



City of Montgomery City Council Regular Meeting Agenda

June 10, 2025 at 6:00 PM
Montgomery City Hall – Council Chambers
101 Old Plantersville Rd. Montgomery, TX 77316

NOTICE IS HEREBY GIVEN that a Regular Meeting of the City Council will be held on **Tuesday, June 10, 2025 at 6:00 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.

OPENING AGENDA

1. Call Meeting to Order.
2. Invocation.
3. Pledges of Allegiance.

PUBLIC FORUM

The City Council will receive comments from the public on any matters within the jurisdiction of the City of Montgomery, Texas. Speakers will be limited to three (3) minutes each. Persons wishing to participate (speak) during the Public Forum portion of the meeting must sign-in to participate prior to the meeting being called to order. Please note that the City Council's discussion, if any, or subjects for which public notice has not been given, are limited to statements of specific factual responses and recitation of existing policy.

CONSENT AGENDA

All Consent Agenda items are considered to be routine by the City Council and will be enacted by a single motion. There will be no separate discussion on these items unless a Councilmember requests an item to be removed and considered separately.

4. Consideration and possible action on the City Council Workshop Meeting Minutes of April 21, 2025.
5. Consideration and possible action on the City Council Regular Meeting Minutes of April 22, 2025.
6. Consideration and possible action on the City Council Special Meeting Minutes of April 28, 2025.
7. Update on request for special use permit for a temporary construction/sales trailer at The Hills of Town Creek, 235 South Rose Marie Lane.
8. Consideration and possible action authorizing the Mayor to sign the Escrow Agreement by and between the City of Montgomery and the Developer ("Texas First Bank").

REGULAR AGENDA

All items on the Regular Agenda are for discussion and/or action.

- 9.** Discussion and possible action to approve the Financial Audit for fiscal year ending September 30, 2024.
- 10.** Discussion on the draft Development Agreement with H-E-B (Dev. No. 2402).
- 11.** Consideration and Possible action on the acceptance of the Engineer's Recommendation of Baxter & Woodman to complete the Design Services related to the Water Plant No. 4 project.
- 12.** Consideration and Possible Action on the Acceptance of the Public Infrastructure on MISD CTE & Ag Barn project.
- 13.** Consideration and possible action on a City of Montgomery Alcohol Beverage License Application filed by Two Lips to Tulips.

DEPARTMENTAL REPORTS

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 the 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.

EXECUTIVE SESSION

14. Closed Session

City Council will meet in Closed Session pursuant to the provisions of Chapter 551 of the Texas Government Code, in accordance with the authority contained in:

- A. Section 551.072 Deliberations about Real Property regarding potential lease.

15. Open Session

City Council will reconvene in Open Session at which time action on the matter(s) discussed in Closed Session may be considered.

- A. Section 551.072 Deliberations about Real Property regarding potential lease.

CLOSING AGENDA

- 16.** Items to consider for placement on future agendas.
- 17.** Adjourn.

The City Council for the City of Montgomery reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed below, as authorized by the Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberation Regarding Prospective Gifts), 551.074 (Personnel Matters), 551.076

(Deliberations regarding Security Devices), and 551.087 (Deliberation regarding Economic Development Negotiations).

I, Ruby Beaven, certify that this notice of meeting was posted on the website and bulletin board at City Hall of the City of Montgomery, Texas, a place convenient and readily accessible to the general public at all times. This notice was posted at said locations on the following date and time: **June 06, 2025 by 5:55 PM**, and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

/s/ Ruby Beaven

City Secretary

This public notice was removed from the official posting board at the Montgomery City Hall on the following:

Date: _____ Time: _____

By: _____
City Secretary's Office
City of Montgomery, Texas

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 accommodation.

Montgomery City Council

AGENDA REPORT

Meeting Date: June 10, 2025	Budgeted Amount: N/A
Department: Administration	Prepared By: Ruby Beaven

Subject

Consideration and possible action on the City Council Workshop Meeting Minutes of April 21, 2025.

Recommendation

Staff recommends approval of meeting minutes, as presented.

Discussion

Please see the accompanying minutes:

City Council Workshop Meeting Minutes of April 21, 2025

Approved By		
Interim City Administrator	Anthony Solomon	Date: 06/05/2025



**City of Montgomery
City Council
Workshop Meeting Minutes
April 21, 2025**

OPENING AGENDA

1. Call Meeting to Order.

The City Council Workshop Meeting of the City of Montgomery was called to order by Mayor Countryman at 6:00 p.m. on April 21, 2025, at City Hall 101 Old Plantersville Rd., Montgomery, TX and live video streaming.

With Council Members present a full quorum was established.

Present:	Mayor	Sara Countryman
	Mayor Pro-Tem	Casey Olson
	Council Member Place 1	Carol Langley
	Council Member Place 4	Cheryl Fox
	Council Member Place 5	Stan Donaldson

2. Invocation.

Council Member Donaldson gave the invocation.

3. Pledges of Allegiance.

Mayor Countryman led the Pledges of Allegiance.

PUBLIC FORUM

No comments were received.

WORKSHOP AGENDA

All Workshop items on the agenda are for discussion only, no action will be taken.

4. Presentation by Evergreen Solutions, LLC on Compensation and Classification Study for the City of Montgomery, Texas.

Michael Misrahi, Project Manager, Evergreen Solutions, LLC stated we are the firm that has been working on the City's compensation classification study. Tonight what I have to present to you is an overview of the work that we have done and what has led to our recommendations that we have for you today. Our recommendations are some guidance on which direction the City would like to go in terms of potentially adopting some changes. I want to start by talking about the overview by going through the study

first of what is it the compensation, classification study wants to achieve, then what were the project phases from start to finish, and what their findings were from the employee meetings when we were on-site and met with employees and received feedback from them on what they think is working well and not working well as it relates to compensation and classification with the City presently. We will talk about what our current system finding were about current ways you are dealing with compensation classification within a vacuum, and then we will go into the market findings of what was the external comparison versus other organizations, what will that yield, and what were their recommendations for the City.

First, in terms of the overall goals of this process, for the compensation classification there are always three main objectives. The very first objective is to take a look at what you have today. Understanding policies and procedures, systems, and structures that you have right now that govern compensation. How do you compensate employees? What are the ways that you progress salaries on an annual basis, or whatever the case may be that you do progress salaries, and what are the policies that govern things like hiring, hiring decisions on where you place salaries, and what happens when somebody gets promoted? All those things go into us evaluating where things stand today to understand what salaries people achieve today, what kind of progression has occurred, and what are the issues that may be present in your system right now. In addition to that, the second main point is to do the external impression and that would typically focus on the compensation study and that is the external market survey, looking at other organizations, and understanding what their practices and policies are and where they stand today, and what are their prevailing rates. What are the rates they are offering for similar work that you have here at the City, at other organizations, and get a sense of how competitive your compensation structure is as it stands today. Lastly, the third objective is to tie those two things together and produce recommendations to improve the state of compensation here right now. It is the goal of trying to bring in line what are you doing right now with regards to compensation, versus where you want to be, bring in line the practices with your philosophy, and where you are versus where you want to be, and bringing those things together. With that, I will jump into what do the actual phases look like throughout the project and how to achieve these goals.

Phase one was basically the homework phase. That is where we reached out to the City and basically worked with the administration to get an understanding of what you are doing today. We asked for a laundry list of items related to policies, procedures, how are we compensating employees, what are they making, any historical aspects of pay that would help enlighten us, how you ended up where you are right now. With that, that data collection also extended a little bit further than that. It was not just collecting more data, but also reaching out to employees and getting their opinions on how they felt compensation was working and not working well. Once we had begun that data collection, we really began phase two, which was the analysis of all of that. That was a result of looking at hard data in terms of information on what to pay right now, and running some statistical analysis on what pay progressions occurred here at the City.

Then also, it is looking at information from employees and their jobs duties. We had employees fill out job surveys and basically asked them if you were to recreate your job description today to bring it as current as possible, make sure we are looking at updated task and responsibilities, what does that look like? Employees participated in those surveys and provide that information to us. That was for two reasons. One, to look at internally what is the state of equity or fairness of pay delegated to positions within the organization based on their responsibility and duties, but then also for us to do that market survey component which is in phase three. We wanted to make sure we had a good baseline of understanding of what is it that each job is expected to do. By going through this process, that allowed us to both get feedback from the employees and their supervisors on what their updated tasks and responsibilities are that helps us have a good baseline understanding of what goes into that job. In comparison, if your organizations were not looking strictly at what your job titles are, we are looking. Job titles can be created. Job duties are what you want to base that comparison on and so that really serves the strong basis of that as well.

In phase three, that entails us designing a group of comparable organizations which we will cover here shortly to base the market survey on. In that market survey, we did a comprehensive compensation survey to look at the state of where you are on your positions versus other organizations, and find what kind of delta existed, how far ahead or behind were you in all your various positions, and then what was your overall market position.

Phase four was the recommendation stage. This is where we formulated a set of draft and final recommendations which we have for you today on what you can do to improve your compensation structure standing right now. What would be the benefits of doing that, as well as what would be the financial cost to enact these things? We have a set of alternative recommendations for you to consider today. We wanted to bring you a set of recommendations that do have pros and cons.

Lastly, we also have reporting, which is part of what we are doing today with the presentation, but also we have a full packeted final report that has been delivered as well to the City. It is about a 20 to 30 page written document that goes over all of our methodology in more detail than I could ever cover here today about what is it we did from start to finish of our findings and recommendations.

I want to talk a little about what we ascertained when we met with employees on-site. Council Member Donaldson said in phase one, you said you worked with the administration. Who did you work with? Mr. Misrahi said Ms. Ruby Beaven was our main point of contact at the City as a whole. It was not a single person. We had many individuals who were contributing to that process and in that outreach process as well. Ms. Beaven was our point of contact to help coordinate the study, but when we talk about that outreach, we were meeting with various employees during that process. That is actually what I was going to touch on next was employee meetings. We held two sets of employee meetings. We held general orientation sessions where we met with

employees. We basically informed them this is what the study is all about. That was intended to be very much a Q&A type session of this is what a compensation classification study is, this is what we are asking of them to participate in the process by way of the surveys that relate to their job tasks, and also to offer them a chance to ask questions of us of what are we really expecting of them, and what can they expect this process helps set expectations to. The other type of session that we held for employees were focus groups. That is when I mentioned getting employees opinions on compensation right now within the City. That is what those focus groups were designed for. To really get feedback from employees on what are the things they felt were working well, and what were the concerns they had. We asked them a variety of questions related to compensation classification to get the sense of what was their temperature on these things, and what were the concerns they mainly had. In terms of the main takeaways that we found, of course all different employees have different concerns, but in terms of the trends that we found, there were two key positives that employees said were pretty much unilateral. One was they felt the benefits of the City was fantastic. They really loved the benefits package offered by the organization right now. In particular, they highlighted the retirement system contributions. In addition to that, they highlighted culture. Those were two things that we tend to find a lot of. Benefits and culture are usually the two big things employees like to point out.

Council Member Fox asked could you tell me when this study actually began? Mr. Misrahi said the study began in the fall. Council Member Fox asked when was the exact date? Mr. Misrahi said I do not have that information. Council Member Fox said you say fall, so that would be September of last year? Mayor Countryman asked City Secretary Beaven when did you get here? In October? City Secretary Beaven said November. Mayor Countryman asked so you only started it then? City Secretary Beaven said on November 18th is when I started and then my first day or two after being here, I went right into a meeting with them and discovered what all we had to go for from there. It was not just me. It was also Chief Solomon as interim. Between the two of us, we coordinated a lot of the information with all the department heads. Chief Solomon said with the department heads, each employee came in and had a meeting to sit down and talk about what these guys did, and what their job descriptions were. They each had to come up with a job description of what they did, but this had started. Mayor Countryman said I was going to say it seems like it started over a year ago. Chief Solomon said Mr. Palmer is the one who initiated hiring these guys. This started almost two or three months before. City Secretary Beaven said it was September/October. Finance Director Carl said we had to provide a number of reports, employees positions, and job descriptions. All of that happened prior to the on-site meetings that took place right after City Secretary Beaven came. It was that first week she was here they had already started that process. This officially was approved I think either in August or September with this company.

Mr. Misrahi said in addition to what we heard from those employees, the main concerns that we heard was paid structure concerns, or lack of clarity or understanding about the

compensation structure. One of the things I am going to talk about next is one of the big drawbacks that you have in the current method of compensation, what we consider a formal compensation structure system of pay ranges and grades assigned to positions in a uniform manner. That was one of the biggest concerns, if not the single biggest concerns. The lack of system, that lack of structure means there was a lack of clarity or transparency to them on how are employees compensated, how are salaries determined, and understanding what would progression look like for them. Additionally, although not necessarily within the full scope of the study, something that is tangential and it relates to compensation often comes up in these meetings, is staffing concerns. From an employee standpoint, although we are not looking at staffing, they often think about the value proposition of compensation staffing as one of those things that weighs on employees minds. They feel overworked or they feel like they are stretched thin. That is something that also came up with their concern on staffing shortages that led to morale issues, or feeling like they did not have the resources they needed.

In terms of looking at your current compensation structure and looking at your current system I just mentioned, right now you lack a formal structure. Again, what I mean by that is there is no designated salary ranges for positions saying this is going to be the hard starting point for an administrative assistant, and this is the hard ending point for an administrative assistant. Its salaries determine on an ad hoc basis or on an individual level basis and that is not unusual for an organization of size. Most organizations when they start out smaller, they do not tend to have a formal structure when you have less than 50 to 100 employees. A lot of them do not necessarily come with that because it is not necessarily right out of the starting gate when you are on a smaller side. As an organization grows and as it gains and it grows in complexity, that is where having a formal compensation structure can be very helpful. In addition to that, this is one of those things that is more emergent as well. Thirty years ago it would have been more common to find municipal governments without a formal compensation structure. It is less common these days for that because more and more organizations have gone through a process like this either in an internal way or with an external party like ourselves to create a formalized structure to basically create some rigor on how employees and positions are compensated. In addition to that, not having compensation ranges does limit us on what we are able to handle, but one of the things that we are able to look at regardless of pay ranges, is looking at the degree to which there may be compression that exists between employees and supervisors. We found that there was none and that is a good sign. One of the things that can be concerning is if an organization does not have formal pay ranges. It can be harder to keep an eye on things like pay compression both across employees and then across employees and their supervisors because there is not as many guardrails built into that system. With that being said, right now we found that pay compression between employees and supervisors was not a present concern. It was something we tested for. Mayor Pro-Tem Olson said just for everybody's knowledge, can you explain pay compression? Mr. Misrahi said absolutely. For pay compression there are really two forms and I have a slide that speaks to this. There are really two forms that we would consider. The type I

sometimes refer to is inversion. The idea of an employee salary being too close to their supervisor that they make the same amount or more than their supervisor and so the value proposition may be off. The supervisor that reports more than them, but they have higher responsibilities. That is what we would consider employee or supervisor pay compression. The other form of pay compression is usually considered within the pay range of paid compression classification. That is the idea that maybe two employees with a vastly different experience could have a very similar rate of pay, so somebody who has been with the organization for 30 years and somebody who was hired tomorrow and they had the exact same rate of pay, or they made something very similar, that would be paid compression as well because there is a lack of pay difference where there would be an expected pay difference based on a number of factors. In local government, the number one factor that tends to drive pay differences is time. That does not mean it has to be the only factor. It can always be things like performance and other elements as well, but time with the organization and just general experience is usually the number one predictor of pay progression or pay differences in local government and largely most industries for that matter, because time means more time that you would receive increase. One of the things that we also found is we also looked at not just solely looking at compensation, but also the classification structure or the structure that governs how titles are or positions and how they are grouped together and organized. We found that most jobs were appropriately classified. That is not unusual. Most organizations do a good job of keeping that in mind. We did find that there were some classifications that made sense for recommendation or some title changes to bring them a little bit more in line with what the job duties they were doing right now. If you think about again, going back to the surveys employees provided us, they let us know updated job duties and responsibilities and tasks. Job descriptions by nature become out of date or static document, your organization changes, your job duties and needs change. We did find some roles to benefit from an update in their title, not just for those bringing them in line with their updated job duties and requirements, but also to bring in line with industry standards. Sometimes it may be the organization has not fundamentally changed the job, but what the outside world would call that job has moved on and changed. IT is a classic example of this where in the past, you are a programmer analyst, then it became a systems analyst, and now it is an applications developer. It is an ever evolving job title. While it may not fundamentally change how you compensate the role of the title changes, it can be very pivotal when you go out to recruit for that role that you are using a market best title because that is what applicants are looking for, especially when you are talking about in fields that are a little bit more dynamic like IT. We did talk about compression analysis already briefly, but I was just want to iterate again. We did not find any examples of range compression or that idea of compression between employees and their supervisors. We were not able to look at range compression in the traditional sense because right now you lack ranges. So, for us to say relatively speaking, does somebody make the right salary next to somebody sitting next to them doing the same job, usually you have to have an idea of where is the starting point and the stopping point. You have to have that context to say, is that gap between them appropriate? Have

they progressed enough? It is a lot harder when we do not have a defined starting point and stopping point, and so we were not able to look at compression in a traditional sense the way we normally analyze it. However, we do have recommendations that try to space based off this and I will touch on what I mean in just a few minutes.

The next thing I want to touch on was the market results. This was that phase three part of the study where they looked at what was the compensation offered by the practices right now. You will see on the right hand side of this page the typical show. What were the 10 peers that we collected market data from? We understand that these are peers that vary in size and location, as well as cost of living. We did adjust all results that came back for regional cost of living differences. Council Member Fox asked these are the 10 that you are looking at? How did you compensate for their number of employees versus their economy? The Woodlands economy is certainly not what we have here in Montgomery. Mr. Misrahi said when we talk about economy, that is why we use that regional cost of living difference. What we are looking at there is the power of the spending power an employee in The Woodlands would have versus what you would all have in your area. That regional cost of living helps account for that as much as possible for that apples to apples comparison. Council Member Fox said I do not find any of these apples to apples with Montgomery. Mr. Misrahi said that is the challenge that you are going to have in an organization surrounded by larger entities is that you are not going to necessarily have only comparables that you can look at. This list is not composed strictly of comparators, but it does have all competitors and organizations that are within the community or within that field where employees could not necessarily pick up their family and move, but they are going to go work at these other organizations. Some of these are going to be more competitors than they are going to be comparators, so that is one of the challenges that you have obviously. While we can adjust for cost of living, we would not be able to adjust necessarily the size of the organization because while that has an impact on some positions on frontline staff, how big the organization is would not change the job design. If they have the same job duties in one organization and they have the same job duties in another organization, that is a competitor position to you all that you have to compete in the labor market. Now whether or not you want to be one to one to those peers, that is a different discussion, but they are a part of that labor market you have to compete against. Council Member Fox said I guess I really do not understand that because to me somebody that works in a municipality for let us just say College Station, to me they would have much more to do than they would here because of the population, so maybe I just do not understand it as well as I should. Mayor Pro-Tem Olson said basically you control that with staff size. They are going to have similar duties and a person has an eight hour day, right? We have to take for granted or take an assumption that that person is working those whole eight hours right? So, if you have more work, you have more people. The job still pays the same. Mr. Misrahi said you are correct. Essentially, we are not looking at staffing volume. An organization has a lot more say service calls, that does not impact again, the baseline job duty expectations that somebody would have because volume of work is variable. Whether or not you have full staffing levels, those things are a little bit more

variable when we are talking about the structure of the position, we are talking about the baseline. Is this something that somebody in that organization if they are able to do those job duties, could they also do those job duties here and could they apply for this job and compete for the job here? We are looking at more of that labor market availability and could somebody fill the role perspective. With that, we looked at the 24 classifications that you have on the books right now, so all the roles we are looking at and in terms of unique positions that you have, we did have a good response rate. In general, we want to make sure that we have a good match count across the organizations. We had a little bit over six matches on average per position which is good, given we have 10 peers. That means we had a pretty good overlap amongst those organizations in finding comparable positions. The reason why you do not see that be a full 10 is because not every organization has a perfect match. That is what we mean by looking at those job tasks and responsibilities, or the roles you have here versus those peers. Not every organization has the exact job that you have laid out here, or at least close enough. We know that no two organizations treat a job exactly the same, but we do look for about a 75 percent overlap in job duties to consider that. Less than that, we generally do not consider that a match. We are looking for at least a 75 percent overlap in task and responsibilities.

In regards to the market results shown here, there are two numbers that we listed and before I talk about the numbers, I want to talk about what we did to attain these numbers. We collected all this market data information from peers. What we collected from them was their current salaries, and more importantly what their salary ranges are. Ranges are structural in nature, they take out the noise. Average salaries can be a challenge if you look at those solely because there is a lot of variability that goes into that. Any organization can have a higher tenure person in a position that can skew things. For performance metrics, it is hard to control for those things we do not know organizations have baked in there, but the salary ranges tell us what is the minimum they are willing to pay for these jobs and what is the maximum they are willing to pay. That is why that structure is so important to look at. Right now, you do not have that structure to compare against, so what we have to do is basically do the best next thing which is look at what is the average salary you compensate employees right now and compare that versus the midpoint of the structures at those other organizations. What is the halfway point that they would compensate for? Again, I will use an example classification of an administrative assistant. What would they compensate the midpoint of the administrative assistant range versus what is the average salary you require for that position at your organization? With that, we found when we did that comparison, when not considering cost of living regional differences where we do not control for that, you were about 12 percent behind the market right now, the average. When we control for cost of living, that goes down a little bit to about 10 percent. You can see the cost of living, when we consider that factor, it improves your competitive position a little bit. But, if we were going to put a diagnosis on what does it mean to be 10 percent behind the market, generally speaking, what I tell organizations is if you are within two to three percent of the market, you are at market. You are within that margin of error. Nobody

is really changing any major decisions for two or three percent, you are at market average. When you get to be about five percent behind, I would not expect any significant problems in the organization, but the way it works is that 10 percent or if I am using the example five percent, is not composed of every position being five percent behind. It is made up of variation, so some positions will be 15 to 20 percent behind. Some will be 10 percent ahead. There is going to be variation. No organization has a situation where all positions are equal to the market and their positioning, it is always going to be variability. When you get to about five percent behind as an organization, you may not be suffering, but there are going to be some classifications that probably are. When you get to be in double digits or in the 10 percent territory where you are finding yourselves right now, it tells us that your progression is not keeping up with the market and when you get to 10 percent, that is usually where I will start to see recruitment retention challenges that you would have failed searches, you have a hard time filling some vacancies, or you have had some long-standing vacancies. That is usually what it tells me when I see something like that, or that could be on the horizon with some of the classifications, depending on where that differential is being driven by those classifications. That 10 percent again is the overall average, but some classifications are further behind, some are a little bit closer. Our recommendations that we are providing are pursuant to what were those individual positions standings. We are not recommending a cart launch 10 percent fixes everything, rather what we recommend is something more targeted where we are trying to bring the positions that are further up market closer in line.

The recommendations fall into three broad categories. One is we are recommending you adopt a market responsive payment. This would be adopting a structure of a set number of pay ranges or pay periods that are assigned to a given number or code and it says this is this range and is going to go from X dollar from here to this X dollar. That would be the new way of spotting or putting all titles that you have into one of those pay ranges. We would assign them based on two things. One, the job and responsibility evaluation that we did that the employees provided us. We can evaluate their roles and understand what is the value they provide to the organization overall perspective, and then also what is the current market value for those roles as well. We consider both those things because we do not want to simply go with only a market driven system. We want to also look at that internal equity of what is the relationship between the jobs you have right now and how they interact with one another. The market responsive pay plan we actually have in two forms. We recommended this both in an open range form as well as in a step based form. This is really just for your consideration. There is not a right or wrong answer for any organization. I am sure we have open ranges versus steps and I want us also to cover what do I mean by open range versus step two. An open range structure means my salary range starts at whatever number, 40,000 and it goes to 60,000 and salary could fall for an employee anywhere between that 40,000 and 60,000 down to the cent. It could fall at any point regardless. Steps is a more rigorous approach where it says if we have a range that goes from 40,000 to 60,000, we are going to have intervals between that 40 and 60 that salaries must fall. Those steps can be incremental and they are usually tied

to either a flat dollar amount or a flat percentage amount. In this case, we recommended a flat percentage amount that says a step is going to progress by two percent every year between. What we recommended in terms of the step plan, it is a 30-year step plan which that aligns with generally speaking what the typical public sector career length looks like in 30 years, so for somebody to get minimum to the maximum, their pay grade, they would have to stay in 30 years and receive a step increase every single year for 30 years to max out on that model. Again, it would be a two percent increase every single year. In the open range plan, employees would progress from minimum to maximum basically as you give cost of living or merit increases, or however you increase employees on a year-to-year basis essentially. What would be the benefits and positives are the two different things. Open ranges are all about flexibility. It is the idea that again, you can place employees anywhere from point A to point B within that salary range as needed. Step plans are about rigor, about setting expectations, and creating more guard rails. Step plans help employees understand here is how I am going to progress over time within my career if I stay here x amount of years and we do step increases every year. This is where I am going to end up in year five, this is what it is going to look like in year 10. It helps create that transparency. In addition to that, it also makes salary ranges a little bit easier sometimes because you know as an organization, if we are going to give everybody a step, what does that look like? Is it two percent across the board to everybody? There is a little bit more rigorous on the financial side if you know this is, what it is going to be if we give a step this is how much that goes along with it. With open ranges, you are not tied to I can only give this percent increase. We can give any number that we have budgeted in the year that feels appropriate. There are pros and cons to a step plan. A step plan versus open range. In terms of what we see out in organizations, steps are historically what local governments use very frequently. It is something that floats down from the federal system. If you are all familiar with the federal system at all, the G scale, they still use steps to this day at the federal level. States by and large still use steps as well. I can tell you, all across Texas, steps still are very much a thing. We will see it in counties and cities. Not everybody uses them. Some will use them only for public safety, or some will use them only for teachers, but some still use it for general employees as well, or maybe they only use it for civil service. It does vary quite a bit, but steps are still very much a thing, especially in Texas. Those are the first two recommendations about adopting structure and performance. We have mapped out what would the recommendations look like, regardless of which path you want to go on. An open range verses the step structure. The second recommendation is once you have the plan in hand, you have to be able to assign positions to those grades that we recommended. That is what that second recommendation is, to assign all of those positions to a pay grade on either plan, based on our analysis of the work that they are required to do, as well as the market data we retrieved on all those positions. The third piece of it is once you have said okay we want this pay plan, we have a way of slotting everybody into the pay ranges on this plan, the question becomes where do we actually place employee salaries within these pay ranges for the first time that they have never had. That is where we get into a variety of different options or pathways. There is

not a singular best approach, but I can talk about the pros and cons of these different methods we have mapped out for you.

