

MINUTES OF PUBLIC HEARING and REGULAR MEETING

September 14, 2021

MONTGOMERY CITY COUNCIL

CALL TO ORDER

Mayor Sara Countryman called the meeting to order at 6:00 p.m.

Present:	Sara Countryman	Mayor
	Carol Langley	City Council Place # 1
	Kevin Lacy	City Council Place # 2
	Julie Davis	City Council Place # 4
	Byron Sanford	City Council Place # 5

Absent:	T.J. Wilkerson	City Council Place # 3
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Also Present:	Richard Tramm	City Administrator
	Susan Hensley	City Secretary
	Alan Petrov	City Attorney
	Chris Roznovsky	City Engineer

INVOCATION

Byron Sanford gave the Invocation.

PLEDGE OF ALLEGIANCE TO FLAGS

VISITOR/CITIZENS FORUM:

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must be recognized by the Mayor. Council may not discuss or take any action on an item but may place the issue on a future agenda. The number of speakers along with the time allowed per speaker may be limited.

There were no comments made.

Mayor Countryman said she would like to acknowledge Ms. Susan Hensley, City Secretary who has been with the City of Montgomery for six years but would like to honor her for her five years of service with the City. Mayor Countryman said since Susan Hensley's fifth anniversary happened during COVID-19 they were not able to honor her at that time. Mayor Countryman thanked Susan Hensley for her service and said she does a lot for the City that goes untold. Mayor Countryman said every citizen and person that has come into our City and worked with her has nothing but rave reviews which she appreciates. Mayor Countryman said customer service is our first priority and Susan Hensley exemplifies great customer service.

PUBLIC HEARING: For the purpose of giving all interested persons the right to appear and be heard regarding the following:

1. **Convene into Public Hearing**

Mayor Countryman convened into Public Hearing at 6:03 p.m.

Budget Public Hearing: for the purpose of hearing public comments regarding the proposed 2021-2022 City of Montgomery Fiscal Year Operating Budget:

THIS BUDGET WILL RAISE MORE TOTAL PROPERTY TAXES THAN LAST YEAR'S BUDGET BY \$159,689 OR 13.15%, AND OF THAT AMOUNT, \$66,839 IS TAX REVENUE TO BE RAISED FROM NEW PROPERTY ADDED TO THE TAX ROLL THIS YEAR.

Mayor Countryman stated for the record they do have a quorum present and Councilmember T.J. Wilkerson is absent this evening.

Mr. Tramm said regarding the fiscal year 2021-2022 budget and taxes, there is no new tax rate increase. Mr. Tramm said the proposed budget includes no water and sewer rate increase for the upcoming fiscal year. Mr. Tramm said the City's tax exemptions include the new 20 percent Homestead Exemption which is new for the City in 2021 and the maximum allowed by state law, the \$70,000 deduction for disabled homeowners, and \$50,000 deduction for homeowners over the age of 65.

Mr. Tramm said property owners in the City pay property tax to five different entities: the City of Montgomery, Emergency Services District #2, Montgomery County, Montgomery County Hospital District, and Montgomery Independent School District. Mr. Tramm said of those five entities the City of Montgomery is in the middle in terms of the tax rates that are paid.

Mr. Tramm said for general fund revenue in the proposed budget year 2021-2022 the general fund has approximately \$5,247,715 in total revenue and is represented by \$1,374,191 in anticipated property tax, \$2,200,000 in sales tax, and \$1,100,000 sales tax in lieu of property tax. Mr. Tramm said what that represents is several years ago the voters of Montgomery increased the \$.01 property tax to allow an additional one-half of one percent to be used in lieu of property tax. Mr. Tramm said the other one-half percent goes to the Montgomery Economic Development Corporation. Mr. Tramm said other revenue of almost \$600,000 includes things such as franchise fees and several other items seen on the monthly reports.

Mr. Tramm said regarding the economy, growth, and City services following pandemic shutdowns, businesses have reopened with strong activity and more new businesses are building in the City.

Mr. Tramm said housing construction and home sales are strong. Mr. Tramm said Montgomery is a safe, desirable place to live with new residential opportunities.

Mr. Tramm said the City's utilities have a new budget of \$2,193,650 for water and sewer system improvements to accommodate coming commercial and residential growth.

Mr. Tramm said the new budget for mobility has \$761,500 for road and sidewalk repairs and construction.

Mr. Tramm said the parks and recreations new budget has \$160,050 to maintain and improve facilities at City parks.

Mr. Tramm said the City is committed to attracting and retaining high-quality staff to keep the Montgomery City government working for its residents. Mr. Tramm said the new budget funds programs are designed to aid in staff retention.

Mr. Tramm said under staffing, part-time positions in Public Works and the Municipal Court would be added to keep these departments running efficiently.

Mr. Tramm said, for the Police department, an older patrol vehicle would be replaced to help keep officers on the street and serving the residents of the City.

Mr. Tramm said for emergency preparedness and response, being able to properly respond to emergencies is woven into every City department budget.

Mr. Tramm said the pandemic due to COVID-19 continues to affect the daily lives of City residents; local effects were first felt around March 2020.

