

**City Council Capital Improvement Plan Workshop**

**MINUTES**

**July 09, 2024 at 6:30 PM**

**CALL TO ORDER:**

Mayor Pro Tem Olson called the meeting to order at 6:40 p.m.

Present: Casey Olson Mayor Pro Tem  
Carol Langley City Council Place #1  
Cheryl Fox City Council Place #4  
Stan Donaldson City Council Place #5

Also Present: Gary Palmer City Administrator  
Dave McCorquodale Director of Planning & Development  
Maryann Carl Finance Director  
James Greene City Secretary  
Mike Muckleroy Director of Public Works  
Chris Roznovsky WGA Consulting Engineers

**WORKSHOP AGENDA:**

1. Discussion on current and future capital projects, upcoming capital priorities, and funding alternatives.

Roznovsky: So what you have in front of you is a little different than what was sent out last week. I was reviewing the documents this afternoon and made some tweaks. Just to clarify some things that I wanted to clean up. Let's work off the papers in front of you and what is on the screen. Walking you through the documents in your hand, the first three pages, page one is FY 2025, on the list, priorities development by project. Second page is a look ahead for the next five years. Next page is the sheet you've seen before your CO fund summary, because those are still all outstanding, and all the sheets behind it are supporting exhibits to get more detail on some of the projects all of which you pretty well know. So, we are going to spend most of the time focusing on the first two sheets. Talking with staff, the goal of tonight is first and foremost to get the list. What projects are on the list, what projects need to be off the list, and get that tightened down and then we'll go through and take out, there is a good chance that some of these will be this Fiscal Year, some of those funds will be this Fiscal Year but they will still be line items because they are probably going to carry over to the next. Starting on that first sheet and priority one. So, these are kind of the, you gotta do projects. So, what you see here you need to have contracts for or they are in the works. So, waterfront number two improvements, we've talked about that project at length. The sewer replacement project on 1097. We are ready to go get that project, still waiting on an easement. Property owner has gotten silent on me, so we are going a different route. Different property owner only shifts it ten feet, so we are still trying. Water plant four and town creek design and getting those plans together. And then your, the MISD project. The east Lonestar parkway water line extension. When you are looking at this sheet, you will see the project construction cost, total project cost, city and developer portions, and then impact fee project that you could use. This is saying what portion is impact fee eligible. Then off to the far side you will see your impact fee balance. Your current balance, your projected balance, with some assumed additional deposits, and then if you use that whole amount how much you would have left. So, the version that we sent out there was a wrong cell, so it showed a negative. It's not a negative, it is a positive. So, definitely

wanted to get you the correct version of that. So, what we recommend adding to that priority one list is the step one to the tri point agreement. So that moves up and they have line items. Again, I think we can have that discussion of that timing, if it pushes fiscal year since it's so close, but at least having those line items there and your priority ones. Priority two projects are your suggested projects. So, these are suggestions/pretty much recommended that we do. Your college street drainage improvements. That has been an issue for the city for many years and has always been the project on the list that gets pushed due to budget. I think it is now at a point where we are running out of time to push it. The booster pump three addition that we have talked about in previous feasibility studies which is adding another booster pump at water plant three. I added a line item for concrete drainage improvements. It is just a place holder because I know we have been discussing the town creek hydrology issues and wanted to discuss with y'all if there is any first steps. I know that obviously that the city is not wanting to bear the burden of that, most of that cost, but is there any first steps you want to look at on what protecting what you can add and what you can't. And then City-wide drainage assessment. This was again, kind of in relation to some of the discussions recently about ditches. This isn't a drainage study; this is a placeholder. Let's do an evaluation of all the ditches and put together a package either between staff or contract labor or bid out project to do regrading projects, ditch rehabs, more roadside ditch, not town channels and streams, this is roadside ditch work that we are talking about. So, these are your priority twos. Priority threes. These are recommended projects. Doesn't necessarily change capacity, but these are things that have been on the list but have been continually pushed because other things have come up. The bleach conversion projects and the lift station number three, the lift station across from the bus barn. So, I mentioned a couple minutes of your top two bad lift stations its five and three. So, five we now have a plan for with the developer. Three I still think there has been a lot of interest in the neighboring property surrounding the school, so I think there is another potential opportunity there for another partnership. Again, I think it's working. It's not, you know, yes there is a lot of callouts on it, but it's one of those that I think there has been so much interest in that property.

Mayor Pro Tem Olson: Um, so the question is, this is for Mike. Mike, based on the fact that there is a bunch of call outs, and I guess Chris also, is there any risk of total failure if we don't?

Muckleroy: No, I don't think there is risk of total failure. It's old. It's an old lift station and it needs...

Mayor Pro Tem Olson: Is it old enough that it is going to do more damage that its going to cost us more if it all of a sudden tomorrow craps out?

Muckleroy: That's a gamble, I mean, that's hard to answer.

Roznovsky: That's always the risk, I mean, if you don't do anything to it there could be failure. We could do everything to it and we get something in the line and we could lose a pump that way too. So, it's not, you know, to Mike's point, its old. It needs work. It's as old as the bus barn, the elementary.

Muckleroy: Well older.

Mayor Pro Tem Olson: My question really lies in, that it's a maintenance risk cost and the fact that, if we don't do it and we just choose to run to failure will it cost us more in the long run or is it worth it to do earlier.

Roznovsky: So, trying to answer as cleanly as possible. What this project is including is an improvements project of the existing station. So, this was piping work, pump work, electric work. Coating the wet well and providing some additional protection packages, etc. Running to failure, if you have a hole in the wet well, there is infiltration or something like that, that can be patched. I think that your big failure points are obviously your pumps which, you know, you put in a new pump, an old pump, you get the wrong batch. If this became a project that a developer would take on, when they develop the track, we would recommend very similar to lift station five. Probably relocate off of the frontage, get better access because right now they are backing in and out of 149 and it is a very tight site. It would have to be made deeper. So, a replacement project versus improvements. So, running to failure, yes there is always a risk. I think your biggest risks are you are going to go out, your pumps are going to go out, so you have pump replacement costs, and this is the biggest lift station. Or you have internal electrical issue replacement, we are not talking, this is a simple lift station there is not a lot.