First off, is what we would consider a baseline approach. Either bring to minimum in the case of the open range plan, or bring the closest step in the case of the step plan. In general, as I go through these options, you will find they follow the same methodology for both plans, but the nature of a step plan, as I mentioned, is somebody you have to fall on a salary that is associated with a step. There is always this extra mathematical element to the step plan where we have to round off employee salaries however we calculated them, to make sure they end up on a step. That is why you will notice for any given option that we are looking at, the step plan generally has a higher cost associated because whatever number we calculated for the methodology, we then have to round them up just a little bit to get them onto a step associated with that plan. It is an extra little step to make sure they are in full line with the plan. These are baseline approaches. What these do is they allow you to say we have turned on the system, we have made sure that all employees within the organization will make at least a minimum of the salary ranges that we have assigned them to for the plan that we have adopted. In the case of the closest step, it is saying not just that we assign them to the minimum, but we have taken their salary and we just rounded them off to the next highest step. Nobody's salary gets rounded down, nobody's salary gets reduced, but it gets rounded off to the next step that is as close to where they are right now. Basically, these approaches are we want to adopt the ranges, we want to put the system in place, but we do not necessarily have the resources or we do not want to realign any further than that on day one. We just want to get everybody in these new guardrails and then from there we will reassess. That is what this approach does. As we will see when we go to the numbers, this will also have the slowest financial burden relative to the other options because again, we are only checking to make sure it was either in the plan or on the plan. The parity options that you will see here, the class parity, the tenure parity, the hybrid parity, they are all doing a similar function. They are not looking at the baseline. They are looking at the concept of realignment, so how do I need to space out my employees salaries within this plan in an appropriate manner? That is what these parities aim to do. As I mentioned before, we were not able to look at range compression in a traditional sense because you lack ranges, but what we have done with these parities is basically if we were to try to space employees appropriately and create appropriate spacing, this is what it would look like, but the concept of appropriate placing is a little nebulous and that is why we have three different options here. What is the appropriate way to space out employees' salaries within a range? We have looked at that in the context of time within their current position or current classification. That is what class parity does. It only looks at how long has an employee been within their current role. The tenure period looks at how long an employee has been with the organization overall. Regardless of whether I have promoted up or I relocate to another position, or I have been classified, however long I have been with the organization, I get full credit for that time and I get placed in my salary range on that basis. The hybrid parity does a little bit of a mix of the two. It looks at how long have I been in my current role, while also giving some

additional discounted credit for how long I have been in other roles within the organization. I like to use the classic example of an accountant. An accountant had been with the organization for 10 years. As an accountant they would have 10 years of classification time and that would be the same across all three methodologies is to get 10 years of credit. If they promoted up and say after 10 years they promoted up, and they now have been in the county supervisor for an additional five years, under the class parity, they would only get the five years as a county supervisor because that is the time they have been in their current position. Those 10 years as an accountant would not be considered. In the tenure period, they would be given 15 years of credit because they would get the 10 years as an accountant, and the five years as a county supervisor. They would be given 15 years of credit in their place in the longer range. In the hybrid parity, they would be given an in between. They would be given a full five years of credit as their time as an accountant, as an accounting supervisor, and they would be given half credit for their time as an accountant, so five years for that. The 10 years taken in half. They would get 10 years of credit under that hybrid model. What these models do again is, they are essentially looking at trying to place employee salaries somewhere between the minim and the maximum based on how long they have been there. We do this on a 30-year trajectory. If employees have been here for 15 years or they are getting 15 years of credit under one of these different methods, they would be placed at the midpoint of the range. If they have been here for 30 years, they will be placed at the maximum. It is all down to your precision to be placed in that salary range. What these essentially achieve as opposed to this option is, time being the number one predictor of salary changes in local government, this aligns employee salaries within these new ranges based on time. Whether or not which time factor you want to wave or which one you would like to reward, whether it be classification only, total time of the organization, or combination of the three, those different options are there for you to consider. The last option that we have listed is range placement. This is a little bit different. We have talked about what if we do not want to change up? What if we just want to put the new guardrails on? That is what the first option is. What if we want to realign and be based on time? That is what options two through three do. The fifth option, range placement looks at what is the relative regression that I achieved right now and can I transfer that into the range? Now, because you do not have salary ranges, we were not able to say this is the relationship an employee has versus the midpoint, or this is the relationship I have versus my minimum. What we did is we basically said let us pretend you had maximums and midpoints right now. Let us put some fake guardrails around what you have right now and let us look at in context how far of progress would those employee salaries be around these theoretical minimums and maximums that you have. We basically ran the analysis in that way and we transferred employee salaries on that progression they achieved right now against those hypothetical ranges into the real ranges. That is what range placement does. It is not as strong of an option as I would say for you all in this instance because we are not basing it on current ranges and progression that would occur against current ranges. It is really looking more at if you have ranges in this hypothetical sense, this is what progression is achieved. I do not

think it is necessarily the most relevant option, but we like to show this because we basically give you the avenues of let us do the baseline and start there, versus let us do significant realignment first and let us try to do minimal realignment, and let us maintain the progression that was achieved right now. That is what these pathways essentially do. In terms of the costs, we have them listed out across these different options as you can see for both the open range plan and the step plan on these two concurrent slides. Bring to minimum will be your lowest cost option from a financial burden sense because again, you are just turning the system on. Same with when you choose closest step. It will be the lowest cost option for the step plan. The class parity will always be cheaper from a cost standpoint than the tenure and the hybrid parity because we are only considering classification time. 10 year will always be the most expensive parity because we are giving everybody straight time no matter how that time is spent. Hybrid usually falls somewhere in between, depending on how much promotion time employees or time off by the current classification have. The range placement will be significantly higher in the case of both plans. That really goes back to the idea that again, we have created these theoretical ranges that you may have had, how have employees progressed against these ranges, and transferring that over. If I was going to say endorse an option today that I think would be best suited for the organization, I think one of the parity options, depending on how you value time with the organization, is likely the best path forward regardless of the step plan versus the open range plan. In terms of local government, we can tell you the hybrid plan is the most popular that most organizations go with because they want to give that straight time of classification time, but they do not want to fully discredit time spent at a lower level, but they may not want to give full credit for it. Right now in my example, if somebody has been promoted several times, you do not want to necessarily give them full credit for this higher level role that they are in, when really they have only been in that role for a minority of their time in the organization. That is where that higher parity can really split the difference. Mayor Countryman said I believe on January 1st we gave a cost of living increase of five percent. Was that taken into account? Mr. Misrahi said I believe we do have the updated roster. City Secretary Beaven said yes, we had that in there so we have the updated salary roster and it is accounted for. Council Member Fox asked if we have 39 employees? City Secretary Beaven said yes.

Mayor Countryman said everything that I have seen for when we go out to look for a new employee, there has been a pay range. If I have seen that and I have been here through quite a bit of bringing on new employees, was that taken into account whenever you were looking at saying that we do not have that range? Mayor Pro-Tem Olson said that is a range that we just select that range. It is not set in stone by saying this is the range for this position. Mayor Countryman said that is just what we are looking for and that is what we are willing to pay. Mayor Pro-Tem Olson said exactly. Mr. Misrahi said what we were recommending is a formalized permanent range for that. Rather than you thinking okay what is the range we want to give an officer right now in our budget, it would be as an organization, we decided this is the minimum pay that we think an officer should have. This is the maximum we are willing to pay as an organization. We do not

necessarily have to advertise that full range. You should really advertise the portion of the range for the higher range too for a position. That is for transparency purposes and it will help your recruiting costs. If you advertise the full range, sometimes people think well I can get the maximum, but realistically very few local governments are hiring people anywhere near the maximum. You are hiring people somewhere between the minimum and maybe the midpoint, and then the classification in most instances. It is good to advertise the portion of the range that you are actually comfortable hiring with too. Mayor Countryman said I think we have. Mayor Pro-Tem Olson said it makes it a lot easier at the time when we need an employee and running around saying what are we going to do to be competitive? We have the steps, we have it in place. This is the employee that we are looking for, this specific slot, so we go find that employee. Mayor Countryman said we have added an AP/HR which before, we have just been replacing, so we already knew what we wanted. Council Member Donaldson said to be competitive, the goal should be how do we reduce this, minus 10.2 percent? The way he explained it, there are some categories where we are overpaying, and some that are underpaying, so I cannot see in order to get our competitiveness back into a lower percentage, we would have to take the people we are overpaying and reduce that range. Mayor Pro-Tem Olson said whatever you do, you never want to decrease someone's wages. Council Member Donaldson said I know you do not. Mayor Pro-Tem Olson said let me explain how you do that. You freeze that salary range until the market has caught up. Whether it is cost of living or whatever, you freeze that until it is caught up and it is back into range. While that is frozen, you use that to bring your other end up. It is called in layman's terms we tie the high end down and bring the low end up. Council Member Donaldson said basically we can eliminate this percentage by just the ranges we set. Mayor Pro-Tem Olson said if we pick one of these plans, that is what they have done the math for, to get us in line. Mayor Countryman said so there would be eight adjusted for here, 12 adjusted for here, 10 adjusted for here. Mayor Pro-Tem Olson said I am assuming that all of these numbers would bring us back into line. That is why they had to pick a calculation that would bring us in line, otherwise it would be all over the place. Mr. Misrahi said that is correct. When we talk about the different positions and how they compare to market, think of it the same way you are looking at the members here. Not every single person is affected by the recommendations. There are people with zero cost and those are going to be people in classifications where they are doing better against the market, but the classifications that are further behind market we had to give them a range that is very different versus where their salary is. As a result, their salaries got to move up in that new range we recommended. Those are the people that would be under that employee adjusted column because they are the ones that are behind the market. Employees that are essentially at market or above would not be reduced, but they are not adjusted as part of this process. That is why you do not see every single employee adjusted under the open rate option. The reason why you see a higher number in terms of number of people adjusting the step option is, and the way the step plan works, is their salary, even if they are already at market, we would have to round them off just to make sure they get on the next step. That rounding could be as minimal as a

fraction of a percent. It could be 10 dollars, 15 dollars, or it could be a couple hundred depending on where the salary falls between the steps. That is because we are just trying to make sure they make a salary that is on the step so that they are cohesive with the plan. That is why I say adopting open range is a little bit less financially burdensome because it does not require that last mathematical step. It is really a point of implementation that happens, but then from there on out, they offer a similar in fashion depending on how you give your COLA's versus giving steps. Council Member Fox asked is this presentation to us your last step for the \$19,500 we pay the company? Mr. Misrahi said yes. In addition to the presentation today, we have sent over the final report. Again, that goes into more detail. It will have everything I have said today, but it will also go into more detail on the exhibits. If you want to see the breakdown of how did that work in comparison across classifications, that is within there. If you want to see what are the recommended pay ranges, I go through the positions. That is all included too in more detail. In addition to that, one of the things that I have not mentioned today was updating your job descriptions. We took the information from the surveys and the job tasks and responsibilities and we actually brought your job descriptions current because it is the perfect opportunity to do so. When they sat down and gave us this information, we provided revised job descriptions back to the organization as well. Mayor Countryman asked the leadership did you all review those and did you agree with the revised job descriptions? City Secretary Beaven said I believe the job descriptions came in last week while I was out of town, so I have not had an opportunity to look at them or to make sure that every department head has them. Chief Solomon said we looked at them when they started revamping those job descriptions. Just like you guys were talking about earlier, you can take a city like Conroe and the police officers here would do more than what police officer would from Conroe. If you have a burglary in Conroe, you send somebody from burglary. If you have a burglary here, you can send somebody from patrol. Those people are cross training. We looked at the descriptions because when they first came in, we asked each person to provide all of their job descriptions, not just the things they do. From the guy who does investigations, is the same guy who takes care of our calls. We put in miscellaneous descriptions. Council Member Fox asked are you changing any job descriptions? Chief Solomon said we took the opportunity to change some of those job descriptions as we went along just because we needed updating too. Some of the job descriptions that we have had in the manual, we updated some when I first came here, but this gave us a chance to update some more job descriptions as well, just to become current. Council Member Fox asked will we get a flowchart of all the job descriptions update? Chief Solomon said yes. Mayor Countryman said of that scenario you just shared, there were only two cities Waller and Willis on here that would have that same kind of scenario when you take somebody off of patrol. Chief Solomon said even when you look at a city like Willis, Willis has 6,000, even 7,000 people so yes, they would run very much to the same scenarios. Also, look at the step. You know we have a step in our manual right now. The step has never been used by the City at all, but there is a program in the manual. When I first came here I looked at that step. We put together something for the police

department. Am I fond of the step range? Not so much because sometimes it takes a few years for someone to get to that next step in the step range. Those are the kind of things that make people move on. Mayor Countryman said it is not an incentive to stay. Chief Solomon said it makes people move on because they are saying well I am not going to get to this point until I am here five years, but over there they are already paying that where I am at right now. You have to look at those things too when you choose one of these. Mayor Pro-Tem Olson said I am not a huge fan of steps. I am a fan of a structured pay scale, but I am not a fan of steps. Just an FYI, when Oxy bought Anadarko, they used the hybrid to bring us across, so I did not get full credit for all of my previous time and experience. Council Member Fox said you are talking about corporations. Mayor Pro-Tem Olson said absolutely, but it is the same kind of structure. Council Member Fox said I am talking about from a small business perspective, so you and I are worlds apart in what we are looking at. Mayor Pro-Tem Olson said we are and we are not. It is still structure whether you are this big, or this big, you still have to have a structure. Council Member Fox said I agree, just for the equality of it.

Mayor Pro-Tem Olson said we need to visit the department heads. I think as a Council, we need to visit with department heads and understand where we are, and what the best step forward is. Mayor Countryman said everybody is going to want that raise. Mayor Pro-Tem Olson said but that is the reason why we did this study so we understand where we are. Mayor Countryman said absolutely. Mayor Pro-Tem Olson said it is hard to sit back and say no, we are not doing raises. I like to make decisions based on information. If I do not have good information and we are just going off of guesses and opinions, that to me is really bad information to make a decision on. I really, really wanted this study. I know some of us were not as fond of the study, but just give us updates to make good decisions on and that is what we need to do. With the really good information, the presentation was nice, but the nuts and bolts is in that report so we can see where we are behind and where we are ahead. The big one is to make sure that we are just level. We do not need to be heavy and light, we just need to be in the middle. Council Member Fox said the other thing is you want our people here to be well compensated. Mayor Pro-Tem Olson said absolutely, 100 percent. Council Member Donaldson asked what information do we need to give the enterprise in order for them to make the final report? City Secretary Beaven said tonight is just a workshop to give you the presentation. This is the information that we wanted to make sure that got to you because we are going to begin the budget talks and this is going to give you that opportunity when we go through the budget process for you to decide on what avenue you want to go with this. I believe we set these numbers up for October 01, 2025 so that way you would see what the projected number was starting with October 01, 2025. Mayor Pro-Tem Olson said every year we go through raises in the budget, so this gives us an opportunity to pick one of these processes forward, whichever one it happens to be, and then we would apply that and build it right into the budget. The step is we just move forward with normal business. We have to pick up one of these plans if this is something we want to fix. Council Member Donaldson said I understand that, but we are about to begin the budget discussion very soon. Mayor Pro-Tem Olson said they have already built everything for

us. It is all done. It is just picking which one to implement. They have done everything we paid for, so now we just pick what we want and they tell us how to do it.

Council Member Langley asked who has the report? City Secretary Beaven said I believe I have the draft report unless you sent it to me with the finalized job descriptions. They said it was a draft. Mr. Misrahi said we may need to send it, but nothing has changed from the draft. Mayor Countryman asked was that in depth report broken out by city and by position? City Secretary Beaven said it is broken out by position. Mayor Countryman asked not the cities? Mr. Misrahi said no. It will have the data broken down by position, but not position and city. The reason for that is basically competitive pay reasons. The old Sherman antitrust law basically does not allow us to say this is what every single position in every organization pays because then, theoretically, organizations would engage in price fixing of salaries and things like that, but it is rolled up to the position level so you would see what is an officer's pay range in general, in average across these organizations. It will say how many organizations responded and what does that average salary range look like. Chief Solomon asked when you are talking about officers on that salary range, do we talk about experience, time on the job, and how much time they have been an officer? Mr. Misrahi said when we looked at the analysis from your standpoint, we had that for your organization, not for other organizations. It is something we request, but it is rarely something they provide. Chief Solomon asked how do you make a comparison on that? Mr. Misrahi said because we are looking at it from a structural standpoint, what is it they pay an officer regardless of experience? What is the minimum they are willing to pay an officer, and what is the maximum? What is that structural range? That is what we have provided in there so you can see that context. It is all looking at the base pay and the position too because we know, especially when it comes to public safety, there could be a lot of other things loaded into the take home pay as well that we may not see there. That is where we are looking really at the one structural element we can control which is what is the minimum pay range for an officer in an organization, and what is the maximum? That is what it is for all positions. Council Member Langley asked how many pages is that report? Mr. Misrahi said I do not know the exact count, but it is usually in the 20's or 30's somewhere depending on the size. It usually has about four or five chapters to it depending on how we broke it out. City Secretary Beaven said when I get the final version, because I did not want to send you just a draft version if there was going to be revisions and there were because we had some changes with doing the parity stuff, I was waiting for that final version to come back. Mr. Misrahi said we can get that. I can work with my team and have that filed tomorrow or the day after so it will be sent to you this week. Council Member Fox said when we are doing this structure, I am thinking more about public works or possibly the officers with continuing education. When they get certifications like Mike's guys can get certification in different areas, is that going to be included in that? Mr. Misrahi said we do not have that built in right now. From my perspective, that is the next step that you would need to look at as an organization. Step one would be ideally adopting a formal asset pay range, whether it be open ranges, the step plan, however you put employees on right now. Getting that formal structure starts

first, but things like incentive pay and certification pay are very important elements but again, they are almost tap on elements to that structure. Now we know this is the range we have, but what do we want to pay somebody for a CDL? Do you want to build that into the range and say there is a structural decision that has to be made? Is this position required to have a CDL, therefore it is built into the pay range, or is it this position is optional to have a CDL and we would pay them extra to have that, so therefore, we are going to give them this additional certification pay. Those are the kind of decisions you have to make once you have that structure in place because in some cases, it is part of the position. In other cases, well it is not part of it, we would like to have it and we want to incentivize people to get it, but we really cannot require it. An example could be inspections trades. Sometimes we need to have them to be certified in a trade, but if we want them to multi trade so we can benefit from that, then we as an organization of staff can benefit from that and so we will incentivize them to have a build out structure of that. Mayor Countryman said we recently just adopted a bunch of incentivized structure. Chief Solomon said it is like police officers. If you do not have a driver's license, then we are not going to have police officers driving around with no driver's license so you are not going to work if you do not have a driver's license. If you get your intermediate, your advanced, and your masters, the City always has that there. Also, if you have a bachelor's degree, we pay you for the bachelor's degree. The City is doing really good there. You do not necessarily put that in that structure there. Public Works Director Muckleroy said we have licenses for water and sewer. We do not have CDL, but it is hard for me to push for a CDL incentive when we do not have a single vehicle that requires a CDL. I have four guys with a CDL, but it is hard for me to push for a CDL when we do not even have a vehicle that requires it. It is not fair. Mayor Countryman asked Court Administrator Duckett if her staff get certifications. Court Administrator Duckett said yes. Mayor Countryman said I am assuming Finance Director Carl gets certifications. Finance Director Carl said I do not think you all had ever been encountered with in-house finance to consider those things. Currently, the certified government finance officer is a certification that we get and it is not on our schedule. Mayor Countryman asked was that at your previous employment? Finance Director Carl said it was put in place. Mayor Countryman said that is something we need to look at then. City Secretary Beaven said yes, that is correct. Finance Director Carl said I think there are a few others that we have identified in going through our list. City Secretary Beaven said when they brought the last schedule forward, it was just to put the structure in place on what we currently had in place. Finance Director Carl and I had talked about the finance not being on there and about bringing it back during budget, getting it reassessed, and making sure we were looking at any other certifications across the board that pertain to this entity.

COUNCIL INQUIRY

No Council Inquiry received.

CLOSING AGENDA**5. Adjourn.**

Motion: Council Member Fox made a motion to adjourn the Workshop Meeting of the City of Montgomery at 7:02 p.m. Council Member Donaldson seconded the motion. Motion carried with all present voting in favor.

APPROVED:

Sara Countryman, Mayor**ATTEST:**

Ruby Beaven, City Secretary

Montgomery City Council
AGENDA REPORT

Meeting Date: June 10, 2025	Budgeted Amount: N/A
Department: Administration	Prepared By: Ruby Beaven

Subject

Consideration and possible action on the City Council Regular Meeting Minutes of April 22, 2025.

Recommendation

Staff recommends approval of meeting minutes, as presented.

Discussion

Please see the accompanying minutes:

City Council Regular Meeting Minutes of April 22, 2025

Approved By

Interim City Administrator	Anthony Solomon	Date: 06/05/2025
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**City Council
Regular Meeting Minutes
April 22, 2025**

OPENING AGENDA

1. Call Meeting to Order.

The City Council Regular Meeting of the City of Montgomery was called to order by Mayor Countryman at 6:00 p.m. on April 22, 2025, at City Hall 101 Old Plantersville Rd., Montgomery, TX and live video streaming.

With Council Members present a full quorum was established.

Present:	Mayor	Sara Countryman
	Mayor Pro-Tem	Casey Olson
	Council Member Place 1	Carol Langley
	Council Member Place 4	Cheryl Fox
	Council Member Place 5	Stan Donaldson

2. Invocation.

Council Member Donaldson gave the invocation.

3. Pledges of Allegiance.

Mayor Countryman led the pledges of allegiance.

PUBLIC FORUM

Mayor Countryman stated one request to speak was received. It will be reviewed on a later agenda item.

PRESENTATION

4. Proclamation proclaiming May 2025, in Montgomery, Texas, as Water Safety Month.

Mayor Countryman proclaimed May 2025 as Water Safety Month and presented the proclamation to Building Inspector Hanna and Code Enforcement Officer/Planning & Zoning Administrator Tilley.

CONSENT AGENDA

Item 7 of the Consent Agenda was pulled for separate discussion.

- 5. Deliberate and take appropriate action on the City Council Workshop Meeting Minutes of March 24, 2025.**
- 6. Deliberate and take appropriate action on the Quarterly Investment Report for First Quarter 2025.**

Motion: Council Member Fox made a motion to accept consent agenda items 5 and 6, as presented. Mayor Pro-Tem Olson seconded the motion. Motion carried with all present voting in favor.

- 7. Deliberate and take appropriate action on entering into an agreement with Sourcewell and Participating Entity to provide access to Sourcewell's Cooperative Purchasing Program.**

Council Member Donaldson told Chief Solomon he misunderstood this requisition form. Chief Solomon said I do not think we were ready to enter into an agreement with him as well. City Attorney Petrov said let me tell you what this is. Sourcewell is a cooperating purchasing group just like the HGAC has the BuyBoard, and the Association of School Districts has a group that you can become a member of at no cost. That is what we are suggesting now, that you become a member of the group at no cost. By doing that, they do the public bidding for a multitude of things. It goes through the advertising process, gets back competitive bids, and sets up the contracts so that when you are ready to purchase something, if you are purchasing something and it is over \$50,000, the City has to advertise and go through the month long bidding process and advertising in the paper and all that. Or, you can purchase through one of these cooperatives who have already done that ahead of time as they have set prices. They might sell things like playground equipment or they might sell services like architectural services or building services. By entering into the agreement with the cooperative purchasing group, that obligates you to do nothing. You just have to become a member and are then able to use that service in the future. The Chief had mentioned possibly going through Sourcewell to procure some architectural services. This does not require you to do that, but it gives you the option to use them if you choose to do it in the future. You do not have to enter this now, but at some point if you want to use them you will have them. I have cities that are members of this group and in my opinion, it does not hurt to be members of a couple different groups. It gives you options for purchasing and generally, there are no costs to it. Mayor Countryman said it is like a purchasing mechanism. Chief Solomon said as we talked about last time, it will give us a ton of options. We are going through RFQ's and we just went through one. Those things are taking us anywhere from 35, 40, sometimes 50 days and then we have to come back, bring everybody in for a bid, and by that time, we have lost a lot of ground. When I started looking in to Sourcewell and then I talked to Mr. Fleming who actually lives here in Montgomery, I just thought it would probably be a good idea for Council to consider. Mayor Pro-Tem Olson said absolutely. It gives us an opportunity to move things a little quicker. Council Member Donaldson said I am fine, as long as we can stay competitive and save money.

Motion: Council Member Donaldson made a motion to accept entering into an agreement with Sourcewell and Participating Entity to provide access to Sourcewell's Cooperative Purchasing Program. Council Member Fox seconded the motion. Motion carried with all present voting in favor.

REGULAR AGENDA

8. Deliberate and take appropriate action on Villages of Montgomery (Dev. No. 2502) Escrow Agreement.

City Engineer Chris Roznovsky stated in your packet starting on page 31, you will see a letter from us followed by an executed escrow agreement. This is the project Villages of Montgomery. Back in September of 2024, a feasibility study was completed and presented. There is a new partner in the development, so they are changing the name of the escrow agreement to the new entity and that is what this item is. What this does, this escrow agreement is really for the upfront cost for the potential development agreement which we talk about in the next agenda item, variances, and things like that that need to come through the process. As they develop their plans and they decide phasing etc., there will be additional deposits for inspection and etc. that is just early for that at this stage. This is just a portion of the deposit. Really, it is putting the name into Parkside Capital versus Devpoint who was the original. Mayor Countryman asked not much change other than just the name? City Engineer Roznovsky said so we will talk through that, but definitely on the next item. The overall concept of development is the same. There have been obviously some tweaks to the land plan that even from what is in your packet that we will share and go through, but other than that, the same general concept. Mayor Countryman said just making sure they were not scrapping everything and starting new. City Engineer Roznovsky said the land plan difference between what is in your packs now is it just takes away the connection to College Street and so all traffic goes out through Caroline and SH-105.

Motion: Council Member Donaldson made a motion to accept Villages of Montgomery (Dev. No. 2502) Escrow Agreement. Council Member Langley seconded the motion. Motion carried with all present voting in favor.

9. Deliberate and take appropriate action on the Villages of Montgomery (Dev. No. 2502) authorizing City Staff and Consultants to begin coordination on MOU.

City Engineer Roznovsky said there is a video that will go over the highlights of the development and some renderings of the proposed development, so I think we will start there. To summarize what the action tonight will be is review it, ask questions, and provide additional feedback. This development is quite different than other developments you all have had in the City. We are looking at alley load, we are looking at smaller lots, smaller front setback because you will see in the video the type of product that they are proposing

is different than the normal traditional single family that you all have. The goal tonight is to give initial feedback, give staff the directive to prepare the MOU to keep the development process going, but we will start with the video. Mayor Countryman told the Councilmembers I will send it to you on your phone if you can watch it if that is easier for you from this angle.

City Engineer Roznovsky said again, the purpose of tonight, the developers are here to answer questions that you have with the development. Ultimately, what the ask is and is going to be is through the development agreement, you will see a draft of an MOU that was prepared by them, but has not been reviewed by staff. Generally, there is not a whole lot to it, but they will be looking for flat area variances to go down to approximately 4,950 square feet, side yard setback variances to go down to five foot versus 10, lot width variances to go to 45 foot from your 75 foot minimum, and then front setback variances to go to 10 from 25. Again, as you saw on the video there on the screen, the development is different than the traditional single family that you will have in here. Are there any immediate questions you have for myself or the developer? Mayor Pro-Tem Olson said I have one and the reason is the College Street change. What is the reason? Why would we cut that out? Council Member Langley said we do not want it on College Street. Mayor Pro-Tem Olson said anytime you can connect more community, the better off you are, but I just want to know the reasoning. Mr. Wade Nelson said I do not think it is necessary because of the connection to Caroline. Mayor Pro-Tem Olson said we only have one in and one out. Mayor Countryman said no, there is SH-105 too, so there is Caroline and SH-105. Mr. Nelson said there are multiple ways on SH-105. Mr. Jonathan White, L Squared Engineering said they will also be widening Shepperd down to SH-105 as well to bring it to the full width where it tapers back into a small road. Mr. Nelson said and you have boulevard access off of SH-105. Council Member Donaldson said the boulevard access and Caroline Street are the only two. City Engineer Roznovsky said after it is complete, Caroline and the boulevard access on SH-105. Mr. White said there will also be interconnectivity through commercial, so there will be accesses to the commercial properties along SH-105. Mayor Countryman asked how about connecting to the property, the development behind what is proposed? Is there a possibility? Council Member Fox asked Mr. White to describe to me where this property actually is located. Mr. White said across from the Lone Star Cowboy Church. This would be the main boulevard and basically the main access. Mayor Pro-Tem Olson said it is on the other side of Solomon Electric. Council Member Fox said I am looking at it, but I guess I am not comprehending it all the way to College Street. Mayor Countryman said it is extending Caroline. There are two detention ponds on the west side after Shepperd and then the neighborhood, and then there is a detention pond as the other end cap and green space to the farthest west. Council Member Langley asked is the detention pond still in the in the plan? City Engineer Roznovsky said yes, that is correct. There are two. I know you cannot see this, but there are two detention ponds on each side. The smaller ones are closer to the exit on the east

side of the development, and the larger ones are on the west. I think Council Member Fox asked about the connectivity we developed to the back. The Tri Pointe development wraps around the detention pond on the other side of the creek, but it does not bound the size of this development. Mr. White said there is likely going to be maybe a golf cart/pedestrian type of access between both developments, but there is an idea of a crossing. It would be a little bit of an engineering challenge, but they can open the door for some connectivity from Tri Pointe through here. Council Member Fox asked are you taking Thomas Printing and all that too? Mr. White said no, they are staying out. Council Member Donaldson asked do we have any problems with emergency vehicles? Fire trucks or ambulances? Mr. White said we will coordinate all that with the Fire Marshal's Office, but typically as long as there are two points of access for them. We have a boulevard entry on SH-105. There is also going to be some interconnectivity through the commercial as much as possible, so there will probably be additional curve cuts on SH-105 commercial properties, and then you will have the connectivity to Caroline and then that comes down to Shepperd which will have to be approved as well for SH-105 connection. For the Fire Marshal's Office, as long as it has two points of connection, they usually do not have a problem. Mayor Pro-Tem Olson asked how wide are the streets? Mr. White said 28 feet for all the internal streets. I think the alley ways are 18 feet. Mayor Pro-Tem Olson said I was just trying to understand what the boulevard widths were. Mr. White said I think it is 25 and 25, so two lanes on either side of the median. I think the right-of-way on the whole front is 50 feet wide. I think the one on the southeast side, I think our drain impact analysis showed that that detention actually was not required. I will go back and verify that, but that could potentially be turned into a park. Council Member Donaldson asked Mr. Hanna if he has a comment. Mr. Hanna said with this density and narrow roads, we certainly want to see a proposal about some sort of multi-purpose fire sprinkler, fire suppression system in place. Mayor Pro-Tem Olson said that is my comment about the density. It is extremely dense and it is all rear parking in the backs of the homes. If the streets 28 feet seems really big, for normal density, this is extremely tight and high density. What are the concerns for any kind of parking? Mr. Tom Cox said the 45 foot, those have three car garage on them. They will be 3,500 to 4,200 square foot homes. They are sizable. Council Member Donaldson said they are what I would call patio homes. Mayor Pro-Tem Olson said if you have ever gone to New Orleans and you take a trip down Lake Charles Street, it is very, very similar. Mayor Countryman said there is a neighborhood in The Woodlands called French Quarter. They are not as wide, but they are really long. They are not like a postage stamp footprint, they are a longer footprint. Council Member Fox said like the ones in Shenandoah. Mayor Countryman said yes. City Council Member Donaldson said one other point. The dorms look like they are going to be traditional craftsman style homes. Is that going to change or is that going to be pretty much the norm all the way down the road? Mr. Tom Cox said they will be two-story and probably 75 percent brick. They will have front porch living and a lot of them have a second floor balcony. Council Member Donaldson said I like the idea. I think it blends in

well with the style of homes that are around the park and because that is an extension of that area. I think it will be nice. I just wondered if they are going to stick a modern glass structure in there.