Mr. Tramm said winter storm Uri in February 2021 had a week of sub-freezing temperatures which caused several power outages in the City and throughout Texas. Mr. Tramm said the City was able to maintain its services during that time including not losing water pressure and water service to the residents due to Public Works staff and their response.

Mr. Tramm said the resulting steps they learned from response evaluations for the coming year included strengthening their cooperative response efforts with Montgomery Independent School District and Emergency Services District #2, providing CERT Training programs for volunteers in 2021-2022 to assist City personnel during emergencies, and purchased portable digital signs to aid in emergency communication.

No other comments were made.

Adjourn Public Hearing

Mayor Countryman adjourned the Public Hearing at 6:08 p.m.

Reconvene into Regular Meeting

Mayor Countryman convened into the Regular Meeting at 6:09 p.m.

CONSENT AGENDA:

2. Matters related to the approval of minutes of the August 24, 2021 Regular Meeting and September 7, 2021 Public Hearing Meeting.

Mayor Countryman said in the minutes it states that Tax Assessor Tammie McRae stated the City had \$60.7 million worth of business growth and upon double-checking, it should be \$16.7 million. Mayor Countryman asked to make sure a correction was made.

Julie Davis elected to vote on the Consent Agenda items individually.

Julie Davis moved to accept item #2 as presented with the amendment of the property tax valuation. Byron Sanford seconded the motion, the motion carried unanimously. (4-0)

3. Consideration and possible action regarding an Escrow Agreement by and between the City of Montgomery and BETC Realty, LLC for the 2.35-ac Shipley Donuts Tract located on the northwest corner of SH 105 / Eva Street and C.B. Stewart Drive (Dev. No. 2009).

Mr. Chris Roznovsky said this establishes an escrow account so they can submit plans to the City. Mr. Roznovsky said it sets up the account so they can start submitting their plans and variances. Mr. Roznovsky said if you look at the development number this started in early 2020. Mr. Roznovsky said the reason this does not have an escrow/feasibility study is that this is already on a platted tract and it already has utility service.

Kevin Lacy asked if items #4 and #6 are procedural things to establish their escrow accounts as well. Mr. Roznovsky said that was correct.

Mr. Roznovsky said the way the City has it set up is first the developer has an escrow agreement and they deposit funds and then items #5 and #7 are funded from those escrow agreements. Mr. Roznovsky said the City is not paying those funds to complete the studies, it is more about the developers. Mr. Roznovsky said Hills of Town Creek Sec. 5 is at the north end of Emma's Way. Mr. Roznovsky said it would complete Emma's Way and build a home for that site.

Byron Sanford asked if on page 49 Restricted Reserve "E" is where they are moving. Mr. Roznovsky said that is correct.

4. Consideration and possible action regarding adoption of an Escrow Agreement by and between the City of Montgomery, Texas and Cheatham Management, LLC regarding Hills of Town Creek Sec. 5 (Dev. No. 2102).

5. Consideration and possible action regarding authorizing WGA to prepare a Utility and Economic Feasibility Study for Cheatham Management, LLC for the Hills of Town Creek Sec. 5 Development (Dev. No. 2102).
6. Consideration and possible action regarding an Escrow Agreement by and between the City of Montgomery and Waterstone Development Group, LLC for the 26.07-ac Porter Farms Tract located northeast of FM 1097 & FM 149 (Dev. No. 2101).
7. Consideration and possible action regarding authoring WGA to prepare a Utility and Economic Feasibility Study for Waterstone Development Group, LLC for the Porter Farms Tract Development (Dev. No. 2101).

Byron Sanford moved to accept Consent Agenda items #3 through #7 cumulatively. Kevin Lacy seconded the motion, the motion carried unanimously. (4-0)

CONSIDERATION AND POSSIBLE ACTION:

8. Consideration and possible action regarding adoption, by record vote, of the following Ordinance: AN ORDINANCE OF THE CITY OF MONTGOMERY, TEXAS ADOPTING AN OPERATING BUDGET FOR THE FISCAL YEAR 2021-2022.

THIS BUDGET WILL RAISE MORE TOTAL PROPERTY TAXES THAN LAST YEAR'S BUDGET BY \$159,689 OR 13.15%, AND OF THAT AMOUNT, \$66,839 IS TAX REVENUE TO BE RAISED FROM NEW PROPERTY ADDED TO THE TAX ROLL THIS YEAR.

Mr. Tramm said City Council held a Budget Workshop on August 26, 2021, to review, discuss, and make changes to the proposed budget for the Fiscal Year 2021-2022. Mr. Tramm said following that workshop, staff made the changes discussed by City Council and those changes are in the attached updated draft version for review and consideration.

Mr. Tramm said, regarding a question from Julie Davis, dependent benefit calculations were based on what staff had given them with their intent, at this point, regarding insurance matches. Mr. Tramm said the City's 50 percent would appear to be around \$50,100. Mr. Tramm said they currently calculated \$50,089.14 but that is including their estimate of how health insurance may increase. Mr. Tramm said for those who would not participate in having a health reimbursement account or a similar reimbursement that would come to \$22,950.00 for those who are not and would like to take a match. Mr. Tramm said while this action of the budget would authorize those funds to be available, it does not authorize those funds to be spent as that would require a policy change on the part of City Council.