Mayor Pro Tem Olson: So, the risk is the same whether you leave it or whatever. That is what I am getting at. It's not like maintenance we have to do or we risk costing us more, it just needs work, replacement at some point.

Roznovsky: Correct.

CM Donaldson: How did that sink hole thing develop? I don't understand.

Mayor Pro Tem Olson: That was under 149.

Roznovsky: No, that was TxDOT's culverts.

CM Donaldson: So, they had to fix that.

Muckleroy: Yeah, but completely unrelated to the lift station.

Roznovsky: So that's your priority three projects. We will go back and talk about these projects in about as much detail as you want. Especially some of the issues with the college street drainage project. And your bottom ones are really your developer funded projects that are happening. So, its running through all these projects are running through the city but are funded by the developer. One thing I want to point out because I've fought with Katherine over how we show this. Buffalo Springs roadway shows the city portion as zero. I put it as zero because we refunded them out of sales tax and that as a reimbursement, not out of Capital Funds. I just want to reiterate that you do have a cost in that project, but it is coming out of a different fund.

Mayor Pro Tem Olson: It is opportunity cost. It's not real cash up front.

Roznovsky: Correct. And then your Red Bird projects. Your lift station five that we just talked about. That million dollars and the city portion based on this will go down to 210. And then those other ones, the very bottom one, the morning five investments, the Marjorie Cox Stowe Tract right here along the railroad tracks. We kind of both these projects were running at the same time.

Mayor Pro Tem Olson: We approved that?

Roznovsky: You haven't approved it yet, but it's the most pending one, I would say. You have another lift station ten improvements that fully funded by Taylor Morrison and that agreement hasn't been finalized yet.

Mayor Pro Tem Olson: So just to go back to Tri Point. It's actually 210 right? Not 85 city cost?

Roznovsky: So there is two lines. Three lines really for Tri Point. The first one on there is lift station five, follow that over to 1 million 54. That's going to be the 210. That's the annual. The one below that, the west Lonestar parkway waterline loop. You have the zero for the city and 404 for the developer. You would give an impact fee credit on that, but again it is kind of opportunity cost. And that is assumed on the next sheet. You have additional impact fees coming in each year. We assumed that credit coming out and the Red Bird credit, any of the credits that have been approved or really discussed have been put along with that sheet. And then that last line, the Tri Point water line upsizing, the 85 thousand is the upsizing of the line from Lonestar parkway to 105.

Mayor Pro Tem Olson: That's a one-time cost correct?

Roznovsky: Correct. That million 54 is your five-year cost.

Mayor Pro Tem Olson: Five-year cost, ok.

Roznovsky: So, before I go back into the details of the projects up above, is there any questions on the layout or kind of what's on here? And then we'll go back through the details and if it's ok with you, go through the details and then is there anything else you want to see on this list.

Mayor Pro Tem Olson: So, can you explain the little grey boxes on the side.

Roznovsky: Yes. So, your priority level, those are your total costs in the different priority levels. Priority one, that same cost is under total cost 4.093 is carried over to this box. The one below, so that one is re-summarizing what's in the big sheet. The one below your impact fee balance. That says your balance as of June the fifth, its 726, I can't remember if that was before or after the Montgomery bend deposit, but we can clarify that. We have projected balance with additional deposits within the next Fiscal year which will bring us about 2.6 million roughly. And then if you use that column that says impact fee eligible projects, the total is 1.9, that will leave you 7.88 impact fee. So, on impact fees since we are on that topic, if you go to your next sheet.

Mayor Pro Tem Olson: Before we go to the next sheet, if we use the projected impact or amount eligible for impact funding, the city portion column, just working off the bottom line here, is that after the impact fee? The six million?

Roznovsky: No, that is the total cost of the projects including the million dollars for lift station five that is 210. That has nothing to do with taking away impact fee credit.

Mayor Pro Tem Olson: So, the 6.1 would actually come down to 5.4 roughly? Actually 5.34?

Roznovsky: So, if you change your million to 210, so 5.3. With everything on the list, 5.3, again, assuming total funds. Not where the money is coming from.

Mayor Pro Tem Olson: Just total funds, 5.3, and then we would still have the 2 million impact funds, well 1.9 that we can take out of there.

Roznovsky: Correct.

Mayor Pro Tem Olson: Basically, what you are saying is that would leave us with 3.3 million that we would need to come up with?

Roznovsky: Correct. Don't forget you have your CO's that are covering, so, the big line items on here. So, your water plant two improvements and the design of the two plants for CO projects.

Mayor Pro Tem Olson: So, let me circle back. So, 3.3 million to do everything on here if we use the impact fees. Next question is for Maryann. Our grant, our loan that we got for that well project and some capital stuff was 3.5 or 3 flat?

Carl: 3.5.

Mayor Pro Tem Olson: 3.5. So, we could actually cover everything on this page with that loan? Because it is all infrastructure upgrades.

Roznovsky: No, so there is additional projects. So, if you go to sheet three, you'll see that breakdown, the CO. So, what's not included on this sheet because we are assuming that they be done by the end of the fiscal year are the two sewer rehab projects which come out of that.

Mayor Pro Tem Olson: Which comes out of the 3.5?

Roznovsky: Yes sir.

Mayor Pro Tem Olson: So where, sewer rehab, which...

Roznovsky: Those 2023 sewer rehab phase one and phase two are projected to be done by the end of this fiscal year rather than carry over.

Mayor Pro Tem Olson: So, we are basically taking one million out? Yeah, a little over 1 point and some change.

McCorquodale: Are we taking all the funding out of the CO's for these projects?

Roznovsky: Yes, we will use up all of the funding on these projects. So, you're assuming that you are not, once you use up, so if you look on sheet three...

Mayor Pro Tem Olson: So basically, we need to come up with 900 grand?

CM Donaldson: Yeah, that money's spent.

Mayor Pro Tem Olson: I'm looking at it. Because you are using it twice, right? So that's what I'm saying. So, this 2.6, if we use these totals, we can't use it twice. So, if we take out this stuff that's not on this list and subtract it from the bottom then we can figure out what we need to...

Roznovsky: Correct. So, if you go back to your first sheet and you want that same number on your water plant improvements you put 315 of what would not be covered by the CO funds. And that would be in everything else, so if you plugged in...You would be looking at a bottom number of

2.9. You used up all your CO funds, you would look at a bottom number of all the projects that are on the first list of 2.9 million. And then the 1.3 of that from your impact fees. So, 1.6.