Mayor Countryman asked Mr. Cox what is the price range of these homes? Mr. Cox said we think these will start probably in the mid sevens. Mayor Pro-Tem Olson asked Mr. Hanna when it comes to high density, close when we push the build lines in like that, it has been a while, but Texas code, something about the fire code, I know the interior with the sprinklers, but the exterior because the homes are so tight, when you have a five foot build lines and a two-story home, your eaves are about three feet apart. Mr. Hanna said right. The magic number is five foot total separation. If you get encroaching into any of that, then you have to make special provisions. Some sort of one hour firewalls or, the alternative a lot of developments will go with is some sort of as I said, a multi-purpose fire suppression system in lieu of those firewalls. Mayor Pro-Tem Olson said I just remember the firewall thing when they get that close. City Engineer Roznovsky said these are five. Council Member Langley asked it has not gone to Planning & Zoning yet has it? City Engineer Roznovsky said no. It has been quiet. This is the first stop, to get in front of Council, get the support, get authorization, and get the MOU in place as well. This still will have to go through the variance process, so they will have to go to Planning & Zoning, and they will have to go to Council to get any variances approved. The thought is before going through that time and expense, get an MOU in place and make sure all parties are in general agreement with the way the development moves forward before that time and investment is put into place. Mayor Countryman said we talked about this before. This is similar to what was discussed prior to the change with the size of lots. City Engineer Roznovsky said yes. The general concept of what was done in the feasibility study and this are very similar. There is commercial, but kind of a mix of commercial and single family use has changed. There was during the feasibility studies more of the western portion of this property was a commercial business park. Some are alley load and some are traditional. Mr. Nelson said that was driven really by interest levels. It became apparent that it was more driven by residential than with the commercial. Mayor Pro-Tem Olson said to me, it is just a better layout than on the end, but that is just my opinion. Mr. Nelson said it is really built all around connectivity, getting connectivity to downtown. Mr. Jake Rucka, Parkside Capital said some of you might not have heard, but Parkside Capital has been around for almost 20 years. We are in equity land fund. The way our fund works is we only buy one or two deals a year and we concentrate heavily on those deals. We are not going to come in here as a major developer and it is just another deal on the table for us. We are brought into situations like this to be meaningful, impactful developments, so we listen whenever it is brought to us to say, "we want the connectability to downtown, we are going to extend downtown on this side, we will keep the rest of the commercial over on the east side of town, but here we want to keep that small town charm." The way that Parkside does that is we do not just dig a hole in the ground. We try to amenitize our detention ponds with

walkability trails, golf cart paths, whatever is allowed at that point. Gazebos. We want to really bring the community into our developments. Parkside with only having one or two deals a year that we do, we have to leave an impactful stamp on each development. We primarily have been within Pearland, Katy, Magnolia, and some of these smaller towns, not so much Pearland and Katy, but it still acts as a small town even though it is not. That is where we bring our expertise in is working with the MUD, working with other developers, but then within the area, going to the developer north of us here and getting them to add a connectability to our park going through our neighborhood with maybe golf cart trail, getting into downtown and supporting those small businesses. That is one thing that when it was brought to us, we were very careful with who we partner with because our being small, we cannot have a say in our relationship with local municipalities. When Gracepoint brought this to us and said we have this idea and we want to be a partner of it, really they turned Parkside away and then came back and turned to Parkside because they know Parkside, we do what we say we are going to do. I know that might sound cliché, but if you ask any of the smaller municipalities, that is a statement we will stand on. There is no tomfoolery with us. How we run our business, we cannot afford to do that. We do not have 100 deals that we do every year, only one or two, so we cannot have that. When we say when we come into the City of Montgomery and try to bring a meaningful development to it, we mean it. We are going to be all hands on deck. We are a small operation, but we do not play small. We have a lot of consultants that we hire, so we actually play a little bit bigger than we are, but it is me, Brett, John Moody, and Lauren, and so it is four of us. We know when it comes to deals like this, we know every aspect of that deal because each of us holds a different hat, but we all play together. For the citizens of the City of Montgomery, if you say something, we are going to listen to it and we are going to really try and incorporate that into the development. Having partners like Gracepoint that has a good sense of community here, and has done good things here, I think it is going to play a big dividend for the City itself. Mayor Countryman said I love the walkability and the golf cart. We are a golf cart community and keeping that in mind and that connectivity. You have done your homework and that is key. That is something that we want to make sure that everything is connected for that walking space and golf cart. When this originally came to Council, one of the first things I think Council was excited about, I know I was, is these people can actually just drive down to our downtown on a golf cart or walk down there for an easy walk in the evening to go to dinner and come back. It keeps people in our town and staying in our historic downtown. That is where Council and city hall is focused on giving a facelift so it is good. Mayor Pro-Tem Olson said I like the product. It is different than what we see normally. I think it is a good product.

Council Member Langley asked City Engineer Roznovsky, you said that this memorandum of understanding has not been where? City Engineer Roznovsky said staff provided the draft and got it to us. We wanted something in front of you all, so there is still some cleaning up, but the major points in it, there is nothing that is glaringly obvious that is against what

you typically see. There are a couple of the points in your packet on page 32. The variances that we talked about if not approval of, but more of just like we did for the most recent one, kind of acknowledgement of understand that these are going to have to be required to make this develop work. They have there in provision for consent for them to create or annex into a MUD. It gives them the ability for that financing tool, is one of the items in here on item three on page 48 of your packets. The next one on here is that they are understanding that they are going to complete water and sewer permits as required, extensions, upsizing. If you remember from the feasibility study, they are going to put a gravity sewer line along SH-105 to get back down to where the lift station currently is. Mayor Pro-Tem Olson said we have some stuff we have to do for the SH-105 widening. City Engineer Roznovsky said yes. Mayor Pro-Tem Olson asked is that built into this? City Engineer Roznovsky said kind of. We will see where the timeline is. On that project, we sent an exception request a few weeks ago trying to get TxDot to waive some of those requirements. But anything, if we are asking them to extend a new sewer line, we would have them provide an easement along the frontage, so anything TxDot does, this would be an easement and a TxDot required right-of-way. At that point, they would pay for that relocation if it is not in the right-of-way. A short/long answer is anything that they do will be an easement, not a TxDot right-of-way. If there are any relocations etc. that are required for them, that would also take into consideration what TxDot is doing. Once we get the final determination from TxDot and how this project moves forward, we can better coordinate those two aspects together. Mayor Countryman said I know we are meeting with TxDot here next week or shortly. Rumor has it now they are not going to expand in town. They are going to start at Lone Star Parkway and then go out west. Have you heard that? City Engineer Roznovsky said I have not. The latest correspondence with them as of earlier this week, we were talking about the relocation of utilities in the middle of town. It could change. It is likely there is going to always be a change. Council Member Donaldson said one of your items on the engineering report tonight says that TxDot is going to postpone a lot of the work on SH-105 until 2027 or even 2028. City Engineer Roznovsky said they keep on moving a lot of the timelines and the let dates for projects. Not that they are completely off the list, but they are phasing and moving things back all across there. Mayor Countryman said I think FM 149 became a bigger priority. Mayor Pro-Tem Olson said yes, to get south. Mayor Countryman said which I agree.

Motion: Council Member Donaldson made a motion to accept taking appropriate action on the Villages of Montgomery (Dev. No. 2502) authorizing City Staff and Consultants to begin coordination on MOU. Mayor Pro-Tem Olson seconded the motion.

Discussion: Council Member Langley said I want to make sure that item number seven stays in the MOU.

Motion carried with all present voting in favor.

10. Deliberate and take appropriate action on the Reserve of Mia Lago (Dev. No. 2411) authorizing City Staff and Consultants to begin coordination on MOU.

City Engineer Roznovsky said this development is very similar in terms of timeline. We actually presented this feasibility study on the same day in September 2024. They are also now back to rediscuss and try to move this project forward. A couple things on this project happening in the background. If you remember, this property was in the City of Conroe's ETJ. They went through the ETJ exclusion process, got removed from the City of Conroe, and Conroe could not provide service. They had no utilities in the area and so they removed the property from the Conroe's ETJ, so right now it is not in the ETJ. For tonight, the exact same thing as we just talked about with this development. This is to discuss the draft of the MOU, and provide comments and feedback on the proposed development. I will point out a couple differences in their ask, it is not what they are asking for here. What they are asking for here is very different than how the development we just talked about, and authorizing staff to produce a full MOU and come back to you at a future meeting. On this one then, once you have that MOU, we also will have the annexation process. There are variances and all kinds of steps to go through, so this is definitely not the last time or the first time you are going to hear about this.

This property is the Mia Lago development. This is access off of Lone Star Bend, in Mia Lago Drive. There is a 75 acre or so track in that area where this is being proposed to be located. What they are asking for is they are looking to do a single family development. The biggest difference is large lot and they are requesting to do septic on lots versus public city sanitary sewer. They have three-quarter acre or so lots that they are proposing on their site. The feasibility study that was done mentioned both options and has been on the table since it started. Providing sewer service is an option. They would have to install a lift station and sanitary sewer lines, etc. This is their big ask. They are not looking for lot sizes or anything like that. There might be some radiuses of terms depending on final land, but the big ask here is on the actual set of terms to the property. When you look at the MOU for this one, they have 51 lots. Everyone agrees to volunteer annexation. They are only requesting public water service, and they are requesting to be able to use septic on each lot to serve the development. The other Mia Lago development is also on septic. They only have public water. This is next door to that. Other than that, all your other true developments in the City are on public sewer and public water. Mayor Pro-Tem Olson said the only caveat I guess to that would be for them to provide us a written document saying that their HOA, once they dump it, will not come back to the City 10 years from now begging for a sewer system. Mayor Countryman asked can we do that? The developer said yes. City Engineer Roznovsky said this one is again relatively straightforward, but is a big change for the septic versus not. If you all are open to it, that is the feedback we need. That will allow us to draft up the MOU with those terms in it, adding the language about the

HOA or requesting making sure it is clear that if you do not have service, you will not have service, and then we can move forward for this one which would be for annexation.

Motion: Mayor Pro-Tem Olson made a motion to accept appropriate action on the Reserve of Mia Lago (Dev. No. 2411) authorizing City Staff and Consultants to begin coordination on MOU. Council Member Langley seconded the motion. Motion carried with all present voting in favor.

11. Deliberate and take appropriate action on the Montgomery Summit Business Park and the recommendation ending the One Year Warranty and Releasing the Maintenance Bond.

City Engineer Roznovsky said this item is for the Montgomery Summit Business Park edition at the northwest corner of Buffalo Springs and FM 1097, the new retail building that was built a year or so ago. If you remember, they had a public storm sewer along the frontage or parking area. At that time, you all entered into a one-year warranty period. On April the 7th, we did a one-year warranty inspection. We inspected the pipe, the manholes, etc. We found enough deficiencies. It is a very small scope of work, and so our recommendation is to officially end the one-year warranty period, release the maintenance bond, and City will take over future maintenance.

Motion: Council Member Donaldson made a motion to accept to take appropriate action on the Montgomery Summit Business Park and the recommendation ending the One Year Warranty and Releasing the Maintenance Bond. Mayor Pro-Tem Olson seconded the motion. Motion carried with all present voting in favor.

12. Deliberate and take appropriate action on the Flagship Blvd. Storm and Paving Replacement and the recommendation on ending the One Year Warranty and Releasing the Maintenance Bond.

City Engineer Roznovsky said this was a city funded project to replace a storm sewer that was collapsing down Flagship, causing all the issues with the paving. That project was completed. We had a one-year warranty inspection back on December 5, 2024. The contractor took a long time to get those warranty items addressed. He has addressed the punch list, and in your packet you will see a copy of that punch list. There was some very minor hairline cracking. We had them do a resealing around the inlet and we are moving to replace a section of curb that was broken, and cleaning up some joints that needed to be cleaned up and resealed. He completed all those and if you go through the items, you will see photos. I know they are small on those pages. We will gladly answer any questions you have. We have reviewed the work that he has completed and have no issues.

Motion: Council Member Donaldson made a motion to accept to take appropriate action on the Montgomery Summit Business Park and the recommendation ending the One Year

Warranty and Releasing the Maintenance Bond. Council Member Langley seconded the motion. Motion carried with all present voting in favor.

13. Deliberate and take appropriate action on a request to install temporary event banners on city-owned property located in the Historic Preservation District.

Code Enforcement Officer/Planning & Zoning Administrator Tilley said this is a request to install the temporary event banners on city owned property. On page 87 of your packets, you will see a picture of the location that they are proposing to put the event banners on. Traditionally, we do not approve banners on city owned property only because we do not want to set a precedent for placing banners on city owned property. I think Mrs. Kambra is here. She has examples of the banners and maybe the temporary event signs that she is proposing on the property. The recommendation is that we do not approve the installation of those event banners only because it is on city owned property. It is in the Historic District and it would have had to go through Planning and Zoning, but the event that is being held will be that week before Planning and Zoning is going to have their meeting, so it would have been too late for that. Otherwise, just to keep neutral of promoting events and then keeping that specific corner clean of signs, it would really help with at least enforcement keeping any signs off there. It would not work for us to pull a car washing sign off of that, and then leave an event sign in that same location. Council Member Fox said but it is Sip n Stroll and do not they coordinate with the City? Code Enforcement Officer/Planning and Zoning Administrator Tilley said they have event permit applications. Council Member Fox asked so there is no partnership with the City and Sip n Stroll? Mayor Countryman said yes there is. Council Member Fox said I thought that was a City event actually. Mayor Countryman said no. Mrs. Drummond has taken over the event. There is a partnership because of the roads and Public Works Director Muckleroy's crew helps set it up. There is a part that the City provides and there is a part that Mrs. Drummond provides. Council Member Fox said not too terribly long ago it was totally a City event at one time. Mayor Countryman said yes. Is this LED sign working again? Public Works Director Muckleroy said yes. Mayor Pro-Tem Olson said that is my question. Why would we put a sign in front of another sign? Why not just put it on the LED sign? Mayor Countryman said because it was not working for a long time. Mayor Pro-Tem Olson said I know. We should fix it. Mayor Countryman said it is not just that easy. It is very outdated and there were issues with it. Council Member Langley asked if it is fixed now? Public Works Director Muckleroy said it is fixed now. Council Member Langley asked does she have time to get her application in for the use of that sign? Code Enforcement Officer/Planning & Zoning Administrator Tilley said from my understanding, she requested that, but she did not get approval. Mrs. Drummond said I did not get approved to be on the electronic sign because it has not been working. Council Member Langley said it was not working at the time. Correct. Mrs. Drummond said I mentioned getting the banners that we could advertise and in the interim process, I purchased the banners, I purchased the signs, and now the digital

sign is working, but the banners were very tasteful. They are not crazy. As far as anyone else putting signs out there, if these are bandit signs and they are picked up, I understand that. But, it is a City sanctioned event. I am not having a garage sale. I am not having a sale in my shop and trying to get people to come to my shop. I am advertising an event that benefits everyone in the City, not me personally. It benefits everyone in the City. For the banner being over the road, how is this much different? Mayor Pro-Tem Olson said that was my next question. Mrs. Drummond said the banner over the road has been lost. The banner that was purchased has somehow disappeared. I will tell you, it is \$500 to have that banner installed over the highway and it is \$500 to have that banner removed. It is an extra expense if the company that you hire through one of our sign companies does not do it properly and another company has to go out and fix it. Ninety percent of the time, it is flipped and you cannot read it anyway. I think that is distracting. Council Member Fox said and that has happened. Mrs. Drummond said yes, it has happened every year. Every year that we put the banner over the highway, you have to get the approval through TxDot who does not always do it. Then, there is the calendar for the City where the Antique Fest always fell in between whoever was having an Easter celebration. It just depended on when Easter fell. Quite honestly, I did not have the budget to purchase that large banner, so I went with what I could afford. Mayor Countryman said I definitely see the need for signage. We have a lot of traffic. There is traffic coming downtown, but the destination would be one of the restaurants or to grab a glass of wine. Council Member Fox said honestly, for the digital sign, if you are in that lane on the north side, you can read it, but if you are in the other lane and there is a car behind you, you cannot read it, but you could actually visually see the banner. Mrs. Drummond said it would be something different. That was also a thought. People stop paying attention to the digital sign because they think they have read it and they have seen it, and it is broke, so it has been playing the same things over and over and it has not changed. I was just trying to make the event more visual for people that do not know anything about what is going on in Montgomery. Mayor Pro-Tem Olson asked is it just Sip n Stroll signs? Mrs. Drummond said I have Sip n Stroll that will be there on Thursday, and then the Antique Festival happens next week. It will be up for a week and a half. Council Member Fox said the Antique Festival has been here Mayor Pro-Tem Olson for a while. Mayor Pro-Tem Olson said no, I am not bashing the event. Council Member Langley asked is it exactly like the one you have in the packet? Mrs. Drummond said yes. This is it. Council Member Fox said I think it is a good looking sign. Council Member Langley asked when you applied to the City for the digital sign, you did not get approval because the sign was broke or you did not finish turning it in? Mrs. Drummond said I think the ask for the digital sign was verbal and then it was not working. Council Member Langley said what I am trying to get at is this function should qualify to be on the digital sign. Mrs. Drummond said yes, and Sip n Stroll was on it. Council Member Langley said then you say that we do not want all kinds of banners there that is true, but I would not qualify as an individual to put in an application to get on that digital sign and qualify for it.

Mrs. Drummond said exactly. Council Member Langley said I want to make sure this function did qualify to go on the digital sign. Mrs. Drummond said from the past, every time I have ever asked to be on the digital sign, I have never been denied with an event that was going on. That has not been an issue. The issue was that it was not working so there was not a way to install anything new on the sign or make changes. Mayor Countryman asked how long would your yellow Sip n Stroll sign be up on the road? Mrs. Drummond said for the Sip n Stroll I planned on just putting it up on Thursdays. I was just trying to advertise it that day like a reminder situation. Council Member Fox said when you are saying that, you are really actually talking about the Historic Downtown District. Mrs. Drummond said yes. Council Member Fox said we are talking about the businesses in Montgomery, not an individual. Mrs. Drummond said yes. Chief Solomon asked do you put the Sip n Stroll sign up every Thursday? Mrs. Drummond said that was my plan. I did not want to leave it up. This one I was hoping to leave up for a lengthier period of time. The Sip n Stroll is easy to just put it up and take it down every Thursday when the event happens. Chief Solomon asked did you take over the Sip n Stroll from when the last event person was here? Mrs. Drummond said yes. Mayor Pro-Tem Olson said we have given it back. Code Enforcement Officer/Planning and Zoning Administrator Tilley said since the electronic sign is working now, Sip n Stroll can be back on the electronic sign. Mayor Countryman asked is there a way on Thursdays you can just keep the Sip n Stroll up there and have it flashing like the time and temperature to Sip n Stroll time and just on Thursdays? Code Enforcement Officer/Planning and Zoning Administrator Tilley said it scrolls through a list. Mayor Countryman said I understand. Can you take that list down to those two just so you could be there like a true advertisement all day? Code Enforcement Officer/Planning and Zoning Administrator Tilley said I do not have control. Mayor Countryman asked can you just take it to Sip n Stroll and then the time and temperature and just have two screens that flip? Public Works Director Muckleroy said yes you can. You can set each individual screen to run for a certain time. You can block others out and make other ones run exclusively for a short time. Nicole programs all of this in and it automatically does it. She sets the time and day. We can make those changes. Council Member Fox said they are talking about making the changes but to me, having the Sip n Stroll sign, the yellow sign, I think it just garners more attention and definitely for the Antique Festival because it is something we are all trying as a group I think to get more business downtown because it is our Historic Downtown. I know that it is against the ordinances possibly, but I think that we should have some kind of consideration for the fact that this is going for a group of businesses downtown. Code Enforcement/Planning and Zoning Administrator Tilley said if we are putting it in the Historic District, keep in mind that the Planning and Zoning Commission is required to approve that. The Planning and Zoning Commission meeting is after this event, so short of having a special meeting to talk about the placement of the banner, I do not know if Alan had a chance to take a look at the single exception in the ordinance about temporary signs in the Historic District. It says that there is an exception, but was that an

exception of being able to place temporary signs in the Historic District, or was the exception that in the Historic District, temporary signs are not regulated? Mayor Countryman said it is not clear. Council Member Langley said tell me why it is coming before me tonight? If I want to vote on it and say I want them there, are you still telling me that it has to go to Planning and Zoning? Code Enforcement Officer/Planning and Zoning Administrator Tilley said that is because it is in the Historic District. Council Member Langley said so it does not matter what I say, so why did it come before me tonight? Code Enforcement Officer/Planning and Zoning Administrator Tilley said because it is on city-owned property. Let us say that we pick city owned property that is not in the Historic District. Then you would be able to say okay, we will allow it on city owned property. The main part is that it is on city owned property. The catch is that it is in the Historic District also. Council Member Langley asked what about the banner at the community building when the Lions Club puts up that banner every Saturday for bingo? Code Enforcement Officer/Planning and Zoning Administrator Tilley said that had been there forever. If you want to address all of the temporary signs in the Historic District we can. Council Member Langley said no. Code Enforcement/Planning and Zoning Administrator Tilley said that has been there traditionally. Council Member Fox asked and First Saturday? Code Enforcement Officer/Planning and Zoning Administrator Tilley said and First Saturday. They have traditionally had that at the community building because that is the location of the event. The option of placing it on commercial private property, not on city property, is there you have the gas station, but again, that is in the Historic District which would have to go to Planning and Zoning, but you have Brookshire Brothers across the street. That is not in the Historic District. Mayor Countryman asked so what makes the campaign signs anything different than like the Antique Festival? Mayor Pro-Tem Olson said campaign signs are protected by the state. That is the difference. Council Member Fox said I do not think we should grant this. Mayor Pro-Tem Olson said for the Antique Festival, the temporary Antique Festival, it is once a year we put it up. The only reason we are putting it up is because when she wanted to get on the electric sign, it was not working, so she went and bought the banner. The Sip n Stroll is a continuous event, so she has every opportunity to use the electric sign, so I think we hold her to the electric sign on the Sip n Stroll. We give her the opportunity to use her banner because she went to the expense to do it and we could not provide the service at the time. That is the only exception because we could not provide the service at the time. Next year when that sign is still working, I am going to say no. Council Member Fox said we will talk about it next year. Mrs. Drummond said next year I will save the money and put the banner over the highway. Council Member Fox said to me, it may not be in the ordinances, but on the other hand, I think it is a benefit for the City. I think it is something because I will always tell you that there is a lot of times that people say I had no idea you all had Sip n stroll, but now we all have all those signs down the side of the road that says we have farmers market. Visually, because I am a visual person, visually if I see something I will say yes, I need to go. Mrs. Drummond said that

was my whole thought. I was just trying to get people to notice. There was a lady that came last Thursday that lives behind Brookshire and she never even knew that it was even going on. She came because she saw the yellow sign. Council Member Fox said that digital sign is not a really great sign. Mayor Pro-Tem Olson said it is not. Mayor Countryman said it is terrible. Mrs. Drummond said I did request that we bring this to your attention because I felt like I was not getting anywhere. Council Member Langley said in our packet it looks like there is a red Sip n Stroll banner that you have. Mrs. Drummond said I do, but you all do not want to do that. Council Member Langley said I am not discussing that because I do not want it up there every Thursday. Mrs. Drummond said we are not doing a Sip n Stroll banner at all. Sip n Stroll will be on the sign like you mentioned. Am I allowed to put out the yard signs at Sip n Stroll or no? Mayor Countryman said I imagine that would be okay. It is at the event. Thank you for reviving it and bringing it back. There is starting to be more foot traffic than there has in the last couple of years. Council Member Fox said and the street is closed. If they say why have you close the street, well there is a sign that says Sip n Stroll, so you know what it is closed for.

City Attorney Petrov said I think that your sign code is poorly written. There is a provision that talks about special event signs. You could read that as allowing the City Council the authority to grant the permission to use special event signs.

Motion: Council Member Fox made a motion to accept item 13 as presented.

Discussion: Public Works Director Muckleroy asked if Council could make a clarification. Mayor Pro-Tem Olson said yes please. Public Works Director Muckleroy said just from a public works standpoint, the rule that we go by is whether it is in the right-of-way or not. Make sure you specify whether you are allowed on the right-of-way or only on private property. Council Member Donaldson said and only this year because I am like Mayor Pro-Tem Olson. I would approve it just because of the situation and the timing and because we have not really had an Antique Festival for two years and we need to get it started back up. It just needs to be properly put where it is not a hindrance to traffic site. I would approve it for just this one time.

Council Member Donaldson seconded the motion with the amendment that the Antique Festival for this year only in the Historic District, outside of the right-of-way, is not a hindrance and that the Sip n Stroll should be advertised on the LED sign placement and at the event. Motion carried with all present voting in favor.

14. Deliberate and take appropriate action regarding reducing the utility tap fees for Walker Montgomery CDC, a 501c3 development corporation, building the last of four single family dwellings at Gulf Coast Estates Section Two which is a qualified affordable housing project.

Code Enforcement Officer/Planning and Zoning Administrator Tilley said typically utility tap fees for new single family residences in the City are \$4,020, but in 2022 the utility tap fees were discounted for the first three homes that were built in that subdivision. This is a subdivision at the end of Baja Road and it was reduced to \$1,235 per house. What we are requesting is that we extend that discount to the last final, the fourth house at the end of the road. Council Member Langley said when this says utility tap fees, that is the water and the sewer. Code Enforcement Officer and Planning and Zoning Administrator Tilley said yes. Council Member Langley asked for this price? Code Enforcement Officer/Planning and Zoning Administrator Tilley said for this price, yes. Public Works Director Muckleroy said when we talked about this originally, why I was comfortable with it, the original intent was to do all of them. It is just not in writing anymore and that is why she is bringing it back. When we put the sewer taps in, we went ahead and put them all in at the same time. The county was coming in and painting Baja and we went ahead across the road and put them all in ahead of time so that they were done. We did not have to dig up the road again to tear it up, so price on that was already taken care of. All we have to do on this one is one water tap. We can do it in house because it is a short tap. You will save some money on it, so the cost will cover it and that is why I am comfortable with it. Mayor Pro-Tem Olson asked none of these taps fall under the Dobbin-Plantersville right? Public Works Director Muckleroy said no. This is the last one.

