

MINUTES OF WORKSHOP MEETING

February 16, 2015

MONTGOMERY CITY COUNCIL

CALL TO ORDER

Mayor Pro Tem Rebecca Huss declared a quorum was present, and called the meeting to order at 6:08 p.m.

Present: T.J. Wilkerson Position # 3/Mayor Pro-Tem
Rebecca Huss Position # 4
Dave McCorquodale Position # 5

Absent: Kirk Jones Mayor
Jon Bickford Position # 1
John Champagne Position # 2

Also Present: Jack Yates City Administrator
Ed Shackelford City Engineer
Glynn Fleming Associate Engineer

T.J. Wilkerson gave the invocation.

WORKSHOP:

1. Presentation and discussion of the Water/Sewer Analysis Reports by the City Engineer.

Mr. Fleming presented the Water/Sewer Analysis Reports to City Council.

Rebecca Huss asked about the progress of the capital projects that are ongoing. Mr. Fleming reported on the following:

- GST/Backfill Project – the construction drawings are 90% percent complete, they conducted a conference call with the City's Public Works and Water Operator to resolve any last minute questions on the project. Mr. Fleming stated that they should have 100% construction drawings in the next week or so. There will be one more internal review and then it will go off for review by TCEQ. Rebecca Huss asked whether they were purchasing or ordering necessary equipment now, so that when the bids are received they will be ready. Mr. Fleming confirmed that was being done.
- Waterline Across the Bridge - Mr. Fleming advised that he and Mr. Shackelford had conducted one more meeting with Mr. Bowen, Waterstone developer, where counsel for the City and Mr. Bowen were both present. Mr. Fleming said that they really did

not have any definitive action come out of the meeting other than the City is going to proceed with bidding the project and once they receive the bids he will be happy to share them and give Mr. Bowen one more opportunity to take some action. Mr. Fleming advised that they were on their way with the project and begin advertising for bids in the Conroe Courier. Rebecca Huss asked whether any of the other water projects had a change in priority. Mr. Fleming advised that there were no changes at this time.

Mr. Fleming reviewed the sewer report with City Council. Mr. Fleming stated that there were three different options, A, B and C that needs to be determined before they can move forward.

Wastewater Treatment Plant – Mr. Fleming advised that City Council needed to determine what they need to do:

- a) Option A – The City has two active permits, but only one functioning plant. One permit is for the Stewart Creek Plant (operations plant) and the other is for the Town Creek Plant (decommissioned). Stewart Creek Plant is permitted for 400,000 gallons, which is the current functioning capacity of that plant. Town Creek Plant is permitted for 175,000 gallons, but the plant is not currently operational. Option A will be to expand the Stewart Creek Plant and continue to operate only that facility. The design team has said that they feel the ultimate treatment capacity would be 760,000 gallons. Mr. Fleming advised that would be the ultimate capacity that they would need for that plant for the next ten years. Mr. Shackelford said that if the current Stewart Creek Plant site is not big enough and the City has to purchase land, the challenge would be where and how much land to buy.

Mr. Fleming advised TCEQ in the last year or so has come out with new rules pertaining to Wastewater Treatment Facilities. A lot of the City's current infrastructure will be grandfathered. Routine maintenance will not change anything, but when the City goes out to significantly rehabilitate and/or expand facilities they will also have to look at upgrading according to the new TCEQ rules. Mr. Fleming stated that one new requirement of a 150 foot buffer around the treatment plant, so once they have expanded to accommodate their new operations they will need additional land acquisition for the buffer zone. Mr. Fleming advised that he believed that this is an expanded buffer zone to the existing requirement.

Rebecca Huss asked if they were to do Option A would that trigger the new TCEQ requirements. Mr. Shackelford said that was correct as well as any new facilities. Mr. Fleming said they would be able to go in and do a lot of routine maintenance at an operational level at Stewart Creek. Rebecca Huss said that if they had an offsite facility it would not require them to make a lot of changes

at Stewart Creek. Mr. Shackleford advised that the new requirements would only be for the site that they are working on. Rebecca Huss said those new requirements could add cost to the \$7.9 million dollars for Option A. Mr. Fleming said that the \$7.9 million dollars was probably a good figure and that the only item not included in that figure is land acquisition, otherwise it is a very good estimate.