McCorquodale: That's what we're short?

Roznovsky: Correct. If you did everything on that list.

Mayor Pro Tem Olson: So, what we need to do is figure out if we borrow 1.6 or figure out what we don't want to do.

Roznovsky: And so, we're...

McCorquodale: There is a small amount of ARPA funds that...

Mayor Pro Tem Olson: I thought we already spent that.

Roznovsky: So, ARPA is 300 grand, ish.

Carl: It's about 350.

Mayor Pro Tem Olson: Let's say we use it, that would bring us down...

Carl: ARPA is a little hard to spend is the only thing I want to be a little cautious on because of the big government funds, there are some pretty strict rules in procurement and so forth in doing this. So, it's not that we can't, we just need to be aware of the fact.

Mayor Pro Tem Olson: So, can we use ARPA funds for administrative costs? Drainage assessments, engineer costs...

Roznovsky: My understanding is that it was for water and sewer related structure related.

Carl: Its pretty broad. It is easy to do water and sewer infrastructure costs versus the administration side of it. Even the, one of the conversations that we had was the bleach conversion. That would be a pretty cut and dry, relatively solid, singular project. That could use up those funds.

McCorquodale: You gotta take just a few different steps if you know you are going to use those funds when you are starting the project, it's easier to comply. But if you try to spend it on something that is already going on it's harder. You're trying to go back and check boxes that you might not have met, the Federal Government is going to have your funds.

Mayor Pro Tem Olson: What about the lift station that we're talking about here? If we push that off, wait for a third party to help us pay for it, we could subtract that right? The 162 5. If we use the ARPA funds which you said was what, 350?

Carl: 350.

Mayor Pro Tem Olson: Bleach conversion you said would be relatively easy to do with, right?

Carl: I believe so. It definitely meets the criteria, it's just a matter of...

Roznovsky: It's got to be a singular project.

CM Donaldson: You already know my stance on bleach conversion, I don't want to leave it off.

Mayor Pro Tem Olson: So, if we use ARPA to pay for it...

CM Langley: Why are we changing what we have now to the bleach?

Muckleroy: Because safety.

CM Langley: That's right, safety only. There is nothing wrong with my water, there is nothing wrong with it now, so...

Muckleroy: That's the reason it gets kicked every year because it's not a have to.

CM Donaldson: I know it's a want, but still, I consider it...

CM Langley: But you have funds that you already borrowed, so that's what you are wanting to spend those funds on, then I guess, spend it on that.

Mayor Pro Tem Olson: So as far as projects, we don't have any street stuff on here.

Roznovsky: Not on this list. Your next sheet it does, but we don't have any, it was, again with the other than college street...

CM Langley: You've got a street on there.

Mayor Pro Tem Olson: Which Street is yours with the hole in the bridge? Is that the hole in the bridge?

CM Langley: MmHm.

Mayor Pro Tem Olson: Well, let's leave that on there so we can fix the hole in the bridge.

Muckleroy: Its street, but really it's considered a drainage project.

CM Langley: But I can't get out if it fails, so.

Roznovsky: To finish...

Mayor Pro Tem Olson: One more question for Mike, when it comes to streets before we move past that. I know last year we kind of, the budget was, we moved it around or whatever, and you want to put it back in your budget? And its, what did you have, 400?

Muckleroy: I think we put 250 in for this year.

Mayor Pro Tem Olson: What can you do with 250 grand?

Muckleroy: It depends on what method we go with. I'm going to be honest here guys. Our money is going to go further if we can utilize precinct 1 and the interlocal agreement that we have. We gotta quit throwing rocks at the man or he is not going to want to help us.

Mayor Pro Tem Olson: Oh, I told her...

Muckleroy: That's what it boils down to. We spent roughly 90 grand two years ago with a contractor to do some patchwork on buffalo springs. That money would have gone a whole lot further with precinct 1 doing it, but he is just tired of having rocks thrown at him.

CM Langley: Well, why doesn't he come over here?

Muckleroy: I can't answer that.

CM Langley: Ok well, maybe you ought to ask him.

Mayor Pro Tem Olson: He doesn't give us a lot of his time, even if we did go kiss his ass, he is still not going to give us a lot of time...

Muckleroy: The thing to remember about the interlocal agreements is he is not mandated to do it. Its a request, we ask him. I don't know if you remember, but several years ago, four to five years ago, I came to y'all with a resolution to get College and Caroline done and it was right after he took over. The resolution was sent to him he sent somebody out, but he never got around to doing it. I quit pushing on it. That's what it boils down to. We have to ask nicely and cross our fingers, but the money sure goes a lot further if we can utilize them. They do good work. The interlocal says that they charge us for labor and materials, but they have yet to charge us for labor. They only charge us for materials, so it does go significantly further.

CM Donaldson: We need to do some patchwork in a lot of areas so that's a good start.

Muckleroy: Yes, we do. We've got a couple that truly are more of a capital level like buffalo springs. It's transitioned more to a capital level project and not just something that we can have a contractor come out and do a little.

Mayor Pro Tem Olson: The rest of it you mean? Right?

Roznovsky: Correct. On the next sheet, and I don't want to move you there yet, we have concrete from Home Depot to Lonestar parkway, then Lonestar parkway to 1097.

Mayor Pro Tem Olson: I'm kind of, honestly, the stuff that's from where we are ending to Lonestar parkway, I'm really hoping that someone else comes along and wants to build out there and we can make a deal.

Roznovsky: That will be a good opportunity.

Mayor Pro Tem Olson: So, we know Carol's opinion on the bleach conversion. Cheryl, what's your opinion on the bleach conversion.

CM Fox: I'm sorry?



Mayor Pro Tem Olson: What's your opinion on the bleach conversion?

CM Donaldson: Well, let's just, let our pumps go out.

Mayor Pro Tem Olson: It has nothing to do with the pumps going out, it's all about the safety of the men refilling the chlorine. That's what it's all about. Safety is a big deal.

Muckleroy: Well, it's the residents also. If you have a 110-pound cylinder that busts the top off of it, it's dangerous. Chlorine gas travels. That's the reason that you have a windsock on the top of the GST so you know which direction to run when the chlorine goes south. Bleach is not the same thing. You spill 1,000 gallons of bleach on the ground, it's a cleanup effort, but you are not endangering the residents. Chlorine gas kills.