Motion: Mayor Pro-Tem Olson made a motion to accept action regarding reducing the utility tap fees for Walker Montgomery CDC, a 501c3 development corporation, building the last of four single family dwellings at Gulf Coast Estates Section Two which is a qualified affordable housing project. Council Member Fox seconded the motion. Motion carried with all present voting in favor.

15. Deliberate and take appropriate action on a Resolution calling for a Public Hearing to grant a Special Use Permit for 0.7059 acres of land situated in the John Corner Survey, Abstract No. 8 [A.K.A. 21049 Eva Street, City of Montgomery, Montgomery County, State of Texas] for a fast food restaurant with common drive thru lane for June 24, 2025 at 6:00 p.m. to be held at the City of Montgomery, City Hall, 101 Old Plantersville Road, Montgomery, TX 77316.

Code Enforcement Officer/Planning and Zoning Administrator Tilley said the first call for a public hearing was tabled by Council at the March 25th Council meeting. I think it was pending additional information that would come in. On April 1st we did take it to the Planning and Zoning Commission. They also tabled their decision to make a recommendation to Council. The decision will be revisited at the Planning and Zoning meeting scheduled for June 3rd, pending receipt of any additional information. The reason we are requesting for a public hearing for the June 24th City Council is that it would give time for the June 3rd Planning and Zoning decision and to be able to record that, send out notification to announce the public hearing for that June 24th public hearing on City Council. Council Member Langley asked City Engineer Roznovsky after the Planning and

Zoning gave these requirements, needing additional information, have you heard from the developer? City Engineer Roznovsky said I have not heard from Jack in the Box since the Council meeting where it was tabled. I do not think any others had correspondence with anyone at Jack in the Box since that time. Mayor Pro-Tem Olson said I am not going to deny them an opportunity to speak, so I will make a motion.

Motion: Mayor Pro-Tem Olson made a motion to approve Resolution 2025-10, a Resolution to call a public hearing to grant a special permit for the land situated in the John Corner Survey, Abstract No. 8 [A.K.A. 21049 Eva Street, City of Montgomery, Montgomery County, State of Texas] for a fast food restaurant with common drive thru lane for June 24, 2025 at 6:00 p.m. to be held at the City of Montgomery, City Hall, 101 Old Plantersville Road, Montgomery, TX 77316. Council Member Donaldson seconded the motion. Motion carried with 3-Ayes and 1-Nay vote by Council Member Fox.

DEPARTMENTAL REPORTS

16. Public Works March 2025 Monthly Report

Public Works Director Muckleroy asked if anyone had any questions. Mayor Countryman said I have gotten some really good feedback on your team and your guys as of late, so great job. We hear a lot of bad feedback usually and so it is nice to get good feedback, so great job and great leadership. Council Member Fox said you do have an amazing crew and good leadership. Public Works Director Muckleroy said for sure, I have a good crew.

17. Utility Operations March 2025 Monthly Report

Mr. Phillip Wright, Hays Utility said we feel pretty accurate about our flushing that we did this last month, so that gets us up in the 95 percent range. We have done a tremendous amount of flushing, continuing to deal with water quality, and making sure that people get the best quality of water that they can. We had a call today that we were responding to and did some additional flushing, like 10 minutes before this meeting started, so we are just continuing to try to make sure that the City of Montgomery has the best water quality that we can. Mayor Countryman said I see the accountability at 93.53. Did you mean 93 and not 95, just for the record? Mr. Wright said yes. Mayor Countryman said great job, huge improvement. Mr. Wright said everything is in compliance with the wastewater treatment plant.

18. Discussion on Engineer's Monthly Report

City Engineer Roznovsky said on the first page is water plant number two improvements. You did receive pay estimate number six in the amount of \$337,500 for that project. They are finalizing the well and they are getting ready to do their 36-hour test on May 9th. That runs a whole lot of water, and so we coordinated with the property owner to the back that

owns the seven acre property at the end of Louisa. We have a plan with her, she is on board, and so the water will make its way out and through the ditch on her property.

City Engineer Roznovsky said the next item on page two, your sanitary sewer rehab project, we did receive payment number six for \$83,160. We are still working on some final items with the contractor and he is finally getting close.

City Engineer Roznovsky said skipping down to item four, waterline extension for the Old Plantersville Road. We are still working with BNSF. We have been going back and forth with them for six weeks just trying to schedule their inspection crew. As of yesterday, it sounds like we are all squared away, but they have not given us a date yet. That is the last thing remaining on that project. Council Member Donaldson said I am surprised I do not see any forms set out there yet for the homes. City Engineer Roznovsky said I know they pulled their first couple of permits, but last time I was out there, they were busy working on the fencing and the wall. I know they pulled permits, but they have not started yet.

City Engineer Roznovsky said permit amendments are underway for both and expect a final one any day now for the Town Creek plant and the Stewart Creek plant, which was authorized at the last meeting, so we are working on that amendment as we speak.

City Engineer Roznovsky said for the downtown street improvements project, we are continuing to work with Ardurra and MEDC on that project. One thing that they are pulling together now is more details and some material samples for the decking along the west side of the road so we can set up a meeting with property owners to go through the materials, and then working with the city attorney on the use agreement of that to get that work completed.

City Engineer Roznovsky said your wastewater plant expansion that is being designed by Halff is continuing along. We should have the preliminary engineering report here in the next few weeks as they continue through design. We have gone back and forth with some site plan options, and everything there is going well.

City Engineer Roznovsky said on water plant number four, we are negotiating the contract with staff and with Baxter & Woodman. On that project, they sent us over a draft proposal late last week, so we are going back and forth and making sure the scope and fees are in line.

City Engineer Roznovsky said moving on to page three in our report. Lift station number 10 improvements project is the Taylor Morrison funded project that should be ready in the next month. Just a reminder, that included lift station improvements, as well as a natural gas generator on that site. Mayor Pro-Tem Olson said before you go farther, we skipped over the downtown streetscape improvements where it says you are coordinating with MEDC and Ardurra. Where are we on that? City Engineer Roznovsky said we met with a

couple downtown property owners. We met with Ardurra. Ardurra has put me on an updated schedule and scope based on just the one way. The steakhouse was not open to the drive-thru. Again, I need to get back with you on that. What they are focusing on now is the decking, the decking layout and materials, so we can meet with those property owners. The timeline that we discussed with MEDC based on when we had met with the downtown property owners for the FM 149 project years ago, they will start construction after the holiday season and so that is where the schedule is right now, to build the project late fall, have contracts in place, and then start construction first of the year after the holiday season is the timeline to not impact holiday sales as much as possible.

City Engineer Roznovsky said item 12, lift station five relocation and item 13, we will tie those together. Those are both the Tri-Pointe projects. Both those are underway and should have those designs complete and ready to bid in July respectively for those projects.

City Engineer Roznovsky said for College Street drainage, we are wrapping up that design and ready to bid that next month, pending GrantWorks tests. Since this is an ARPA funded project, there is additional hoops to jump through, as we discussed, so GrantWorks is working through the environmental review of that and the booster pump number three edition project to be able to bid out both of those.

City Engineer Roznovsky said item 16 is the one item that is in your budget we have been talking about monitoring. We are watching the erosion at Plez Morgan and it is now starting to undercut those culverts, so we are preparing a scope and proposal cost estimate based on where it is and will bring it back to you next month to get that project underway. Council Member Donaldson asked do we have enough time to wait until next month still? City Engineer Roznovsky said it is going slow. The actual process itself will be pretty quick, but we can bring it up at the next meeting. Council Member Fox said I have not looked at it since it rained yesterday, but it was looking bad the other day. Mayor Countryman said Public Works Director Muckleroy, I know you are keeping an eye on it too, right? Public Works Director Muckleroy said yes. Council Member Fox asked did it look a whole lot worse since the rain yesterday? Public Works Director Muckleroy said I have not looked at it since yesterday. City Engineer Roznovsky said they usually send the drone and record all that erosion. Related to this, I had a meeting with MISD last week because the erosion was getting close as we talked about through the design process in a couple spots, and so we are working through some options with them. Mayor Countryman asked is there any grants out there that we can apply for to help us with this? City Engineer Roznovsky said we will look and see. There is not a lot of them. A lot of the flood related grants are tied to flood reduction. A lot of times, it is an erosion issue, not necessarily a flooding issue, but we will continue to look and see if there are some options there.

City Engineer Roznovsky said regarding item 17, The Crossing at Montgomery, we are just waiting on deposits from the developer. That is the project over here on the Stowe property right next to the railroad tracks.

City Engineer Roznovsky said moving on to page four of our report, we have a section which summarizes where the development agreements stand that are active. A couple ones that are not on this report because it just happened today, is we had three pre-development meetings since this agenda came out, for a proposed shop next to CVS and in The Shoppes development, south of CVS. We also had the developer, you remember the HEB track, there was the non-HEB portion, that developer has reached out to the City and we had a meeting with him earlier today to start that development process, as well on College Street, one of the Ray properties is looking to subdivide to make homes on it. Mayor Countryman asked are any of these potential developments derived from Retail Strategies, or are these people just calling us? City Engineer Roznovsky said not that I am aware. They did not say, but it does not mean they were. They came to us.

City Engineer Roznovsky said we will skip over the plan and plat reviews listed, but one thing I will note. On the Montgomery Bend section four, this is just a reminder that they are waiting until they get a single install, but their home sales are slower than they have projected, so they are delaying those feature sections and keep pushing those back until home sales pick back up. Council Member Fox asked are you saying that they are saying their sales have not been what they expected? City Engineer Roznovsky said yes, what they projected in volume of sales. They are delaying their future sections and pushing back a couple months.

City Engineer Roznovsky said on page six of the report, you will see updates. We are still working with Redbird on the lift station, as well as the final walk-through of their infrastructure. Those are ongoing.

City Engineer Roznovsky said on page seven, regarding TxDot Atkins Street drainage improvements, we received an update from them yesterday that they have received the bids and they are evaluating the bids for the erosion repair of Atkins Creek for that first 200 or so feet of Atkins Creek and FM 1097. We have asked them to clarify their final scope because we have some old plans and old schematics from them and we are just waiting on that response and the actual time of it. At least it is moving forward and they have bids on it.

City Engineer Roznovsky said we talked about earlier the access management on Grimes County to Shepperd Street. We have the stakeholders meeting on May the 13th to get an update from them.

City Engineer Roznovsky said for Lone Star Bend and Lone Star Parkway improvements, we did have a meeting with the County and they are working on an interlocal agreement

for the installation and funding of a temporary signal at Lone Star Bend and Lone Star Parkway.

City Engineer Roznovsky said for the Stanley Lake interconnect, we attended this board meeting back on April the 11th to discuss the project again with them and that is also having a call with the developer late last week. Both are still in favor moving forward with the project and cost sharing. One thing that Stanley Lake had initially asked and we are working through with them, is for it to be metered interconnect, which the original proposal and original discussion was a non-meter interconnect. This is emergency only and it is not used a lot. That meter and vault is a \$175,000 item. This will drastically change it because they want a dual meter. They want one meter that goes this way and one meter that goes that way. We bid one a while ago. It evolved into 10 inch meter which was a \$175 line item which puts the feasibility of this out. They were open to non-metered, so we are working on some information for them to see. We will have to re-evaluate the cost benefit if we do have to put in that meter because the whole private cost was \$200,000 over. This doubles the cost to do that, but the developer was open on still participating, so we are working back and forth with him on the cost share. Mayor Countryman asked like 90/10 cost share? City Engineer Roznovsky said right. He had a higher portion, so I think the City share, and I am going off memory, was \$50,000 it would cost and he would bear the majority of it because he has the majority of the line. This meter throws a wrench in it, so we are working through it as we speak.

City Engineer Roznovsky said we have regular updates that we have workshops tentatively scheduled for next month, as well as we are required to do impact fee reviews. Since you have had a couple annexations, there is going to be an impact fee update. We are taking that draft land use assumptions to Planning and Zoning as they act as the Capital Impact Advisory Committee next month, so we started that impact fee update process with them.

City Engineer Roznovsky said the final item on here is you all have been asking about the development in the ETJ on the south side of town, south of Spring Branch Road. They were provided and given notice that they are outside of city rules. They have not gone through any city requirements. As of earlier this afternoon, they submitted a request for ETJ, so they are working through that process. It has not been reviewed yet. Mayor Countryman asked City Attorney Petrov what happens with that if we take no action like we did at the other ETJ, and then he continues to build, and then legislation changes and now that does not matter anymore, and now they are still in our ETJ, and he has done everything not according to city code? City Attorney Petrov said then they would be in violation of our building requirements, but that is a risk that they take that they can remove themselves from the ETJ and then proceed, which under current law they can do. Council Member Fox said but if it does not go that way and they have already completed everything, could they be shut down? Would they be subject to a fine, would we have to rip it out? City Attorney Petrov said they would be subject to a fine. Council Member Fox said but even if

you gave them a fine, would they have to correct anything? Mayor Countryman said if it is not according to our code, I would imagine they would have to rip and replace and put it in accordance to our code. Council Member Fox asked could we force them to do that? City Attorney Petrov said that would be the argument I would make certainly. Mayor Countryman asked do you know where that legislation is? City Attorney Petrov said the issue is now with the courts and I have not seen an update recently. It has been taking longer than I expected. Mayor Countryman asked are we still active south of FM 1097 on Atkins Creek by the one developer? City Engineer Roznovsky said within the past 30 days, yes. I believe that they were given notice by an officer stopping and noticing the citation. The last couple days that I drove by the machine is still there. I have not seen them working. Mayor Countryman said I was just curious. It looked like an ant mound for a while there, even though they were asked to stop. Council Member Donaldson asked how did TxDot determine they were going to go back 200 feet on the Atkins Creek drainage? City Engineer Roznovsky said they actually acquired that right-of-way in feet. They own approximately 200 feet give or take, from a visual standpoint to that dirt mound. Where that dirt mound is approximately, is actually now a TxDot right-of-way that they own that land. That is their typical when they are doing those stream improvements projects, they go 200, 300 feet downstream. Council Member Donaldson said I would be interested to know how much that is going to cost. City Engineer Roznovsky said right, and also the scope. The original plans that we had showed sloped culverts underneath the roadway, but they have since installed brand new culvers that are not sloped, so that was our question. What is the scope you are going back with because you would assume they are not going to be able to rip that out, they just did around it, but until we see what was actually bid upon, I do not know. Council Member Donaldson said that was the original plan to take those out and put two 7x10s in. City Engineer Roznovsky said yes, two sloped large boxes, line the channel on both sides of the concrete, and then help dissipate the energy which would at least stabilize that first section and gets us to a more manageable path. Public Works Director Muckleroy said they were going to do that with the emergency repairs, but they could not find the box culverts anywhere near to be able to go ahead and do it.

19. Municipal Court Report March 2025

Court Administrator, Kimberly Duckett said for March 2025 the citations were \$228 and the revenue was \$45,004.03.

20. Financial report for the period ending March 31, 2025

Finance Director Carl said on your report, I told you that this is the first month that we have the split out for CCPD. The other note is regarding the ad valorem tax. We are doing great on collection and everything is moving along. I will update you on the business that you had asked about previously where we had identified we have been receiving sales tax from them. We expect that there could potentially be a recovery from audit, but that would

be somewhere down the line, but we are receiving regular sales tax. Mayor Countryman said we had not been receiving it, but we are now. Finance Director Carl said correct. It has been resolved. Mayor Countryman said thank you for being diligent on that.

Council Member Donaldson said I want to know you said the debt service is budgeted at 100 percent, but we have only got a 96 percent collection rate. Finance Director Carl said debt service is one of those weird things. In your calculation, we do not have any wiggle room on debt service. Debt service is set by what we owe annually in debt service. When we budget for the debt service collection, we have to budget it at 100 percent because there is no cushion in there. Whereas, when we budget the maintenance and operations on the ad valorem, we reduce that to a 96 percent collection because we keep in mind that we may not get 100 percent collection and too, refunds with people who protest their property value. Now what happens on your debt service side is there are times where we have additional money into debt service, and so those debt service reserves help offset any of those differences that are made. It is kind of a flaw in the way that the calculation works. I wish I could say that we can change that, but I do not think we can change that. The good news is it is not usually a really significant amount. If we anticipate it being a significant amount, we would look at additional sources of revenue. Now remember, we can use other sources of revenue to help go towards that debt service, but you cannot use debt service money for anything other than debt service. You will see that we had debt service payments and so that is why we are a little lopsided in fund 500 right now, just because we have a lot of outgoing money.

21. March 2025 Police Department Report

Lieutenant Belmares asked if anyone had any questions for him to answer. Mayor Countryman said one of my big concerns with Home Depot coming to town was theft and sucking up our resources, and I am understanding that they are sucking up our resources. They said they would determine when they need to bring in someone. I know they have theft prevention which says you can still walk out the door and nothing is going to happen to you. At what point do they hire someone to come in? Lieutenant Belmares said they do have an agent that works their loss prevention who is pretty savvy. What we are seeing with Home Depot is when an offense is taking place, we are getting phone calls after the fact and then we are getting the case provided to us with video and all the details of the suspect. Then, we are having to follow up to identify the suspect, do an investigation, and issue warrants. There has been some talk about just providing more coverage in and around the area. Our response time is very quick within the City. If we get the call sooner, we are more likely to engage the suspects as they exit so that we can make contact with the suspects and arrest them. I will coordinate with the staff there and see if we can find a solution where we can prevent this and put a stop to it at that point in time, instead of after the fact having the resources and trying to put more manpower and time in to identify the

suspects. Mayor Countryman asked is there any chance we can mandate them to put an off duty officer on and pay the officer so that you have somebody on site to quickly respond? Lieutenant Belmares said I do not know that. I do not think we can mandate them. Mayor Pro-Tem Olson said based on their company policies and some of our laws, they cannot remand someone against their will right? Off duty officer or not. Lieutenant Belmares said the other thing to consider is I think just from a standpoint for Home Depot, it is safer for them and their position that if we engage a suspect at a later point that is off their property, it provides a more safe environment as opposed to there was a critical incident because of a \$120 drill that gets picked up. That could be a potential reason why they are not having law enforcement or plain clothes officers working inside there. They have this gentleman there that he puts a good packet together and they have good video. The resources they provide us gives us quite a bit of intel for us to follow up and end up filing the case. We have found a couple of cases here back to back that were linked to the same individual on cases, so we are clearing them, and the information they are giving us is there for us to work. Council Member Fox said just out of curiosity on the service calls from the month of March, 237, how many were at Home Depot? Lieutenant Belmares said that number I do not know. They do have a system that their inner call system with the 911, we have had quite a few false 911 calls to their establishment. We have talked to them about it, about changing their dial up service because it starts with the 9 and then to dial 1, so we have been getting some of those calls. We have spoken with their management and they have spoken with their team of employees there to try to minimize those calls. Mayor Pro-Tem Olson said my daughter works in loss prevention for a large retailer, and it does not matter which retailer you bring in. There are calls and videos constantly. If it is a large retailer, you have theft. It does not matter which one you bring in. When we get Academy, guess what? Mayor Countryman said I am not saying it does not bring it in, I am saying it is sucking our resources. That is the part, the resources. It is not saying that this Home Depot should not have this. I am just saying we run thin. We have, I will say, the best law enforcement agency in the state, but at the same time, we still are a small town and we have the number of officers on the street that we have. Lieutenant Belmares said we have a lot of growth, so we are going to have some growing pains as well.

22. Building Official Report for March 2025

CBO Building Official Rick Hanna said Kristen provided a report, but I was not able to get Shavauna and Kristen together to generate a report that I like to see that gives you some numbers and values, so we are going to try to work on that next month. Apparently our system, because we do more inspections than we charge for, it is hard to get those numbers to jive, but I will tell you we are busy. You asked about Redbird Meadows. I went through there a little bit ago. J. Patrick Homes has sent forms to put plumbing grounds in, but one of the caveats of these guys coming in is they come in pushing and pushing, wanting to give us this, and give us this, but there is no water out there, so they are not able to get

water in their plumbing grounds for me to do an inspection. I did send them an email, so hopefully they respond back tomorrow. My understanding is they have their building permit and their plumbing permit, so they have started and just finished the Weekly's review. Perry Homes also sent their package, so now all five of them have got the process going. For example, David Weekly, they are sending in their closing statement. They have not even bought the lot yet, and they are scheduled to close on April 15th. Like I said, you get all this pushing and the City is moving, and they are dragging their heels. When you talked about Montgomery Bend, they just submitted either 12 or 14 new plans, so I think sales are picking up a little bit because I see more occupied houses out there, so we are still cranking along and moving things. Does anyone have any questions? Mayor Countryman asked how is your swimming pool initiative coming along for safety? Building Official Hanna said I was anxious to get this, and hopefully I can get somebody in the media to maybe get some publicity about water safety next month. I have one or two cleaned up, but what I am doing now when somebody submits an application for a swimming pool, I make them understand on the front end that they are going to have their pool barrier, so in several cases, they have had to go to a different contractor, renew their plans, and I want to see an actual proposal of putting up a fence. Now that I have that proclamation, that is my plan now to start sending that to some of these folks to say this is a really important thing. We had one that had not put anything up yet. At least some of the fences they are not the right height, but this guy did not have anything, so that is my point to go after next.

Motion: Mayor Pro-Tem Olson made a motion to accept the monthly departmental reports. Council Member Fox seconded the motion. Motion carried with all present voting in favor.

COUNCIL INQUIRY

Mayor Countryman said she did have a question earlier for Code Enforcement Officer/Planning and Zoning Administrator Tilley and will put it on the record asking about short time rental properties. Should we direct all questions to you? Code Enforcement Officer/Planning and Zoning Administrator Tilley said yes. Mayor Countryman said I will send along the information.

EXECUTIVE SESSION

23. Closed Session

City Council will meet in Closed Session pursuant to the provisions of Chapter 551 of the Texas Government Code, in accordance with the authority contained in:

- A. Section 551.074 Personnel Matters for the purpose of discussion and deliberations regarding the appointment, employment, evaluation and duties of a City Administrator.**

At 7:44 p.m. Mayor Countryman convened the Montgomery City Council into closed session pursuant to provision of Chapter 551 of the Texas Government Code, in accordance with the authority contained in A. Section 551.074 Personnel Matters for the purpose of discussion and deliberations regarding the appointment, employment, evaluation and duties of a City Administrator.

24. Open Session

City Council will reconvene in Open Session at which time action on the matter(s) discussed in Closed Session may be considered.

A. Section 551.074 Personnel Matters for the purpose of discussion and deliberations regarding the appointment, employment, evaluation and duties of a City Administrator.

At 8:03 p.m. Mayor Countryman reconvened the Montgomery City Council into an open session pursuant to provision of Chapter 551 of the Texas Government Code to take any action necessary related to the executive session noted herein, or regular agenda items, noted above, and/or related items.

Motion: Council Member Fox made a motion for Council not to exceed \$250 to have flowers from Pecan Hills delivered for the celebration of Lone Star Cowboy Church's 25th anniversary that happens on April 27, 2025. Mayor Pro-Tem Olson seconded the motion. Motion carried with all present voting in favor.

CLOSING AGENDA

25. Items to consider for placement on future agendas.

No items to consider for placement on future agendas.

26. Adjourn.

Motion: Mayor Pro-Tem Olson made a motion to adjourn the Regular Meeting of the City of Montgomery at 8:05 p.m. Council Member Donaldson seconded the motion. Motion carried with all present voting in favor.

APPROVED:

Sara Countryman, Mayor

ATTEST:

Ruby Beaven, City Secretary

Montgomery City Council
AGENDA REPORT

Meeting Date: June 10, 2025	Budgeted Amount: N/A
Department: Administration	Prepared By: Ruby Beaven

Subject

Consideration and possible action on the City Council Special Meeting Minutes of April 28, 2025.

Recommendation

Staff recommends approval of meeting minutes, as presented.

Discussion

Please see the accompanying minutes:

City Council Special Meeting Minutes of April 28, 2025

Approved By

Interim City Administrator	Anthony Solomon	Date: 06/05/2025
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**City of Montgomery
City Council
Special Meeting Minutes
April 28, 2025**

OPENING AGENDA

1. Call Meeting to Order.

The City Council Special Meeting of the City of Montgomery was called to order by Mayor Countryman at 6:45 p.m. on April 28, 2025, at City Hall 101 Old Plantersville Rd., Montgomery, TX and live video streaming.

With Council Members present a full quorum was established.

Present:	Mayor	Sara Countryman
	Mayor Pro-Tem	Casey Olson
	Council Member Place 1	Carol Langley
	Council Member Place 4	Cheryl Fox
	Council Member Place 5	Stan Donaldson

2. Invocation.

Council Member Donaldson led the Invocation.

3. Pledges of Allegiance.

Mayor Countryman led the Pledges of Allegiance.

PUBLIC FORUM

No comments were received.

COUNCIL INQUIRY

No Council Inquiry was received.

EXECUTIVE SESSION

4. Closed Session

City Council will meet in Closed Session pursuant to the provisions of Chapter 551 of the Texas Government Code, in accordance with the authority contained in:

- A. Section 551.072 Deliberations about Real Property for potential sale of land.**
- B. Section 551.072 Deliberations about Real Property for potential purchase of land.**

At 6:47 p.m. Mayor Countryman convened the Montgomery City Council into closed session pursuant to provision Chapter 551 of the Texas Government Code, in accordance with the authority contained in Section 551.072 Deliberations about Real Property for potential sale of land and potential purchase of land.

5. Open Session

City Council will reconvene in Open Session at which time action on the matter(s) discussed in Closed Session may be considered.

- A. Section 551.072 Deliberations about Real Property for potential sale of land.**
- B. Section 551.072 Deliberations about Real Property for potential purchase of land.**

At 7:23 p.m. Mayor Countryman reconvened the Montgomery City Council into an open session pursuant to provision of Chapter 551 of the Texas Government Code to take any action necessary related to the executive session noted herein, or regular agenda items, noted above, and/or related items.

Motion: Mayor Pro-Tem Olson made a motion to authorize Chief Solomon, Interim City Administrator to sign on behalf of the City on the sale of the Clepper Street property and also to sign on the purchase of the Liberty Street property. Council Member Fox seconded the motion.

Discussion: Council Member Langley recused herself from voting on the item presented.

The Motion carried with 3-Ayes and 1 Nay vote by Carol Langley (3-1)

CLOSING AGENDA

6. Adjourn.

Motion: Council Member Fox made a motion to adjourn the Special Meeting of the City of Montgomery at 7:23 p.m. Mayor Pro-Tem Olson seconded the motion. Motion carried with all present voting in favor.

APPROVED:

Sara Countryman, Mayor

ATTEST:

Ruby Beaven, City Secretary

Montgomery City Council
AGENDA REPORT

Meeting Date: 06/10/2025	Budgeted Amount: N/A
Department: Administration	Prepared By: Corinne Tilley

Subject

Update on request for special use permit for a temporary construction/sales trailer at The Hills of Town Creek, 235 South Rose Marie Lane.

Discussion

On May 6, the Planning and Zoning Commission recommended approval of this special use permit.

On May 13, the City Council approved the call for public hearing on June 10.

On May 20, the City received notification from the applicant indicating the construction trailer is no longer needed and they requested to cancel their submittal.

We sent confirmation and we have halted the application process.

No further action is required by P&Z or the City Council.

Recommendation

Update only.

Approved By

City Secretary & Director of Administrative Services	Ruby Beaven	Date: 06/02/2025
Interim City Administrator & Police Chief	Anthony Solomon	Date: 06/02/2025

Montgomery City Council
AGENDA REPORT

Meeting Date: 06/10/2025	Budgeted Amount: None
Department: Administration	Prepared By: WGA

Subject

Consideration and possible action authorizing the Mayor to sign the Escrow Agreement by and between the City of Montgomery and the Developer (“Texas First Bank”).

Recommendation

WGA recommends Council approve the Escrow Agreement as presented.

Discussion

The Developer Application and supporting documents are attached.

A Developer (“Texas First Bank”) is proposing a bank on a 1.165-acre parcel of land to be located east of Lone Star Parkway and along the north side of SH 105. The tract is located entirely within City limits and would not require annexation. The tract is platted and is zoned B-Commercial. No public utility extensions are needed for this site. A feasibility study would not be required for the proposed development. The Development of the site must comply with Chapters 78 and 98 of the City Code of Ordinances and all applicable development regulations in the Development Handbook and Design Criteria Manual.

The Escrow Agreement ensures that the cost of our city engineer’s review of the civil site plans are paid for by the Developer, not with City operating funds. The proposed development is allowed by right under the city’s zoning regulations. WGA and staff recommend approval of the agreement.