Mayor Kirk Jones arrived at 6:21 p.m.

Jon Bickford arrived at 6:35 p.m.

Mayor Jones asked about the redundancy requirement and asked why they did not adjust the capacity. Mr. Shackleford said that some of their clients will operate one clarifier for three months and then switch over to the other clarifier, while they do routine maintenance on the clarifier. Rebecca Huss asked whether two plants side by side would satisfy redundancy requirements. Mr. Shackleford said that as long as they matched the capacity.

Mr. Shackleford said that the following equipment life is:

- Clarifier – 25-30 years;
- Pumps moving solids and liquids in plant – 15-18 years;
- Aeration tank – 50-100 years; and
- Diffusers – 10-15 years.

Jon Bickford stated that every time the City allows more density in developments they exacerbate the capacity problem. Mr. Shackleford advised that there were 1,700 developable acres in the City. Mr. Fleming said that the largest share of that land is single family.

Mr. Fleming advised that the City currently has 642 connections, which includes the apartment development on the west side of town. Mr. Fleming said that the City has already committed to 80 units in Heritage Plaza, Phase I, 250-300 homes completed, active and underway. Mr. Fleming said that Lake Creek Village One and Two, Waterstone Section Two, and Terra Vista Section One, Town Creek Section Two and Three are all underway. Mr. Fleming said that as soon Council approves a plat the City has committed to capacity and they are obligated to serve them.

Mayor Jones asked what items were eligible for bonds. Mr. Fleming stated that all of the projects were eligible to be paid with bonds, except general maintenance items, such as manhole covers, etc.

City Council discussed the number of homes that would be on an acre of land and they estimated that it would be 3 homes per acre, with 1,000 acres that would equal 3,000 connections, but with the smaller homes it could be 5,000 connections. Jon Bickford stressed that he did not want the smaller lots and he would not be in favor of granting any variances for them. Mr. Fleming said that even if the City paused development today, what is already committed to and underway includes 80 units in Phase 1 at Heritage Plaza, and there are 250-300 homes in Lake Creek Village Sections 1 and 2, and Waterstone Section 2, Terra Vista Section 1, Town Creek Section 2 and 3. Mr. Fleming advised that when City Council approves a final plat they are committing to capacity. Mr. Fleming said that they have added another 300 single family connections that will be coming on line over the next two year.

Mayor Jones asked if it was time to meet with the Bond official to discuss figures and timing. Mr. Fleming said that it was time to discuss financing the bonds. Rebecca Huss said that it made sense to borrow as much as they could early, because the cost of borrowing is in the issuance of the bonds. Jon Bickford said that the rates are very low right now.

- b) Option B – looks at the possibility of leaving the Stewart Creek Plant as it is today, and then they will clean and perform minor maintenance issues. They will demo at the existing Town Creek Plant and come back with a new plant at that site to provide 540,000 gallon capacity.

After discussion, Rebecca Huss asked if the City Engineers had an option that stood out to them as the best choice. Mr. Fleming said that at this point he honestly did not know that there is one that stands out, but they are very close to where they will make a decision one way or the other.

Jon Bickford said that if Stewart Creek today can support 400,000 gallons and the \$8 million dollar Stewart Creek expansion would take them up to 760,000 gallons. Jon Bickford then stated that for \$9.5 million dollars it would provide 540,000 gallons. Jon Bickford said that he would add the figures up. Mr. Shackelford said that the cost for the Stewart Creek Expansion would be 22.00 per gallon, and Town Creek would be \$17.30 per gallon, and that cost does not include the land for the Stewart Creek Expansion.

