

MINUTES OF REGULAR MEETING

May 9, 2017

MONTGOMERY CITY COUNCIL

CALL TO ORDER

Mayor Kirk Jones declared a quorum was present, and called the meeting to order at 6:00 p.m.

Present: Jon Bickford City Council, Place # 1
 T.J. Wilkerson City Council, Place # 3
 Rebecca Huss City Council, Place # 4
 Dave McCorquodale City Council, Place # 5

Absent: John Champagne, Jr. City Council, Place # 2

Also Present: Jack Yates City Administrator
 Larry Foerster City Attorney

INVOCATION

T.J. Wilkerson 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. City 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.

Mrs. Amy Font – addressed City Council advising that she was very upset because she had been under the impression that she was on the agenda to speak directly to City Council, and she was just advised that was not true. Mrs. Font said that now she has to just speak regarding what she needs to say to City Council, and she is sure that they can cut her off at any given time. Mrs. Font said that she sent emails

out to all the subdivisions a week ago, when they said that she could speak at 6 p.m. and that she would be on the agenda.

Mrs. Font said that her concerns were regarding what is taking so long to repair the bridge. Mrs. Font said that she has gotten in touch with the person who is handling the FEMA money and the bridge project, Michelle Ellis. Mrs. Font said that she has also been trying to get a hold of Craig Romero, who is the litigation person with FEMA and who watches the funding on the bridge. Mrs. Font said that she has also contacted Gregg Abbott's Office, and he is getting involved. Mrs. Font said that she wants to know what it going on because they are not being dredged, they are being told by Mr. Steve Bowen that the City is holding him up from dredging because he does not trust the City to come back and clean up under the bridge once he dredges.

Mrs. Font asked why Mr. Bowen was putting out signs in their subdivision once again stating that they are selling waterfront property at \$350,000. Mrs. Font said that they have already been to the Appraisal District and their value of their homes have been cut across the board by 25%, which they are protesting to get it reduced 40%. Mrs. Font said that they can't be selling property as waterfront when there is no water.

Mrs. Font said that Mr. Bowen is complaining that if he dredges or begins to dredge, the City will not give him any guarantee that they will clean under the bridge. Mrs. Font said that Melissa Ellis told her that she just got the bridge plans three weeks ago and it was not in the budget. Mrs. Font said that she did not know if City Council knew that, but she was sure that Mr. Yates did.

Mrs. Font asked why the City can't fix the bridge, and what is taking so long, and why did the engineer just turn in the plans three weeks ago. Mrs. Font said that Mr. Abbott was very much aware of what is going on out here and he is going to step in, and she wanted City Council to know that.

Mrs. Font said that she was still buried in ten (10) feet of mud that she can't get Mr. Bowen to dredge out, because he can't get a promise from the City to clean under the bridge and the City has no plans to fix the bridge. Mrs. Font asked where that left them, because she has lost a lot of money, \$200,000 on the value of her home and now she has to fight again to have it lowered. Mrs. Font said that she was not happy and she was going all the way to the top and bringing it all the way down to the City

because somebody is not doing their job here. Mrs. Font said that City Council can't speak to her because she is not on the agenda.

Rebecca Huss said that even though they can't address the issue, it is appropriate to say that they hear what Mrs. Font is saying and they are concerned about the matter. Rebecca Huss said that the issue of when the bridge is getting fixed has come up during many City Council meetings and they do care. Rebecca Huss said that she could not speak to the dredging issue because she did not know anything about it, but said that City Council does care about the loss of Mrs. Font's value of her home and the quality of life that she has in the City.

Mrs. Elizabeth Kozak – addressed City Council, and said that she was also a Waterstone resident, and she thought that Mrs. Font probably covered everything that was on her list to discuss. Mrs. Kozak did reiterate that Mr. Bowen had promised them that he was going ahead with the canal, with the understanding at an earlier City Council Meeting, they were told that if the bridge repair disrupted the canal, the City would take care of cleaning that part out. Mrs. Kozak said that they are at a loss now, they bought a home with all these other people where they retired out on the lake, so this makes a difference to them. Mrs. Kozak said that this was a wonderful community and they hope that City Council will continue to push forward to get the canal cleaned out and the bridge access.

Mayor Jones said that some of the questions expressed could probably be answered by the City Engineers, if the residents could catch them after the meeting.

CONSENT AGENDA:

1. Consider approving a leave of absence for City Council member Jon Bickford.

Mayor Jones said that it was his understanding that since Council Member Bickford was present, this action is no longer necessary. Mr. Foerster said that was correct. No action was taken.

2. Matters related to the approval of minutes for the Public Hearings and Regular Meeting held on April 25, 2017.

Rebecca Huss moved to approve the minutes as presented. T.J. Wilkerson seconded the motion, the motion carried unanimously. (4-0)

CONSIDERATION AND POSSIBLE ACTION:

3. Consideration and possible action regarding adoption of the following Resolution:

A RESOLUTION TO APPLY FOR THE TEXAS HOME INVESTMENT PARTNERSHIP PROGRAM.