Julie Davis said she had issues with the healthcare flexible spending because the issue was they could not retain police officers due to the dependent coverage expense. Julie Davis said she thought the only hurdle they were covering by doing this was dependent coverage at 50 percent. Julie Davis said she is still confused regarding the extra \$22,000.00 of healthcare reimbursement of \$150.00 per person. Julie Davis said her biggest concern is it seems like it would be a payment in lieu of health insurance and that does not solve our issue to retain officers. Julie Davis said if they are retaining officers and they think they get an extra \$150.00 to spend, for example on co-pays, it is still money in their pocket. Julie Davis said she is not opposed to giving them a pay raise, but it feels like the dependent coverage insurance cost was the burden of not maintaining those officers which was the hurdle they were trying to cover.

Mr. Tramm said at the time of the workshop they were looking at a health savings account and since that time they have talked with the health insurance company and a health reimbursement account is something that would be more likely. Mr. Tramm said those are different than flexible savings accounts and a health reimbursement account is tied to the employer and does not follow an employee when they leave the City. Mr. Tramm said the City wants to put it in the budget; it does not have to authorize it if it does not want to offer that benefit to staff. Mr. Tramm said his understanding from City Council was that they were looking to work on health benefits and he thought the matching insurance was part of that. Mr. Tramm said if City Council does not want to apply this to staff then City Council does not have to. Mr. Tramm said he thinks this is something that would be valuable to staff but the decision is up to City Council. Mr. Tramm said it is up to staff to make budget recommendations, but it is up to City Council to ultimately make the decision of passing the budget. Carol Langley asked how many employees are considering taking dependent coverage. Mr. Tramm said his issue with this is

a lot of the employees asked exactly how much would it be and until they have that information on the health insurance he does not know that answer. Mr. Tramm said from the feedback they received for employee family coverage there are six or seven, three with employee and spouse, two for employee and child, and 17 that are on employee-only coverage. Mr. Tramm said if they were only doing some sort of health reimbursement or only doing matching insurance then that would not apply. Mr. Tramm said he has spoken with a few people within government fairly recently that have extended these benefits with some level of dependent coverage and they told him they did see an increase in adding on so he does think they would probably see some employees add on to it that maybe did not commit at this time, but he does not know that number. Mr. Tramm said they do have some employees who just do not have a spouse or children and they cannot participate in the add-on.

Julie Davis asked when the dependent insurance line was in the budget if that was the 100 percent dollar valuation that it is expected to cost or is it the 50 percent valuation. Mr. Tramm said those are initial estimates of around 50 percent. Mr. Tramm said they started out thinking they would have a higher percentage. Julie Davis said when she added it, it totaled \$130,700.00 and those numbers are vastly different than the dependent coverage at \$50,000. Mr. Tramm said part of that was because they were expecting a 10-15 percent increase in health insurance costs and they were advised after the workshop it was probably going to be between a one and two percent range increase. Mr. Tramm said part of that was in their initial estimate they were thinking it would be much more likely that every employee that is choosing coverage at a personal level would come over, some of them are saying no and he thinks those are likely to change. Mr. Tramm said he cannot say how many will change. Mr. Tramm said they may have staff who get benefits from outside agencies, some staff have spouses and children who are covered through the spouse's employer and that is always subject to change. Mr. Tramm said another subject to change item is when they have staff that changes over and the person that replaces them might be in a different insurance situation. Mr. Tramm said he knows those numbers are off as they are being conservative at the onset between insurance prices not likely to go up as much as they anticipate. Mr. Tramm said he worded it that way because they have not been given a price. Mr. Tramm said they have just been told to expect a much lower increase than they were expecting and because of fewer employees saying they would commit to it at this time.

Carol Langley asked if this was with TML Health Benefits. Mr. Tramm said yes.

Julie Davis asked if the ILO funds are a split between MEDC and the City. Mr. Tramm said no. Mr. Tramm said most of the City's sales tax is at a two percent rate. Mr. Tramm said the City gets one percent that they have in the budget as sales tax. Mr. Tramm said there is one-half of one percent that comes to the City as sales tax in lieu of property tax for the ILO. Mr. Tramm said the other half percent goes directly to MEDC and that is because the ILO portion was set at the election by the voters.

Byron Sanford said it sounds like the department heads keep working in terms of what does it take to recruit and retain people, and thinks with the goals they recently set they need to be family-friendly. Byron Sanford said he can say from experience in hiring coaches and teachers, it meant a lot that they could receive good insurance. Byron Sanford said you can see how all this depends on a lot of elements but if they keep getting the data and then look forward to a time when maybe they do not need as much of a flat raise as they do good family benefits.