Approved By

City Staff	Ruby Beaven	Date: 06/02/2025
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City of Montgomery Development Application

Upon completion return application to dmccorquodale@ci.montgomery.tx.us

The City of Montgomery welcomes all development projects. To expedite the Development Review Phase of your project, we are requiring that you completely fill out this Development Application in its entirety. All the information will be reviewed to allow the timely processing of any and all aspects of your project.

A. GENERAL INFORMATION

1. Name of proposed development: Texas First Bank
2. Name of Owner: Texas First Bank
Mailing Address: P.O. Box 3344
City/State/Zip: Texas City, Texas 77592
Telephone Number: 713-465-4650 Fax Number: _____
Cell Phone: 713-446-7568 Email: tbaiker@sligroup.com
3. Name of registered Professional Land Surveyor: Jeffrey Moon
Firm Name & Registration No.: Jeffrey Moon and Associates
Mailing Address: 96 Nugent Street Firm #10112200
City/State/Zip: Conroe, Texas 77301
Telephone Number: 936-756-5266 Fax Number: _____
Cell Phone: _____ Email: nanette@moonsurveying.com
4. Name of registered Professional Engineer: Patrick Rummel
Firm Name & Registration No.: AIG Tech
Mailing Address: 1500 South Dairy Ashford #445
City/State/Zip: Houston, Texas 77077
Telephone Number: _____ Fax Number: _____
Cell Phone: 404-288-9367 Email: Patrick.Rummel@aigtechnical.com

B. DEVELOPMENT SPECIFICATIONS

1. General Location: Within City Limits? If no, within Extra-Territorial Jurisdiction (ETJ)?

If located in the ETJ:

Prior to platting of the property to be developed, annexation procedures will need to be pursued if the property or parts of the property as required by State law are within one half (1/2) mile of the corporate limits of the City of Montgomery, Texas and lying and being adjacent to and contiguous to the present corporate limits, and located within the extraterritorial jurisdiction of the City. The City of Montgomery does have Landowner Petitions for Annexation included in the Development Application.

Will Annexation be required: ☐ Yes ☒ No

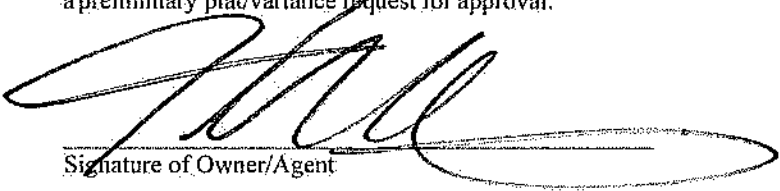
2. Property Description:

- a) Survey Name: John Corner Survey
- b) Abstract No.: A-8
- c) Total Acreage: 1.165
- d) Current Zoning: Commercial
- e) Number of Lots: _____ Number of Blocks: _____ Estimated Commercial Value: _____
- f) Number of Streets: _____ Type: _____ Public _____ Private
- g) Total Acreage in Other uses (any land within the boundaries of the plat that is not divided into lots):

- h) Estimated Total Taxable Value: _____ Land _____ Improvements
- i) Estimated Size(s) of Lots: _____
- j) Estimated Value of House and Lot: _____
- k) Water Capacity Requested: 150 gpd Wastewater Capacity Requested: 500 gpd

3. Certification

This is to certify that the information concerning the proposed development is true and correct, that I am the actual owner or authorized agent for the owner of the above described property, that prior to a request for any variance to the Montgomery Code of Ordinances, I will attend a pre-development meeting with the City Administrator and City Engineer concerning said variance request, and that I will comply with all of the City of Montgomery Code of Ordinances requirements for submitting a preliminary plat/variance request for approval.


Signature of Owner/Agent

5/28/2025
Date

Received by: _____

Date

Please attach a metes and bounds description of the tract, land plan, conceptual plat, preliminary land plan, and location map, to the Application indicating proposed location of project and boundaries of subject tract. Applicant agrees that it shall notify the City if any of the above information (including ownership of the tract) should change during the Application process.

For City Use Only

Date Submitted: _____ Development Number: _____

Engineer's Recommendation: _____

Operator's Recommendation: _____

Is Annexation Required: _____

Amount of Deposit Paid: _____ Date Escrow Agreement Submitted: _____

Amount of Service Recommended: _____

Additional Capacity Required: Water _____ gpd Wastewater _____ gpd

Tap Fee _____ Plan Review Fees _____ Inspection Fees _____ Impact Fee _____

Additional Considerations: _____

Montgomery City Council
AGENDA REPORT

Meeting Date: June 10, 2025	Budgeted Amount: N/A
Department: Administration	Prepared By: Maryann Carl

Subject

Discussion and possible action to approve the Financial Audit for fiscal year ending September 30, 2024 presented by Crowe LLP.

Recommendation

Approve the FY23-24 audit as presented by Crowe LLP.

Discussion

Drafts of the Annual Financial Report, Management Letter, and Required Auditor Disclosure Letter are attached. A representative from Crowe LLP will be at the meeting to present the information and answer any questions.

Staff has already discussed the deficiency on the management letter with the audit team will implement the recommendation provided. It has been the practice of the city to rely on the auditors to make these year end adjustments. One of the determining factors for this finding was materiality. In this case, the adjustments needed to correct balances were over the materiality threshold.

Approved By

Finance Director	Maryann Carl	Date: 6/4/2025
Interim City Administrator	Anthony Solomon	Date: 6/4/2025

DRAFT

CITY OF MONTGOMERY, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2024

CITY OF MONTGOMERY, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2024

DRAFT

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information)	4

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	14
Reconciliation of the Government Funds Balance Sheet to the	
Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of the Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements	
Statement of Net Position - Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Fund Net Position –	
Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund.....	21
Notes to Financial Statements.....	23

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance –	
Budget and Actual – General Fund	50
Schedule of Changes in Net Pension Liability and Related Ratios – Texas	
Municipal Retirement System.....	51
Schedule of Contributions – Texas Municipal Retirement System	52
Schedule of Changes in Total OPEB Liability – Texas Municipal Retirement System	53

COMBINING STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Nonmajor Governmental Funds	55
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Nonmajor Debt Service Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Nonmajor Special Revenue Funds.....	57

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
City Council Members of the
City of Montgomery, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Montgomery, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Houston, Texas

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MONTGOMERY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

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The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government, municipal court, public safety, and public works. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and sanitation services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, the Montgomery Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Public Improvement District No. 1, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

(Continued)

CITY OF MONTGOMERY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

The City maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, and certain special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Fund

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and sanitation services. The proprietary fund financial statements provide information for the water, sewer, and sanitation fund. The proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$20,210,092 as of September 30, 2024. A portion of the City's net position, 67%, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$150,376 or 1%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$6,560,475 or 32%, may be used to meet the City's ongoing obligation to citizens and creditors.

(Continued)

CITY OF MONTGOMERY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2024			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
ASSETS				
Current and other assets	\$ 11,632,732	\$ 2,515,627	\$ -	\$ 14,148,359
Capital assets, net	6,101,087	15,605,028	-	21,706,115
Total assets	<u>17,733,819</u>	<u>18,120,655</u>	<u>-</u>	<u>35,854,474</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	248,734	40,107	-	288,841
Deferred outflows - OPEB	11,796	1,091	-	12,887
Deferred charge on refunding	35,449	-	-	35,449
Total deferred outflows of resources	<u>295,979</u>	<u>41,198</u>	<u>-</u>	<u>337,177</u>
LIABILITIES				
Long-term liabilities	11,669,766	56,920	-	11,726,686
Other liabilities	3,809,111	371,326	-	4,180,437
Total liabilities	<u>15,478,877</u>	<u>428,246</u>	<u>-</u>	<u>15,907,123</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	36,464	3,658	-	40,122
Deferred inflows - OPEB	29,247	5,067	-	34,314
Total deferred inflows of resources	<u>65,711</u>	<u>8,725</u>	<u>-</u>	<u>74,436</u>
NET POSITION				
Net investment in capital assets	4,822,394	15,605,028	(6,928,181)	13,499,241
Restricted	150,376	-	-	150,376
Unrestricted	(2,487,560)	2,119,854	6,928,181	6,560,475
Total net position	<u>\$ 2,485,210</u>	<u>\$ 17,724,882</u>	<u>\$ -</u>	<u>\$ 20,210,092</u>

(Continued)

CITY OF MONTGOMERY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

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2023

	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
ASSETS				
Current and other assets	\$ 5,796,582	\$ 2,540,036	\$ -	\$ 8,336,618
Capital assets, net	6,449,949	12,597,504	-	19,047,453
Total assets	<u>12,246,531</u>	<u>15,137,540</u>	<u>-</u>	<u>27,384,071</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	362,406	60,100	-	422,506
Deferred outflows - OPEB	12,172	1,157	-	13,329
Deferred charge on refunding	38,597	-	-	38,597
Total deferred outflows of resources	<u>413,175</u>	<u>61,257</u>	<u>-</u>	<u>474,432</u>
LIABILITIES				
Long-term liabilities	8,915,593	69,789	-	8,985,382
Other liabilities	1,610,988	335,149	-	1,946,137
Total liabilities	<u>10,526,581</u>	<u>404,938</u>	<u>-</u>	<u>10,931,519</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	15,667	-	-	15,667
Deferred inflows - OPEB	27,333	4,730	-	32,063
Total deferred inflows of resources	<u>43,000</u>	<u>4,730</u>	<u>-</u>	<u>47,730</u>
NET POSITION				
Net investment in capital assets	5,847,871	12,597,504	(6,718,842)	11,726,533
Restricted	114,010	-	-	114,010
Unrestricted	<u>(3,871,756)</u>	<u>2,191,625</u>	<u>6,718,842</u>	<u>5,038,711</u>
Total net position	<u>\$ 2,090,125</u>	<u>\$ 14,789,129</u>	<u>\$ -</u>	<u>\$ 16,879,254</u>

The City has issued and repaid debt in its governmental activities for which the proceeds were used to construct capital assets for the governmental and business-type activities. With one activity carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Debt associated with business-type activities, in the amount of \$6,928,181, is being used to finance capital assets reported. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

The City's total net position increased by \$3,330,838 as compared to the prior year. Total assets experienced an increase primarily as a result of an increase in cash and cash equivalents related to unspent bond proceeds from issuance of debt in the current year, along with an increase in capital asset additions. Total deferred outflows of resources decreased from the prior year due to the net difference between projected and actual investment earnings on pension plan liabilities. Current liabilities increased due to an increase in payables related to various capital projects. Long-term liabilities experienced an increase due to the issuance of debt. Total deferred inflows of resources increased mainly due to the changes in actuarial assumptions related to the City's pension plan.

(Continued)

CITY OF MONTGOMERY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program revenues:						
Charges for services	\$ 721,193	\$ 647,143	\$ 2,611,989	\$ 2,646,401	\$ 3,333,182	\$ 3,293,544
Operating grants and contributions	3,051	1,070	-	-	3,051	1,070
Capital grants and contributions	-	454,323	-	-	-	454,323
General revenues:						
Property taxes	1,911,899	1,794,151	-	-	1,911,899	1,794,151
Sales taxes	4,436,200	3,685,642	-	-	4,436,200	3,685,642
Other fees and taxes	257,723	163,366	-	-	257,723	163,366
Other revenues	1,905,509	618,026	1,150,332	425,916	3,055,841	1,043,942
Total revenues	<u>9,235,575</u>	<u>7,363,721</u>	<u>3,762,321</u>	<u>3,072,317</u>	<u>12,997,896</u>	<u>10,436,038</u>
Expenses						
General government	2,245,368	1,744,723	-	-	2,245,368	1,744,723
Municipal court	293,899	407,560	-	-	293,899	407,560
Public safety	1,939,733	2,046,905	-	-	1,939,733	2,046,905
Public works	1,707,069	1,182,145	-	-	1,707,069	1,182,145
Interest and fiscal agent fees	430,630	199,071	-	-	430,630	199,071
Water and sewer system	-	-	3,050,359	2,654,380	3,050,359	2,654,380
Total expenses	<u>6,616,699</u>	<u>5,580,404</u>	<u>3,050,359</u>	<u>2,654,380</u>	<u>9,667,058</u>	<u>8,234,784</u>
Increase in net position before transfers	<u>2,618,876</u>	<u>1,783,317</u>	<u>711,962</u>	<u>417,937</u>	<u>3,330,838</u>	<u>2,201,254</u>
Transfers	<u>(2,223,791)</u>	<u>(74,845)</u>	<u>2,223,791</u>	<u>74,845</u>	<u>-</u>	<u>-</u>
Change in net position	<u>395,085</u>	<u>1,708,472</u>	<u>2,935,753</u>	<u>492,782</u>	<u>3,330,838</u>	<u>2,201,254</u>
Beginning net position	<u>2,090,125</u>	<u>381,653</u>	<u>14,789,129</u>	<u>14,296,347</u>	<u>16,879,254</u>	<u>14,678,000</u>
Ending net position	<u>\$ 2,485,210</u>	<u>\$ 2,090,125</u>	<u>\$17,724,882</u>	<u>\$14,789,129</u>	<u>\$20,210,092</u>	<u>\$16,879,254</u>

For the year ended September 30, 2024, revenues from governmental activities totaled \$9,235,575, which is a net increase of \$1,871,854 from the prior year. This increase was primarily due to an increase in property taxes as a result of an increase in the assessed values, an increase in sales taxes due to an increase in economic activity within the City, and an increase in other revenues related to developer contributions.

For the year ended September 30, 2024, expenses for governmental activities totaled \$6,616,699, which is a 19% increase totaling \$1,036,295 from the prior year. The largest increase was in the general government and public works departments related to increases in personnel costs and Chapter 380 agreement payments.

(Continued)

CITY OF MONTGOMERY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Net position before transfers for business-type activities increased \$294,025 compared to the prior year. Revenues increased by \$690,004 compared to the prior year due to an increase in other revenues as a result of impact fees. Expenses increased \$395,979 compared to the prior year due to increases in repair and maintenance projects, contracted services, and personnel costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$7,811,627. Of this, \$3,197,008 is restricted or committed for various purposes, and \$845 is assigned to grants. The remaining balance of \$4,613,774 is unassigned in the general fund.

There was a net increase in the combined fund balance of \$3,648,726 compared to the prior year. The largest increase was seen in the capital projects fund, which had an overall increase in fund balance of \$2,021,565 which can be attributed to an increase in other revenue related to developer contributions and the issuance of new debt. The general fund also had a large increase in fund balance of \$1,595,505, which can be attributed to increases in property taxes, sales taxes, franchise fees, other revenue, and investment revenue.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$4,613,774. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Both unassigned and total fund balance represents 81% of total general fund expenditures.

Proprietary Funds – The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget adopted anticipated no change in fund balance, and the final adopted budget anticipated an increase of \$1,517,779, which was primarily due to amendments made to sales taxes and investment revenues. The actual net change in fund balance was an increase of \$1,595,505. Actual general fund revenues were more than amended budgeted revenues by \$160,595 due to the more sales taxes revenues than anticipated. Actual expenditures exceeded the final amended budget by \$82,869 with the largest budget variance in general government.

(Continued)

CITY OF MONTGOMERY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

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CAPITAL ASSETS

At the end of the current fiscal year, the City's governmental and business-type activities had invested \$21,706,115 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$2,658,662.

Major capital asset events during the current year included the following:

- Major additions to construction in progress that were not completed at year end for the following projects:
 - Old Plantersville Force Main project \$410,673
 - Sanitary Sewer and Manhole project \$851,748
 - Sanitary Sewer rehabilitation project phase 2 \$112,084
 - Buffalo Springs Drive and SH-105 Traffic Signal project \$418,491
 - Water Plant No. 2 improvements \$298,322
- Buffalo Springs Drive Road improvement project completion \$763,925
- Flagship storm sewer project completion \$79,867
- Lift Station 10 expansion project completion \$442,524

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total governmental activities long-term debt outstanding of \$10,430,000. Of this amount, \$3,900,000 was general obligation debt, \$5,350,000 was certificates of obligation debt, and \$1,180,000 was tax notes debt. During the year, the City had an overall net increase in long-term debt as a result of the issuance of tax and revenue certificates of obligation, series 2024 in the amount of \$3,660,449, offset by a decrease in payment of principal outstanding of \$686,372.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City adopted a fiscal year 2024-2025 general fund expenditure budget of \$6,784,751, which is an increase of 15% from the prior year budget. The City budgeted for fiscal year 2024-2025 general fund revenues of \$6,956,152, which is an increase of 17%. The City adopted a water, sewer, and sanitation revenue budget of \$4,286,753, and expense budget of \$4,286,753, which is an increase of 0.12% from the prior year budget. The tax rate for the 2024-2025 fiscal year will remain at \$0.4000 per \$100 of taxable property value.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Administrator, City of Montgomery, Texas, 101 Old Plantersville Rd., Montgomery, Texas 77316; telephone 936-597-6434.

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BASIC FINANCIAL STATEMENTS

CITY OF MONTGOMERY, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government				Component Unit
	Governmental	Business-Type	Reconciliation	Total	MEDC
	Activities	Activities			
ASSETS					
Cash and cash equivalents	\$ 10,503,922	\$ 2,036,925	\$ -	\$ 12,540,847	\$ 3,335,116
Receivables, net of allowances	1,128,810	318,728	-	1,447,538	312,085
Restricted assets					
Cash and cash equivalents	-	159,974	-	159,974	-
	<u>11,632,732</u>	<u>2,515,627</u>	<u>-</u>	<u>14,148,359</u>	<u>3,647,201</u>
Capital assets:					
Nondepreciable capital assets	1,619,522	2,457,504	-	4,077,026	778,372
Depreciable capital assets, net	<u>4,481,565</u>	<u>13,147,524</u>	<u>-</u>	<u>17,629,089</u>	<u>-</u>
	<u>6,101,087</u>	<u>15,605,028</u>	<u>-</u>	<u>21,706,115</u>	<u>778,372</u>
Total assets	<u>17,733,819</u>	<u>18,120,655</u>	<u>-</u>	<u>35,854,474</u>	<u>4,425,573</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	248,734	40,107	-	288,841	-
Deferred outflows - OPEB	11,796	1,091	-	12,887	-
Deferred charge on refunding	<u>35,449</u>	<u>-</u>	<u>-</u>	<u>35,449</u>	<u>-</u>
Total deferred outflows of resources	<u>295,979</u>	<u>41,198</u>	<u>-</u>	<u>337,177</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued liabilities	3,439,668	211,352	-	3,651,020	173,529
Unearned revenue	339,918	-	-	339,918	-
Accrued interest payable	29,525	-	-	29,525	-
Customer deposits	-	159,974	-	159,974	-
Noncurrent liabilities					
Long-term liabilities due within one year	914,725	22,494	-	937,219	-
Long-term liabilities due in more than one year	<u>10,755,041</u>	<u>34,426</u>	<u>-</u>	<u>10,789,467</u>	<u>-</u>
Total liabilities	<u>15,478,877</u>	<u>428,246</u>	<u>-</u>	<u>15,907,123</u>	<u>173,529</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	36,464	3,658	-	40,122	-
Deferred inflows - OPEB	<u>29,247</u>	<u>5,067</u>	<u>-</u>	<u>34,314</u>	<u>-</u>
Total deferred inflows of resources	<u>65,711</u>	<u>8,725</u>	<u>-</u>	<u>74,436</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	4,822,394	15,605,028	(6,928,181)	13,499,241	778,372
Restricted for:					
Economic development	-	-	-	-	3,473,672
Debt service	59,050	-	-	59,050	-
Tourism	25,400	-	-	25,400	-
Public safety	65,926	-	-	65,926	-
Unrestricted	<u>(2,487,560)</u>	<u>2,119,854</u>	<u>6,928,181</u>	<u>6,560,475</u>	<u>-</u>
Total net position	<u>\$ 2,485,210</u>	<u>\$ 17,724,882</u>	<u>\$ -</u>	<u>\$ 20,210,092</u>	<u>\$ 4,252,044</u>

See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

Functions/Programs	Net Revenue (Expense) and Changes in Net Position						
	Expenses	Program Revenues		Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	MEDC
Primary Government							
Governmental activities							
General government	\$ 2,245,368	\$ 479,592	\$ -	\$ (1,765,776)	\$ -	\$ (1,765,776)	\$ -
Municipal court	293,899	241,601	-	(52,298)	-	(52,298)	-
Public safety	1,939,733	-	3,051	(1,936,682)	-	(1,936,682)	-
Public works	1,707,069	-	-	(1,707,069)	-	(1,707,069)	-
Interest and fiscal agent fees	430,630	-	-	(430,630)	-	(430,630)	-
Total governmental activities	<u>6,616,699</u>	<u>721,193</u>	<u>3,051</u>	<u>(5,892,455)</u>	<u>-</u>	<u>(5,892,455)</u>	<u>-</u>
Business-type activities							
Water, sewer, and sanitation services	3,050,359	2,611,989	-	-	(438,370)	(438,370)	-
Total business-type activities	<u>3,050,359</u>	<u>2,611,989</u>	<u>-</u>	<u>-</u>	<u>(438,370)</u>	<u>(438,370)</u>	<u>-</u>
Total primary government	<u>\$ 9,667,058</u>	<u>\$ 3,333,182</u>	<u>\$ 3,051</u>	<u>(5,892,455)</u>	<u>(438,370)</u>	<u>(6,330,825)</u>	<u>-</u>
Component Units							
Montgomery Economic Development Corporation	\$ 806,466	\$ -	\$ -	-	-	-	(806,466)
Total component units	<u>\$ 806,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(806,466)</u>
General revenues							
Property taxes				1,911,899	-	1,911,899	-
Sales taxes				4,436,200	-	4,436,200	1,478,733
Franchise fees and other taxes				181,418	-	181,418	-
Other taxes				76,305	-	76,305	-
Investment revenue				339,833	101,928	441,761	107,110
Other revenues				1,565,676	1,048,404	2,614,080	7,176
Transfers				(2,223,791)	2,223,791	-	-
Total general revenues and transfers				<u>6,287,540</u>	<u>3,374,123</u>	<u>9,661,663</u>	<u>1,593,019</u>
Change in net position				395,085	2,935,753	3,330,838	786,553
Beginning net position				<u>2,090,125</u>	<u>14,789,129</u>	<u>16,879,254</u>	<u>3,465,491</u>
Ending net position				<u>\$ 2,485,210</u>	<u>\$ 17,724,882</u>	<u>\$ 20,210,092</u>	<u>\$ 4,252,044</u>

Note: Charges for services include license and permit fees, solid waste disposal fees, and court fines. Operating grants and contributions include drainage district no. 6 fees.

See notes to financial statements.

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CITY OF MONTGOMERY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,586,077	\$ 5,766,624	\$ 151,221	\$ 10,503,922
Receivables, net	1,115,294	-	13,516	1,128,810
Total assets	<u>\$ 5,701,371</u>	<u>\$ 5,766,624</u>	<u>\$ 164,737</u>	<u>\$ 11,632,732</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,053,160	\$ 2,382,672	\$ -	\$ 3,435,832
Due to others	3,836	-	-	3,836
Unearned revenue	2,598	337,320	-	339,918
Total liabilities	<u>1,059,594</u>	<u>2,719,992</u>	<u>-</u>	<u>3,779,586</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>28,003</u>	<u>-</u>	<u>13,516</u>	<u>41,519</u>
FUND BALANCES				
Restricted for				
Debt service	-	-	59,050	59,050
Tourism	-	-	25,400	25,400
Public safety	-	-	65,926	65,926
Capital projects	-	3,046,632	-	3,046,632
Assigned for				
Grants	-	-	845	845
Unassigned	4,613,774	-	-	4,613,774
Total fund balances	<u>4,613,774</u>	<u>3,046,632</u>	<u>151,221</u>	<u>7,811,627</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 5,701,371</u>	 <u>\$ 5,766,624</u>	 <u>\$ 164,737</u>	 <u>\$ 11,632,732</u>

See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 September 30, 2024

Total fund balances for governmental funds	\$	7,811,627
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources are, therefore, not reported in the governmental funds.

Capital assets - nondepreciable		1,619,522
Capital assets - net depreciable/amortizable		4,481,565

Long-term liabilities and deferred outflows and deferred inflows related to pensions and other postretirement benefits (OPEB) are deferred in the governmental funds.

Net pension liability		(197,158)
Deferred outflows - pensions		248,734
Deferred inflows - pensions		(36,464)
Total OPEB liability		(61,736)
Deferred outflows - OPEB		11,796
Deferred inflows - OPEB		(29,247)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

41,519

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest payable		(29,525)
Noncurrent liabilities due in one year		(914,725)
Noncurrent liabilities due in more than one year		(10,496,147)
Deferred charge on refunding		35,449

Net position of governmental activities	\$	<u>2,485,210</u>
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See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the year ended September 30, 2024

(Formerly Major)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 1,444,825		\$ -	\$ 467,074	\$ 1,911,899
Sales taxes	4,436,200		-	-	4,436,200
Franchise fees	181,418		-	-	181,418
Other taxes	26,393		-	49,912	76,305
Licenses and permits	479,592		-	-	479,592
Fines and forfeitures	219,765		-	21,836	241,601
Other revenue	351,797		1,208,568	5,311	1,565,676
Intergovernmental	3,051		-	-	3,051
Investment revenue	158,159		176,394	5,280	339,833
Total revenues	<u>7,301,200</u>		<u>1,384,962</u>	<u>549,413</u>	<u>9,235,575</u>
Expenditures					
Current					
General government	2,082,721		-	46,170	2,128,891
Municipal court	294,053		-	-	294,053
Public safety	2,234,044		-	1,252	2,235,296
Public works	895,768		683,343	-	1,579,111
Capital outlay	177,501		2,861,720	-	3,039,221
Debt service					
Principal	21,372		-	665,000	686,372
Interest and fiscal agent fees	236		160,449	325,804	486,489
Total expenditures	<u>5,705,695</u>		<u>3,705,512</u>	<u>1,038,226</u>	<u>10,449,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,595,505</u>		<u>(2,320,550)</u>	<u>(488,813)</u>	<u>(1,213,858)</u>

(Continued)

CITY OF MONTGOMERY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the year ended September 30, 2024

(Formerly Major)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)					
Transfers in	\$ -		\$ 681,666	\$ 520,469	\$ 1,202,135
Issuance of debt	-		3,440,000	-	3,440,000
Premium of debt issued	-		220,449	-	220,449
Total other financing sources	<u>-</u>		<u>4,342,115</u>	<u>520,469</u>	<u>4,862,584</u>
Net change in fund balances	1,595,505		2,021,565	31,656	3,648,726
Beginning fund balances, as previously reported	<u>3,018,269</u>	<u>53,572</u>	<u>1,025,067</u>	<u>65,993</u>	<u>4,162,901</u>
Change within financial reporting entity	-	(53,572)	-	53,572	-
Beginning fund balances, as adjusted	<u>3,018,269</u>	<u>-</u>	<u>1,025,067</u>	<u>119,565</u>	<u>4,162,901</u>
Ending fund balances	<u>\$ 4,613,774</u>	<u>\$ -</u>	<u>\$ 3,046,632</u>	<u>\$ 151,221</u>	<u>\$ 7,811,627</u>

See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 For the year ended September 30, 2024

Net changes in fund balances - total governmental funds \$ 3,648,726

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay, net of disposals	70,297
Depreciation/amortization	(419,159)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments	686,372
Issuance of debt	(3,440,000)
Net change in deferred charge on refunding	(3,148)
Accrued interest	(10,699)
Premium amortization	(150,743)

Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	11,633
Net pension liability	136,886
Deferred outflows - pensions	(113,672)
Deferred inflows - pensions	(20,797)
Total OPEB liability	1,679
Deferred outflows - OPEB	(376)
Deferred inflows - OPEB	(1,914)

Change in net position of governmental activities	\$ 395,085
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See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2024

	Business-Type Activities Water, Sewer, and Sanitation
ASSETS	
Current assets	
Cash and equity in cash and investments	\$ 2,036,925
Accounts receivable (net of allowance for uncollectibles)	318,728
Restricted cash and equity in cash and investments:	
Customer deposits	159,974
Total assets	<u>2,515,627</u>
Noncurrent assets	
Capital assets:	
Nondepreciable	2,457,504
Depreciable (net of depreciation)	13,147,524
Total noncurrent assets	15,605,028
Total assets	<u>18,120,655</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	40,107
Deferred outflows - OPEB	1,091
Total deferred outflows of resources	<u>41,198</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	211,352
Compensated absences	22,494
Payable from restricted assets	
Customer deposits	159,974
Total current liabilities	<u>393,820</u>
Noncurrent liabilities	
Net pension liability	28,176
Total OPEB liability	3,751
Compensated absences	2,499
Total noncurrent liabilities	34,426
Total liabilities	<u>428,246</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	3,658
Deferred inflows - OPEB	5,067
Total deferred inflows of resources	<u>8,725</u>
NET POSITION	
Net investment in capital assets	15,605,028
Unrestricted net position	2,119,854
Total net position	<u>\$ 17,724,882</u>

See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 For the year ended September 30, 2024

	Business-Type Activities Water, Sewer, and Sanitation
Operating revenues	
Water service	\$ 905,673
Sewer service	841,741
Sanitation service	275,613
Meter installations	588,962
Other revenue	1,048,404
Total operating revenues	<u>3,660,393</u>
Operating expenses	
Water, sewer, and sanitation	2,012,861
Salaries and wages	556,990
Depreciation	480,508
Total operating expenses	<u>3,050,359</u>
Operating income	<u>610,034</u>
Nonoperating revenues (expenses)	
Investment revenue	101,928
Total nonoperating revenues	<u>101,928</u>
Income before contributions and transfers	711,962
Contributions and Transfers	
Capital contributions	3,425,926
Transfers (out)	<u>(1,202,135)</u>
Total contributions and transfers	<u>2,223,791</u>
Change in net position	2,935,753
Beginning net position	14,789,129
Ending net position	<u><u>\$ 17,724,882</u></u>

See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the year ended September 30, 2024

	Business-Type Activities Water, Sewer, and Sanitation
Cash flows from operating activities	
Receipts from customers and users	\$ 3,755,316
Payments to suppliers	(2,409,238)
Payments to employees	(545,805)
Net cash provided by operating activities	<u>800,273</u>
Cash flows from noncapital financing activities	
Transfer to other funds	(1,202,135)
Net cash (used) by noncapital financing activities	<u>(1,202,135)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(62,106)
Net cash (used) by capital and related financing activities	<u>(62,106)</u>
Cash flows from investing activities	
Interest on investments	101,928
Net cash provided by investing activities	<u>101,928</u>
Net (decrease) in cash and cash equivalents	(362,040)
Beginning cash and cash equivalents	<u>2,558,939</u>
Ending cash and cash equivalents	<u>\$ 2,196,899</u>
Ending cash and cash equivalents	
Unrestricted cash and cash equivalents	\$ 2,036,925
Restricted cash and cash equivalents	159,974
	<u>\$ 2,196,899</u>

(Continued)

CITY OF MONTGOMERY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the year ended September 30, 2024

	Business-Type Activities Water, Sewer, and Sanitation
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income	\$ 610,034
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	480,508
Changes in operating assets and liabilities	
(Increase) decrease in current assets	
Accounts receivable	87,090
Deferred outflows - pensions	19,993
Deferred outflows - OPEB	66
Due from other funds	677,230
Due from component unit	108
Increase (decrease) in current liabilities	
Accounts payable	28,344
Due to other funds	(1,102,059)
Compensated absences	11,503
Customer deposits	7,833
Deferred inflows - pensions	3,658
Deferred inflows - OPEB	337
Net pension liability	(24,077)
Total OPEB liability	(295)
Net cash provided by operating activities	<u>\$ 800,273</u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets from governmental activities	<u>\$ 3,425,926</u>

See notes to financial statements.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Montgomery, Texas (the “City”) was incorporated under the laws of the State of Texas, (the “State”) in 1935.