Rebecca Huss asked how long a package treatment plant would last. Jon Bickford asked what the cost would be per day. Mr. Shackelford advised that typically package plants are leased. Mr. Shackelford said that they have discussed the package plant and they have concerns that it can't get the water quality required to discharge into Lake Conroe. Rebecca Huss asked whether

it could sit ahead of the existing plant and perform the first scrub and then the water would go through the plant. Mr. Shackelford said that they would ask about that. Mr. Shackelford said that another question with the Stewart Creek option, would be whether they have enough land for the expansion. Mr. Yates advised that a package plant would cost approximately \$300,000 to \$400,000 to purchase.

Dave McCorquodale said that when he looks down the list of Capital Projects there is \$900,000 in lift station rehab and of that, how much have they deferred through negligence. Mr. Shackelford said that it is hard for him to know that answer due to the amount of time that they have been with the City. Mr. Shackelford said that they know what has not occurred during the time that they have been with the City, and the photos that they have from the onsite inspection it would appear that it had been a while.

Mr. Fleming said that a lot of the lift stations are aged facilities. Mayor Jones asked if some of the projects could be budgeted through general fund or utility rather than the capital fund. Jon Bickford asked when Stewart Creek would be paid off from MEDC. Dave McCorquodale said that he thought they had rolled over the bond and refinanced and said that in seven or eight years the \$117,000 was going to be done.

Dave McCorquodale asked what they should be looking for as they move forward for maintenance per year and was there a general number that the Engineers could advise, such as how much a lift station needs a year for maintenance. Mr. Shackelford said that they could develop a number per lift station for Council. Mr. Shackelford said that the City might be able to save a third of the cost if they put in deep trunk lines for gravity. Dave McCorquodale asked the City Engineers if they saw things that were done in the past, like the 1990's, that the City is living with now. Mr. Shackelford said that there was some of that obviously just because of the way that they developed, and not one developer is going to put out \$2 million dollars for an offsite trunk line. Jon Bickford said that moving forward they could require them to put in the trunk line if they want to hook up to the system. Rebecca Huss said that it could be similar to the upsize of the water line, where they would pay the difference.

Mr. Fleming said that in addition to the treatment facility, City Council also needed to think about addressing equally concerning things on the water side that they have to watch as they grow. Mr. Fleming advised that a lot of the lift stations are simply aged facilities, not saying that they are neglected and somebody has been remiss in their duties, they are just old. Mr. Fleming said

that the City runs 12 public lift stations, 4-5 semi-public, of those 8 are at or beyond their functioning design capacity and will need to be addressed in the near future. Mr. Fleming said that the lift stations will need to be addressed in certain areas of town, particularly with all the growth on the west side of town. Lift station 5 by Napa Auto Parts is a facility that they will have for a long time and it is stressed right now.

Mayor Jones asked the City Engineers to look into a Lift Station Bond so that they can get the Lift Stations fixed. Mr. Fleming said that they have also been asked to work on a study to identify what capital recovery fees could potentially be assessed to the developer.

Jon Bickford said that they need to put the capacity fee in place right away.

Rebecca Huss said that they need to decide whether they go with Town Creek or Stewart Creek, and whether that needs to be an official policy or can happen now as a matter of direction by Council. Mr. Yates said that they could not take any action at this time because this is a work session.

Mr. Shackelford asked City Council if they would like to see some sort of layout what an expansion at each location would look like before they make their decision. Jon Bickford said that based on the math he did not need that information and he did not want to spend any more time on the Stewart Creek location. Rebecca Huss said that she disagreed and felt that they should work in parallel to see if the landowner would consider donating land for a future expansion, plus the required buffer zone so that would be an option for 10-years in the future. Mayor Jones said that they do need to find out how much land they will need for the facility.

Mr. Fleming advised that what needs to happen in the next 30-60 days would be to look at financing options, and for their part they need to take the number back and hone them and look closely on what is involved with land acquisition, etc.

Mayor Jones said that he would like to schedule a meeting with Mr. Jim Gilley, and would like one or both of the engineers to attend. Mayor Jones asked Mr. Shackelford to check on how much money the City would need to borrow right now, and then how much they would need to ask for in two years for the meeting with Mr. Gilley. Mr. Shackelford said he would work on that. Mayor Jones asked Mr. Yates to set up the meeting with Mr. Gilley. Mr. Yates advised that he would schedule the meeting. Rebecca Huss said that she would also like to have some information from the Water Board because that is essentially

a lender by a different name. Mr. Fleming said that he and Mr. Yates spent half a day at one of the Water Board's financing workshops and there are some revolving schedules that they will need to look at for next year.