CM Fox: Those are a long way from my house, but either way. I don't think we should but on the other hand I don't know.

CM Donaldson: Well, it's just...

Mayor Pro Tem Olson: I know Stan, your opinion. You want them. Its ok. I need Cheryl's.

CM Fox: I really believe that it's something like, like Mike said for you know, for safety's sake it's something we should do. But if it's not in the budget, I'm not sure where we are going with it. I mean something has got to get cut, or something has to happen.

Mayor Pro Tem Olson: It's a matter of we cut it down...

CM Fox: It's not like we have to decide between a Ford and a Cadillac. It's a safety issue.

Mayor Pro Tem Olson: I agree with that. My point of bringing it up, making a big deal about it, ARPA's been sitting there, and we have been waiting for a project to spend it on, if this is something that we can get it done and get it over with ARPA so where not sitting...

Roznovsky: It's an easy one to package up and use all the money because we are bidding one out as we speak that is very similar. It's a single plant, not two, so it could bring that cost...

Mayor Pro Tem Olson: And it would be less?

Roznovsky: To bid it as 2?

Mayor Pro Tem Olson: Oh, single plant versus two.

Roznovsky: The total project cost is going to be less, but the individual plant site will be, cause it's a standalone versus because we package these up as two. My point where I'm going is, we will have a very similar project conversion putting into a new building that we are bidding.

Mayor Pro Tem Olson: For somewhere else.

Roznovsky: For somewhere else. For a good comparison sake for the number when we get to the budget.

CM Langley: So, you don't know that this money can be spent on this?

Roznovsky: ARPA funds? Yes, they can be spent on this.

CM Langley: You are positive?

Roznovsky: Yes.

CM Fox: Casey, what you're saying though is the bleach conversion is like ripping the band-aid off. Just get it done and then you don't have to worry about it anymore.

Mayor Pro Tem Olson: Exactly. And these ARPA funds are sitting there and running out of time, and this is an easy one to spend it on. Done deal. And everybody's happy.

CM Donaldson: And really the cost based on, this is the bleach thing from 2021, and the cost is about the same, it hasn't gone up. That's pretty strange considering all the other costs we've had.

CM Langley: Well, I don't want to use any more money, so if the funds that you're talking about are not available, then I am not for that project.

Roznovsky: Based on these preliminary numbers, you would be at 440 so you are looking at 90 thousand additional.

Mayor Pro Tem Olson: But if we use up 100% of ARPA we would get every penny.

Carl: Correct.

Mayor Pro Tem Olson: I don't see any issue with it. You will have a better estimate of what the actual cost will be?

Roznovsky: I think it's on the 30th? 23rd or 30th? So, like on your first August meeting and before we finalize the budget.

CM Langley: What did we actually get those funds to be spent for? How did we get them?

Carl: ARPA funds were a distribution from the Federal Government based on COVID and population. That earmarked how much you got, and the city received those funds in 21 - 22. And there is a slew of things that are eligible for those projects. At the time that the money came forth, it was um, there was kind of like this broad category that you could use to help with the spread of COVID. So, you could use it for partitions in your office, glass in your front windows. Today, that may be a little more difficult to use it. So, keeping in mind the very big category was water and sewer improvements. Specifically, like treating water, making sure the water your citizens have was safe. So, like limiting that exposure. So, this is still a type of project that is absolutely covered.

Mayor Pro Tem Olson: And I know chief has been trying to spend them since we got them. It happens every year he is trying to spend it on something. So, if we could just get it gone that would be good. So that brings us to 1.1.

Palmer: So, the bleach conversion is a priority?

Mayor Pro Tem Olson: Well, we will leave it where it is as three. Because right now nothing has come off the list except for lift station 3 because we are going to hold off and cross our fingers and hope that somebody comes along to help us. Everything else is still on the list to do, which, if my math isn't terrible, we are at 1.1 million that we got to come up with to do everything, which isn't terrible. Bake sale, car wash, right?

CM Langley: It'll be alright.

Roznovsky: So, the two that we haven't discussed is the booster pump addition which that was relatively straight forward. The design was put together with your water plant three improvements, we just have to get their authorization to cut it out and use it, which should be easy enough. And the town creek drainage improvements is T.B.D. So, obviously we've been talking about this a lot, do you want to, you know, where I would, if you want to look at anything on here is where are the next failure points. So, really that's our true roads our utilities, which is Plez Morgan. That's kind of the next street that working up to, currently, the least amount of erosion. I went out to Atkins creek today. Poulty has been doing all the ditch work. I can show you all the pictures. It has held up well through the storm over the weekend. So hopefully that will stabilize. We had a good call with TxDOT a couple weeks ago on the 1097 locations, so they are looking into, I think it was last Thursday. So, you know, again, we can put together preliminary numbers if you want to at least include a line item on here, for, we can leave it as miscellaneous drainage improvements. Or that can go in the public works fund, somewhere else. But I think that protecting especially near to Plez Morgan, which is...

Mayor Pro Tem Olson: What area of Plez Morgan are we concerned with? Just where it crosses underneath it?

Roznovsky: Correct. Protecting the downstream side of that crossing to protect the road.

CM Fox: Are we having problems with all of Plez Morgan?

Roznovsky: Yes. It has made it up to that point.

CM Donaldson: It's terrible.

Mayor Pro Tem Olson: And who owns that property right there?

Roznovsky: Phillip.

Mayor Pro Tem Olson: So, if his property erodes underneath, why would we be liable for it.

Roznovsky: I think that's the argument on all of these. The cause has not been the city, but having to fix it has been. So, the ideal is that it is all taken care of, not by the city that didn't cause it. But from a budgetary standpoint trying to protect ourselves, all of this would be in the right of way.

Mayor Pro Tem Olson: What would we need to, and I guess it would just take an assessment to figure out what the best...

Roznovsky: It would take an assessment. We would go back to Guage and MATZ who did the analysis and just have his recommendations since he did the mapping. Right now, we don't have to rebuild, but it would be stabilizing the culverts, there has been some erosion right around the

end of those culverts, between them. Stabilizing and filling that in and then protecting it before it gets to the road. All the rest are either a TxDOT or county problem. All the utilities have been moved at this point.

