

**Notice of City Council Workshop
AGENDA**

October 23, 2023 at 5:00 PM

NOTICE IS HEREBY GIVEN that a Meeting of the Montgomery City Council will be held on **Monday, October 23, 2023**, at **5:00 PM** at the City of Montgomery City Hall, 101 Old Plantersville Road, Montgomery, Texas.

Members of the public may view the meeting live on the City's website under Agenda/Minutes and then select **Live Stream Page (located at the top of the page)**. The meeting will be recorded and uploaded to the City's website.

CALL TO ORDER

CONSIDERATION AND POSSIBLE ACTION:

- 1.** Review and Discuss the Proposed Capital Improvement Plan and Funding Through Certificates of Obligation

ADJOURNMENT

/s/ Nici Browe

Nici Browe, City Secretary. TRMC

I certify that the attached notice of meeting was posted on the bulletin board at City of Montgomery City Hall, 101 Old Plantersville Road, Montgomery, Texas, on October 20, 2023 at 12:00 p.m.

This facility is wheelchair accessible and accessible parking spaces are available. Please contact the City Secretary's office at 936-597-6434 for further information or for special accommodations.



October 20, 2023

To: Mayor and City Council
From: Gary Palmer, City Administrator
Subject: CIP Workshop

Within your workshop packet please find the updated draft of the proposed Capital Improvement Plan (CIP). There has been no change to the projects since our previous workshop discussions.

Chris Roznovsky and James Gilley (Financial Advisor) will be at the workshop to present the CIP, walk through the projects, and discuss the funding mechanisms and debt issuance process.

City of Montgomery CIP Snapshot
Maintenance

Project	2023	2024	2025	2026	2027	2028	2029
Water Plant No. 2 Improvements		\$ 1,232,000					
Water Plant No. 3 Improvements		\$ 45,000	\$ 400,000	\$ 275,000	\$ 5,000		\$ 5,000
Wastewater Treatment Plant					\$ 30,000		
Lift Station No. 3			\$ 125,000				
Lift Station No. 4				\$ 30,000			
Lift Station No. 5			\$ 225,000				
Lift Station No. 6				\$ 10,000	\$ 30,000		
Lift Station No. 7		\$ 10,000					
Lift Station No. 8		\$ 10,000			\$ 75,000		
Lift Station No. 9			\$ 75,000	\$ 10,000			
Lift Station No. 10			\$ 75,000	\$ 10,000			
Lift Station No. 13				\$ 10,000			
Lift Station No. 14				\$ 10,000			
Sanitary Sewer & Manhole Rehab	\$ 100,000	\$ 600,000	\$ 200,000		\$ 200,000		
Sanitary Sewer Cleaning and Televising			\$ 75,000				
Storm Sewer Conditions Assessment			\$ 30,000				
Storm Sewer Rehab				\$ 25,000			
Total Construction Costs	\$ 100,000	\$ 1,897,000	\$ 1,205,000	\$ 380,000	\$ 340,000	\$ -	\$ 5,000
Contingencies (20%)	\$ 20,000	\$ 379,400	\$ 241,000	\$ 76,000	\$ 68,000	\$ -	\$ 1,000
Inflation (4% per year)	\$ 4,800	\$ 185,754	\$ 180,553	\$ 77,456	\$ 88,394	\$ -	\$ 1,896
Engineering	\$ 18,720	\$ 369,323	\$ 243,983	\$ 80,018	\$ 74,459	\$ -	\$ 1,184
TOTAL ANNUAL COSTS	\$ 143,520	\$ 2,831,477	\$ 1,870,536	\$ 613,474	\$ 570,854	\$ -	\$ 9,080

Notes:

(1) The cost for these projects include miscellaneous system wide repairs/improvements, and preventative maintenance needed to keep the City of Montgomery functional.