The City operates under a “General Law” City, which provides for a “Mayor-Council” form of government. The City Council is the principal legislative body of the City. The City Administrator is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all affairs of the City. The City Administrator is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The City provides the following services: general administration; municipal court; public safety; public works; and water, sewer, and sanitation services.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. Its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Montgomery Economic Development Corporation - On December 14, 1995, the City incorporated the Montgomery Industrial Development Corporation. In July 2013, the name was changed to Montgomery Economic Development Corporation (MEDC). The purpose of this nonprofit corporation is to promote economic development within the City and the State in order to eliminate unemployment and underemployment; to promote and encourage employment and the public welfare of, for, and on behalf of the City; and for improving the assessed valuations through the promotion of (a) existing business enterprise expansion and retention and (b) new business enterprise development and attraction by developing, implementing, providing, and financing projects. A one-half of one percent City sales tax is designated for this purpose. Separate financial statements of the MEDC are not prepared. The MEDC is included in the City’s reporting entity because of the significance of its operational or financial relationship with the City. The City appoints a majority of this MEDC’s board members and is either able to impose its will on it or a financial benefit/burden exists.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units

Public Improvement District (PID) No. 1 - Following a public hearing on September 30, 2014, the City Council created the City of Montgomery Public Improvement District (PID) No. 1 in accordance with Chapter 372 of the Local Government Code. The PID was created to provide a method of financing certain public improvements for the benefit of property in the PID, the costs of which would be paid by owners of real property located in the PID, subject to limitations contained in the service and assessment plan. Public improvements included creation costs of the PID, as well as roadway, water distribution system, storm sewer collection system, and wastewater collection system improvements. These public improvements were funded from developer revenues before construction began. The developer will be repaid in annual installments over a fifteen-year period through assessments to the property owners in the PID, the timing of which begins after the City has issued a certificate of occupancy for completed permanent structures; however, such date shall not occur before the trigger date of September 1, 2017. The City retains the right to create a board to manage the PID, but currently retains all management capacity at year end.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

Basis of Presentation - Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water, sewer, and sanitation functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation - Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

General Fund: The *general fund* is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, municipal court, public safety, and public works. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund: The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund for reporting purposes.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund: The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Funds: The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects. The special revenue funds are considered nonmajor funds for reporting purposes.

The City reports the following enterprise fund:

Enterprise Fund: The *water, sewer, and sanitation fund* is used to account for the operations that provide water, sewer, and sanitation services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water, sewer, and sanitation fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

Investments: Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Money market mutual funds that meet certain criteria
- Fully collateralized certificates of deposit
- Statewide investment pools

Restricted Assets: Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

(Continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Assets Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 to 30 years
Furniture and equipment	5 to 20 years
Vehicles	5 years
Infrastructure	20 to 40 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension plan members, except for the net differences between the projected and actual investment earnings on the pension plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as an increase to the net pension asset or a reduction to the net pension liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Compensated Employee Absences: The City maintains formal programs for vacation, compensatory time, and sick leave. The City's full-time, permanent employees are granted vacation pay benefits in varying amounts to specified maximums depending on tenure with the City. The City's personnel policy permits its full-time, permanent employees to accumulate earned but unused vacation pay benefits. Upon separation with the City, employees will be paid for their accrued and unused vacation pay benefits.

A non-exempt employee will be paid for any documented accrued compensatory time upon separation. Police officers may accrue a maximum of 120 hours of compensatory time.

Sick leave accrues to full-time, permanent employees to specified maximums but, upon separation with the City, employees will not be paid for accumulated sick leave.

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when they are paid.

Long-Term Obligations: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases: The City is a lessee for noncancellable leases of equipment and property. The City recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Net Position Flow Assumption: Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions: Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies: Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

By resolution, the City Council has also authorized the City Administrator as the official authorized to assign fund balance to a specific purpose as approved by the City's fund balance policy. Assignments of fund balance by the City Administrator do not require formal action by the City Council.

The City strives to maintain an unassigned fund balance of not less than 25 percent of the budgeted operational expenditures in all City funds. The purpose of the unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Pensions: For the purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits: The City participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

Revenues and Expenditures/Expenses:

Program Revenues: Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes: Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

Proprietary Funds Operating and Nonoperating Revenues and Expenses: Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, debt service, and certain special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without City Council approval. Appropriations lapse at the end of the year.

Expenditures in Excess of Appropriations: For the year ended September 30, 2024, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
General government	\$85,524
Municipal court	\$2,250
Public safety	\$1,260

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

DRAFT

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: At September 30, 2024, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$16,035,937 and the bank balance was \$14,978,476. The City's cash deposits at September 30, 2024, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

As of September 30, 2024, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 11,639,890	0.07
Portfolio weighted average maturity		0.07

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk - The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than "AAA" or "AAA-m", or at an equivalent rating by at least one nationally recognized rating service. Investments in U.S. Securities Exchange Commission registered and regulated money market mutual funds must have an investment quality not less than "AAA-", or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2024, the City's investments in TexPool were rated "AAAm" by Standard & Poor's.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2024, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool - TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm.' As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Receivables: The following comprise receivable balances as of September 30, 2024:

	<u>General</u>	<u>Nonmajor fund</u> <u>Debt Service</u>	<u>Water, Sewer, and Sanitation</u>	<u>Total</u>
Property taxes	\$ 28,003	\$ 13,516	\$ -	\$ 41,519
Sales taxes	936,256	-	-	936,256
Mixed beverage taxes	2,160	-	-	2,160
Accounts receivable	148,875	-	338,494	487,369
Less allowance	-	-	(19,766)	(19,766)
Total	<u>\$ 1,115,294</u>	<u>\$ 13,516</u>	<u>\$ 318,728</u>	<u>\$ 1,447,538</u>
	<u>MEDC</u>			
Sales taxes	<u>\$ 312,085</u>			

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets: The following is a summary of changes in capital assets for governmental activities:

	Primary Government			
	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated/ amortized				
Land	\$ 1,619,522	\$ -	\$ -	\$ 1,619,522
Total capital assets not being depreciated/amortized	<u>1,619,522</u>	<u>-</u>	<u>-</u>	<u>1,619,522</u>
Other capital assets				
Buildings and improvements	2,546,105	27,900	(371,802)	2,202,203
Infrastructure	3,923,803	-	371,802	4,295,605
Vehicles	1,275,646	42,397	(285,694)	1,032,349
Furniture and fixtures	557,540	-	(13,667)	543,873
Right-to-use assets	<u>74,774</u>	<u>-</u>	<u>-</u>	<u>74,774</u>
Total other capital assets	<u>8,377,868</u>	<u>70,297</u>	<u>(299,361)</u>	<u>8,148,804</u>
Less accumulated depreciation/ amortization for				
Buildings and improvements	(867,876)	(109,522)	-	(977,398)
Infrastructure	(1,134,789)	(145,105)	-	(1,279,894)
Vehicles	(1,079,170)	(115,843)	285,694	(909,319)
Furniture and fixtures	(411,734)	(27,787)	13,667	(425,854)
Right-to-use assets	<u>(53,872)</u>	<u>(20,902)</u>	<u>-</u>	<u>(74,774)</u>
Total accumulated depreciation/ amortization	<u>(3,547,441)</u>	<u>(419,159)</u>	<u>299,361</u>	<u>(3,667,239)</u>
Other capital assets, net	<u>4,830,427</u>	<u>(348,862)</u>	<u>-</u>	<u>4,481,565</u>
Governmental activities capital assets, net	<u>\$ 6,449,949</u>	<u>\$ (348,862)</u>	<u>\$ -</u>	<u>6,101,087</u>
				<u>(1,278,693)</u>
				<u>\$ 4,822,394</u>

Depreciation/amortization was charged to governmental functions as follows:

General government	\$ 128,553
Public safety	134,606
Public works	<u>156,000</u>
Total governmental activities depreciation and amortization	<u>\$ 419,159</u>

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of changes in capital assets for business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 66,581	\$ -	\$ -	\$ 66,581
Construction in progress	888,909	3,425,926	(1,923,912)	2,390,923
Total capital assets not being depreciated	<u>955,490</u>	<u>3,425,926</u>	<u>(1,923,912)</u>	<u>2,457,504</u>
Other capital assets				
Infrastructure	17,722,675	1,986,018	-	19,708,693
Furniture and equipment	179,037	-	-	179,037
Vehicles	187,454	-	(25,027)	162,427
Total other capital assets	<u>18,089,166</u>	<u>1,986,018</u>	<u>(25,027)</u>	<u>20,050,157</u>
Less accumulated depreciation for				
Infrastructure	(6,127,721)	(464,336)	-	(6,592,057)
Furniture and equipment	(160,721)	(2,319)	-	(163,040)
Vehicles	(158,710)	(13,853)	25,027	(147,536)
Total accumulated depreciation	<u>(6,447,152)</u>	<u>(480,508)</u>	<u>25,027</u>	<u>(6,902,633)</u>
Other capital assets, net	<u>11,642,014</u>	<u>1,505,510</u>	<u>-</u>	<u>13,147,524</u>
Business-type activities capital assets, net	<u>\$ 12,597,504</u>	<u>\$ 4,931,436</u>	<u>\$ (1,923,912)</u>	<u>\$ 15,605,028</u>

Depreciation was charged to business-type functions as follows:

Water, sewer, and sanitation	<u>\$ 480,508</u>
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Significant construction in progress and the remaining project costs under construction contracts for business-type activities at year end were as follows:

<u>Project Description</u>	<u>Total in Progress</u>	<u>Remaining Project Costs</u>
Business-type activities:		
Old Plantersville Road Force Main Ext.	\$ 366,117	\$ 5,280
2023 Sanitary Sewer Rehabilitation	805,820	57,509
2023 Sanitary Sewer Rehabilitation Phase 2	112,084	7,787
Buffalo Springs Drive & SH-105 Traffic Signal	377,960	22,398
Water Plant No. 2 Improvements	143,300	2,391,650
Total business-type activities	<u>\$ 1,805,281</u>	<u>\$ 2,484,624</u>

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of charges in capital assets for MEDC activities for the year end:

	Primary Government			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Discrete component unit				
Capital assets not being depreciated				
Land	\$ 598,848	\$ -	\$ -	\$ 598,848
Construction in progress	153,566	25,958	-	179,524
Total capital assets not being depreciated	752,414	25,958	-	778,372
Discrete component unit capital assets, net	<u>\$ 752,414</u>	<u>\$ 25,958</u>	<u>\$ -</u>	<u>\$ 778,372</u>

Long-Term Debt: The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
Bonds, notes, and other payables					
General obligation refunding bonds	\$ 4,050,000	\$ -	\$ (245,000)	\$ 3,805,000 (2)	\$ 250,000
Tax notes	1,380,000	-	(200,000)	1,180,000 (1)	215,000
Certificates of obligation	-	3,440,000	-	3,440,000 (2)	105,000
Direct borrowings/placements					
General obligation refunding bonds	185,000	-	(90,000)	95,000 (2)	95,000
Certificates of obligation	2,040,000	-	(130,000)	1,910,000 (2)	140,000
Leases payable	21,372	-	(21,372)	- (1)	-
Unamortized bond premiums	708,212	220,449	(69,706)	858,955 (1)(2)	-
	<u>8,384,584</u>	<u>3,660,449</u>	<u>(756,078)</u>	<u>11,288,955 *</u>	<u>805,000</u>
Other liabilities					
Net pension liability	334,044	-	(136,886)	197,158	-
Total OPEB liability	63,415	-	(1,679)	61,736	-
Compensated absences	133,550	92,406	(104,039)	121,917	109,725
Total governmental activities	<u>\$ 8,915,593</u>	<u>\$ 3,752,855</u>	<u>\$ (998,682)</u>	<u>\$ 11,669,766</u>	<u>\$ 914,725</u>
Long-term debt due in more than one year				<u>\$ 10,755,041</u>	
*Debt associated with capital assets				<u>\$ 11,288,955</u>	
(1) Debt associated with governmental activities capital assets				<u>\$ 1,278,693</u>	
(2) Debt associated with business-type activities capital assets				\$ 10,010,262	
Less deferred charge on refunding				(35,449)	
Less unspent bond proceeds				(3,046,632)	
Net debt associated with business-type capital assets				<u>\$ 6,928,181</u>	

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type activities</u>					
Other liabilities					
Net pension liability	\$ 52,253	\$ -	\$ (24,077)	\$ 28,176	\$ -
Total OPEB liability	4,046	-	(295)	3,751	-
Compensated absences	13,490	25,880	(14,377)	24,993	22,494
Total business-type activities	<u>\$ 69,789</u>	<u>\$ 25,880</u>	<u>\$ (38,749)</u>	<u>\$ 56,920</u>	<u>\$ 22,494</u>
Long-term debt due in more than one year				<u>\$ 34,426</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Tax and Revenue Certificates of Obligation, Series 2024

On January 1, 2024, the City issued Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") totaling \$3,440,000 for the construction, acquisition, and equipment of water and sewer system improvements and professional services related to the issuance of the Certificates. The Certificates consist of \$2,330,000 of serial certificates maturing annually beginning March 1, 2025 through March 1, 2044, and \$1,110,000 of term certificates maturing biennially beginning March 1, 2035 through March 1, 2039. The stated interest rate ranges between 4.00% to 5.00% for both the serial and term certificates.

Long-term debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Governmental activities</u>		
General obligation bonds		
General obligation refunding bonds, series 2021	2.00-5.00%	\$ 3,805,000
From direct borrowings/placements		
General obligation refunding bonds, series 2015	0.85-2.80%	95,000
Total general obligation bonds		<u>3,900,000</u>
Certificates of obligation		
Tax and revenue certificates of obligation, series 2024	4.00-5.00%	3,440,000
From direct borrowings/placements		
Tax and revenue certificates of obligation, series 2017A	0.10-1.60%	740,000
Tax and revenue certificates of obligation, series 2017B	0.01-1.90%	1,170,000
Total certificates of obligation		<u>5,350,000</u>
Tax notes		
Tax notes, series 2022	5.00%	<u>1,180,000</u>
Total governmental activities long-term debt		<u>\$ 10,430,000</u>

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The annual requirements to amortize debt issues outstanding at year end were as follows:

Fiscal Year Ended September 30,	General Obligation Bonds		Tax Notes		Certificates of Obligation		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 250,000	\$ 120,850	\$ 215,000	\$ 53,625	\$ 105,000	\$ 150,125	\$ 570,000	\$ 324,600
2026	260,000	108,100	225,000	42,625	110,000	144,750	595,000	295,475
2027	275,000	94,725	235,000	31,125	115,000	139,125	625,000	264,975
2028	290,000	80,600	245,000	19,125	125,000	133,125	660,000	232,850
2029	305,000	65,725	260,000	6,500	130,000	126,750	695,000	198,975
2030-2034	1,480,000	172,700	-	-	755,000	526,875	2,235,000	699,575
2035-2039	945,000	32,550	-	-	945,000	329,375	1,890,000	361,925
2040-2044	-	-	-	-	1,155,000	119,100	1,155,000	119,100
	<u>\$ 3,805,000</u>	<u>\$ 675,250</u>	<u>\$ 1,180,000</u>	<u>\$ 153,000</u>	<u>\$ 3,440,000</u>	<u>\$ 1,669,225</u>	<u>\$ 8,425,000</u>	<u>\$ 2,497,475</u>

The annual requirements to amortize debt issues outstanding for the direct borrowings/placements at year end are as follows:

Fiscal Year Ended September 30,	General Obligation Bonds		Certificates of Obligation		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 95,000	\$ 1,330	\$ 140,000	\$ 26,471	\$ 235,000	\$ 27,801
2026	-	-	140,000	25,222	140,000	25,222
2027	-	-	140,000	23,805	140,000	23,805
2028	-	-	140,000	22,241	140,000	22,241
2029	-	-	140,000	20,530	140,000	20,530
2030-2034	-	-	740,000	71,250	740,000	71,250
2035-2037	-	-	470,000	12,584	470,000	12,584
	<u>\$ 95,000</u>	<u>\$ 1,330</u>	<u>\$ 1,910,000</u>	<u>\$ 202,103</u>	<u>\$ 2,005,000</u>	<u>\$ 203,433</u>

The City's long-term debt includes all outstanding bonded debt secured by the full faith and credit of the City. The tax notes and the bonds, which include the certificates of obligation, general obligation, and contractual obligation bonds, are secured by the full faith and credit of the City and are paid through the debt service fund from tax revenues.

Leases: During the current fiscal year, the City was a lessee to various lease agreements for the acquisition and use of equipment and property. The original terms of the agreements range from 36 to 63 months. As of September 30, 2024, the value of the lease liability was zero. The City is required to make monthly payments ranging from \$208 to \$2,015. The leases have an estimated borrowing rate of 2.45%. The right-to-use assets are being amortized over the remaining life of the leases. The value of the right-to-use lease assets and accumulated amortization as of the end of the current fiscal year was \$74,774.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

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NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Transactions: Transfers between funds during the year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
Capital projects	Water, sewer, and sanitation	\$ 681,666
Debt service	Water, sewer, and sanitation	520,469
		<u>\$ 1,202,135</u>

Amounts transferred between funds related to amounts collected by the capital projects and water, sewer, and sanitation funds are for various governmental and business-type expenditures.

NOTE 4 - OTHER INFORMATION

Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with about 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

Contingent Liabilities: Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The City is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Pension Plan:

Texas Municipal Retirement System

Plan Description: The City participates as one of 921 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided: TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2024	2023
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	50% Repeating, Transfers	50% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI	50% of CPI

Employees Covered by Benefit Terms: At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to, but not yet, receiving benefits	35
Active employees	34
Total	85

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Contributions: Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.04% and 10.01% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were \$259,376, which were equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability/(Asset) (NPL/(A)) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The TPL in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payment growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS' actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global public equity	35%	6.7%
Core fixed income	6%	4.7%
Non-core fixed income	20%	8.0%
Other public and private markets	12%	8.0%
Real estate	12%	7.6%
Hedge funds	5%	6.4%
Private equity	<u>10%</u>	11.6%
Total	<u>100%</u>	

Discount Rate: The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 396,932	\$ -	\$ 396,932
Interest	217,764	-	217,764
Difference between expected and actual experience	(45,686)	-	(45,686)
Changes of assumptions	(2,281)	-	(2,281)
Contributions - employer	-	247,374	(247,374)
Contributions - employee	-	172,472	(172,472)
Net investment income	-	309,839	(309,839)
Benefit payments, including refunds of employee contributions	(91,742)	(91,742)	-
Administrative expense	-	(1,979)	1,979
Other changes	-	(14)	14
Net Changes	474,987	635,950	(160,963)
Balance at December 31, 2022	3,073,544	2,687,247	386,297
Balance at December 31, 2023	<u>\$ 3,548,531</u>	<u>\$ 3,323,197</u>	<u>\$ 225,334</u>

Sensitivity of the NPL to Changes in the Discount Rate: The following presents the NPL/(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	<u>\$ 851,854</u>	<u>\$ 225,334</u>	<u>\$ (273,123)</u>

Pension Plan Fiduciary Net Position: Detailed information about the TMRS fiduciary net position is available in a Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmr.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2024, the City recognized pension expense of \$256,540.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 41,215	\$ 38,395
Changes in actuarial assumptions	-	1,727
Net difference between projected and actual investment earnings	59,069	-
Contributions subsequent to the measurement date	<u>188,557</u>	<u>-</u>
Total	<u>\$ 288,841</u>	<u>\$ 40,122</u>

\$188,557 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal year ended September 30,</u>	<u>Pension Expense</u>
2025	\$ 26,643
2026	23,042
2027	37,561
2028	<u>(27,084)</u>
Total	<u>\$ 60,162</u>

Other Postemployment Benefits:

TMRS Supplemental Death Benefit

Plan Description: The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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NOTE 4 - OTHER INFORMATION (Continued)

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits: The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2023 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to, but not yet, receiving benefits	7
Active employees	<u>34</u>
Total	<u><u>51</u></u>

Total OPEB Liability: The City's total OPEB liability of \$65,487 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Changes for the year:	
Service cost	\$ 4,189
Interest	2,782
Difference between expected and actual experience	(10,608)
Changes of assumptions	3,388
Benefit payments	(1,725)
Net changes	(1,974)
Balance at September 30, 2023	67,461
Balance at September 30, 2024	<u>\$ 65,487</u>

The discount rate decreased from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	\$ 79,262	\$ 65,487	\$ 54,840

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2024, the City recognized OPEB expense of \$2,720. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,547	\$ 10,315
Changes in actuarial assumptions	7,833	23,999
Contributions subsequent to the measurement date	1,507	-
Total	\$ 12,887	\$ 34,314

\$1,507 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2025.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal year ended September 30,</u>	<u>OPEB Expense</u>
2025	\$ (4,251)
2026	(4,890)
2027	(6,369)
2028	(6,291)
2029	(1,133)
Total	\$ (22,934)

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Chapter 380 Economic Development Agreements: Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

Sales Taxes: The City has entered into sales tax abatement agreements (the "Agreements") with several developers as authorized by Chapter 380 of the Texas Local Government Code. Under each Agreement, the developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their sales taxes abated. The minimum limitation value varies by Agreement. Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreements:

- The group of developers for "The Shoppes At Montgomery" intends and proposed to develop property in the City for commercial use. As part of the Agreement, the developers have agreed to convey to the City the Utility Extension Project (the "Project"), to swap a certain portion of land, and grant the necessary easements. Upon final completion of the land swap and Utility Extension Project, the City has agreed to provide a grant to the developers in an amount not to exceed \$1,125,000 or a period not to exceed ten years of annual payments. The amount of reimbursement will be paid from sales and use taxes charged on the taxable sales collected by the City as generated by businesses on the property. Reimbursements are comprised of a "City Payment" and an "EDC Payment". For every dollar spent in taxable retail sales, the City collects 1.5 cents and the EDC collects 0.5 cents, for a total sales and use tax of 2.0 cents. The developer will receive from both the City and EDC one-quarter of one cent each, for a total of a half cent, or twenty-five percent (25%) of the total two cents annual sales and use tax collected at the Project. The City has reimbursed a total of \$243,203 since the first payment in 2019, including \$85,596 in 2024.
- The developer for "Milestone" will construct a new grocery retail store with approximately 124,000 square feet (the "Development") for the purpose of creating and/or retaining at least 144 full-time equivalent employees. The City has granted the developer a tax limitation of about \$5.6 million for a period of 15 years. In order to be eligible to receive the limitation, the developer must create 52 permanent new jobs and have invested at least \$7.5 million during the construction of the Development. The City will make annual payments to the developer from sales tax revenues at an amount equal to 55 percent of annual sales tax collected at the Development paid by the City, and the MEDC will make annual payments at an amount equal to 100 percent of annual sales tax collected at the Development. Annual installments will begin the first anniversary after the grocery store opens to the public. An assignment of economic development was entered into with Kroger Texas L.P. (the "Company") on December 11, 2018. The City made the first payment pursuant to the agreement in 2019 and has reimbursed a total of \$1,539,976 in collected sales tax, including \$254,073 paid in 2024.
- Home Depot U.S.A., Inc. (Home Depot) will develop land and construct a new retail store with approximately 138,030 square-feet at the corner of State Hwy 105 and Buffalo Springs Drive. The City has agreed to provide the developer a grant which equals the total cost and/or expenses related to the Road Improvements and Signal Improvement projects in excess of \$750,000. Upon project completion and issuance of a certificate of occupancy, the City will make annual payments to the developer from sales tax revenues in the amount equal to fifty percent (50%) of the City's two percent (2%). The agreement was entered into on October 11, 2023, and the project was still under construction as of September 30, 2024.

