 week timeline for decommissioning is endangering his plan.

Mayor Blancett asked if anyone had questions for Mr. Lyda. Village Administrator Ferguson noted that delays in completion of the new wastewater treatment plant were the result of bad weather.

Mr. Lyda spoke of plans that bring guests through Salado by moving the Stagecoach entrance from the I-35 access road to Main Street, vine-covered fencing along I-35 frontage, and the need to expedite exterior projects by season opening. He stated that these problems could be cured, but the Village would need to allow Stagecoach owners to handle the wastewater plant themselves.

Alderman McDougal asked Mr. Lyda whether they had any construction delays. Mr. Lyda replied that the previously referenced delay caused by late delivery of electrical power forced them to lose 2 ½ months last summer, as they could not commence finish out of the buildings, and cost them half a million dollars.

Alderman McDougal asked Mr. Lyda what caused his delay in opening. Mr. Lyda asked for clarification as to which opening and Alderman McDougal replied the first opening of the hotel. Mr. Lyda replied that the hotel was scheduled to open on June 1, 2018, but did not open until September 1, 2018 due to the issue with the previously referenced inadequate electrical power. Mr. Lyda stated Oncor told them an additional transformer had to be brought in from out of state when it was sitting in Hutto the entire time. Alderman McDougal asked Mr. Lyda for details on how he knew about the transformer and Mr. Lyda replied that Oncor was paid \$50,000 to deliver

on May 15, 2018 and did not deliver until the end of July after much pressure was put to bear on them. Mr. Lyda said they tried to resume work while waiting for the Oncor delivery by putting the building on a large generator, however it did not function as intended. Mr. Lyda expressed concerns that removal and decommissioning of the plant is critical to the survival of the facility and questioned why it is an issue. Alderman McDougal said it is because the Board is making a huge decision in considering moving responsibility to Mr. Lyda. Mr. Lyda stated they proposed in a summary to Village Administrator Ferguson that Mr. Lyda's contractors would remove the plant primarily intact in large pieces, dispose of them, with the Village handling the more sensitive matter of cleaning the inside of the tanks.

Mayor Blancett appreciated Mr. Lyda working with the Village, recognized the importance of the Stagecoach to the Village and as a new wastewater customer, and asked how much Mr. Lyda could accelerate the decommissioning versus the estimated Village's mid-June completion date. Mr. Lyda replied that had the Board approved the first reading on Monday (April 8) and the second reading as originally scheduled, the plant would have been gone by Monday (April 15), assuming that it had been cleaned. Discussion continued on improvements seen in bookings that indicate an upward trend, redirection of Stagecoach customers into the new treatment system, complaints regarding odor from the plant from hotel customers and employees, importance of remedying odor issues and mitigating effects of construction with the approaching busy season, and additional planned improvements to the facility, including the Longhorn building.

Mr. Lyda confirmed for Alderman Coggin that the plan would have been to start decommissioning on Monday (April 15), if the Board had taken action on Monday, April 8th to approve the first reading. Alderman McDougal stated that the Board did not take action on Monday, April 8th because Mr. Lyda did not remain at the meeting. Mr. Lyda and Alderman McDougal exchanged remarks about Mr. Lyda's reason for leaving the April 8th meeting, which prompted the Board to postpone action until Mr. Lyda could be present, as well as points of order brought up by Mr. Lyda.

Mayor Blancett interceded in the exchange to plainly state that the issue is with the transferring of responsibility to the Stagecoach, which leaves the Village with the dilemma of having to inform TCEQ that the plant might be torn down without their permission. Mr. Lyda stated his understanding that the Village was going to file the notice of intent to decommission, and that demolition would commence immediately, as opposed to after the 30-day review period, and that Stagecoach owners would bear the cost of any penalty consequence, not the Village. Village Administrator Ferguson advised that the closure plan has been filed with TCEQ and noted that whether or not the closure plan is followed, work is not supposed to commence on that closure plan during the 30-day review period. He expressed concerns that if the transfer takes place, and Mr. Lyda proceeded next week, TCEQ could come back to the Village and question the transfer taking place with the Village's knowledge that the new owners were going to violate the law.

Mr. Lyda said he intended to comply with the conditions of the closure plan. Village Administrator Ferguson advised that such compliance requires a 30-day waiting period and that if Mr. Lyda starts tear-down before TCEQ gives its permission, then that is a violation of the law. Mr. Lyda stated he does not think that is correct and alleged that they (TCEQ) will issue a permit. Village Administrator Ferguson stated that TCEQ has to approve the closure plan, which is the Village's closure plan. Mr. Lyda stated that what's left of the plant is steel, assuming the Village cleans it

per environmental requirements, and that the environmental danger of removing steel is minimal to none. Mr. Lyda said he is not proposing to violate the law, but is proposing to cure a problem with the Village's assistance, and getting it done in a timeline that is not going to harm the hotel. He spoke of the significant investment in improvements to the facility, and the importance of adhering to a very tight timeframe, in order to avoid impact of construction projects on operations, such as simultaneously demolishing the coffee shop and plant to minimize disruption. Mr. Lyda said that once they have control of the plant, it could be torn down within four work days.