(2) These estimates is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

City of Montgomery CIP Snapshot
Capital Projects

Project	2023	2024	2025	2026	2027	2028	2029
Water Plant No. 2 Improvements (Disinfection and Well)			\$ 134,500				
Water Plant No. 3 Improvements (Disinfection and Expansion)		\$ 120,000	\$ 150,000				
Water Plant No. 4 Future		\$ 1,500,000	\$ 2,370,000				
Lone Star Parkway 12" Waterline (Plez Morgan to Town Creek Crossing 2)			\$ 212,000				
NW Lone Star Parkway 12" Waterline Loop						\$ 400,000	
Buffalo Springs and CB Stewart 12" Waterlines					\$ 245,000		
Buffalo Springs Drive Waterline From Lone Star Parkway To Abner Lane		\$ 95,000					
Downtown Waterline Replacement (East of FM 149)		\$ 815,000					
Houston Street Waterline Replacement							
Old Plantersville Waterline 12" Replacement (SH-105 To Womack Cemetery)							\$ 1,340,000
Old Plantersville Road Waterline Loop		\$ 520,000					
SH 105 Waterline Replacement (Pond to Prairie)				\$ 315,000			
Pond St and FM 149 Waterline Replacement (SH 105 to Flagship Blvd)							
SH-105 12" Waterline Extension (Buffalo Springs to CB Stewart)			\$ 154,000				
Town Creek WWTP to 0.4 MGD (0.8 MGD Ultimate)		\$ 1,000,000	\$ 8,750,000				
GSA 12 Gravity System Improvements (Gravity to Eliminate LS No. 12)			\$ 151,000				
SH-105 Gravity Sanitary Sewer Extension (Eliminate LS B)						\$ 125,000	
Total Construction Costs	\$ -	\$ 4,050,000	\$ 11,921,500	\$ 315,000	\$ 245,000	\$ 525,000	\$ 1,340,000
Contingencies (20%)	\$ -	\$ 810,000	\$ 2,384,300	\$ 63,000	\$ 49,000	\$ 105,000	\$ 268,000
Inflation (4% per year)	\$ -	\$ 396,576	\$ 1,786,279	\$ 64,207	\$ 63,696	\$ 167,151	\$ 508,018
Engineering	\$ -	\$ 788,486	\$ 2,413,812	\$ 66,331	\$ 53,654	\$ 119,573	\$ 317,403
TOTAL ANNUAL COSTS	\$ -	\$ 6,045,062	\$ 18,505,891	\$ 508,538	\$ 411,350	\$ 916,724	\$ 2,433,421

Notes:

(1) The cost for these projects are needed to support future development and growth within the City of Montgomery and are included as projects that can be paid with impact fees based on the City's 2023 Impact Fee Updates.

(2) These estimates is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

City of Montgomery CIP Snapshot
Transportation

Project	2023	2024	2025	2026	2027	2028	2029
SH-105 and Buffalo Springs Drive Intersection Improvements		\$ 300,000					
Buffalo Springs Dr. and FM 1097 Improvements*				\$ 400,000			
Plez Morgan Repaving					\$ 470,000		
Buffalo Springs Repaving (Lone Star Parkway to FM 1097)				\$ 2,085,000			
Buffalo Springs Repaving (Lone Star Parkway to SH-105)		\$ 900,000	\$ 1,600,000				
CB Stewart Repaving						\$ 390,000	
Flagship Blvd Ph II						\$ 791,000	
Clepper Repaving		\$ 650,000			\$ 575,000		
CB Stewart and Buffalo Springs Roundabout			\$ 355,000				
Shepperd Street (SH 105 to Caroline St.)		\$ 186,000					
Lone Star Bend and Lone Star Parkway Intersection Improvements			\$ 762,000				
Downtown/McCown Roadway Improvements (Cost TBD)							
General Road Rehab			\$ 125,000		\$ 125,000		\$ 125,000
Alternate Transportation Improvements				\$ 100,000		\$ 100,000	
Total Construction Costs	\$ -	\$ 2,036,000	\$ 2,842,000	\$ 2,585,000	\$ 1,170,000	\$ 1,281,000	\$ 125,000
Contingencies (20%)	\$ -	\$ 407,200	\$ 568,400	\$ 517,000	\$ 234,000	\$ 256,200	\$ 25,000
Inflation (4% per year)	\$ -	\$ 199,365	\$ 425,836	\$ 526,901	\$ 304,181	\$ 407,848	\$ 47,390
Engineering	\$ -	\$ 396,385	\$ 575,435	\$ 544,335	\$ 256,227	\$ 291,757	\$ 29,608
TOTAL ANNUAL COSTS	\$ -	\$ 3,038,950	\$ 4,411,672	\$ 4,173,236	\$ 1,964,408	\$ 2,236,806	\$ 226,998