(Continued)

CITY OF MONTGOMERY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Property Taxes: The City has entered into property tax abatement agreements (the “Agreements”) with several developers as authorized by Chapter 380 of the Texas Local Government Code. Under each Agreement, the developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their property taxes abated. The minimum limitation value varies by Agreement. Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreements:

- The City entered into a 15-year Agreement with a developer for the “Hills of Town Creek, Section 1” and a school district (the “District”). The developer intends and proposed to develop property that was recently annexed into the City for primarily high-density, multifamily residential use, with a limited amount of commercial and retail uses (the “Project”). As part of the Agreement, the developer has agreed to accelerate the construction of the Project and to convey it to the City and petition the City to annex 13.773 acres of land currently located in the extraterritorial jurisdiction (ETJ) of the City. Other considerations include transfers of property and facilities from the District and the developer to the City and transfer of property from the developer to the District. Subject to the final completion of the Project, dedication of the facilities and easements to the City, other considerations, and annexation of the ETJ, the City has agreed to provide a grant for reimbursement of the design and construction of public infrastructure to the developer limited to 100 percent of the cost to oversize utility lines and 70 percent of the remaining construction costs incurred, as well as up to \$16,000 for escrowed funds for the City’s engineering expenses. The amount of reimbursement to the developer is limited to \$400,000 and will be paid from ad valorem taxes generated from the property annexed and collected by the City above the base property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2012) and impact fees collected from future sections in this development. The City has reimbursed \$113,935 in impact fees and abated property taxes totaling \$414,524 under this agreement since the first payment in 2013, including \$48,004 in 2024. The City expects to receive a refund for the \$14,524 overpayment made in 2024.
- A developer for “Milestone” will construct a new retail grocery store with approximately 124,000 square feet (the “Development”) for the purpose of creating and/or retaining at least 144 full-time equivalent employees. The City has granted the developer a tax rebate of all property taxes of about \$5.6 million for a period of 15 years. In order to be eligible to receive the limitation, the developer must create 52 permanent new jobs and have invested at least \$7.5 million during the construction of the Development. The City will make annual payments to the developer from property tax collected by March 1 of each year that the property tax rebate is in effect. Annual installments will begin the first tax year after the grocery store opens to the public. An assignment of economic development was entered into with Kroger Texas L.P. on December 11, 2018. The City has abated property taxes totaling \$652,968 under this Agreement since the first payment in 2019, including \$233,872 in fiscal year 2024.
- The City has entered into a twelve-year term Agreement with “The Estates of Mia Lago, Ltd”, who intends and proposed to develop property in the City for residential use (the “Project”). As part of the Agreement, the developer has agreed to accelerate construction of the Lone Star Bend Extension Project and convey it to the City. Subject to annexation of the property and upon final completion of the Project, the City has agreed to provide a grant for reimbursement of the design and construction of public infrastructure to the developer in the sum of not more than \$100,000 paid from ad valorem taxes generated from the property annexed and collected by the City above the base property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2017).

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTGOMERY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 For the year ended September 30, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,425,000	\$ 1,444,825	\$ 1,444,825	\$ -
Sales taxes	3,400,000	4,275,610	4,436,200	160,590
Franchise fees	95,000	181,418	181,418	-
Other taxes	25,000	26,393	26,393	-
Licenses and permits	404,500	479,587	479,592	5
Fines and forfeitures	164,440	219,765	219,765	-
Other revenue	365,250	351,797	351,797	-
Intergovernmental	1,050	3,051	3,051	-
Investment revenue	41,500	158,159	158,159	-
Total revenues	<u>5,921,740</u>	<u>7,140,605</u>	<u>7,301,200</u>	<u>160,595</u>
Expenditures				
Current				
General government	2,177,362	1,997,197	2,082,721	(85,524) *
Municipal court	317,687	291,803	294,053	(2,250) *
Public safety	2,384,776	2,232,784	2,234,044	(1,260) *
Public works	806,915	897,281	895,768	1,513
Capital outlay	235,000	177,501	177,501	-
Debt service				
Principal	-	25,422	21,372	4,050
Interest	-	838	236	602
Total expenditures	<u>5,921,740</u>	<u>5,622,826</u>	<u>5,705,695</u>	<u>(82,869)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,517,779</u>	<u>1,595,505</u>	<u>\$ 77,726</u>
Beginning fund balance			<u>3,018,269</u>	
Ending fund balance			<u>\$ 4,613,774</u>	

Notes to Required Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- * Expenditures exceeded appropriations at the legal level of control.

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the year ended September 30, 2024

	Measurement Year									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability										
Service cost	\$ 396,932	\$ 366,345	\$ 313,039	\$ 283,792	\$ 205,160	\$ 176,697	\$ 157,252	\$ 144,267	\$ 110,914	\$ 81,979
Interest (on the total pension liability)	217,764	181,156	149,551	129,656	94,711	87,871	77,769	66,121	57,948	55,068
Changes in benefit terms	-	-	-	289,106	-	-	-	-	-	-
Difference between expected and actual experience	(45,686)	55,981	44,278	(51,273)	(28,118)	(85,189)	(14,363)	(1,206)	(12,311)	(54,092)
Change of assumptions	(2,281)	-	-	-	3,592	-	-	-	34,004	-
Benefit payments, including refunds of employee contributions	(91,742)	(61,127)	(69,457)	(94,655)	(77,480)	(107,065)	(54,384)	(31,829)	(79,160)	(33,403)
Net change in total pension liability	474,987	542,355	437,411	556,626	197,865	72,314	166,274	177,353	111,395	49,552
Beginning total pension liability	3,073,544	2,531,189	2,093,778	1,537,152	1,339,287	1,266,973	1,100,699	923,346	811,951	762,399
Ending total pension liability	<u>\$ 3,548,531</u>	<u>\$ 3,073,544</u>	<u>\$ 2,531,189</u>	<u>\$ 2,093,778</u>	<u>\$ 1,537,152</u>	<u>\$ 1,339,287</u>	<u>\$ 1,266,973</u>	<u>\$ 1,100,699</u>	<u>\$ 923,346</u>	<u>\$ 811,951</u>
Plan fiduciary net position										
Contributions - employer	\$ 247,374	\$ 215,273	\$ 186,885	\$ 107,207	\$ 91,000	\$ 79,080	\$ 68,154	\$ 43,778	\$ 37,600	\$ 26,597
Contributions - employee	172,472	157,133	136,698	124,081	103,916	90,747	80,998	74,200	63,744	61,367
Net investment income	309,839	(185,754)	264,560	133,417	221,310	(42,554)	161,340	68,262	1,456	50,475
Benefit payments, including refunds of employee contributions	(91,742)	(61,127)	(69,457)	(94,655)	(77,480)	(107,065)	(54,384)	(31,829)	(79,160)	(33,403)
Administrative expense	(1,979)	(1,618)	(1,233)	(872)	(1,256)	(821)	(835)	(770)	(887)	(527)
Other	(14)	1,931	8	(32)	(38)	(43)	(42)	(41)	(44)	(43)
Net change in plan fiduciary net position	635,950	125,838	517,461	269,146	337,452	19,345	255,231	153,600	22,709	104,466
Beginning plan fiduciary net position	2,687,247	2,561,409	2,043,948	1,774,802	1,437,350	1,418,005	1,162,774	1,009,174	986,465	881,999
Ending plan fiduciary net position	<u>\$ 3,323,197</u>	<u>\$ 2,687,247</u>	<u>\$ 2,561,409</u>	<u>\$ 2,043,948</u>	<u>\$ 1,774,802</u>	<u>\$ 1,437,350</u>	<u>\$ 1,418,005</u>	<u>\$ 1,162,774</u>	<u>\$ 1,009,174</u>	<u>\$ 986,465</u>
Net pension liability/(asset)	<u>\$ 225,334</u>	<u>\$ 386,297</u>	<u>\$ (30,220)</u>	<u>\$ 49,831</u>	<u>\$ (237,650)</u>	<u>\$ (98,063)</u>	<u>\$ (151,032)</u>	<u>\$ (62,075)</u>	<u>\$ (85,828)</u>	<u>\$ (174,514)</u>
Plan fiduciary net position as a percentage of total pension liability	93.65%	87.43%	101.19%	97.62%	115.46%	107.32%	111.92%	105.64%	109.30%	121.49%
Covered Payroll	\$ 2,463,885	\$ 2,244,760	\$ 1,952,830	\$ 1,772,592	\$ 1,484,512	\$ 1,296,384	\$ 1,157,117	\$ 1,060,007	\$ 910,624	\$ 876,672
Net pension liability/(asset) as a percentage of covered payroll	9.15%	17.21%	-1.55%	2.81%	-16.01%	-7.56%	-13.05%	-5.86%	-9.43%	-19.91%

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CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the year ended September 30, 2024

Item 9.

	Fiscal Year									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 259,376	\$ 232,907	\$ 209,835	\$ 166,271	\$ 99,240	\$ 86,378	\$ 76,271	\$ 61,309	\$ 44,811	\$ 26,103
Contributions in relation to the actuarially determined contribution	<u>259,376</u>	<u>232,907</u>	<u>209,835</u>	<u>166,271</u>	<u>99,240</u>	<u>86,378</u>	<u>76,271</u>	<u>61,309</u>	<u>44,811</u>	<u>26,103</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,589,105	\$ 2,346,130	\$ 2,189,165	\$ 1,921,658	\$ 1,635,373	\$ 1,439,928	\$ 1,260,456	\$ 1,116,575	\$ 1,085,450	\$ 918,710
Contributions as a percentage of covered payroll	10.02%	9.93%	9.59%	8.65%	6.07%	6.00%	6.05%	5.49%	4.13%	2.84%

Notes to Required Supplementary Information:

1.Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

2.Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

3. Other Information: There were no benefit changes during the year.

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the year ended September 30, 2024

	Measurement Year*			
	2023	2022	2021	2020
Total OPEB liability				
Service cost	\$ 4,189	\$ 8,306	\$ 6,444	\$ 4,786
Interest (on the total OPEB liability)	2,782	1,711	1,709	1,831
Changes in benefit terms including TMRS plan participation	-	-	-	64,174
Difference between expected and actual experience	(10,608)	5,325	(3,157)	-
Change of assumptions	3,388	(36,029)	2,976	12,099
Benefit payments	(1,725)	(1,347)	(1,367)	-
Net change in total OPEB liability	(1,974)	(22,034)	6,605	82,890
Beginning total OPEB liability	67,461	89,495	82,890	-
Ending total OPEB liability	\$ 65,487	\$ 67,461	\$ 89,495	\$ 82,890
Covered Payroll	\$ 2,463,885	\$ 2,244,760	\$ 1,952,830	\$ 1,772,592
Net OPEB liability as a percentage of covered payroll	2.66%	3.01%	4.58%	4.68%

*Only four years' worth of information is currently available. The City will build this schedule over the next six-year period.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

- Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
- Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	3.77%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.
- Other Information: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2012.

There were no benefit changes during the year.

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COMBINING STATEMENTS AND SCHEDULES

CITY OF MONTGOMERY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund - The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes.

Special Revenue Funds – The special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects.

Hotel Occupancy Fund - This fund is used to account for hotel tax revenue from local hotels.

Court Security Fund - This fund is used to account for collection and disbursement of money used for court security.

Court Technology Fund - This fund is used to account for municipal court computer technology.

Police Asset Forfeiture Fund - This fund is used to account for revenues from seized contraband used for law enforcement purposes.

Child Safety Fund - This fund is used to account for revenues from child safety fees.

Truancy Prevention Fund - This fund is used to account for revenues from truancy prevention fees.

Grants Fund - This fund is used to account for revenues from grants.

PID No. 1 Fund - This fund is used to account for the collections and disbursements of special assessments within the Montgomery PID No. 1.

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Item 9.

CITY OF MONTGOMERY, TEXAS COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2024

	Debt Service Fund		Special Revenue Funds							Total Nonmajor Governmental Funds
	Debt Service	Hotel Occupancy	Court Security	Court Technology	Police Asset Forfeiture	Child Safety	Tuancy Prevention	Grants	PID No. 1	
ASSETS										
Cash and cash equivalents	\$ 59,050	\$ 25,400	\$ 10,765	\$ 32,447	\$ 14,979	\$ 125	\$ 7,610	\$ 20	\$ 825	\$ 151,221
Receivables, net	13,516	-	-	-	-	-	-	-	-	13,516
Total assets	<u>\$ 72,566</u>	<u>\$ 25,400</u>	<u>\$ 10,765</u>	<u>\$ 32,447</u>	<u>\$ 14,979</u>	<u>\$ 125</u>	<u>\$ 7,610</u>	<u>\$ 20</u>	<u>\$ 825</u>	<u>\$ 164,737</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - property taxes	<u>13,516</u>	-	-	-	-	-	-	-	-	<u>13,516</u>
FUND BALANCES										
Restricted										
Debt service	\$ 59,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,050
Tourism	-	25,400	-	-	-	-	-	-	-	25,400
Public safety	-	-	10,765	32,447	14,979	125	7,610	-	-	65,926
Assigned										
Grants	-	-	-	-	-	-	-	20	825	845
Total fund balances	<u>59,050</u>	<u>25,400</u>	<u>10,765</u>	<u>32,447</u>	<u>14,979</u>	<u>125</u>	<u>7,610</u>	<u>20</u>	<u>825</u>	<u>151,221</u>
Total liabilities, deferred infows of resources, and fund balances	<u>\$ 72,566</u>	<u>\$ 25,400</u>	<u>\$ 10,765</u>	<u>\$ 32,447</u>	<u>\$ 14,979</u>	<u>\$ 125</u>	<u>\$ 7,610</u>	<u>\$ 20</u>	<u>\$ 825</u>	<u>\$ 164,737</u>

CITY OF MONTGOMERY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	<u>Debt Service Fund</u> <u>(Formerly Major)</u>		<u>Special Revenue Funds</u>							<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>	
	<u>Debt</u> <u>Service</u>	<u>Hotel</u> <u>Occupancy</u>	<u>Court</u> <u>Security</u>	<u>Court</u> <u>Technology</u>	<u>Police Asset</u> <u>Forfeiture</u>	<u>Child</u> <u>Safety</u>	<u>Truancy</u> <u>Prevention</u>	<u>Grants</u>	<u>PID No. 1</u>		
Revenues											
Property taxes	\$ 467,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 467,074	
Other taxes	-	3,318	-	-	-	-	-	-	46,594	49,912	
Fines and forfeitures	-	-	7,651	6,450	-	125	7,610	-	-	21,836	
Other revenues	3,638	-	-	-	1,673	-	-	-	-	5,311	
Investment revenue	5,101	69	8	72	30	-	-	-	-	5,280	
Total revenues	<u>475,813</u>	<u>3,387</u>	<u>7,659</u>	<u>6,522</u>	<u>1,703</u>	<u>125</u>	<u>7,610</u>	<u>-</u>	<u>46,594</u>	<u>549,413</u>	
Expenditures											
Current											
General government	-	176	-	-	-	-	-	-	45,994	46,170	
Public safety	-	-	300	952	-	-	-	-	-	1,252	
Debt service											
Principal	665,000	-	-	-	-	-	-	-	-	665,000	
Interest and fiscal agent fees	325,804	-	-	-	-	-	-	-	-	325,804	
Total expenditures	<u>990,804</u>	<u>176</u>	<u>300</u>	<u>952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,994</u>	<u>1,038,226</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(514,991)</u>	<u>3,211</u>	<u>7,359</u>	<u>5,570</u>	<u>1,703</u>	<u>125</u>	<u>7,610</u>	<u>-</u>	<u>600</u>	<u>(488,813)</u>	
Other financing sources (uses)											
Transfers in	520,469	-	-	-	-	-	-	-	-	520,469	
Total other financing sources	<u>520,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,469</u>	
Net change in fund balance	5,478	3,211	7,359	5,570	1,703	125	7,610	-	600	31,656	
Beginning fund balances, as previously reported	<u>-</u>	<u>22,189</u>	<u>3,406</u>	<u>26,877</u>	<u>13,276</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>225</u>	<u>65,993</u>	
Change within financial reporting entity	53,572	-	-	-	-	-	-	-	-	53,572	
Beginning fund balances, as adjusted	<u>53,572</u>	<u>22,189</u>	<u>3,406</u>	<u>26,877</u>	<u>13,276</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>225</u>	<u>\$ 119,565</u>	
Ending fund balance	<u>\$ 59,050</u>	<u>\$ 25,400</u>	<u>\$ 10,765</u>	<u>\$ 32,447</u>	<u>\$ 14,979</u>	<u>\$ 125</u>	<u>\$ 7,610</u>	<u>\$ 20</u>	<u>\$ 825</u>	<u>\$ 151,221</u>	

CITY OF MONTGOMERY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL
 NONMAJOR DEBT SERVICE FUND
 For the year ended September 30, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 474,847	\$ 467,074	\$ 467,074	\$ -
Other revenue	-	3,638	3,638	-
Investment revenue	-	5,101	5,101	-
Total revenues	<u>474,847</u>	<u>475,813</u>	<u>475,813</u>	<u>-</u>
Expenditures				
Debt service				
Principal	665,000	665,000	665,000	-
Interest and fiscal charges	230,557	325,804	325,804	-
Total expenditures	<u>895,557</u>	<u>990,804</u>	<u>990,804</u>	<u>-</u>
(Deficiency) of revenues (under) expenditures	<u>(420,710)</u>	<u>(514,991)</u>	<u>(514,991)</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	425,000	520,469	520,469	-
Transfers (out)	-	(3,500,000)	-	3,500,000
Issuance of debt	-	3,500,000	-	(3,500,000)
Total other financing sources	<u>425,000</u>	<u>520,469</u>	<u>520,469</u>	<u>-</u>
Net change in fund balance	<u>\$ 4,290</u>	<u>\$ 5,478</u>	<u>5,478</u>	<u>\$ -</u>
Beginning fund balance			<u>53,572</u>	
Ending fund balance			<u>\$ 59,050</u>	

Notes to Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS – HOTEL OCCUPANCY
 For the year ended September 30, 2024

	Hotel Occupancy			Variance with
	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual <u>Amounts</u>	Final Budget Positive (Negative)
Revenues				
Other taxes	\$ 5,000	\$ 3,318	\$ 3,318	\$ -
Investment revenue	30	69	69	-
Total revenues	<u>5,030</u>	<u>3,387</u>	<u>3,387</u>	<u>-</u>
Expenditures				
Current				
General government	5,000	176	176	-
Total expenditures	<u>5,000</u>	<u>176</u>	<u>176</u>	<u>-</u>
Net change in fund balance	<u>\$ 30</u>	<u>\$ 3,211</u>	3,211	<u>\$ -</u>
Beginning fund balance			22,189	
Ending fund balance			<u>\$ 25,400</u>	

CITY OF MONTGOMERY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS – COURT SECURITY
 For the year ended September 30, 2024

	Court Security			Variance with
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 1,500	\$ 7,651	\$ 7,651	\$ -
Investment revenue	-	8	8	-
Total revenues	1,500	7,659	7,659	-
Expenditures				
Current				
Public safety	-	300	300	-
Total expenditures	-	300	300	-
Excess of revenues over expenditures	1,500	7,359	7,359	-
Other financing sources (uses)				
Transfers (out)	(1,500)	-	-	-
Total other financing (uses)	(1,500)	-	-	-
Net change in fund balance	\$ -	\$ 7,359	7,359	\$ -
Beginning fund balance			3,406	
Ending fund balance			\$ 10,765	

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS – COURT TECHNOLOGY
 For the year ended September 30, 2024

	Court Technology			Variance with
	Original Budget <u>Amounts</u>	Final Budget <u>Amounts</u>	Actual <u>Amounts</u>	Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 650	\$ 6,450	\$ 6,450	\$ -
Investment revenue	40	72	72	-
Total revenues	<u>690</u>	<u>6,522</u>	<u>6,522</u>	<u>-</u>
Expenditures				
Current				
Public safety	-	952	952	-
Total expenditures	<u>-</u>	<u>952</u>	<u>952</u>	<u>-</u>
Net change in fund balance	<u>\$ 690</u>	<u>\$ 5,570</u>	5,570	<u>\$ -</u>
Beginning fund balance			<u>26,877</u>	
Ending fund balance			<u>\$ 32,447</u>	

CITY OF MONTGOMERY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS – POLICE ASSET FORFEITURE
 For the year ended September 30, 2024

	Police Asset Forfeiture			Variance with
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Other revenues	\$ -	\$ 1,673	\$ 1,673	\$ -
Investment revenue	-	30	30	-
Total revenues	-	1,703	1,703	-
Net change in fund balance	\$ -	\$ 1,703	1,703	\$ -
Beginning fund balance			13,276	
Ending fund balance			\$ 14,979	

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS – CHILD SAFETY
 For the year ended September 30, 2024

	Child Safety			Variance with
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ -	\$ 125	\$ 125	\$ -
Total revenues	-	125	125	-
Net change in fund balance	\$ -	\$ 125	125	\$ -
Beginning fund balance			-	
Ending fund balance			\$ 125	

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS – TRUANCY PREVENTION
 For the year ended September 30, 2024

	Truancy Prevention			Variance with
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ -	\$ 7,610	\$ 7,610	\$ -
Total revenues	-	7,610	7,610	-
Net change in fund balance	\$ -	\$ 7,610	7,610	\$ -
Beginning fund balance			-	
Ending fund balance			\$ 7,610	

CITY OF MONTGOMERY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
 BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS – PID NO. 1
 For the year ended September 30, 2024

	PID No. 1			Variance with
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Other taxes	\$ 40,000	\$ 46,594	\$ 46,594	\$ -
Total revenues	<u>40,000</u>	<u>46,594</u>	<u>46,594</u>	<u>-</u>
Expenditures				
Current				
General government	40,000	45,994	45,994	-
Total expenditures	<u>40,000</u>	<u>45,994</u>	<u>45,994</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 600</u>	600	<u>\$ -</u>
Beginning fund balance			<u>225</u>	
Ending fund balance			<u>\$ 825</u>	

DRAFT

To the Honorable Mayor and
City Council Members of the
City of Montgomery, Texas

In planning and performing our audit of the financial statements of the City of Montgomery, Texas (the “City”) as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control. Matters communicated in this letter are classified as follows:

- **Material Weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.
- **Significant Deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- **Deficiency** – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we are required to or wish to communicate to you.

Year-End Accounting Adjustments		Significant Deficiency
Control Deficiency:	Adjustments were proposed by Crowe to update the accounts receivable, accounts payable, and accrued payroll balances for the following issues: <ul style="list-style-type: none">• Prior year sales tax receivable accruals were not reversed in the current year.• Prior year accounts payable accruals were not reversed in the current year• Accounts payable balances, including retainage payable, were not properly accrued at fiscal year end• Current year payroll accruals were recorded incorrectly	
Potential Effect:	As a result of the above: <ul style="list-style-type: none">• Sales tax revenue and receivable amounts were misstated.• Expenditures and accounts payable amounts were misstated.• Expenditures and payroll accrual amounts were misstated.	

Year-End Accounting Adjustments		Significant Deficiency
Recommendation:	The City should revise its internal control processes to involve the review and approval of reconciliations of accounts receivable, accounts payable, and payroll accrual balances at fiscal year end.	

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, this letter is not suitable for any other purpose.

The City's written response to the significant deficiencies identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

DRAFT

Houston, Texas
[Redacted]

DRAFT

To the Honorable Mayor and
City Council Members of the
City of Montgomery, Texas

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the City of Montgomery, Texas (the "City") for further information on the responsibilities of management and of Crowe LLP.

COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM THE CITY

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to the City under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have the following relationships with the City that do not impair our independence but which, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

Relationship	Safeguards
<p>Non-Audit Services: We were engaged to perform the following non-audit services during your last fiscal year:</p> <ul style="list-style-type: none"> • Assistance with preparation of your financial statements and related disclosures • Assistance with preparation of the conversion entries for financial statement preparation • Assistance with pension/OPEB calculations, adjustments, and disclosures • Updates to the capital assets listing and disclosures • Assistance with debt amortization schedules and disclosures 	<p>We believe your management is capable of evaluating and taking responsibility for their management decisions regarding our services, and we did not assume the role of an employee or of management of the City in performing and reporting on our services.</p>

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you on September 19, 2024.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The City's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications between the City and regulators.
 - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. There were no such accounting changes or significant policies requiring communication.

Accounting Standard	Impact of Adoption
Significant Unusual Transactions.	No such matters noted.
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the City's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the City.	We tested the propriety of information underlying management's estimates.
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the City's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the City, considering the need to balance the cost of providing information with the likely benefit to users of the City's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the City's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

See the attached schedule that summarizes any such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were

determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying the uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if it was concluded that the uncorrected misstatements are immaterial to the financial statements under audit. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements. There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information Included in an Annual Report</p> <p>Information may be prepared by management that accompanies or includes the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that:</p> <ul style="list-style-type: none"> • Material inconsistency exists between the other information and the auditor's knowledge obtained in the audit; or • A material misstatement of fact exists, or the other information is otherwise misleading. <p>If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared other information to accompany the audited financial statements.</p>
<p>Significant Difficulties Encountered During the Audit</p> <p>We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements with Management</p> <p>We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the City's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p>Difficulties or Contentious Matters</p> <p>We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team.</p>	<p>During the audit, there were no such issues for which we consulted outside the engagement team.</p>
<p>Circumstances that Affect the Form and Content of the Auditor's Report</p> <p>We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.</p>	<p>There are no such circumstances that affect the form and content of the auditor's report.</p>

Communication Item	Results
Consultations with Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Representations the Auditor Is Requesting from Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
Significant Related Party Findings or Issues We are to communicate to you significant findings or issues arising during the audit in connection with the City's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising during the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve your City as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the City Council and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

Houston, Texas

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CORRECTED MISSTATEMENTS
For the year ended September 30, 2024

Number	Date	Name	Account No	Debit	Credit
1	9/30/2024	Net Pension Liability	300-32270-00000 300	24,077.00	
1	9/30/2024	Deferred inflow s - pension	300-32280-00000 300		(3,658.00)
1	9/30/2024	Deferred outflow s	300-32290-00000 300		(19,993.00)
1	9/30/2024	TMRS Pension Expense	300-30-36115-0000000 300		(426.00)
				24,077.00	(24,077.00)
		To record current year pension expense for the water and sewer fund.			
2	9/30/2024	OPEB Liability	300-32271-00000 300	295.00	
2	9/30/2024	Deferred Inflow s - OPEB	300-32281-00000 300		(337.00)
2	9/30/2024	Deferred Outflow s - Assumption Change OPEB	300-32291-00000 300		(66.00)
2	9/30/2024	OPEB Expense	300-30-36114-0000000 300	108.00	
				403.00	(403.00)
		To record current year OPEB activity for the water and sewer fund.			
3	9/30/2024	Right to use principal	100-12-16900 100	1,496.00	
3	9/30/2024	Right to use interest	100-12-16901 100	17.00	
3	9/30/2024	Copier/Fax Machine	100-10-16404-0000000 100	2,659.00	
3	9/30/2024	Right to use Principal	100-10-16900-0000000 100		(2,401.00)
3	9/30/2024	Right to use Interest	100-10-16901-0000000 100		(258.00)
3	9/30/2024	Copier/Fax Machine	100-11-16404-0000000 100	1,259.00	
3	9/30/2024	Right to use Principal	100-11-16900-0000000 100		(1,128.00)
3	9/30/2024	Right to use Interest	100-11-16901-0000000 100		(131.00)
3	9/30/2024	Misc Expenses - Other	100-12-17001-0000000 100		(1,513.00)
3	9/30/2024	Copier/Fax Machine	100-13-16404-0000000 100	2,247.00	
3	9/30/2024	Right to use Principal	100-13-16900-0000000 100		(2,017.00)
3	9/30/2024	Right to use Interest	100-13-16901-0000000 100		(230.00)
3	9/30/2024	Right to use Principal	300-30-16900-0000000 300		(1,568.00)
3	9/30/2024	Right to use Interest	300-30-16901-0000000 300		(52.00)
3	9/30/2024	Copier / Fax Machine	300-30-36402-0000000 300	1,620.00	
				9,298.00	(9,298.00)
		To reclass GASB 87 lease principal and interest payments.			
4	9/30/2024	Premium	200-00-54310-0000000 200		(220,449.00)
4	9/30/2024	Transfer In	200-20-14940-0000000 200	3,500,000.00	
4	9/30/2024	Issuance Costs	200-50-56602-0000000 200	160,449.00	
4	9/30/2024	Cert of Obligation Proceeds - Series 2024	500-00-54325-0020240 500	3,500,000.00	
4	9/30/2024	Transfer Out	500-50-17151-0000000 500		(3,500,000.00)
4	9/30/2024	Cert of Obligation Proceeds	200-00-543255-0020240 200		(3,440,000.00)
				7,160,449.00	(7,160,449.00)
		To reclass debt issuance from debt service fund to capital projects fund.			