Mr. Yates introduced the information to City Council and said that Donna Johnson, Grantworks was also present to answer any questions. Mr. Yates said that there would be no local match for the HOME Grant. Mr. Yates said that this is a grant that could be given to the City for construction of new homes or extensive remodeling project. Mr. Yates said that the grant is for low income people that might be living in less than desirable housing conditions and removes blight from the City. Mr. Yates said that with the complexity of the HOME grant it is virtually required to get an outside contractor to help with the application and administration of the grant.

Ms. Donna Johnson advised that she was with Grantworks, clarified some of the conditions of the grant, such as the grant is for owner occupied homes, where this is their principal residence, they are a low income house that is 80% to below the median income, they are good citizens with their taxes paid and current and they are vested in the community. Ms. Johnson said that most times homes are just torn down and a new home is put in its place.

Rebecca Huss asked Ms. Johnson to go through the time line and the criteria other than what was mentioned. Rebecca Huss said that if they had 500 applicants, how they would choose the ones to be given the grant. Ms. Johnson said that applicants are chosen on a first complete eligible basis. Ms. Johnson said that the applicant must own their home, have their taxes paid, it is their primary residence, they meet the income requirements and they have clear marketable title to the property. Ms. Johnson said that if the owner has a mortgage, they still own the property, there is just a lien on the property. Ms. Johnson said that they would have to get permission from the mortgage holder in order to move forward, which they have been very successful in doing. Ms. Johnson said that there are times where there are no clear titles and it is challenging to get a clear and marketable title, but the good news is they know how to work on that with the homeowners. Ms. Johnson said that the grant funds can't be used to prove ownership of the home, so those challenges are on the homeowners, so it might take a little longer to get that together to qualify.

Rebecca Huss asked if Ms. Johnson had an estimate of approximately how much it costs and how much it takes to clear a title. Ms. Johnson said that it depends, but if they hire Grantworks to do

this, they work with a title company and they try to get the title company to get their staff attorney to work at a reduced or pro bono rate, or they ask other local attorneys to do the pro bono or reduced rate work. Ms. Johnson said that she has been working in this field for about 15 years, and she just recently got a count of how many houses that she has personally been involved with and it has been roughly 2,000 homes in Texas. Ms. Johnson said that it is possible to get the work done, it is hard, but it is possible.

Ms. Johnson said the timeline for this project, is that the City will put in their application to the State, and then the State will process the application. Once the State issues the agreement with the City, and you hire a consultant, then they make plans to start marketing and make plans with staff to come and take the homeowner applications. Ms. Johnson said that time frame is about six months to get that all accomplished. Once the homeowner applications are completed and they are actually going to start building, it will be about 9-12 months. Ms. Johnson said that it is a long hard process, but once construction starts, do not blink, because they will be done fast. Ms. Johnson said that the homeowners that they are assisting, are not only low, fixed incomes, but they are also older and change is hard for them so they want to minimize the time. Ms. Johnson said the homeowner will have to relocate while their new home is being built, and grant funds can't pay for that cost, so they want to get them back in their house within three months. Jon Bickford asked if typically the people have to find a place to stay. Ms. Johnson said that was correct.

Jon Bickford asked if the proposal was for four homes to start out with. Ms. Johnson said that the State has two ways to do this program, one being a contract where there is actual dollars associated to the City and the City is committed to build four houses, as a competitive annual grant. Ms. Johnson said the other way that they can do it is where they are heading today, which is called a reservation program, so there is not actual dollars associated with it yet, it is an agreement with the State, and dollars are committed based on each house. Ms. Johnson said that when they get an eligible house, then they will commit the dollars, the benefit of this program is that they have an 80% percent income limit, whereas the contract limit is 60 % percent, and they can go up to ten (10) houses. Ms. Johnson said that they will accumulate a waiting list for the homes and then in the fall they will work on the contracts.

Mayor Jones asked if they had three applicants ready to go, and they got approved, then six months later a fourth one shows up, they just keep doing them within the two year period. Ms.

Johnson said that at the end of the two years, they will just roll the City over. Ms. Johnson said that she would like to keep the City in the reservation system nonstop, so there is always a list of applicants and people working on the grants. Ms. Johnson said that the program is very competitive and is not very easy to get funded, but if you can, it is great.

Jon Bickford asked if there was a means test, where if they had a homeowner that could not keep their home up, now they are being moved into a brand new home, so how are they going to afford to keep that up.

John Champagne arrived at the meeting at 6:14 p.m.