Mayor Countryman asked if other cities participate in health reimbursement accounts. Mayor Countryman said she has never worked for an employer who had this program. Mr. Tramm said this is something that has been around for a while in different forms. Mr. Tramm said where he worked previously there was an HSA that was encouraged but was not contributed to by the employer. Mr. Tramm said this is through the TML Health Choice health insurance and certainly they have other entities insured by them who do it although they did not ask specifically who participates in it.

Julie Davis moved to accept the Budget as presented with a caveat of 50 percent for dependent coverage only, with no health reimbursement account. Carol Langley seconded the motion, the motion carried unanimously. (4-0)

The roll call vote was recorded as follows: Carol Langley, yes, Kevin Lacy, yes, Julie Davis, yes, Byron Sanford, yes.

Mayor Countryman said, per State law, they need to have a separate motion to ratify the tax rate that the budget is premised on. Mayor Countryman said this is just a formality.

Byron Sanford moved to ratify the tax rate that the budget is premised on. Kevin Lacy seconded the motion, the motion carried unanimously. (4-0)

9. Consider, Adopt and Set by Ordinance the 2021 Ad Valorem Tax Rate for Maintenance and Operations, \$.2588/\$100.

Mr. Tramm said the Ad Valorem tax rate of \$.2588/\$100 for Maintenance and Operations generates the revenue that is included in the draft budget from the City Council Budget Workshop. Mr. Tramm said this item will be formally adopted with the approval of Agenda item #11.

Julie Davis said her concern is with the \$0.4000 tax rate which is cumulative of items #9 and #10. Julie Davis said she spoke with Mayor Countryman about this and said we are being conservative because we have done \$0.4000 for the past four years. Julie Davis said her concern is they have a lot of money that seems to be left over in the account at the end of the year that continues to go to whichever department head claims it. Julie Davis said she understands they were conservative during COVID-19, but if we have money left over she would like to be able to set up some kind of way they can specifically put it in a savings account specifically for capital improvement. Julie Davis said if they are looking at a bond in two or three years how can they go to the taxpayers or constituents and say we are not going to be fiscally responsible today, but two years from now we want more funds. Julie Davis said she would like to see things budgeted in a way that if we do not spend the funds on dependent coverage the extra funds would be set aside for capital improvements on our water and sewer infrastructure. Julie Davis said we are not going to keep spending it and then say now we need a \$28 million bond because we cannot pay for water and sewer.

Mayor Countryman asked if it can be stated that when they adopt the budget, and if they keep it at \$0.4000, it would be with the understanding of taking the line item out that should be going into the capital improvements line item. Mr. Tramm said a budget amendment can be done by City Council during the year. Mr. Tramm said during the last fiscal year they did a budget amendment that redirected the budget into several items which included setting up a fund for future capital projects. Mr. Tramm said his thoughts are, as they are coming to the end of this

budget year and because they do have surplus revenue, that they take the money that would be considered on the line that they would be called surplus and dedicate it to that because as they have discussed, they will have large capital needs coming up. Mr. Tramm said his previous employer had saved that money and in his 12 years there, there was one bond that was for a project they were mandated by the regulatory agency to fund. Mr. Tramm said they funded infrastructure on a cash basis. Mr. Tramm said he thinks they can do that for a lot of items and for a lot of years. Mr. Tramm said several years ago City Council passed an impact fee and every five years they have to renew the capital improvement plan, and 2021 is the fifth year. Mr. Tramm said that point identifies what is charged to and they are just now coming up to some significant properties that will pay impact fees and those are designed to go into capital projects. Mayor Countryman said that could only be used for certain things too, it could not go into a slush fund as it would have to be earmarked for certain items. Mr. Tramm said he thinks those monies plus setting aside this year's surplus monies can send that to a positive use with a budget amendment or some other action by City Council to dedicate those monies. Mr. Tramm said if they continue that for the next couple of years, they will have a million-plus dollars to dedicate to those projects. Mr. Tramm said he would like to see the City be in as little debt as possible.

Mayor Countryman said she would like to see the number they go after in a bond a lot less than if they had not saved anything what that number would be to take that burden off the taxpayers because they have no control over the school district and cannot control that part, but they can control what they do as far as savings and being prudent and fiscal with their dollars and being able to not pass that onto the taxpayers at the time it is ready to be spent. Mayor Countryman said they are sitting on a great balanced budget and are in a good place. Mayor Countryman said as she has said before, let us continue to set aside money because you never know if there is going to be something catastrophic happen, and at least there will be funds there to cover it. Mayor Countryman said they should have and they do have six and a half months of funds in the bank, but to her, that is not enough to feel comfortable. Mayor Countryman said things are going well and with the moving progress they are handling it very well in a fiscal, responsible way. Mayor Countryman said with all the growth coming she does not want the taxpayers to bear the brunt of all of that because of their irresponsibility.

Byron Sanford said he agrees 100 percent but wants to make sure they are not characterizing what they have done down the stretch as a misuse of funds at all. Byron Sanford said they do not want any semblance of extra money just being thrown away. Byron Sanford said that is why they want to hold \$0.4000 and be ahead of the game and not consider dropping it because then they have to come back and say something happened and then they have to go back up which was the rationale, therefore, holding the \$0.4000 nice and steady.