Rebecca Huss said that it sounds like everyone is more interested in expanding the Plant at Town Creek rather than at Stewart Creek. Mr. Fleming said that he had gotten the sense from the conversation tonight that Town Creek would be the preferred option. Jon Bickford said that he did not understand how they could pick another option when it is \$17 a gallon versus Stewart Creek at \$22, and there was no need to purchase land.

Jon Bickford said that the proposal is to tear up the existing Town Creek site, and asked what would happen if they did not touch the existing facility and just built the new one. Mr. Shackelford said that he would have to look at the land plan. Mr. Shackelford said that they estimated that the demolition of the plant would be just under \$200,000. Mayor Jones said that unless it is going to be put to use, it needs to go away.

Mayor Jones said that in the past Mr. LeFevre had offered a site on his property for the City to build a Wastewater Treatment Plant. Mr. Fleming said that it was written into Mr. LeFevre's Development Agreement that if for any reason the City can't serve him, and there are some more qualifiers that he can't recall, then with permission from TCEQ the City is free to build a plant on his land. Mr. Shackelford advised that the plant option was only for Mr. LeFevre's use.

Mayor Jones asked if it was the consensus of City Council that they will need to formally vote on pursuing the Town Creek Site. Mr. Shackelford said that it sounded more like it was a policy decision. Mayor Jones said that he wanted the decision to be on the next Council Agenda.

2. Presentation and discussion regarding the Water/Sewer Rate Review by the City Engineer.

Mr. Flemings said that they have determined that the City was not covering their costs for water production and sewer collection and treatment, and were not adequately covering the costs for ground water reduction.

Mr. Yates reviewed rate information stating that they needed to make sure and cover the costs for operation and maintenance. Mr. Yates said that currently they have \$200,000 in surplus over expenditures. Jon Bickford asked Mr. Yates if his recommended additional fee of \$13.25 was for both a 10,000 gallon per month user and a 15,000 gallons per month user for the first year. Rebecca Huss said that the increase was based on an average.

Jon Bickford said that a customer that uses 12,000 gallons in a month, his bill would increase \$13.25, plus \$7.00, plus \$4.50, plus \$2.50 and \$1.00. Mr. Yates advised that it would only

increase \$13.25. Dave McCorquodale asked if these numbers cover what it costs the City now and do they reflect what it should be now. Mr. Shackleford said that in some larger population cities they have a different set up, but they could bring those numbers for Council to review.

Mr. Shackleford said that the City sewer rate is probably the highest he has seen for collection and treatment on a cost per 1,000 gallons at \$9.34, depreciation and maintenance of existing facilities is also included in that figure. Mayor Jones said that if the City recoups that much money, with the additional fees of \$360,000 plus, funds, they could afford maintenance costs. Mr. Fleming agreed and said that any surplus will allow the City to start to care of routine maintenance that has either been delayed or put off.

Jon Bickford said that the average household in the summer should be able to get away with 10,000 a month, with sprinklers, and he felt that high volume users should have to pay a higher rate.

Mr. Shackleford said that the City's historical water production for the month of August, in 2011 it was 11.6 million gallons, 2012 it was 8.5 million gallons, August 2013 it was 7.7 million gallons, and in 2014 it jumped up to 10.7 million gallons. Jon Bickford asked how many homes they had come on between 2013 and 2014. Rebecca Huss said that the City needs to encourage irrigation meters so that people don't have to pay sewer costs on water used for their lawns. Jon Bickford said that the sewer capacity is going to cause the City to hit 75% percent is not based on the fresh water being pumped, it is based on affluent flowing into the system.

Mr. Shackleford advised City Council that they are going to have to add another cooling tower and some infrastructure in the future, so to build a financial reserve would be beneficial for the City. Mayor Jones asked if City Council liked the numbers that have been presented. Jon Bickford said that this was the way to do it. Rebecca Huss said that a gradual plan seems to be the best plan, and it is good to know that 30-50% percent of the City will see a minimal increase in their bill.