Mayor Pro Tem Olson: And after all these last floods and rain we've had for the last two months, what's that done to it?

Roznovsky: It's only gotten worse.

Mayor Pro Tem Olson: Well obviously.

Roznovsky: Its continually progressed its way.

Mayor Pro Tem Olson: Right, but I'm talking about our section. What has happened to our section?

Roznovsky: It is eroding.

Mayor Pro Tem Olson: I know his is a mess, right?

Roznovsky: Right. It has made its way very near the road.

Mayor Pro Tem Olson: I'm just trying to put a timeline on how soon we have to do that.

Muckleroy: Now.

Mayor Prot Tem Olson: Now?

Muckleroy: Yes.

CM Donaldson: That's what this money is for, right?

Mayor Pro Tem Olson: There is no money on it, that's why I don't know.

Roznovsky: Yeah, it's a blank. It was, you know, the way that, in the past, it's been, when the repair comes, handled pretty much by Public Works, however, I think that being prudent on these items, and...

Mayor Pro Tem Olson: I mean, because it's such a high priority and it's something we have to do now, and basically anything underneath it is null and void until we know what it costs.

Roznovsky: Yeah. And we'll put together an estimate. Right now, we are not talking a huge project because of all the tributaries in town creek, this one is the smallest and it is still in bad shape. So, you know, it's only going to get more expensive but it's cheaper now...

Mayor Pro Tem Olson: So, do it now, ok.

Roznovsky: So, we'll get with Public Works, go through some options.

Mayor Pro Tem Olson: That's the thing, I don't want to have to fix it again.

Muckleroy: The deal with this one too is that it is our road to deal with. We can't just tell TxDOT, hey, you need to fix it.

Mayor Pro Tem Olson: Whatever we do, we don't want to have to do it again.

Roznovsky: Correct. 100%.

Mayor Pro Tem Olson: So basically, we are sitting at 1.1 with the, I'm not sure.

Roznovsky: Let's say just for conversation let's say 250. I think that's conservative but just for the sake of conversation.

Mayor Pro Tem: 1.3 million, or 1.3, we'll call it 1.4 for easy math. 1.4 million so we have to either cut something off of here or come up with 1.4 million. Which is not terrible. So, Maryann, what's your idea of how we come up with 1.4 million?

Carl: I don't have 1.4 million just hanging out. I don't. Not projecting any type of fantastic surplus based on estimates right now, so I think you would be looking at borrowing. One of the things that you mentioned was the rate study.

Roznovsky: So, what we have been doing right now is we have our rate study built and we have all of our rate tables and we're, taking, our next steps would be, this is the list we want to start with. Take this list, what will our two options, generate an additional 1.4 million in revenue, or what would support a revenue bond for 1.4 million. Roughly, the number was, I think the financial advisor used was every 100,000 in revenue was a million, I think. Roughly. Every 100,000 water/sewer was a million in bonds it could support.

Mayor Pro Tem Olson: Which, when you are looking at 2,500 people, \$100,000 is a shit ton. That's a huge rate increase, and our rates are high now.

Roznovsky: Our next steps, we will go through and put together some options on what that looks like, to do that from rates and bring that before you. We can do that at the next meeting, it's built. We just need to know what number we want to start from to hit. So, we are looking at a million and a half bucks. To know how that rate structure would look and the theory or approach in the past has always been that that burden is not your normal minimum bill residential water usage. That burden is more heavily put on to large volume users, groceries, or multifamily users, things like that, without making it, price yourselves out. In that package we put together, we have a comparison of our current rates to all of our surrounding cities. So, what is your equivalent bill for various types of users, your Magnolia, Navasota, Conroe, I think we picked two MUDs around the area. So, we can present that to y'all to show one, what does it do to your residents, your average bill, your max bill, and how do you compare to those. And one of the big things, just to, that the city did years ago that has helped water and sewer rate comparison is the ground water intervention plan, so you are not having the river authority fees since you drilled your own well.

Mayor Pro Tem Olson: I just know that my water bill in April Sound, water and sewer in April Sound is peanuts. You can leave your sprinklers on for days and I think my bill at the end of the month is like sixty bucks.

Roznovsky: They've gone up a little bit, but they are the same. They are not in the GRP, the city and April Sound were in agreement together, and shared the costs when that first came out. The

big difference is also that April Sound is not growing, they don't have as much infrastructure, they don't take care of the roads. The City of Conroe, as part of their agreement, pays a substantial amount of money every year because of their annexation, and they do a lot of bonds. So, before we move to what Gary has on the screen, which is the future, so just kind of wrap up my understanding of what you are saying. All of the things on the list stay with the exception of lift station number 3, put that on hold, look out for developer partnership opportunities to replace that lift station. We added in the Town Creek drainage improvement with a quick placeholder of 250 while we firm up that estimate. Looking at Plez Morgan. Identify the use of the ARPA funds for the bleach conversion projects. And I'll bring back the bid results from that similar project here in a couple weeks. And then moving the tri point agreement stuff. Using your impact fees which leaves you looking for 1.4 million dollars revenue, and then we'll run the rate analysis to see what that would generate, the revenue bonds and water/sewer rates, what that would look like.

Mayor Pro Tem Olson: And just, I'm going to double back on impact fees. If we use the 1.9 it still leaves us with that balance of 728, right?

Roznovsky: No. So, if you use the 1...I changed something and now I can't...81...Oh, oh oh oh oh, I see what happened because I had taken out the, when you use up the CO funds, I don't know why that's auto...I'll have to figure out what's going on with the corrections. So, if you, if we use the CO funds on water plant two improvements that leaves 315 versus your 696, so that would reduce that amount. Might change to 81 because it was pro rata, but I'll change it back. So, looking at, you would use up 1.55 instead of 1.93.

Mayor Pro Tem Olson: Ok, so that changes our 1.4.

Roznovsky: That changes your 1.4 to 1.1.

Mayor Pro Tem Olson: No, it goes the other way. If we are getting less than 1.9 we are only getting 1.5 out of it, then you going to go to 1.4 to 1.9. Because all I did was take our total subtract, subtract, subtract to get us to 1.45. But if this number is smaller than I am subtracting less so that means this number is going back up.