Mr. Tramm said he agrees that infrastructure is among one of the most valuable things they can do because they must provide for the growth that is coming before that growth gets here. Mr. Tramm said they have to have water and wastewater capacity in place before it gets here.

Julie Davis said she wants to make sure she is clear when she says infrastructure she is specifically talking about the huge capital improvement they are looking at regarding water and sewer and that is what they are going to have to do a bond over and not sidewalks. Mayor Countryman said she would not include sidewalks at all as that is the whole mobility study. Mayor Countryman said they are looking at getting grants for downtown which is altogether different. Mr. Tramm said they can characterize that as capital improvement plan infrastructure because capital improvement plan is targeted toward those items, not growth or sidewalks.

Byron Sanford said it is \$2.2 million which is 40 percent of the entire budget so it shows a strong giving there and granted some of that is repairs and updates and the public needs to know we are repairing and updating downtown and that is part of the budget as well. Byron Sanford says he thinks they are doing a wise and prudent thing.

Julie Davis moved to accept item #9 as presented with the understanding that any overage is specifically set aside for capital improvement infrastructure. Kevin Lacy seconded the motion, the motion carried unanimously. (4-0)

10. Consider, Adopt and Set by Ordinance the 2021 Ad Valorem Tax Rate for Debt Service, **\$.1412/\$100.**

Mr. Tramm said the Ad Valorem tax rate of \$.1412/\$100 valuation for Debt Service generates the revenue that is included in the draft budget from the City Council Budget Workshop.

Julie Davis asked if she was allowed to include the overages here also for capital improvement infrastructure or not because it is debt service. Mr. Alan Petrov, City Attorney said no because it is debt service.

Byron Sanford moved to adopt and set by Ordinance the 2021 Ad Valorem Tax Rate for Debt Service, \$.1412/\$100 as presented. Kevin Lacy seconded the motion.

Discussion: Julie Davis asked what happens to overages from debt services. Mr. Tramm said they remain in the debt service fund. Mr. Tramm said at the workshop they talked about how there was some surplus in the fund from previous contributions that helped keep that rate lower than it might be if it was paid fully out of ad valorem tax. Mr. Tramm said those funds for the previous year that were put there in service had to stay in that fund and could only be used in that fund. Julie Davis asked if that was in the breakdown that was sent to them. Julie Davis said the percentages are reversed from eminent for maintenance and operation. Mr. Tramm said this is to show the tax rate. Mr. Tramm said there was a question earlier in the day from Carol Langley and he wanted to make sure this information went to everyone. Mr. Tramm said it shows in 2011 to 2021 the breakdown between M&O and the debt service rate and then what the total rate was. Mr. Tramm said if you look at 2019 to 2020 there is a big difference which was, in part, because of the conservative planning for the pandemic year and there was a larger amount of that surplus because money had been put there but not spent on debt service for several years. Mr. Tramm said it could not be taken out of debt service to be used elsewhere. Mr. Tramm said it could mean less money went in for last year so the debt-money was able to be used that was in the debt service fund. Mr. Tramm said they did that with this budget that was presented but to a lesser degree because there is a much smaller surplus remaining. Mr. Tramm said he believes after this fiscal year there will be about a \$50,000 surplus remaining and that can be used again next year to defray that or it could be maintained in that fund as a buffer for future borrowing issues.

Julie Davis asked in 2011 when the percentages were almost reversed from what they are now was it just because they had a much larger debt. Julie Davis said she does not understand why the percentages were reversed. Mr. Tramm said that was based on what it took between a combination of property values and the tax rate to pay for the debt service that was owed. Mr.

Tramm said he cannot say off the top of his head what was owed 10 years ago and that was before the last debt issue. Mayor Countryman said they have paid off quite a bit of debt. Mr. Tramm said he can say partly because of what has been paid off since then and partly because of the refunding that City Council passed several months ago, they are in a much better position to look forward because while they still owe the same principal from the refunding, there is less interest owed for the future years. Mayor Countryman said almost \$750,000 was saved. Mr. Tramm said for this year less money had to go into debt service than normally would have if they did not do the refunding.

Julie Davis said she is concerned they are going to be left with a whole lot of surplus in debt service they cannot move or do anything with. Julie Davis asked if next year they can adjust the percentage down. Mr. Tramm said they readjust it every year. Mr. Tramm said since last year he and Anthony Lasky have had that discussion of monitoring it. Mr. Tramm said he thinks that is how part of that happened as he does not think it was being monitored every year and they just kept putting the same amount of money in and it built up. Mr. Tramm said they are redoing the calculations every year to make sure it is not getting more than it needs.