Discussion among Board members, Mr. Lyda, Stagecoach Managing Director Terry Rawlins, and Village Administrator Ferguson continued on the ramping up of the hotel's occupancy; negative impact of construction and sewage odor on customers; Village's obligation to inform TCEQ upon transfer that demolition was intended to begin prior to TCEQ approval; Mr. Lyda's position that the Village is obligated to inform TCEQ of the transfer of responsibility, not of the accelerated decommissioning work; Mr. Lyda's assertion that the Village's cannot tell TCEQ of his intentions, as his plans may change; Mr. Lyda's statements regarding his responsibility to investors to preserve and enhance their investments; being at a critical point in the overall development; and Mr. Lyda's stated intent to not do anything that would harm the Village or its reputation or relationship with entities such as TCEQ.

Alderman Coggin asked Village Administrator Ferguson about possible compromises to accelerate the Village's decommissioning of the plant or make the plant less unsightly before demolition. Village Administrator Ferguson stated that TCEQ has been informed of the need to expedite the plant's decommissioning and it is possible that approval could be earlier. He also noted that the Village's contractor has given a liberal timeframe for the project, which may be completed sooner than May. He advised that the Village's contractor does not intend to try to pull the tanks out whole, as they are old, rusty, and may collapse, if attempts are made to pull them out intact. Village Administrator Ferguson advised that the contractor was approached about working 12-hour days Monday through Thursday to avoid work being done on weekends, but noted of course, then the impact would be on weekday customers. Village Administrator Ferguson expressed concern about the Village cleaning and sanitizing tanks if the plant is transferred and Stagecoach owners become responsible for tearing down the plant, as decommissioning a septic facility is not as simple as a standard demolition.

Discussion continued on possible solutions to mitigate current odor issues; the Village's reticence to clean the plant, if responsibility is transferred; Mr. Lyda's confidence in his contractor's ability to demolition the plant, but not to remediate the limited amount sludge that may be left inside the tanks; long-term economic impact of delay; Mr. Lyda's assertion that the Village would be responsible for cleaning out the tanks; Village Administrator Ferguson's clarification that under the amended agreement, if approved, the Village would do no more work on the plant, as it would no longer be responsible for any part of the decommissioning process, which includes the cleaning and sanitization; Mr. Lyda's belief that cleaning of the tanks could commence before the closure plan is approved; and possible odor mitigation measures.

At Mayor Blancett's request, Alderman Coggin restated his aforementioned seconded motion that the Board take no action at this time to transfer the deed of the Stagecoach Inn or on the associated ordinance, as presented.

Motion carried on a vote of 2-1-1, with Aldermen Coggin and McDougal voting aye, Alderman Jackson voting against, and Mayor Pro-tem Coachman abstaining.

Brief discussion between Alderman Coggin and Village Administrator Ferguson established that the Village will work with the Stagecoach to help solve any odor problems.

Mr. Lyda said that he will proceed with court action and said the Village is obligated to convey this real estate to Stagecoach owners. He said the Village has an opportunity to clean the tank, but is refusing to do it, despite the harm that it is causing their business.

2. Ordinance

Consider approval of the second and final reading of an ordinance authorizing the Village of Salado to convey that certain 2.092 acre real property tract of land out of and a part of the H.W. Hurd Survey Abstract #398, in Bell County, more particularly described by metes and bounds in deed recorded in Volume 4066, Page 33 of the deed records of Bell County, Texas; and providing for the following: findings of fact; repealer; severability, proper notice and meeting.
(*Village Administrator*)

Village Administrator Ferguson advised that no action needs to be taken on this item.

Adjournment

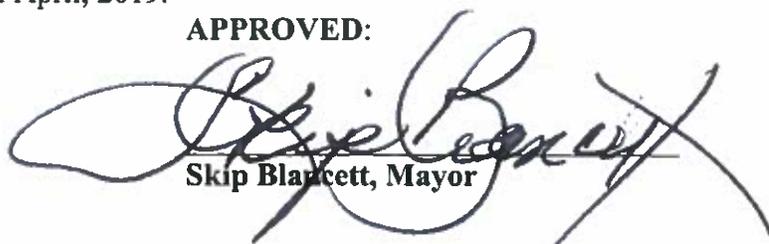
Mayor Blancett called for a motion to adjourn. Alderman Coggin moved to adjourn. Alderman Jackson seconded. Mayor Blancett called the meeting adjourned at 7:28 p.m.

Recorded by:

Cara McPartland

These minutes approved on the 18th of April, 2019.

APPROVED:



Skip Blancett, Mayor

ATTEST:


Cara McPartland, City Secretary