John Champagne asked what ownership the homeowner has in the game. Ms. Johnson said that the homeowner has to keep their taxes current and paid, so that the house doesn't end up on the courthouse steps. Ms. Johnson said that in her personal experience doing these grants, she will go and assist a homeowner, they will tear down the old home and build a new home. Ms. Johnson said that often the children of the homeowner, because the owners do not have enough money to do the upkeep, will buy Mom and Dad furniture or things that they need for the home. Ms. Johnson said that she will come back a year later, after the home is built, and she will notice that the block actually changes and improvements start to get made as a result of the home being built. Ms. Johnson said that poor people are just poor, but they are very prideful people.

Mr. Yates said that the person gets the home for free, and if they stay in the home for 5-10 years they get clear title to the home. Ms. Johnson said that this is a grant for the home, with an affordability period on it of five years, meaning that the homeowner must stay in the home for five years, because they don't want to invest in the home and then have the owner put the new home up for sale. Ms. Johnson said if the owner decides to sell the house before five years, the State has the option to try and recoup some money from the sale. Ms. Johnson said if the owner's circumstances change, as they get older, and they can no longer live there and they need to relocate, they would only have to worry about paying back should there be a profit.

Rebecca Huss stated that the literature says that the building materials are of high quality that should last, so the maintenance should not be as expensive. Ms. Johnson said that the homes are built with the 2015 IRC Code and it is energy efficient, so they are meeting Chapter 11, which is the Energy Efficiency Code, so the homeowners will have more money in their pocket because

they will not be heating and cooling the neighborhood. Ms. Johnson said that when they build the homes, they are three bedroom homes with two bathrooms that is 1,100 square feet. Ms. Johnson said that she is very proud of the homes that they build.

Jon Bickford asked who the actual construction contractors would be. Ms. Johnson said that she would be the Grant Consultant, to make sure that everything is done correctly. Ms. Johnson said that the contractors come from a list of pre-qualified builders, and she works with contractors from all over the State. Ms. Johnson said that more than likely, because of the proximity the builders will probably be from Conroe.

Mayor Jones asked Ms. Johnson how she is paid. Ms. Johnson said that all of their fees would come from the grant, and they do not get paid at all unless they assist someone. Ms. Johnson said that her fees are based on a per-house basis, which makes them very motivated to get homeowners qualified.

Dave McCorquodale asked if there was a percentage of some of the homeowners that were not selling for a profit, and they were not trying to move in with the kids, their taxes just got to be more than they could handle, and asked what the tax bill would be after the new home is built and if there was any long term data. Ms. Johnson said that she could not give an answer to that question because each County is its own taxing entity, so it will vary from County to County. Ms. Johnson said that what she can say is that no home that she is aware of, has ever been sold on the Courthouse steps. Ms. Johnson said that whatever deferments the homeowners' have in place, will remain, such as homestead, etc. Ms. Johnson said that they talk about this information with the homeowner from day one during the application process. Ms. Johnson said that their costs will go down since their homes are going to be more energy efficient. John Champagne asked if Ms. Johnson had any data to back up her statement. Ms. Johnson said that she took electric bills and gas bills prior to new construction and then compared it to afterwards, and saw that it was much less. John Champagne said that he would contend that if they are in that income bracket, they are probably not heating and cooling very much to begin with because they can't afford it. John Champagne said the cost of the house will go up because from what he is hearing, more than likely the value of the home exponentially, so they will have more property tax. Rebecca Huss said that was not necessarily the case because they have a 10 percent limitation in the value of the property. John Champagne said he was aware of all that, it was still an exponential increase, and said that they are talking about people that could not repair their homes

because they could not make ends meet. John Champagne said that they are going to increase their cost of living in that home. Rebecca Huss said that it was their free choice, it is not like the City is forcing new houses on anybody. John Champagne said that the government is now in the business of giving free homes and he does not see where the owner has any skin in the game, historically or over the past he noticed that people who get something for nothing pretty much treat it that way for the most part. John Champagne said that if he is buying something that has value to him, he is going to treat it a whole lot differently than if someone just gave it to him. John Champagne said that his big problem is there is no corresponding investment on the part of the owner. Ms. Johnson said that there actually is, because the homeowner is going to have to move their belongings out and they are going to have to find a place to stay while their home is being built, which is an investment. John Champagne asked if they were defining moving so a house can be built as an investment. Ms. Johnson said that some of the homeowners will have to pay rent while they are relocated. Ms. Johnson said that their current home and a new home on the same lot, it is still their home, and homeowners pride that they have in one home, even though it is in disarray and in need of repair, it is clean inside and well kept. Ms. Johnson said that the new home will be treated the same way on the same property.

Ms. Johnson said that the long range win in this is not just about the tax base increasing, but homeowners will be able to stay in their homes, and the longer they are able to stay in their homes, the less money that costs us as a whole tax wise. Ms. Johnson said that when they have to start going into nursing home facilities, that costs the tax payers much more than it does to keep them in their homes. Ms. Johnson said that when you have a new home that someone is in that they can age in, they are cool and warm, which helps their health and will provide more income in their pocket. Ms. Johnson said that aging in place is very important for people.