The motion carried unanimously. (4-0)

11. Consideration and possible action regarding adoption of the following Ordinance: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MONTGOMERY, TEXAS, SETTING THE AD VALOREM TAX RATE OF THE CITY OF MONTGOMERY, FOR THE YEAR 2021 AT A RATE OF \$0.4000 PER ONE HUNDRED DOLLARS (\$100) VALUATION ON ALL TAXABLE PROPERTY WITHIN THE CORPORATE LIMITS OF THE CITY OF MONTGOMERY AS OF JANUARY 1, 2021 SPECIFYING SEPARATE COMPONENTS OF SUCH RATE FOR OPERATIONS AND MAINTENANCE AND FOR DEBT SERVICE; LEVYING AN AD VALOREM TAX FOR THE YEAR 2021 PROVIDING FOR DUE AND DELINQUENT DATES TOGETHER WITH PENALTIES AND INTEREST; PROVIDING FOR COLLECTION AND ORDAINING OTHER RELATED MATTERS.

Mr. Tramm said the Ad Valorem Tax Rate for 2021 of \$0.4000 includes \$.2588 for Maintenance and Operations and \$.1412 for Debt Service. Mr. Tramm said it must be noted by

law that this rate exceeds the No-New-Revenue Tax Rate. Mr. Tramm said this item must be approved with a record vote with at least 60 percent of the City Council voting in favor of the adoption of the tax rate.

Byron Sanford moved that the property tax rate be increased by the adoption of a tax rate of \$0.4000/\$100, which is effectively a 11.51 percent increase in the tax rate. Kevin Lacy seconded the motion.

Mayor Countryman stated the rate includes .2588 for M&O and .1412 for debt service rate and this exceeds the no new revenue tax rate.

Mayor Countryman called for a record vote. Carol Langley, Aye, Kevin Lacy, Aye, Julie Davis, Aye, Byron Sanford, Aye.

The motion carried unanimously. (4-0)

12. Consideration and possible action regarding approval of Change Order No. 1 to the Water Plant No. 3 Improvements project.

Mr. Chris Roznovsky, City Engineer said this is solely for the material costs for the water ground storage tank for Water Plant No. 3. Mr. Roznovsky said the project was bid in August 2020 but due to the freeze and other factors causing material price increases, the approval of the change order will result in a \$23,895.23 in material cost increase which is a 2.4 percent increase in the total contract amount. Mr. Roznovsky said they confirmed there are no other items they are requesting material changes on. Mr. Roznovsky said they did note there were a couple of items that went up, but this is the only one they are requesting. Mr. Roznovsky said they did review from Jones | Carter the actual quote from the supplier showing the increase in material cost and offer no objection.

Mr. Roznovsky said additionally, the contractor has requested an additional 73 calendar days be added to the contract period for performance and revise the completion date to May 4, 2022, to which they have no objections.

Mr. Roznovsky said the critical items in this project were the ground source replacements. Mr. Roznovsky said water partakes offline so this schedule even with these days has it going from November 2021 through the end of January 2022. Mr. Roznovsky said the critical piece would be they would have less tank capacity in the winter.

Mayor Countryman asked if once they approve this is the pricing locked in. Mayor Countryman said her concern is she reviewed the steel prices and from 2020 to 2021 it increased by 31 percent. Mayor Countryman said if it is going to continue to rise in price she wants to make sure they will be able to lock in the price buying it now. Mr. Roznovsky said yes and they will issue the purchase order and that is the number that will be set.

Julie Davis moved to accept item #12 as presented. Kevin Lacy seconded the motion, the motion carried unanimously. (4-0)

13. Consideration and possible action regarding approval of Change Order No. 1 for the Downtown Waterline Replacement project.

Mr. Roznovsky said all of the additional revisions to this project are due to TxDOT comments that were received during construction regarding requirements, delays due to TxDOT permitting, and an additional waterline connection. Mr. Roznovsky said the way the waterline was installed was different than what TxDOT had originally said.

Mr. Roznovsky said the total amount of this Change Order is \$18,595.30 which is a 2.03 percent increase. Mr. Roznovsky said an additional 50 calendar days was requested to be added to the contract period of performance due to delays caused by TxDOT and inclement weather. Mr. Roznovsky said they reviewed all the days requested and felt the additional 50 calendar days were reasonable.

Mayor Countryman asked when TxDOT changes their minds should they contribute financially. Mr. Roznovsky said he cannot say they changed their mind. Mr. Roznovsky said the main thing is it is a slow process and the main difference was the FM 149 waterline needed another foot lower which was made in a comment during the reviews. Mr. Roznovsky said TxDOT is not obligated to contribute financially.

Julie Davis asked if City Council decided to turn this down what would the consequence be. Mr. Roznovsky said the contractor would come back and discuss with City Council and if there would be a lawsuit to make a claim for additional costs.

Mayor Countryman said the contractor has been extremely professional, expedient, and they have been good, which is nothing like what they had before. Mr. Roznovsky said the contractor should resume work this Thursday evening to wrap up the last couple of days' work. Julie Davis asked what is the projected completion date. Mr. Roznovsky said based on the contractor's schedule he believes within the next 60 days.

Byron Sanford asked if this is directly related to the water pressure problem on the west side. Mr. Roznovsky said yes. Mr. Roznovsky said there is a 12-inch waterline until you come to Jim's Hardware and then everything goes to the 6-inch waterline from Jim's to City Hall. Mr. Roznovsky said this will make it a 12-inch line all the way to Water Plant No. 3 and takes the constriction out.