Jon Bickford said that he would honestly propose to consider splitting the rate category for accounts from 10,000-15,000 gallons per month usage rate to the following:

10,001-12,500 gallons per month

12,501 – 15,000 gallons per month

Mr. Muckleroy advised that the rates are billed by 1,000 gallons. Mr. Shackleford said that average number of customers in that higher range is about 40 customers.

Mr. Shackleford said that he liked the idea of anything over 20,000 gallons at a higher rate. Jon Bickford said that once they get to year two and three if they are still using 20,000 gallons they need to be charged more.

Rebecca Huss said that she felt that they should be moving toward people paying what the service actually costs for the system per 1,000 gallons. Jon Bickford said that after year three, if someone is using 20,000 gallons per month the rate should be \$8.00, year three using 12,001 – 15,000 should be at \$7.00.

After discussion, Mr. Shackleford asked to confirm the following increment schedule:

8,000 - 12,000 gallons

12,001 - 16,000 gallons

16,001 - 20,000 gallons

20,000 + gallons

Mayor Jones said that there are four schools and each of them are over 100,000 gallon users. Mr. Fleming said that there are nine institutional accounts that are averaging 155,000 gallons. Rebecca Huss said that in September, 2015 the schools had the following water usage:

Middle School – 277,000 gallons

Bus Barn – 32,000 gallons

Elementary School – 165,000 gallons

High School - 739,000 gallons

Stadium – 384,000 gallons

Mr. Shackleford asked if the stadium usage was a consistent number. Rebecca Huss advised that for the full year the high school used 4.5 million gallons and the stadium used 2.1 million gallons of water. Jon Bickford asked how many gallons a typical household uses in a month. Mr. Shackleford advised that a typical household uses 7,500 gallons per month. Jon Bickford said that the one high school uses as much water as the entire residential population of the City and they are being charged less. Mayor Jones said that the City will need to have a conversation with the schools before increasing rates. Mr. Yates said that he did an incremental increase to allow them to budget for the increase.

After discussion, Mayor Jones said that they will need to schedule a public hearing on the next Council Agenda. Mayor Jones asked when the water/sewer bills will be sent out. Mr. Muckleroy said that the bills would be done on the 30th of the month.

Mayor Jones asked when Mr. Yates wanted to implement the increase. Mr. Yates said that he would like to wait about one month. Mayor Jones said that he wanted to go ahead and schedule the public hearing. Mr. Shackleford said that the school district is starting to prepare their budget for next year, so now is the time to advise them that you want a rate change. Mayor Jones said that the start date can be when they accept the rates. Mr. Yates said he would like

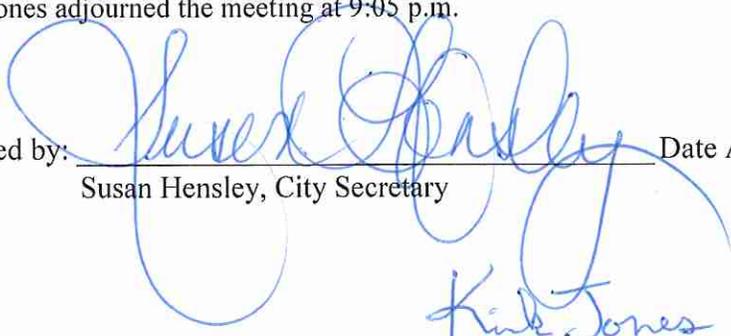
to wait one more month to schedule the public hearing so that he can talk to the school. Jon Bickford said that the amount of water that the school is using is stunning and they are paying less for their water. Jon Bickford said what is going on right now is not fair.

3. Presentation and discussion related to an ordinance regarding connection charges to the City to reflect cost to the City

ADJOURNMENT

Mayor Jones adjourned the meeting at 9:05 p.m.

Submitted by:


Susan Hensley, City Secretary

Date Approved:

04/12/16



Mayor Kirk Jones