Roznovsky: And the reason that we subtract, so, where I am at on, So, on the City portion wide the one thing I'd change is I plugged in, we assume that we used up the CO funds. So your water plant improvements, the first line item, went to 315 thousand because that's the delta between the use of CO funds and project costs. That's why my numbers are showing that. Because everything else would not be coming out of that 315 plus everything else would not be coming out of your CO that you have.

Mayor Pro Tem Olson: Ok, so, I guess I am still confused on what the hell you are talking about.

Roznovsky: Yeah, so, the reason mine are different, so, I changed that right there the 2.67 is the total project cost including the use of CO's. When you, we had a discussion earlier about what's left after the CO's. So, what's left after the CO's is 315 thousand. So, I changed that 2.6 to 315 because that is the amount of money that is not covered by the CO's.

Carl: So that's the city portion that we have to come up with, it's not another fund of money it's what we need.

Mayor Pro Tem Olson: Right. I just use the totals. The total over here is 10, or not 10, um, 4.8. And that included all this sewer and stuff that we are doing right now. We used 3 and a half million to pay for most of it, right?

Roznovsky: Yes.

Mayor Pro Tem Olson: Then that leaves us whatever it was, 1.3.

Roznovsky: Right.

Mayor Pro Tem Olson: Then I added the 1.3 back over here, because some of this stuff is not...

Roznovsky: It worked double, so when you do that, you are just double counting that water plant four engineering and waste water treatment plant engineering for the 400 and 600 on your CO sheet is also counted on the NET sheet.

Mayor Pro Tem Olson: So that's what I was trying to take off of this sheet. So, all I needed to know was this total because they are listed right here, right? The only thing I needed to know different was what was not listed twice, and that is the sewer rehabilitation phases, right?

Roznovsky: Right.

Mayor Pro Tem Olson: And the town creek...

Roznovsky: Just the sewer rehabilitation.

Mayor Pro Tem Olson: So basically 1. 1.3, right?

Roznovsky: Correct.

Mayor Pro Tem Olson: You add the 1.3 over here, so you have a total to work with. So that's where I added up, then I start subtracting everything we have, and it comes up to about 1.4. But if we don't have 1.9 to subtract, we can only use 1.5. So, all I need was the total of expenses in one, you know, and total of what we have to pay for. And that is where I come up with the 1.45. Impact fees are not correct of 1.9 and whatever the hell that is.

Roznovsky: It is if you raise up, yes, you can use up to 696 thousand 657 on the water plant project. So, your impact fees are correct at the 1.9 you can maximize the use of your impact fees on that.

Mayor Pro Tem Olson: So, we are still at 1.4. Now, the question that, my next question was...over on the right, with the impact fee balanced, the grey area, after we spend the 1.9, is the 728 still going to be our current balance or are we using that somewhere?

Roznovsky: On this sheet, that is your balance after you use that full 1.9. So current balance is 726, projected balance of your plan going forward is 2.6, if you use that full 1.9 you are left with 730 thousand.

Mayor Pro Tem Olson: So, we are still at the 1.4. 45 roughly. Well, 1.45 is before we used ARPA. So, it will put us at 1.1. Then we added 250 back in for the drainage improvement at town creek,

so that puts us back to 1.4. So that's what we need to come up with. Good God. The next page is about the future years, is that correct?

Roznovsky: Correct.

Mayor Pro Tem Olson: This is the scary one.

CM Donaldson: No kidding. We moved it back a year.

Roznovsky: So, this is where you get, obviously, the biggest ticket items on here are, so, you know, both the future water plants, sewer plant in fiscal year ending 2026. Those are the biggest line items on here, your priority ones that you gotta do.

Mayor Pro Tem Olson: We have to do it? WE don't have a choice for the Wastewater Plant?

Roznovsky: You have to. You are gonna have to expand the facilities.

CM Donaldson: Have we determined where we are going to put water plant number 4?

Roznovsky: We have two options. We have the property through the Red Bird agreement right there at the corner. We still have a property (inaudible).

Mayor Pro Tem Olson: So, water plant 4, I thought Red Bird was supposed to help us with that.

Roznovsky: So, it's in the agreement that they can help us with it, you know, but it says that additional capacity if the city doesn't have the funds, developer can provide funding for future credit or payback, I don't remember the exact terms. But there is language in their of if developer needs the capacity, and the city doesn't have the capacity for the future phases that the developer will participate.

Mayor Pro Tem Olson: Right. That only applies if we have to actually supply the water to Red Bird, and we don't know that yet.

Roznovsky: As of right now, moving forward we are, but my understanding is that it is still in litigation.

Mayor Pro Tem Olson: Have we heard anything about that? Because MEDC was absolutely sure that we won that case and I said you're out your crazy minds. We haven't heard yet.

Roznovsky: The different lawsuits, the developer lawsuit with Dobbin is now at the US Court of Appeals. And then the city's lawsuit, dobbins lawsuit with the city was put on, I don't have the right legal terms, was put on the shelf until it is resolved. And so that's where, I, I don't remember the latest on that. I know that they have been having hearings, or they had a hearing scheduled, but I don't remember...

McCorquodale: It's been a while since we heard anything.

Roznovsky: And I had asked the developer's engineer. One of the engineers that was working on the project, because there was multiple, they are suing multiple entities. But I don't remember his timeline that he said.



Mayor Pro Tem Olson: And then the wastewater treatment plant we have to do. We don't have a choice.

Roznovsky: Correct.

Mayor Pro Tem Olson: I have no idea how we are going to raise 10 million dollars, because we don't have it in bond. We have to go to the public for a bond.

Roznovsky: You're looking at tax.

Mayor Pro Tem Olson: Yes.

McCorquodale: Those are two very very difficult things to take to a bond election because you really don't want people who don't know about a water system making choices on the big components on a water system because the average voter doesn't know what the implications of the city are to supply things like water or sewer.

Greene: You will not put this one on the November ballot.

Roznovsky: We are looking at our options. A part of your, the contract with Hach and Associates is they are providing funding support to look into funding options. They have a funding specialist in Austin on Staff.

Mayor Pro Tem Olson: So, I am going to sound like Byron for about 30 seconds. What is the state, is there any grant opportunities from the state, anything like that, because of our growth?