Byron Sanford asked if they approve this will it take roughly two months to get the water pressure 100 percent restored. Mr. Roznovsky said it will be online after they complete these connections over the next couple of nights.

Julie Davis said it was to be completed mid-August which has already passed and asked if we are projecting them coming back now requesting another 60 days. Mr. Roznovsky said they will not.

Byron Sanford moved to approve item #13 as presented. Kevin Lacy seconded the motion, the motion carried unanimously. (4-0)

14. Consideration and possible action regarding adoption of the following Ordinance: AN ORDINANCE BY THE CITY OF MONTGOMERY, TEXAS ("CITY") DENYING THE DISTRIBUTION COST RECOVERY FACTOR RATE INCREASE REQUEST OF ENTERGY TEXAS, INC. FILED ON OR ABOUT AUGUST 31, 2021; SETTING JUST AND REASONABLE RATES FOR ENTERGY TEXAS, INC. FOR SERVICE WITHIN THE

MUNICIPAL LIMITS; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS.

Mr. Tramm said Entergy recently filed to increase its Distribution Cost Recovery Factor (DCRF) from \$26.3 million to \$40.2 million across the State. Mr. Tramm said costs would rise approximately 52 percent for residential customers for this category of this increase, as it has been requested.

Mr. Tramm said the Lawton Law Firm, P.C. regularly monitors these rate cases and represents the interests of cities to have this item reviewed and possible action taken by the Public Utilities Commission. Mr. Tramm said similar action in previous cases has resulted in such approval being provided by the PUC at a lower level than was originally requested by Entergy.

Julie Davis asked who votes to approve that much of a rate increase. Mayor Countryman also asked if they need to discuss the lack of service.

Byron Sanford said he has been working with a customer downtown who was highly disenchanted with her bill in February and there were many opportunities for her to reconcile and talk with people personally there and still, there was no resolution made as of last week.

Mayor Countryman said the Entergy representatives are good. Mayor Countryman said she meant as a whole during the snow event as it took a while to find out why they were having issues. Mayor Countryman said they found them and she did not get any calls from any businesses to worry about the tropical storm coming through.

Julie Davis moved to accept Agenda Item #14 with the Ordinance as follows denying increased costs. Carol Langley seconded the motion.

Discussion: Kevin Lacy asked what happens when the City does not accept Entergy's increase. Mr. Alan Petrov, City Attorney said they contact the PUC and then the PUC holds a rate case for all of the jurisdictions. Mr. Petrov said the City of Montgomery is part of a group that participates in that.

Mayor Countryman said it is similar to what LCD did with the gas prices and the City denied it which is all part of the process.

The motion carried unanimously. (4-0)

15. Consideration and possible action regarding the relocation of a Kohler 60kw generator to Lift Station 6.

Mr. Muckleroy, Director of Public Works said the Chick-Fil-A location is where they moved Lift Station 1; they stored that generator with the intent of placing it at a key location in the future. Mr. Muckleroy said they determined Lift Station 6 which sets at the high school stadium is the best location because it catches all of Hills of Town Creek, the apartments, and the stadium, and from that point on it is every lift station that it travels to is already covered by generator power. Mr. Muckleroy said the only question on this is the automatic transfer switch. Mr. Muckleroy said they do not know but the electrician is telling them there is a probability it may not be good from sitting around and he just wants to be prepared for it. Mr. Muckleroy said they are not going to come and test for it until they approve them to do the work. Mr. Muckleroy said once they install it they will test it and if it is not good they will order a new one.

Mayor Countryman said she appreciates Mr. Muckleroy being upfront and compiling all the information and the expectations being understood.

Carol Langley asked how old the generator is. Mr. Muckleroy said it is the 2011 model and is big enough to serve that little station.

Mayor Countryman asked what the life cycle is and if it is on the last three years or 30 years. Mr. Muckleroy said he believes 20 years and a new generator is \$60,000 to \$65,000 to have a new one installed for diesel. Mr. Muckleroy said if they were going to purchase a new one it would be natural gas which is more expensive. Mr. Muckleroy said they are getting significant savings just by relocating this.

Julie Davis said she thinks it would be better served to take this gently-used 10-year old generator and put it at the Community Center and purchase a new generator for the Lift Station.

Julie Davis said she only says that based upon the fact that it is already 10 years old and if the life cycle is 20 years then they are paying this amount of money for 10 years.

Mayor Countryman asked if they would need that kind of wattage for the Community Center. Mr. Muckleroy said it would be a little more powerful than needed. Mr. Muckleroy said this is a diesel generator too and that is a big difference.

Byron Sanford said the other generator was between \$20,000 and \$25,000. Mayor Countryman said it was \$25,000.

Julie Davis said she was shocked that they were storing a generator when they had just asked for a generator in the budget.