Notes:

(1) These projects include roadways that are maintained by the City and do not include any cost sharing considerations between the City of Montgomery and other jurisdictions

(2) These estimates is based on my best judgement as a design professional familiar with the construction industry. We cannot and do not guarantee that bids will not vary from this cost estimate.

Gary Palmer

From: James F. Gilley <jfgilley@uscallc.com> on behalf of James F. Gilley
Sent: Friday, September 8, 2023 12:18 PM
To: Gary Palmer; Chris Roznovsky; Katherine Vu; Mike Muckleroy; Maryann Carl; Dave McCorquodale; Spook Willoughby
Subject: RE: Prep for Sept 7th CIP Meeting
Attachments: City of Montgomery - Capital Improvement Needs draft 3 (9-8-23).pdf

Gary,

Attached as requested is a cash flow analysis showing two scenarios: 1) projects costing \$2.5 million and, 2) projects costing \$3.5 million. This assumes the City would issue Certificates of Obligation to fund the projects and the debt service would be paid from the City's utility system revenues (not taxes). Based on the parameters of the financing and the City's strong credit, we would advise that the bonds be issued in the public market via competitive (auction-type) sale.

For both scenarios I've shown the City's 2022 Utility Net Revenues (column labeled A) and the City's current outstanding Self-Supported Debt Service (paid by utility revenues) shown in column D. The proposed debt service is shown in columns E – G and the grand total outstanding plus proposed Self-Supported Debt Service is shown in column H. Column I shows that the City's 2022 net revenues are sufficient to pay the existing plus the proposed utility debt service for both the \$2.5 million and \$3.5 million scenarios. You can see that, at the lowest, the net revenues cover the total self-supported debt service by 1.09 times in 2025 for the \$3.5 million scenario (see column J).

The general timing for the issuance of COs in these scenarios is as follows:

- October 24th: Council meeting to consider adoption of Resolution authorizing the publication of a Notice of Intention ("NOI") to issue COs. (This action does not commit the City to issue the bonds.)
- October 27th: NOI is first published in local paper
- November 3rd: NOI is published in local paper (2nd and last publication)
- Mid-November: Conduct rating call with City staff and Standard & Poor's Rating agency for a bond rating on the COs (expect AA rating)
- December 12th: Competitive bond sale with bids due at 10 AM. Later that evening, regular council meeting to review bids and consider adoption of Ordinance authorizing the issuance of the COs
- January 17th, 2024: Transaction closes, funds are delivered to the City

It is possible that we could accelerate this timing depending on the City's needs, but I am providing this to you so that you can have an idea of the general steps involved.

Please let me know if you have any questions at all.

Thank you,

James Gilley, Jr.
 U.S. Capital Advisors LLC
 Direct 512.813.1110
 Cell 713.516.8804

From: Gary Palmer <gpalmer@ci.montgomery.tx.us>
Sent: Wednesday, August 23, 2023 11:14 AM



City of Montgomery, Texas

City Council Budget Workshop - Financing Analysis
Water & Wastewater Projects

Tax & Revenue Certificates of Obligation, Series 2023

\$2.5 Million v. \$3.5 Million

Debt Service Paid By Utility Revenues

September 11, 2023

James Gilley, Jr.
Managing Director
U.S. Capital Advisors, LLC
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Austin, Texas 78701
Office: 512-813-1110
Mobile: 713-516-8804

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City of Montgomery, Texas
Cash Flow Analysis - \$2.5 Million Water & Sewer Improvements
Tax & Revenue Certificates of Obligation, Series 2023

2022 Utility Fund Assumptions ^(a)

Operating Revenues	\$	2,771,714
Operating Expenses		(2,369,713)
ADD: Depreciation		370,243
Net Revenues	\$	772,244