Mr. Yates said that in his experience, he has seen one out of six of these houses where the person did not take care of the home. Mr. Yates said that once they realize they have a \$90,000 asset they will take care of that asset. John Champagne said that anecdotally he would agree with Mr. Yates, but historically since 1964 he has seen no indication that type of subsidies have worked. John Champagne said that they have thrown more money at this type of situation over the past 50 years than you can count.

Mayor Jones said that they have nine houses within the City that were done on a grant program several years ago, and at least from outward appearances it seems to have been a good deal.

Rebecca Huss said that the clear title process itself, people with access to banking and equity in their homes are able to borrow against it, they are able to upgrade, which is a public good that does not have a quantifiable value, but neighborhoods where there is ownership and good ownership, they can afford to improve.

T.J. Wilkerson asked about when a person has been living in a house, and paying on it for 15 years, and he is paying Bob Smith instead of a mortgage company, because it is his house, but if he gets permission from him can he apply. Ms. Johnson said that there were two kinds of things that they do in Texas that they are known for, one of which is getting a mortgage from a bank and they receive a warranty deed. Ms. Johnson said that the other thing that they like to do in Texas is a Contract for Deed, which is not acceptable because that homeowner has no equity in that home. A Contract for Deed is like a Rent to Own, and if the person misses one payment, the person that you are buying the house from can throw you out. Ms. Johnson said that what they can do is if they find out that there are a lot of Contract for Deeds in the area, they can suggest another program called the Contract for Deed Conversion, where the State will pay off the seller the remaining balance and then the State will become the lien holder and will convert it to an actual mortgage where TDACA is the mortgage holder and then the homeowner will continue to pay the State and will have actual equity and investment in their home.

Jon Bickford said that even if there is a mortgage company, they will have to get permission from them. Ms. Johnson said that can be tricky, unless it is a local person, which is usually pretty easy, but if it is Wells Fargo it is time consuming. Ms. Johnson said that the work with the homeowners and to get them to authorize her to work directly with Wells Fargo, so they can cut through all the red tape. Mayor Jones said that from a lenders standpoint, wouldn't they rather have the mortgage on a new house. Ms. Johnson said that she has never had them say no.

T.J. Wilkerson said that he had not really seen any dilapidated homes that people had gotten through this program, because there are two on Simonton that are real nice, one on Baja, three or four homes on Martin Luther King Jr. and on FM 1097 and FM 149 that are still very nice. John Champagne asked if they were done the same way. T.J. Wilkerson said that it was not done by Grantworks. Mayor Jones said that they were done with matching grants. Mr. Yates said that it was a HOME Grant project. Mayor Jones said that this was a HUD program that the City did about 10 years ago. Mrs. Carol Langley advised that it was a different consultant, but it was the same program. Mayor Jones said that the State put up \$450,000 and MEDC put up \$50,000 for

a total of \$500,000 and they built nine houses. Mrs. Johnson advised that would have been the same program that they are discussing, and said that it changes through the years as to what the match requirements are. Ms. Johnson said that the match requirements would be zero for cities with a population of 3,000 or less.

John Champagne said that he wanted to state one last comment, from a philosophical standpoint in terms of government, he did not believe that the government should be in the subsidy business period, it is not the function of government. Secondly, he would remind this City Council that there were many times that they were in a bit of a log jam because of lot sizes, and he can only assume their preoccupation with lot sizes was because of the fear that these developments would go downhill and be in disrepair in short order. John Champagne said that he believed in a community supporting those that have little, but he believed that it should be done individually and not mandated by the government.

Rebecca Huss moved to approve the Resolution by the City of Montgomery, Texas, authorizing the City to apply for the Texas Home Investment Partnership Program. Dave McCorquodale seconded the motion, the motion carried with a vote of 4-Ayes and 1-Nay by John Champagne. (4-1)

4. Consideration and possible action regarding adoption of the following Resolution:
A RESOLUTION BY THE CITY OF MONTGOMERY, TEXAS AUTHORIZING THE AWARD OF CONTRACT FOR ADMINISTRATION SERVICES AND SOFT COST PROJECT MANAGEMENT SERVICES FOR THE HOME OWNER REHABILITATION ASSISTANCE PROGRAM.

Mr. Yates advised that the City only received one RFP from Grantworks. Mr. Yates said that the Grant Review Committee consisted of Council Members Rebecca Huss and T.J. Wilkerson, City Secretary Susan Hensley and himself. Mr. Yates advised that the Committee is recommending Grantworks. Rebecca Huss said that Grantworks has provided a significant value to the City by identifying options to the City.

Mayor Jones said that what he has seen and likes about Grantworks is that they show the City where there are a lot of potential funds available, which he appreciates.