Carol Langley move to approve the relocation of a Kohler 60kw generator to Lift Station 6 as presented. Kevin Lacy seconded the motion, the motion carried with 1-Nay vote by Julie Davis (3-1)

16. Consideration and possible action regarding the replacement of 522 meter endpoints through Beacon's upgrade program.

Mr. Muckleroy said this was brought to their attention two months ago by Accurate Meter. Mr. Muckleroy said the older technology on these endpoints, the way they read the cell phone tower is going offline sooner than expected. Mr. Muckleroy said they did not plan for it, it just happened. Mr. Muckleroy said Badger will charge the City \$50.00 each as opposed to what is currently paid \$135.00 each, which is already a discounted price. Mr. Muckleroy said they are within the six to 10-year period on age for these which falls into the 50 percent reimbursement category. Mr. Muckleroy said if they stopped working they would have to pay 50 percent of that today which is closer to \$75.00.

Mr. Muckleroy said he would like to do this all in one step and get it done as there are 522 left in the system that will not read past January 31, 2023. Mr. Muckleroy said it is something they can do on their own, it just takes a little bit of time, but they can get them all in together and put in 20-30 minutes a day and have everyone's meters reading correctly.

Julie Davis asked if this was in the budget for this year. Mr. Muckleroy said no. Julie Davis asked why it was not put in the budget. Mr. Muckleroy said they did not know about it.

Mr. Muckleroy said they have some extra money for that line item that this would normally come out of so that is why he is hoping to go ahead and get this taken care of now. Mr. Muckleroy said they will either have to do it all now or part now and part next budget year.

Mayor Countryman asked what the life cycles are for these meters and how long do they last. Mayor Countryman said these were just put in three or four years ago. Mr. Muckleroy said this is not the entire meter as it is essentially just the antennae that does the communicating that stores the information and relays the information through the cell phone towers. Mayor Countryman said at the speed of technology these are 3G and we are now at 5G. Mayor Countryman said we will probably be at 7G in 18-24 months and then are we going to have to upgrade again. Mr. Muckleroy said according to Badger they are making sure that everything that goes in now is forward and backward compatible so this does not happen again.

Mayor Countryman asked if there is any chance they want to split the cost with us. Mr. Muckleroy said they are giving it to us at cost.

Julie Davis said the timeline states by 2040 they will be at 5G technology.

Byron Sanford said the concern is any time you get a cheaper deal the concern is if it is the best deal overall.

Mayor Countryman asked if they are refurbished. Mr. Muckleroy said no, they are brand new and what is called the LDE technology. Mr. Muckleroy said they do tend to communicate better than the older ones and store the data every 15 minutes instead of every hour and give more of a detailed breakdown of the water usage. Mayor Countryman asked if ION Water connects with this. Mr. Muckleroy said yes.

Mayor Countryman asked how many endpoints there are in the City. Julie Davis said 522. Mayor Countryman said no this is only partial; this is not all of them. Mr. Muckleroy said they

are roughly at 1,050 endpoints. Julie Davis asked if the rest of the endpoints are already upgraded. Mr. Muckleroy said yes. Mr. Muckleroy said all of these are from the original install they did six years ago. Mr. Muckleroy said they switched around four years ago when they started introducing the LDE's.

Kevin Lacy moved to approve Agenda item #16 as presented. Byron Sanford seconded the motion, the motion carried unanimously. (4-0)

EXECUTIVE SESSION:

The City Council reserves the right to discuss any of the items listed specifically under this heading or for any items listed above in executive closed session as permitted by law including if they meet the qualifications in Sections 551.071(consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Government Code of the State of Texas.

Mayor Countryman stated there were no executive matters at this time.

POSSIBLE ACTION FROM EXECUTIVE SESSION:

There was no action taken.

COUNCIL INQUIRY:

Pursuant to Texas Government Code Sect. 551.042 the Mayor and Council Members may inquire about a subject not specifically listed on this Agenda. Responses are limited to recitation of existing policy or a statement of specific factual information given in response to the inquiry. Any deliberation or decision shall be limited to a proposal to place on the agenda of a future meeting.

Julie Davis asked if they are starting the turn lane at FM 149. Mr. Roznovsky said they will follow up with TxDOT.

Byron Sanford said he had a good meeting with Ms. Amy Vance with the School District. Byron Sanford said a few days ago they went to Bryan Vocational Trade School and got some really good ideas to initiate some talks in that direction. Byron Sanford said they were supposed to have a meeting today with himself, Mr. Jeff Angelo, and serve with thirty-some people and will be looking at a facility

and how to design a facility. Byron Sanford said Bryan's facility is good but this one is going to be far better. Byron Sanford said there is a vision from the school district for this and he is very supportive of vocational trades. Byron Sanford said this will be very exciting going forward.

Mayor Countryman said she noticed at the Community Center there are some loose and broken tiles as soon as you walk in on the left-hand side that Mr. Muckleroy will need to take a look at.

Byron Sanford said that a citizen spoke to him about getting the toilets upgraded at the Community Center and asked if they were cheap. Mike Muckleroy said that they are normal toilets.

ADJOURNMENT

Julie Davis moved to adjourn the meeting at 7:15 p.m. Kevin Lacy seconded the motion, the motion carried unanimously. (4-0)

Submitted by:  Date Approved: _____
Susan Hensley, City Secretary

Mayor Sara Countryman