Est. No. Customers 1,100

Financing Assumptions ^(b)

Sale Date	12/14/2023
Closing Date	1/17/2024
First Interest Payment	3/1/2024
First Principal Payment	3/1/2025
Project Funds	\$ 2,500,000
Est. Interest Rate	5.00%

**Scenario I:
 \$2.5 Million Project -
 Paid by Utility
 Revenues**

FYE 9/30	Tax Year	Net Revenues	Outstanding Debt Service ^(c)			Proposed Debt Service: Tax & Rev CO, Series 2023 ^(b)			Grand Total Self-Supported Debt Service	Surplus (Shortfall) Net Revs. Over Debt Service	Coverage of Debt Service by Net Revenues	Additional Required Monthly Revs. per Customer
			Total	LESS:		Principal	Interest	Total				
				Tax-Supported	Self-Supported							
2023	2022	\$ 772,244	\$ 954,739	\$ 530,199	\$ 424,540	\$ -	\$ -	\$ -	\$ 424,540	\$ 347,705	1.82	\$ -
2024	2023	772,244	893,556	467,538	426,018	70,000	87,486	157,486	583,504	188,740	1.32	-
2025	2024	772,244	902,276	472,502	429,774	80,000	119,500	199,500	629,274	142,970	1.23	-
2026	2025	772,244	800,947	374,374	426,573	85,000	115,375	200,375	626,948	145,297	1.23	-
2027	2026	772,244	799,655	373,345	426,309	85,000	111,125	196,125	622,434	149,810	1.24	-
2028	2027	772,244	796,966	371,599	425,367	90,000	106,750	196,750	622,117	150,128	1.24	-
2029	2028	772,244	797,755	374,010	423,744	95,000	102,125	197,125	620,869	151,375	1.24	-
2030	2029	772,244	533,741	107,329	426,412	100,000	97,250	197,250	623,662	148,582	1.24	-
2031	2030	772,244	480,881	92,597	388,284	105,000	92,125	197,125	585,409	186,836	1.32	-
2032	2031	772,244	478,047	92,409	385,638	110,000	86,750	196,750	582,388	189,856	1.33	-
2033	2032	772,244	489,868	95,062	394,806	115,000	81,125	196,125	590,931	181,313	1.31	-
2034	2033	772,244	481,413	91,887	389,527	125,000	75,125	200,125	589,652	182,592	1.31	-
2035	2034	772,244	477,830	91,611	386,219	130,000	68,750	198,750	584,969	187,275	1.32	-
2036	2035	772,244	474,077	91,307	382,771	135,000	62,125	197,125	579,896	192,349	1.33	-
2037	2036	772,244	336,530	50,779	285,751	145,000	55,125	200,125	485,876	286,368	1.59	-
2038	2037	772,244	171,700	49,793	121,907	150,000	47,750	197,750	319,657	452,587	2.42	-
2039	2038	772,244	-	-	-	160,000	40,000	200,000	400,000	372,244	1.93	-
2040	2039	772,244	-	-	-	165,000	31,875	196,875	393,750	378,494	1.96	-
2041	2040	772,244	-	-	-	175,000	23,375	198,375	396,750	375,494	1.95	-
2042	2041	772,244	-	-	-	185,000	14,375	199,375	398,750	373,494	1.94	-
2043	2042	772,244	-	-	-	195,000	4,875	199,875	399,750	372,494	1.93	-
Total			\$ 9,869,977	\$ 3,726,339	\$ 6,143,638	\$ 2,500,000	\$ 1,422,986	\$ 3,922,986	\$ 11,061,124			

(a) Source: City of Montgomery FYE 9/30/2022 audit

(b) Preliminary, subject to change. Interest rate estimated and shown for illustrative purposes only. Assumes S&P 'AA' rated, BQ, scales as of 9-6-23 + 10 bps, flat coupon.