Rebecca Huss moved to adopt a Resolution by the City of Montgomery, Texas authorizing the award of contract for administration services and soft cost project management services for the Home Owner Rehabilitation Assistance Program to Grantworks Company. T.J. Wilkerson seconded the motion, the motion carried with a vote of 4-Ayes and 1-Nay by John Champagne. (4-1)

5. Consideration and possible action regarding adoption of the following Resolution:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONTGOMERY, TEXAS DENYING THE PROPOSED RATES OF LDC, LLC FOR NATURAL GAS; DIRECTING THE CITY SECRETARY TO SEND A COPY OF THE RESOLUTION TO LDC; DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION WAS PASSED COMPLIED WITH THE TEXAS OPEN MEETINGS ACT; AND ESTABLISHING AN EFFECTIVE DATE.

Mr. Yates advised that Mr. Mike Swain, with LDC, was present. Mr. Yates said that the proposed rate increase by LDC, the natural gas supplier for approximately 90 customers in the City. Mr. Yates said that the rate increase that they are requesting is for both residential and commercial customers to go from \$15 per month to \$21 per month, and the resolution that was provided LDC has City Council opposing the rate increase.

Rebecca Huss said that the City's natural inclination has been to oppose rate increases, and if it is imposed by the Railroad Commission, there is really nothing that they can do about it.

Mayor Jones asked Mr. Swain if the reason for this increase was because of a line that needed to be moved because of a road. Mr. Swain said that was not correct, and said that they could not include the cost of moving a line in a rate increase. Mr. Swain said that LDC believed that the City would not be interested in granting a rate increase, not because of facing the heat from rate payers, but because the Railroad Commission is where the rate case is going to end up anyway and why not make the process more efficient and allow the Railroad Commission to decide the rate. Mayor Jones said that historically the City has denied rate increases and allowed the PUC to make the decision and take care of it. Jon Bickford said that production is up worldwide and prices are falling, so he did not understand why they would have a rate increase proposed. Jon Bickford said that he still has not seen a single rate decrease proposed through any of the downfall of the natural gas prices for the last three years. Jon Bickford said that he did not understand how

natural gas prices keep falling and they want to raise rates, which he feels that they want to raise them because they don't have competition.

John Champagne asked about Mr. Swain's net and whether LDC paid taxes. Mr. Swain said that they have not paid taxes because they have not made money, and said that they have only had a profit one year when they sold an asset. Mr. Swain said that primarily he and the owner have been providing funds to keep the company in business. Mr. Swain said that they are now at the point when they are about to reach profitability and the overall price for natural gas is actually lower than it was, because the price of supply is dropping. Mr. Swain said that they do not make any money off of the supply, only the service provided.

Mayor Jones asked how many customers were in the area. Mr. Swain said that there were 90 customers in the City of Montgomery, including commercial and residential, with 1,000 customers overall. Mr. Swain said that they have doubled their customer base since 2009. Mr. Swain said that they are hooking up the new Kroger, high school, and they are happy to see all these wonderful things happening in Montgomery. John Champagne said that he complimented Mr. Swain for sticking in there for 16 years, but also said that he believed in competition.

Jon Bickford moved to adopt the Resolution as presented. John Champagne seconded the motion, the motion carried unanimously. (5-0)

6. Consider/take action regarding participation in the County-wide Urban and Rural Transportation Implementation Strategy for Seniors, Persons with Disabilities, Veterans, Persons with Low Incomes and the General Public.

Mr. Yates said that this is a proposed new group of interested governments, social agencies and public transit providers of public transportation services to create a formal organization to study the needs of the groups. Mr. Yates said that the outcome may be grants for furthering the inclusion of more areas with greater participation in public transportation. Mr. Yates said that he had contacted the groups to ask for statistics, and only received a response from Senior Rides, who provides the seniors transit.

Mr. Yates said that the participation with this group is more about not getting left out of future planning and participation possibilities if the City were not to be included in this group. Mr.

Yates said that he felt having a seat at the table was worth the contribution, which they are asking for \$2,000 to \$5,000. Mr. Yates said that he felt that \$2,000 would give the City a seat at the table.

Mr. Yates said that he felt that the representative for the group, he would suggest that it not be him, but he would recommend a citizen who is interested in the subject and can represent the City well. Mr. Yates said that the delegate and he can work together during the organizational phase of the strategy group, then the delegate could take over, and report to City Council as needed. Mr. Yates mentioned the name of Nelson Cox, who is Chairman of the Planning and Zoning Commission. Mr. Yates said that he called Mr. Cox to ask him if he was interested in serving as the delegate, and Mr. Cox said that he was interested, but did not know much about the subject. Mr. Yates said that City Council could also consider, similar to what they do with Board appointments, they could ask the public to apply on the form that they use for Boards and Commissions. Rebecca Huss said that she would rather appoint Nelson Cox right now, than risk losing him.

John Champagne asked who funds this program, and whether it was State, Federal, municipal and all of the above. Mr. Yates said that it was all of the above. John Champagne said that if the City participates in this, do we help fund the project in the County. Mr. Yates said that it would be through the County tax dollars. John Champagne said that they were going to pay for this program, whether they participate or not. Mr. Yates said that you are paying for it.