Roznovsky: Grants, so we have gone through a couple different options. The developer has a lot of funding resources and where it falls short is, so we looked at getting on the state water implementation fund, the SWIFT Funds, for your water plant. The problem was they don't consider it regional. Because it is for the city it is not big enough to be a regional facility. They didn't think it would be included and the cost for them to draft it, they were estimating 30 to 45 thousand to see if it would get approved. But the likelihood was very low because it wasn't regional and big enough to be considered a regional water project. There are still low interest loans that you have got before that we can apply for and look at for the wastewater plant. As far as grants, not that we are aware of, because you are not a disadvantaged, financially disadvantaged. You are not a rural county to be open for some of the loan forgiveness, principal forgiveness loans. It's kind of like when we get the TDM money and things like that that come up. Everything is associated with LMI Low to Moderate Income Housing and our low to moderate income areas that we have, we have two spots in the city that were which was Baja/MLK area and then the heritage apartments. Accounted last time the census was done, but we have kind of exhausted all of the options of projects that we can put into Baja and MLK without a big drainage project, but most of them were not drainage projects. We are still going through options including the developer's participation like we talked about. What's off to the side of this sheet is the projected additional deposits, this isn't cumulative. The first version you had was a cumulative projected balance. I didn't feel like it was too accurate cause we were talking about using money, so this is just the additional funds into that account. And these are developments that we know today. So that includes your Red Bird, Superior properties, Taylor Morrison, Tri Point, Margaret Cox, Morning Cloud, HEB. So not things that are true projects and then split that over a couple fiscal years. And that assumes also any type of credit that was assumed as part of an agreement is taken out of these numbers exclusive

of any credit. for example, Red Bird had a credit for their water well that they put in so that is taken out. The Tri Point guys we assume developer agreement so their credit against their water line was taken out of these numbers. We don't want to count it twice. So, the other items on here, this is more, again, we had funding issues to work out. Big line items are obviously first one, and then that second sewer plant improvements which is the additional upsizing of the facility, as we continue to grow and again, need and location of that and timing is solely development driven.

Mayor Pro Tem Olson: Where is this at?

Roznovsky: Item 2 section 2, so we have water plant 3. So, on the five year sheet, so you have the first three projects in section one and then its priority two section you have water plant 3 and waste water upsizing.

Mayor Pro Tem Olson: But we don't see that cost until 2028?

Roznovsky: Right. I'm just talking on this total sheet the big costs that come up. That is not this expansion but the next one. So that is either expanding, so you'll have two facilities essentially running the same size splitting your funds between the city and this is upsizing those to the, essentially doubling one of those capacities. Both those projects the lift stations are already sized for it, just switching out pumps. So, the cost is lower. Especially at the town creek plant. Some of the infrastructure that goes in with the first one is already sized which is more efficient. That's why that upsize cost is lower than the...

Mayor Pro Tem Olson: So, the question lies in, is that a must do in 2028? Or is that just projected?

Roznovsky: No, that is just projected. I would say that most of the items on this list, minutes section 1, are projected timing to be done. Because you get into a lot of your roadway projects. I know we had a lot of roadway projects this year because we had them to begin with. But your big repaving projects, so, complete Plez Morgan, assuming the buffalo spring drive and 1097 and the intersection improvements. And a lot of these items are still hopeful to get TxDOT to get funded on TxDOT's timeline is kind of what we found. You have your loan star bend and Lonestar parkway intersection improvements which is county and county. And that is part of the small area of master planning that was done by Kendig Keast is extending that through. So, there is a lot of different options here, just trying to put it in front of y'all of what's coming up. The roadway projects which is heavily in section 3. And section 4 is a lot of utility projects. Extensions and closing loops and things like that. They are here as when those developments occurred. So, they would happen when development happens, not necessarily as a city driven project.

Mayor Pro Tem Olson: I have a question about 2026.

Roznovsky: Yes sir?

Mayor Pro Tem Olson: When does priority 3 in 2026, when do those items end up as priority ones, two three years later?

Roznovsky: So right now, there is not, with those being roadway projects...

Mayor Pro Tem Olson: No, I'm looking at water line replacement, water line extension...

Roznovsky: Oh, oh. So, water line replacement, going through that list, so your water line replacement projects, those are mostly driven by downtown. So, when downtown improvements go, those projects need to go with it. There is only a reason to rip up the roads once. The, uh, let's just go down that list while we are here. The Abner Lane water line extension, that is with the, um, Rampy lane property. So, if that develops, they would extend that down to close that water line loop. Your...

Mayor Pro Tem Olson: Which one is Rampy again?

Roznovsky: Behind Kroger.

Mayor Pro Tem Olson: Oh, ok. That is a LeFave property, right?

Roznovsky: It is a private road but there is public utilities along it. So, there was a public water line that was extended out in closing that loop. Going down to the next one, your Buffalo and CB Stewart water line, part of that was discussed with the church. So, the Church of Montgomery is supposed to come in, they were told that they would need to extend it to their property line which will take it up to here. So, then it is a decision, so here is that Abner project, here is that next piece, so if they are sending it, then priority 1 we would come back and say, if they are taking it 50% of the way, do we want to go ahead and finish and close that as one project, save costs there. All of this water line right here is going to be based on this. This closing this and this.

Mayor Pro Tem Olson: So that's my thing with closing all that. We have the ordinance in place that says if you want to build you have to move it from one side to the other, so why would we take that upon ourselves?

Roznovsky: We wouldn't. If this was in the same format as the year one, this would all be on the developer's side, but I think we kind of talked with them and the importance of seeing the volume of public infrastructure going in, because when you go back to the page one, 10 million dollars of, 10 and a half million dollars of infrastructure we are looking at 5 and half coming out of the city's pocket and five and a half of the developers. There is a lot of public infrastructure going in to the city just on that future five year. Which is why it doesn't show that.

Mayor Pro Tem Olson: I guess what I am more interested in is what do we look for in the future.

Roznovsky: So, I think that when you look at your, you have your, when you are looking at item four, you have your general repairs and rehabs. So those are your planned improvements to utilities. When you look at lift station three reroute, that is a project that the city would take on as a optimization of how you operate. So, it has already been partially designed, so right now lift station 3 goes to town creek plant, pumped through lift station 2. This would go down flagship and take it around to the other plant. So, as we develop, we can then look at, if this plant is getting overloaded and this one is not, we can spend that 300 thousand and reroute it to push back that six and a half million dollar project. So that is when it would become a higher priority city driven versus a development.