(c) Source of debt service allocation: City of Montgomery

City of Montgomery, Texas
Cash Flow Analysis - \$3.5 Million Water & Sewer Improvements
Tax & Revenue Certificates of Obligation, Series 2023

2022 Utility Fund Assumptions ^(a)

Operating Revenues	\$	2,771,714
Operating Expenses		(2,369,713)
ADD: Depreciation		370,243
Net Revenues	\$	772,244

Est. No. Customers: 1,100

Financing Assumptions ^(b)

Sale Date	12/14/2023
Closing Date	1/17/2024
First Interest Payment	3/1/2024
First Principal Payment	3/1/2025
Project Funds	\$ 3,500,000
Est. Interest Rate	5.00%

**Scenario II:
 \$3.5 Million Project -
 Paid by Utility
 Revenues**

FYE 9/30	Tax Year	Net Revenues	Outstanding Debt Service ^(c)			Proposed Debt Service: Tax & Rev CO, Series 2023 ^(b)			Grand Total Self-Supported Debt Service	Surplus (Shortfall) Net Revs. Over Debt Service	Coverage of Debt Service by Net Revenues	Additional Required Monthly Revs. per Customer
			Total	LESS:		Principal	Interest	Total				
				Tax-Supported	Self-Supported							
2023	2022	\$ 772,244	\$ 954,739	\$ 530,199	\$ 424,540	\$ -	\$ -	\$ -	\$ 424,540	\$ 347,705	1.82	\$ -
2024	2023	772,244	893,556	467,538	426,018	100,000	122,431	222,431	648,448	123,796	1.19	-
2025	2024	772,244	902,276	472,502	429,774	110,000	167,250	277,250	707,024	65,220	1.09	-
2026	2025	772,244	800,947	374,374	426,573	115,000	161,625	276,625	703,198	69,047	1.10	-
2027	2026	772,244	799,655	373,345	426,309	120,000	155,750	275,750	702,059	70,185	1.10	-
2028	2027	772,244	796,966	371,599	425,367	130,000	149,500	279,500	704,867	67,378	1.10	-
2029	2028	772,244	797,755	374,010	423,744	135,000	142,875	277,875	701,619	70,625	1.10	-
2030	2029	772,244	533,741	107,329	426,412	140,000	136,000	276,000	702,412	69,832	1.10	-
2031	2030	772,244	480,881	92,597	388,284	150,000	128,750	278,750	667,034	105,211	1.16	-
2032	2031	772,244	478,047	92,409	385,638	155,000	121,125	276,125	661,763	110,481	1.17	-
2033	2032	772,244	489,868	95,062	394,806	165,000	113,125	278,125	672,931	99,313	1.15	-
2034	2033	772,244	481,413	91,887	389,527	175,000	104,625	279,625	669,152	103,092	1.15	-
2035	2034	772,244	477,830	91,611	386,219	180,000	95,750	275,750	661,969	110,275	1.17	-
2036	2035	772,244	474,077	91,307	382,771	190,000	86,500	276,500	659,271	112,974	1.17	-
2037	2036	772,244	336,530	50,779	285,751	200,000	76,750	276,750	562,501	209,743	1.37	-
2038	2037	772,244	171,700	49,793	121,907	210,000	66,500	276,500	398,407	373,837	1.94	-
2039	2038	772,244	-	-	-	220,000	55,750	275,750	551,500	220,744	1.40	-
2040	2039	772,244	-	-	-	235,000	44,375	279,375	558,750	213,494	1.38	-
2041	2040	772,244	-	-	-	245,000	32,375	277,375	554,750	217,494	1.39	-
2042	2041	772,244	-	-	-	255,000	19,875	274,875	549,750	222,494	1.40	-
2043	2042	772,244	-	-	-	270,000	6,750	276,750	553,500	218,744	1.40	-
Total			\$ 9,869,977	\$ 3,726,339	\$ 6,143,638	\$ 3,500,000	\$ 1,987,681	\$ 5,487,681	\$ 13,015,443			

(a) Source: City of Montgomery FYE 9/30/2022 audit

(b) Preliminary, subject to change. Interest rate estimated and shown for illustrative purposes only. Assumes S&P 'AA' rated, BQ, scales as of 9-6-23 + 10 bps, flat coupon.

(c) Source of debt service allocation: City of Montgomery