Rebecca Huss said that the City is having more senior housing and seniors in the City of Montgomery, so they will have more people going forward that will benefit from this program. Mr. Yates said that his concern is for 5-10 years from now.

Rebecca Huss moved that they participate in the County-wide Urban and Rural Transportation Implementation Strategy and asked if they could get a discount and not have to pay the \$2,000.

Dave McCorquodale said that he thought that Rebecca Huss was making a motion without the \$2,000. Rebecca Huss confirmed that the motion was without the \$2,000. Dave McCorquodale said that he was in favor of the program.

Rebecca Huss moved to amend her motion to participate in the County-wide Urban and Rural Transportation Implementation Strategy with a zero contribution. Jon Bickford seconded the motion.

Discussion: T.J. Wilkerson asked if Mr. Yates had only received one response. Mr. Yates said that he knows that Brazos has to provide their figures to the Federal government, so he was not sure if they would get an answer.

The motion carried with 4-Ayes and 1-Nay by John Champagne. (4-1)

Mayor Jones asked if City Council needed to select the City's delegate. Mr. Yates said that was correct. Jon Bickford asked Mr. Nelson Cox if he was interested in serving. Nelson Cox said that he was asked if he would volunteer.

Dave McCorquodale moved to nominate Nelson Cox to be the City's representative to the Conroe Woodlands Urbanized Area Transit Advisory Committee. Jon Bickford seconded the motion, the motion carried with 4-Aye votes and 1-Nay vote by John Champagne. (4-1)

Mayor Jones thanked Mr. Nelson Cox for his volunteerism and service.

7. Consideration and possible action regarding the repair of the emergency generator at Water Plant No. 3.

Mr. Chris Roznovsky, City Engineer, presented the information to City Council. Mr. Roznovsky advised that they had received two quotes for repair and one quote for the replacement of the radiator. Mr. Roznovsky said that the repair cost was right at \$21,500 and the second bid was \$21,600, with the work to be completed in ten (10) days. Mr. Roznovsky said that the alternate bid of replacing the generator while less cost would take approximately 120 days to complete, during hurricane season, which is the main reason to have the generators.

Mr. Roznovsky said that if this had occurred during a different time of year, but it is during hurricane season. Rebecca Huss said that the generator is approximately halfway through its useful life, so you are wasting a lot of money by not buying a new one. Mr. Roznovsky said that this was just to replace the radiator on the generator, not the generator itself.

Jon Bickford said that he wanted to confirm that the proposal for \$21,000 is to replace the generator. Mr. Roznovsky said that it was to repair the radiator of the generator. Jon Bickford asked if someone has looked at the radiator to see if they fix it, they will get another "x" number of years, or if they fix it a year and a half later they will spring another leak.

Jon Bickford asked how much it would cost the City to rent a standby generator, on a trailer for 120 days. Mr. Shackelford said that the City would almost need to have an annual contract for a generator rental in advance, months before a storm, because everyone is thinking the same thing. Jon Bickford said that he is saying that if they go look for one right now, he would much rather pay the \$18,000 to get the radiator replaced, and have the other on standby. Mr. Shackelford said that this would be a truck mounted generator. Jon Bickford said that once a radiator springs a leak, it means the radiator is weak. John Champagne asked how often this occurs with the generators and is this something that is customary. Mr. Williams, with Gulf Utility, said that this is the first that he has come across this with the generators in Montgomery. Mr. Shackelford said that Water Plant 2 would not be sufficient enough to run the City. Rebecca Huss asked what the cost would be to rent the generator. Mr. Shackelford did not have that figure at this time.

Mr. Shackelford said that because of time, they are recommending repair in place. Jon Bickford said that he just was concerned that \$21,000 later they spring a leak six months from now. Rebecca Huss asked if there was a warranty on the work, and would they warranty just the spot that they repair. Mr. Shackelford said that it was his understanding that they would warranty the radiator repair.

After discussion, John Champagne moved that they authorize work to fix the radiator so that they will have something available should they need it during the hurricane season.

Mayor Jones asked for a second to the motion. The motion died for lack of a second.

Jon Bickford moved to replace the radiator, if and only if they can find a standby generator for rent that is within a reasonable cost for 120 days, while the new radiator is ordered. Jon Bickford said that if they can't find something by the next City Council Meeting, then they do the repair. Rebecca Huss said that she would recommend by the end of the week.

Mr. Shackelford asked for clarification on the upper limits for the monthly rental of the generator. Jon Bickford said that he would say a maximum not to exceed \$3,000 per month.

Jon Bickford restated his motion, that if they can find a standby generator for \$3,000 or less per month. Mr. Roznovsky said that currently the equipment is not set up to connect to a portable generator, so an electrical modification will be required to make it work, so they would also need to bring that cost back to City Council.