Mayor Pro Tem Olson: And this is 2026...

Roznovsky: 2026 is a lot. There is a lot coming up.

Mayor Pro Tem Olson: I am up for re-election right here...

CM Donaldson: Going back to that loop, when the gas station comes in, what are they going to tie to?

Roznovsky: Go back-to-back to the map Gary? When the gas station comes in, this development, when they develop the property, they put in water and sewer easements, so they stubbed out water and sewer to this point.

CM Donaldson: Oh ok, I forgot about that.

Roznovsky: I might have said that wrong, I know that sewer is this way, they might have left the water line easement here, one of the two. But they are not going under the street.

Mayor Pro Tem Olson: He technically went from one side to the other, but he did not complete the loop. Like everyone does, technically.

Roznovsky: Right.

CM Donaldson: I need that map thing on the computer.

Roznovsky: We can set up a login for you.

Mayor Pro Tem Olson: Well, it is what it is.

Roznovsky: So one more thing on the long-term list is kinda going back to the roads. I think it's, we need to have probably a deeper discussion on roads because roads are the thing that we continually push. And you know, patch, lets overlay, lets crack seal, let's do these, but, you know, getting these, I mean, there are some big numbers of repaving and making them concrete and improving our streets and intersections that, you know, for the foreseeable future we are not going to be sitting around looking for why do we need to spend seven million dollars. So how we prioritize or get Council behind a master plan for our roadways and how we do that, um, and then start, you know, breaking those up into smaller manageable chunks, so that we are not just spending a lot on repaving and crack sealing, but we're making progressive improvements on these. I think it's gonna be...

Mayor Pro Tem Olson: Well, we really don't have, other than impact fees and, you know, taking out loans, we are not funding any kind of capital projects at all from the rest of the city budget. We don't funnel any money over. And we need to set up a fund of whatever it is, taking a small percentage and just dumping it in for roads and capital improvement so that way there is some funding. It may not be the seven million we are looking for. I kind of visited with Maryann about this earlier this year about setting up funds, it just takes so much money every year to dump into these capital funds, so we have a way at some point to at least do pieces.

Roznovsky: That is also one thing that Katherine talked with staff about was like our water well reworks that, there not planned, its, we look for signs, we look at results, we look at testing to know we need to do it, but on our capital improvement plant we say its every seven to ten years. It could be seven, it could be ten, it could be twenty. But putting that aside so we have that fund balance so when that rework comes up, 1097 water line, 1097 sewer line, when those come up, we have that pocket to go back to for those recoats and rehabilitations and reworks of those items,

which are kind of that first line of your priority 3, the water plan, rework, rehabilitation projects, kind of normalize some of that cost of what it...

Mayor Pro Tem Olson: I'm hoping with our restructure of the Police Department, if this all goes through, it allows us a little more freedom in our regular city budget to start creating those accounts. We will see what happens.

Carl: Keep your fingers crossed.

McCorquodale: Ultimately, it seems like, you know, it comes down to the math, right? That's literally you have an M&O portion of your budget. That's why your water rates should take into account that portion of the annual maintenance too.

Mayor Pro Tem Olson: And it generally does, our water rates do so well that it pays for itself. It's doing a decent job, its paid for itself so much that we steal from it on a regular basis. But as we bond against it, we are not going to have that opportunity.

CM Donaldson: Nobody wants to talk about the dirty words.

Mayor Pro Tem Olson: Like what?

CM Donaldson: Tax increase.

Mayor Pro Tem Olson: That's going to be the last resort. I don't think we are going to have a choice in 26. This is really well done by the way, thank you. Anybody have any comments?

Roznovsky: Is there anything, the last question I have, Is there anything, y'all know you haven't seen or we haven't talked about that needs attention or we need to put a line? Like, XYZ street is really bad, we need to pay attention. What is it going to take to patch 50% of buffalo springs or whatever it is, so you know, as Mike finishes up his numbers, and if we need to put that in here, just so we have it. I know we are getting more roadwork, but if we know that it's 500 thousand that goes into the fund but we've already earmarked 300 of that, is that 200 enough to have as back-up?

Mayor Pro Tem Olson: Well, Buffalo Springs, now that you bring it up, I wouldn't do anything to it. I wouldn't put a patch on it, it's throwing good money after bad. We know its shot, its shot right now. Trying to patch or whatever it's a waste of money. I mean, if there is a gigantic pothole in it, ok, but as long as it's not tearing off tires or anything.

Muckleroy: Well, the reality is, especially on this heavily trafficked roads, there is no amount of work that we can do to it that is going to make it sound other than a true capital project that involves lots of sub base work and hopefully go into concrete.

Mayor Pro Tem Olson: Right, to get to that clay and get a good subbase. I will say, right now, 29 looks fantastic. We could just skip ahead. Does anybody have any questions? Anything?

CM Donaldson: No.

CM Langley: When is the next meeting that we will discuss this?

Palmer: Our next workshop is scheduled for August, but I think we will have to put another one before then.

Carl: Yeah, since we weren't able to do last night.

CM Langley: So, on the 22nd I think there is a workshop scheduled.

Palmer: I don't think we do.

CM Langley: I have it on my calendar, but I don't have what kind of workshop.

Palmer: Was it like a general workshop?

CM Langley: But I have a question mark on it.

Greene: It is the 22nd.

Carl: So, between now and then, I left you all a budget binder. It's the same thing that was emailed out to you the other day. Please by all means look through there, if you run across things that you have a question call me so that when we get into that workshop we can talk about those things and not leave me scrambling trying to figure out how, figure out what your question was. So, if you can let me know ahead of time, I would greatly appreciate it. The more information that we can have for you in that workshop the better.

Palmer: Do you need anything else Chris? Maryann?

Mayor Pro Tem Olson: Ok, everybody's good?

**Adjournment:**

CM Fox made a motion to adjourn, and the motion was seconded by CM Langley with all Councilmembers voting AYE, motion carried.

Meeting adjourned at 7:57 p.m.

Submitted by: \_\_\_\_\_ Date Approved: \_\_\_\_\_  
James Greene, City Secretary

\_\_\_\_\_  
Sara Countryman, Mayor