Jon Bickford then restated his motion said that he would move that within the next two weeks, they research the standby generator option costs, identify the costs of putting a standby generator in place, which would include the hookup and fuel, etc., and then bring it back at the next City Council Meeting for a final decision.

Mayor Jones confirmed that Jon Bickford was tabling action, pending an investigation of another option. Jon Bickford said that was correct.

Rebecca Huss asked to confirm that hurricane season begins on June 1. Mr. Shackelford said that was correct. Mayor Jones asked if delaying this would put the City at risk. Mr. Shackelford said that it was pretty unusual to have a hurricane in the early part of the season, because the water in the Caribbean is not that hot yet. Mr. Shackelford said that most hurricanes start in August.

John Champagne asked how long it would take to pull the old radiator and put a new one in. Mr. Roznovsky said that it would take 10 days.

Mr. Roznovsky said that they should be able to get the information by the next meeting on the cost, what might take some time is for someone to go out to the site and tell them what electrical modifications they need. Mayor Jones asked if waiting the extra 14 days was a problem. Mr. Roznovsky said he did not think so since they are so early in the hurricane season.

Mayor Jones restated Jon Bickford's motion, which was to table action pending further investigation of other options.

Mr. Williams said that Worldwide Power Products had submitted a quote for a 250 KW standby generator for \$2,556 per month, plus cable.

Mr. Shackelford said that he understood the concern of the radiator that it might fail again, or might need repairs, but based on the price to replace the radiator at \$18,000, plus the rental of the generator that they might never use at \$10,000, plus electrical costs, they have already exceeded the cost of the repair. Mr. Shackelford said that during this time period they will also talk to the repair shop and find out exactly what the extent of repairs include.

Jon Bickford said if the generator company can give them some type of confidence that they don't have a worn out radiator, then he would be fine with doing the repair.

Dave McCorquodale seconded the motion.

Discussion: Jon Bickford said that they needed the information quickly, definitely by the next Council meeting.

The motion carried with 4-Aye votes and 1-Nay vote by John Champagne. (4-1)

8. Consideration and possible action regarding approval of Change Order No. 1 to the Water and Sanitary Sewer to Serve Pizza Shack Contract.

Mr. Roznovsky presented the information to City Council advising that due to unforeseen site conditions, wet trench bedding techniques are required to complete the utility installation. The change order also includes the removal of a bid item that was not needed, which is a \$50,000 deduction so the net of the change is a \$40,400 reduction to the contract.

Mr. Yates advised that this was a savings to the MEDC because the contract price was more than the grant, and the MEDC offered to pay up to \$75,000, so they will get \$40,000 back. Mayor Jones said that was good news.

John Champagne moved to approve Change Order No. 1 to the Water and Sanitary Sewer to Serve Pizza Shack Contract as presented. T.J. Wilkerson seconded the motion, the motion carried unanimously. (5-0)

9. Consideration and possible action regarding presentation of the 2015-2016 Annual Audit for the year ending September 30, 2016, as prepared by Anthony Cardiel of Brooks and Cardiel, C.P.A.

Mr. Jon Watson, with Brooks and Cardiel, who is standing in for Anthony Cardiel. Rebecca Huss asked if Mr. Cardiel was not here because he told City Council last year that he would have the audit done on time, but it turns out it is two months late again. Mr. Watson said that was not why Mr. Cardiel was not here.

Mr. Watson said that the audit opinion that was issued for the City was an Unmodified Opinion, which is the highest level of assurance that they can provide and means that the financials are consistent with the Generally Accepted Accounting Policies without any material modifications.

Mr. Watson said that the City's total assets exceeded the City's total liabilities by \$4,936,000, and the City reported a combined fund balance of \$1,387,000, which was a decrease of \$153,000. The unassigned fund balance of the General Fund was \$1,182,000, which is 50 percent of annual general fund expenditures, so it is something that the City should look at because it represents how much free money the City has to finance ongoing expenditures. Mr. Watson said that GFOA recommends 3 months and the City is at 50 percent, which is great and in the range where you need to be.

Mr. Watson said that if you get too high, that probably means you have too much money. Rebecca Huss said that they have heard that before, but with a city this size, 50 percent of \$2.5 million dollars does not actually buy you anything. Rebecca Huss said that while that sounds like a great deal, if you have a hurricane and need a generator, it costs a lot of money. Mr. Watson said that you can always commit or reserve funds for that purpose, this rule is specifically for unassigned funds. Mr. Watson said that if the City sees a real need, such as repairs, City Council can commit to reserve those funds and would not be included in the unassigned funds. Rebecca Huss asked if those funds could be unreserved or uncommitted if they decide that they need them somewhere else. Mr. Watson said that they could absolutely do that. John Champagne said that was great information.

Rebecca Huss asked about the total assets and liabilities, located under the first bullet of the financial highlights, where they talk about the net position is \$4.9 million, which is great, but just

the City itself is a negative unrestricted net position. Basically what they are doing is putting all the liability for the water plant, in particular, and sewer plant in the general fund, but all of the assets are being put in the water and sewer fund. Rebecca Huss said that it seemed like a mismatch to her, because all the assets and liabilities should be in one or the other. Rebecca Huss said that the auditor is saying the City itself has a negative position of almost \$3 million dollars, so the liabilities are more than the assets. Rebecca Huss said that what she is saying is that when they are considering for the liabilities, which is essentially the water plant, sewer plant and monies that they borrowed for that, but the assets for those liabilities are in the water and sewer fund, they should either be in one or the other not split.

Mr. Watson said that Rebecca Huss was exactly correct, and said that was determined by the actual bond agreement, so if they have that agreement in front of them, they could look at it and see why it was placed into government activities rather than business type activities. Rebecca Huss asked to confirm that they did not have the City's bond agreement. Mr. Watson said that he did have the agreement, and he would have to go on Anthony Cardiel's opinion here, that it is based on taxes, which is a governmental activity and not a water and sewer activity. Mr. Watson said that how the debt would be serviced determines where the debt is placed, so this was a general obligation bond that is secured by property taxes, it is a governmental entity debt. If it was a certificate of obligation that is pledged by utility revenues, then it would be placed in business type activities.

Rebecca Huss said that if they borrowed from general obligation would that not mean that asset that they borrowed to build would belong to the general account. Mr. Watson said that the asset does not always run with the debt. Mr. Watson said that he felt it was a valid question, but he would personally want to review that debt agreement to make sure that it was placed in the right place. Rebecca Huss said that the money was raised specifically to create that asset, you would think that they would be in the same account one way or the other. Rebecca Huss said that they can deal with this information later. Mr. Watson said that he would like to evaluate the question and get back with the City.

Mr. Watson reviewed the City's revenues and departmental expenditures. Mr. Watson said that the City's budget was actually really close and spot on, revenues were under by \$10,000 on an aggregate level, and expenses were under budget as well by \$31,000, with a net budget variance of a positive \$21,000.

Mr. Watson said that the water and sewer fund was operating at a deficit of \$161,000, so that is something to look at with revenues and expenditures. Rebecca Huss asked if this included the depreciation of the total operating expenses. Mr. Watson said that it did. Rebecca Huss said that it would not rely on transfers if they were breaking even on a cash flow basis, this is on the actual accounting basis. Mr. Watson said that he did not have the depreciation figures, there are some noncash expenses, but then again noncash expenses have to be funded.

Mr. Watson stated that typically he sees net pension liabilities, so the City is in a pretty fair position with the net pension assets. Mr. Watson said that one ratio they look at is funded positions, so the actuary puts together the estimate of the liability. The City's asset is greater than its liability, so funding wise the City is in good shape.

Mr. Watson said that everyone at the City was very easy to deal with and they did not have any issues. Mr. Watson said that they were providing information regarding tax abatements and the new disclosure. Mr. Watson said that he would look into the question by Rebecca Huss and will report back to Mr. Yates.

Mayor Jones said that overall the City is okay. Mr. Watson said that the City was classified as Unmodified, which is the highest level that the City can receive.

Jon Bickford moved to accept the Audit as presented. John Champagne seconded the motion, the motion carried unanimously. (5-0)

10. Consideration and possible action regarding approval of Request for Proposals for Auditing Services for the City.

Mr. Yates presented the information to City Council, stating that this is the third year of Brooks and Cardiel. Mr. Yates said that while it is not a requirement, it is recommended that cities have different auditors review their accounts, and often three years is the recommended period to have the same auditor. Mr. Yates said that staff is not recommending the staying with Brooks and Cardiel, primarily because of the delays in receiving the Audit and issues regarding document preparation that worked out this year, but only after discussions with the auditor.

Mr. Yates said that what he is proposing is going out for proposals for a new Auditor and for him to accomplish all this by the end of September, which is the end of the fiscal year.

John Champagne moved to authorize the City Administrator to solicit proposals for an Auditor of the City's financial administration, with the entire selection process to be finished on or before September 30, 2017. Jon Bickford seconded the motion, the motion carried unanimously. (5-0)

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. (There were no items at this time)

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.

Dave McCorquodale announced that tonight on PBS, Channel 8, Frontline at 9 p.m. is in depth story about poverty, public housing and politics. Dave McCorquodale said that he felt it would be worth all of their time. Dave McCorquodale said that it would provide a broad snapshot of what the Country as a whole is going through.

ADJOURNMENT

Jon Bickford moved to adjourn the meeting at 8:30 p.m. Dave McCorquodale seconded the motion, the motion carried unanimously. (5-0)

Submitted by:

Susan Hensley
Susan Hensley, City Secretary

Date Approved:

05/23/17

Kirk Jones

Mayor Kirk Jones