(Continued)

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CORRECTED MISSTATEMENTS
For the year ended September 30, 2024

Number	Date	Name	Account No	Debit	Credit
5	9/30/2024	Accounts Receivable	100-11300-00000 100		(775,666.00)
5	9/30/2024	Accounts Receivable	100-11300-00000 100	936,256.00	
5	9/30/2024	Accounts Receivable Audit	400-41210-00000 400		(258,555.00)
5	9/30/2024	Accounts Receivable Audit	400-41210-00000 400	312,085.00	
5	9/30/2024	Sales Tax	100-00-14070-0000000 100	517,111.00	
5	9/30/2024	Sales Tax	100-00-14070-0000000 100		(624,171.00)
5	9/30/2024	Sales Tax ILO AdVal Tax	100-00-14080-0000000 100	258,555.00	
5	9/30/2024	Sales Tax ILO AdVal Tax	100-00-14080-0000000 100		(312,085.00)
5	9/30/2024	Sales Tax Revenue	400-00-44110-0000000 400	258,555.00	
5	9/30/2024	Sales Tax Revenue	400-00-44110-0000000 400		(312,085.00)
				2,282,562.00	(2,282,562.00)
To reverse prior year and record current year sales tax receivable.					
6	9/30/2024	Accounts Payable Pending	200-12099-00000 200		(34,056.00)
6	9/30/2024	Accounts Payable Pending	200-12099-00000 200		(128,970.00)
6	9/30/2024	Accounts Payable Pending	200-12099-00000 200		(79,581.00)
6	9/30/2024	Retainage Payable	200-22110-00000 200	16,556.00	
6	9/30/2024	Retainage Payable	200-22110-00000 200		(14,330.00)
6	9/30/2024	Retainage Payable	200-22110-00000 200	73,960.00	
6	9/30/2024	Cons - Old Plantersville Force Main	200-20-26300-0000500 200	17,500.00	
6	9/30/2024	Cons - Buffalo Springs Dr Road Impr	200-20-26500-0001400 200	49,044.00	
6	9/30/2024	Cons - Buffalo Springs Dr Road Impr	200-20-26500-0001400 200	30,537.00	
6	9/30/2024	Cons - Buffalo Springs Dr Road Impr	200-20-26500-0001400 200		(73,960.00)
6	9/30/2024	WP #2 Improvements	200-20-26500-000-1600 200	143,300.00	
				330,897.00	(330,897.00)
To adjust retainage payable.					
7	9/30/2024	Accum Depreciation	300-31440-00000 300		(480,508.00)
7	9/30/2024	Accum Depreciation	300-31440-00000 300	25,027.00	
7	9/30/2024	Ford Ranger 2003	300-31470-00000 300		(25,027.00)
7	9/30/2024	Wastewater Treatment Plant	300-31540-00000 300	62,106.00	
7	9/30/2024	Transfer to Gen Fixed Assets-Sewer Imp	300-31590-00000 300	1,923,915.00	
7	9/30/2024	Construction in Progress	300-31600-00000 300		(1,923,915.00)
7	9/30/2024	Construction in Progress	300-31600-00000 300	3,425,926.00	
7	9/30/2024	Construction in Progress	400-31600-00000 400	25,958.00	
7	9/30/2024	Capital Contributions	300-00-34400-00000 300		(3,425,926.00)
7	9/30/2024	Depreciation Expense	300-30-36116-0000000 300	480,508.00	
7	9/30/2024	Repairs & Maintenance	300-30-36601-0000000 300		(62,106.00)
7	9/30/2024	Downtown Dev. Imp.	400-40-46103-0000000 400		(25,958.00)
				5,943,440.00	(5,943,440.00)
To record CY capital asset activity.					

(Continued)

CITY OF MONTGOMERY, TEXAS
SCHEDULE OF CORRECTED MISSTATEMENTS
For the year ended September 30, 2024

Number	Date	Name	Account No	Debit	Credit
8	9/30/2024	Accounts Payable	200-22000-00000 200	63,028.00	
8	9/30/2024	Cons - Sanitary Sewer & Manhole Rehab	200-20-26300-0001100 200		(32,500.00)
8	9/30/2024	Cons - Flagship Storm Sewer	200-20-26500-0001000 200		(30,528.00)
				63,028.00	(63,028.00)
		To reverse PY accounts payable accrual.			
9	9/30/2024	Claim on Cash - General Fund 100	100-11111-00000 100	88,880.00	
9	9/30/2024	Payroll Liabilities	100-12007-00000 100		(56,408.00)
9	9/30/2024	Payroll Liabilities	100-12007-00000 100		(42,364.00)
9	9/30/2024	Payroll Liabilities - Payroll Payable	100-12008-00000 100		(72,971.00)
9	9/30/2024	Claim on Cash - Water & Sewer Fund 300	300-11111-00000 300	15,627.00	
9	9/30/2024	Payroll Liabilities.	300-12007-00000 300		(17,436.00)
9	9/30/2024	Payroll Liabilities: Payroll Payable	300-32120-00000 300	63.00	
9	9/30/2024	Health Insurance	100-10-16002-0000000 100	40,499.00	
9	9/30/2024	Health Insurance	100-10-16002-0000000 100	29,093.00	
9	9/30/2024	Wages	100-10-16009-0000000 100	13,271.00	
9	9/30/2024	Wages	300-30-16009-0000000 300	1,746.00	
				189,179.00	(189,179.00)
		To correct payroll accrual.			
10	9/30/2024	Unassigned Fund Balance	100-13200-00000 100		(2.00)
10	9/30/2024	Ford Ranger 2003	300-31470-00000 300		(1.00)
10	9/30/2024	Transfer to Gen Fixed Assets-Sewer Imp	300-31590-00000 300		(2.00)
10	9/30/2024	Transfer to Gen Fixed Assets-Sewer Imp	300-31590-00000 300		(1.00)
10	9/30/2024	Construction in Progress	300-31600-00000 300	3.00	
10	9/30/2024	System Software	300-31610-00000 300		(1.00)
10	9/30/2024	Retained Earnings	300-33200-00000 300	3.00	
10	9/30/2024	Unrestricted Net Assets	400-43100-00000 400	1.00	
10	9/30/2024	Restricted Fund Balance	500-53000-00000 500		(1.00)
10	9/30/2024	Retained Earnings	800-83200-00000 800	1.00	
10	9/30/2024	Culverts	100-00-14150-0000000 100	2.00	
10	9/30/2024	Gas & Oil	300-30-36605-0000000 300		(1.00)
10	9/30/2024	Interest Income	400-00-44230-0000000 400		(1.00)
10	9/30/2024	Ad Valorem Taxes - Delinquent	500-00-54115-0000000 500	1.00	
10	9/30/2024	Interest Income	800-00-84210-0000000 800		(1.00)
				11.00	(11.00)
		To adjust fund balance and rounding for reporting purposes.			
11	9/30/2024	Accrued Compensated Absences: Vacation	300-32190-00000 300		(11,503.00)
11	9/30/2024	Wages	300-30-16009-0000000 300	11,503.00	
				11,503.00	(11,503.00)
		To adjust for CY compensated absences.			

Montgomery City Council
AGENDA REPORT

Meeting Date: 06/10/2025	Budgeted Amount: None
Department: Administration	Prepared By: WGA

Subject

Discussion on the draft Development Agreement with H-E-B (Dev. No. 2402).

Recommendation

WGA and Staff recommend that the Council provide comments to the Development Agreement with H-E-B as presented.

Discussion

The engineer's memo, draft development agreement and supporting documents are attached.

This item is being presented for Council to provide comments/direction to the draft agreement in order for staff, consultants and the developer to finalize the terms of the agreement.

Approved By

City Staff	Ruby Beaven	Date: 06/02/2025
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June 5, 2025

City Council
City of Montgomery
101 Old Plantersville Rd.
Montgomery, Texas 77316

Re: Development Update
HEB (Dev. No. 2402)
City of Montgomery

Dear Mayor and Council:

As you are aware, WGA and staff have been working on the terms of the Development Agreement with HEB. WGA provided HEB with the draft Development Agreement on March 28, 2025. HEB provided a revised agreement on May 12, 2025. WGA subsequently met with HEB on May 21, 2025 to discuss some of the revisions and general development timeline. The draft agreement has been reviewed by WGA and the City Attorney. The major components of the requested changes for the agreement by HEB are as follows:

- HEB is not requesting any reimbursement for the required utility extensions.
- HEB is requiring approval of our inspection fees related to the public utility extensions.
- A required timeline for acceptance of the public infrastructure.
- There is no dedicatory language for a Historical Landmark on the site.
- The City does not have the ability to pursue any remedies related to a failure to comply to the provisions of the agreement.
- The City does not have governmental immunity for potential suit or liability.

It is important to note that there are additional variances being requested by the Developer that have not been presented to Council. The intention is to present these to Council once a formal recommendation is received from the Planning & Zoning Commission, and they are as follows:

- Section 78-92(a): Required 16' minimum utility easement: The Developer is requesting to remove the utility easement entirely along SH-105 and place all proposed public utilities within TxDOT right-of-way.
- Section 78-162 (a) Minimum Landscape Setback: Requesting a 20' setback in lieu of the 25' requirement to be maintained on all commercial properties abutting single-family properties.
- Section 78-185 Article VIII: Per the enclosed letter, the Developer is requesting to limit tree planting to 150' from the front door on all commercial pads. This request is not an explicit variance of any City Code.

In order to continue with the development, the Developer is requesting feedback from Council on the draft Development Agreement as provided.

If you have any questions or comments, please contact me.



Sincerely,

A handwritten signature in blue ink that reads "Chris Roznovsky".

Chris Roznovsky, PE
Engineer for the City

CVR/kv;zlgt

Z:\00574 (City of Montgomery)_900 General Consultation\Correspondence\Letters\2025\2025.06.05 MEMO To Council HEB Development.docx.

Enclosures: Draft Development Agreement
Variance Application

Cc (via email): The Honorable Mayor and City Council – The City of Montgomery
Ms. Corinne Tilley– City of Montgomery, Code Enforcement Officer & Director of Planning & Development
Chief Anthony Solomon – City of Montgomery, Interim City Administrator & Chief of Police
Ms. Ruby Beaven – City of Montgomery, Interim City Secretary
Mr. Alan Petrov – Johnson Petrov, LLP, City Attorney

DEVELOPMENT AGREEMENT BETWEEN
THE CITY OF MONTGOMERY, TEXAS AND
~~HEB GROCERY COMPANY~~H-E-B, LP

This DEVELOPMENT AGREEMENT (the "Agreement") is entered into between-
~~HEB~~ ~~GROCERY~~ ~~COMPANY~~
H-E-B, LP, a Texas limited partnership, its successors or assigns ("Developer"), and THE
CITY OF MONTGOMERY, TEXAS ("City") to be effective on the date on _____,
2025 (the "Effective Date").

RECITALS

The Developer owns approximately 16.75 acres of land, as described on the attached
Exhibit A (defined herein as the "Tract") in Montgomery County, Texas, within the
corporate limits of the City. The Developer intends to develop the Tract for commercial
purposes ~~including~~which may include a grocery store, gas station, and car wash. The City
will provide water and sanitary sewer service to the Tract.

The City is a Type A general-law municipality with all powers except those
specifically limited by the Constitution and laws of the State of Texas.

The City wishes to provide for the orderly, safe and healthful development of the
Tract, and the City and the Developer agree that the development of the Tract can best
proceed pursuant to a development agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises, obligations, and
benefits contained herein as well as other good and valuable consideration, the sufficiency
of which is acknowledged by the parties, the City and Developer agree as follows:

ARTICLE I. DEFINITIONS AND EXHIBITS

1.1 Definitions. Unless the context indicates others, the following words as used in
this Agreement shall have the following meanings:

City means the City of Montgomery, Texas.

Developer means ~~HEB Grocery Company~~H-E-B, LP, a Texas limited partnership, its
successors or assigns.

ESFC means that amount of water or wastewater, as applicable, set by the City that
constitutes an Equivalent Single Family connection, which amount may be changed from
time to time. At the time of this Agreement, an ESFC of water means 300 gallons per day
and an ESFC of wastewater means 200 gallons per day.

Facilities means the water distribution, sanitary sewer collection, transportation and
treatment, and stormwater collection, detention and drainage systems, roads and

improvements in aid thereof, constructed or acquired or to be constructed to serve the Tract, and all improvements, appurtenances, additions, extensions, enlargements or betterments thereto, together with all contract rights, permits, licenses, properties, rights-of-way, easements, sites and other interests related thereto.

Parties means the City and the Developer, collectively.

Tract means the approximately 16.75 acres of land to be developed by Developer, as described in **Exhibit A**.

1.2. Exhibits. The following Exhibits attached to this Agreement are a part of the Agreement as though fully incorporated herein:

- Exhibit A Metes and Bounds Description of the Tract
- Exhibit B Water Line, Sanitary Sewer Line and Sanitary Sewer Tap
- Exhibit C Private Driveways
- Exhibit D Assignment of Water and Sanitary Sewer Capacity

ARTICLE II

DEVELOPER OBLIGATIONS

Section 2.1. Utilities.

- a. Water, Sanitary Sewer and Drainage Facilities. Developer agrees that all water, sanitary sewer and drainage facilities to serve the Tract, whether on the Tract or off-site, will be constructed in accordance with the applicable City regulations and ordinances, including the City of Montgomery Code of Ordinances, ~~as amended~~of the date hereof, unless otherwise agreed to by Developer (the “City Code”). The Developer is responsible for the design and construction of all internal water and sanitary sewer lines and associated facilities and drainage facilities to serve the Tract. The City will provide retail water and sanitary sewer service to customers within the Tract. Following acceptance by the City with days after construction thereof, the water and sanitary sewer infrastructure will be owned, operated, and maintained by the City per normal practice. The City ~~agrees~~has agreed to provide the Developer with its ~~ultimate~~ requirements for wastewater treatment and water capacity as ~~further described~~set forth herein.
- b. Water Supply Facilities. The parties acknowledge that the Tract will be developed with ultimate water requirements of 23,000 gpd to serve approximately 77 ESFCs. The City agrees that it has the capacity in its water treatment system to serve the ~~Tract~~77 ESFCs and hereby grants the same to Developer in accordance with terms, conditions and provisions set forth in that certain Assignment of Water and Sanitary Sewer Capacity attached hereto as Exhibit D and executed as of the date hereof (the “Capacity Assignment”);

however, the Developer is required to fund the construction of certain improvements, noted specifically in this Agreement, to the City's water supply system in order to provide sufficient ~~pressure~~supply for the Tract.

- i. **Water Line.** The Developer agrees to design and construct the extension of the City's existing 12-inch waterline to the eastern portion of the Tract's northern property line ("Water Line"), as shown on **Exhibit B**. The Water Line will be constructed in a public right of way or easement and to the extent necessary, the Developer will be responsible for acquiring any necessary public right of way or easement required for the construction of the Water Line. ~~with the City's cooperation.~~
 - ii. **Funding.** The City will provide the Developer a cost estimate of inspection costs related to the Water Line for review and approval, and upon presentation of such estimate, ~~the and~~ Developer's written approval of the same, Developer agrees to deposit with the City the funds due for inspection services of the Water Line. The City will keep accurate records of Developer deposits and Water Line inspection costs and make such records available for Developer or District inspection upon request. Within forty-five (45) days of City acceptance of the Water Line, the City shall perform a reconciliation and final accounting and reimburse the Developer any unpaid funds under the escrow account, less the amount required for the one-year maintenance inspection to be conducted by the City Engineer.
 - iii. **Ownership.** The City will accept such Water Lines for ownership and operation subject to a one-year maintenance bond to be enforceable by the City from the contractor once the public waterline has been constructed, inspected and all punchlist items have been addressed as confirmed by the City Engineer. Upon acceptance of the public waterline, the Developer shall provide the City with as-built drawings in both digital and pdf format.
- c. **Wastewater Treatment Facilities.** The parties acknowledge that the Tract will be developed with ultimate wastewater requirements of 18,400 gpd to serve approximately 92 ESFCs. The City agrees that it has permitted capacity in its wastewater treatment system to serve the 92 ESFCs and hereby grants the same to Developer in accordance with the terms, conditions and provisions set forth in the Capacity Assignment executed as of the date hereof; however, the Developer is required to fund the construction of certain improvements, noted specifically in this Agreement, to the City's wastewater supply system in order to serve the Tract.
- i. **Sanitary Sewer Line and Sanitary Sewer Tap.** The Developer agrees to design and construct the extension of an existing 8" gravity sanitary sewer line to the eastern portion of the Tract's northern property line (the "Sanitary Sewer Line"), as shown on **Exhibit B**. The Developer also agrees to coordinate with the

City's Public Works Department with respect to the installation of a sanitary sewer tap (the "Sanitary Sewer Tap"), as shown on **Exhibit B**. The Sanitary Sewer Line will be constructed in public right of way or easement and to the extent necessary, the Developer will be responsible for acquiring any necessary public right of way or easement required for the construction of the Sanitary Sewer Line with the City's cooperation.

- ii. **Funding.** The City will provide the Developer a cost estimate of inspection costs related to the Sanitary Sewer Line for review and approval, and upon presentation of such estimate and Developer's written approval of the same, the Developer agrees to deposit with the City the funds due for the inspection services of the Sanitary Sewer Line. The City will keep accurate records of Developer deposits and Sanitary Sewer Line inspection costs and make such records available for Developer inspection upon request. Within forty-five (45) days of City acceptance of the Sanitary Sewer Line, the City shall perform a reconciliation and final accounting and reimburse the Developer any unpaid funds under the escrow account, less the amount required for the one-year maintenance inspection to be conducted by the City Engineer..
- iii. **Ownership.** The City will accept such Sanitary Sewer Line or ownership and operation subject to a one-year maintenance bond to be enforceable by the City from the contractor once the public sanitary sewer line has been constructed, inspected and all punchlist items have been addressed as confirmed by the City Engineer. Upon acceptance of the public sanitary sewer line, the Developer shall provide the City with as-built drawings in both digital and pdf format.
- d. Impact Fees. The Developer agrees to pay impact fees for water supply facilities and wastewater treatment facilities ("Impact Fees") in the amount as stated in the City's current adopted Impact Fees, or as may be amended from time to time. The Developer will be assessed and pay Impact Fees at the time of final platting and prior to receiving water and sanitary sewer taps.
- e. Drainage Facilities. The Developer agrees to submit and receive approval for a drainage study from the City and TxDOT. Any revisions to the drainage study must be submitted to the City for review and approval. All drainage and detention facilities must be designed and constructed in accordance with the City Code and any applicable Montgomery County and TxDOT standards. All onsite storm sewer systems and detention will remain private. **[Outstanding issue: will a drainage study be required?]**
- ~~f. Historical Landmark. The Developer agrees to dedicate a site on the Tract for the City to construct a historical landmark. The City shall have sole discretion to determine the location of the site.~~

Section 2.2. Private Driveways. Private driveways shall be constructed in accordance with the City Code. Developer agrees to install one (1) connection to State Highway 105 and three (3) connections to FM 2854 to provide access to the two (2) adjacent property owners as shown on Exhibit C.

Section 2.3. Governmental Approvals. All of Developer's obligations hereunder are subject to Developer obtaining all governmental permits and approvals therefor.

ARTICLE III.

DEFAULT AND TERMINATION

Section 3.1. Material Breach of Agreement. ~~It is the intention of the parties to this Agreement that the Tract be developed in accordance with the terms of this Agreement.~~

The parties acknowledge and agree that any substantial deviation by the Developer from the material terms of this Agreement would frustrate the intent of this Agreement, and, therefore, would be a material breach of this Agreement. A material breach of this Agreement by the Developer shall be deemed to have occurred in the event of failure of the Developer to comply with a provision of this Agreement or the City Code provisions applicable to the Tract.

In the event that a party to this Agreement believes that another party has, by act or omission, committed a material breach of this Agreement, the provisions of this Article III shall provide the remedies for such default.

Section 3.2. Notice of Developer's Default.

a. The City shall notify Developer in writing of an alleged failure by the Developer to comply with a provision of this Agreement, describing the alleged failure with reasonable particularity. Developer shall, within thirty (30) days after receipt of the notice or a longer period of time as the City may specify in the notice, either cure the alleged failure or, in a written response to the City, either present facts and arguments in refutation or excuse of the alleged failure or state that the alleged failure will be cured and set forth the method and time schedule for accomplishing the cure, provided that such time schedule may be extended as necessary under the circumstances.

b. The City shall determine: (i) whether a failure to comply with a provision has occurred; (ii) whether the failure is excusable; and (iii) whether the failure has been cured or will be cured by Developer. ~~The alleged defaulting party shall make available to the City, if requested, any records, documents or other information necessary to make the determination, except to the extent that such information is protected by attorney/client privilege.~~

c. If the City determines that the failure has not occurred, or that the failure either has been or will be cured in a manner and in accordance with a schedule reasonably

satisfactory to the City, or that the failure is excusable, the determination shall conclude the investigation.

d. If the City determines that a failure to comply with a provision has occurred and that the failure is not excusable and has not been or will not be cured by Developer in a manner and in accordance with a schedule reasonably satisfactory to the City, then the ~~City may pursue any and all remedies it has at law or equity~~ City's sole remedy shall be to revoke the utility capacity granted to Developer hereunder.

Section 3.3. Notice of City's Default.

a. Developer shall notify the City in writing specifying any alleged failure by the City to comply with a provision of this Agreement, describing the alleged failure with reasonable particularity. The City shall, within thirty (30) days after receipt of the notice or the longer period of time as Developer may specify in the notice, either cure the alleged failure or, in a written response to Developer, either present facts and arguments in refutation or excuse of the alleged failure or state that the alleged failure will be cured and set forth the method and time schedule for accomplishing the cure.

b. Developer shall determine: (i) whether a failure to comply with a provision has occurred; (ii) whether the failure is excusable; and (iii) whether the failure has been cured or will be cured by the City. The City shall make available to the Developer, if requested, any records, documents or other information necessary to make the determination that are subject to the Public Information Act, Chapter 551, Texas Government Code.

c. If Developer determines that the failure has not occurred, or that the failure either has been or will be cured in a manner and in accordance with a schedule reasonably satisfactory to Developer, or that the failure is excusable, the determination shall conclude the investigation.

d. If Developer determines a failure to comply with a provision has occurred and that the failure is not excusable and has not been or will not be cured by the City in a manner and in accordance with a schedule reasonably satisfactory to Developer, then Developer may pursue any and all remedies it has at law or equity.

~~Section 3.4. Remedies. In addition to all the rights and remedies provided under the laws of the State of Texas, because of the peculiar damage each party hereto might suffer by virtue of a default by another party, each party shall be entitled to the equitable remedy of specific performance or mandamus, as well as all other legal and equitable remedies available.~~

ARTICLE IV.

MISCELLANEOUS

Section 4.1. Sale of Tract; Assignability. Any agreement by Developer to sell the entirety or any portion of the Tract to a person intending to develop the ~~tract~~ Tract or such portion thereof (a "Successor Developer," whether one or more) and any instrument of conveyance for the entirety or any portion of the Tract to such Successor Developer shall recite and incorporate this Agreement and provide that this Agreement be binding on such

Successor Developer. ~~This~~ However, this Agreement ~~is not intended to be, and~~ shall not be, binding ~~on the ultimate purchasers of parcels out of~~ upon any purchaser of a tract or lot within the Tract who does not intend to resell, subdivide or develop the tract or lot in the ordinary course of business. This Agreement is assignable upon written notice to the City; such notice of assignment shall be given within 30 days of an assignment and such notice shall include evidence that the assignee has assumed the obligations under this Agreement.

Section 4.2. Force Majeure. In the event a party is rendered unable, wholly or in part, by force majeure, to carry out any of its obligations under this Agreement, it is agreed that on such party's giving notice and full particulars of such force majeure in writing to the other parties as soon as possible after the occurrence of the cause relied upon, then the obligations of the party giving such notice, to the extent it is affected by force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided, but for no longer period. Such cause shall as far as possible be remedied with all reasonable dispatch.

The term "force majeure" as used herein shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy or of terrorism, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of governments and people, suspension of issuance of permits by environmental agencies outside the control of any party, explosions, breakage or damage to machinery or pipelines and any other incapacities of any party, whether similar to those enumerated or otherwise, and not within the control of the party claiming such inability, which by the exercise of due diligence and care such party could not have avoided.

Section 4.3. Law Governing and Immunity. This Agreement shall be governed by the laws of the State of Texas; without considering its choice of law provisions and no lawsuit shall be prosecuted on this Agreement except in a federal or state court of competent jurisdiction. The City hereby unconditionally and irrevocably waives all claims of sovereign and governmental immunity which it may have (including, but not limited to, immunity from suit and immunity to liability) to the extent permitted by applicable laws of the State of Texas.

Section 4.4. No Additional Waiver Implied. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto of any term, covenant, condition, or liability hereunder, or the performance by any party of any duty or obligation hereunder, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstances.

Section 4.5. Addresses and Notice. Unless otherwise provided in this Agreement, any notice, communication, request, reply, or advise (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to another (except bills), must be in writing and may be given or be served by (i) depositing ~~the same~~ in the United States mail ~~postpaid and registered or~~ certified ~~and~~, with return receipt requested, addressed to the party to be notified at the address set forth below, or at the last address for notice that the sending party has for the receiving party at the time of mailing, and with all charges prepaid; (ii) by depositing it with Federal Express or another service guaranteeing "next day delivery," addressed to the party to be notified

and with all charges prepaid; (iii) by personally delivering it to the party, or any agent of the party listed in this Agreement; or (iv) by electronic mail (i.e., e-mail), with confirming copy sent by one of the other described methods for notice set forth in this sentence. Notice deposited in the United States mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Agreement, from and after the expiration of three (3) days after it is deposited. Notice given in any such other manner shall be effective when received by the party to be notified. For the purpose of notice, addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the City, to:

City of Montgomery, Texas
101 Old Plantersville Road
Montgomery, TX 77535
Attention: City Administrator

With a copy to City attorney:

Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, TX 77019
Attention: Alan P. Petrov

If to the Developer, to:

~~HEB Grocery Company~~H-E-B, LP
425 Sawdust Road, Suite B
Spring, Texas 77380
Attention: Shaun Smith
~~Attn:—~~

With a copy to:

Golden Steves & Gordon LLP
200 E. Basse Road, Suite 200
San Antonio, Texas 78209

Attention: _____
Ami E. Gordon

The parties shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify any other address by at least fifteen (15) days' written notice to the other parties.

Section 4.6. Merger and Modification. This Agreement, including the exhibits that are attached hereto and incorporated herein for all purposes, embodies the entire agreement

between the parties relative to the subject hereof. This Agreement shall be subject to change or modification only with the mutual written consent of all the parties.

Section 4.7. Severability. The provisions of this Agreement are severable, and if any part of this Agreement or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of part of this Agreement to other persons or circumstances shall not be affected thereby.

Section 4.8. Benefits of Agreement. This Agreement is for the benefit of the City and Developer, and shall not be construed to confer any benefit on any other person except as expressly provided for herein.

Section 4.9. Recordation. The City shall record this Agreement and any amendments thereof in the deed records of Montgomery County. In addition, any assignments of this Agreement shall be recorded in the deed records of Montgomery County. This Agreement, when recorded, shall be a covenant running with the land and binding upon the Tract, the parties and their assignees during the term of this Agreement. However, this Agreement shall not be binding upon and shall not constitute any encumbrance to title as to any purchaser of a tract or lot within the Tract who does not intend to resell, subdivide or develop the tract or lot in the ordinary course of business.

Section 4.10. Term. This Agreement shall be in force and effect from the Effective Date and continue for a term of thirty (30) years unless otherwise previously terminated pursuant to some term or condition of this Agreement or by express written agreement by the City and Developer. Upon expiration of thirty (30) years from the Effective Date of this Agreement, this Agreement may be extended upon mutual consent of the Developer and the City.

Section 4.11. Authority for Execution. The City hereby certifies, represents and warrants that the execution of this Agreement is duly authorized and adopted in conformity with the City Code. The Developer hereby certifies, represents and warrants that the execution of this Agreement is duly authorized and adopted in conformity with the articles of incorporation and bylaws or partnership agreement of such entity.

(Signature Pages to Follow)

Executed by the Developer and the City to be effective on the Effective Date.

~~HEB GROCERY COMPANY~~ H-E-B.

LP,

a Texas limited partnership

By: _____

Name: _____

Benjamin R. Scott

Title: Group Vice President
of Real Estate and Shopping
Center Development

STATE OF TEXAS

§

§

COUNTY OF MONTGOMERY

§

This instrument was acknowledged before me this _____ day of _____, 2025, by _____, ~~of HEB Grocery Company~~ Benjamin R. Scott, Group Vice President of Real Estate and Shopping Center Development of H-E-B, LP, a Texas limited partnership, on behalf of said ~~entity~~ limited partnership.

Notary Public, State of Texas

(NOTARY SEAL)

CITY OF MONTGOMERY, TEXAS

Sara Countryman, Mayor

ATTEST:

Title: _____

STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

This instrument was acknowledged before me this _____ day of _____, 2025, by Sara Countryman, Mayor, City of Montgomery, Texas, on behalf of said City.

Notary Public, State of Texas

(NOTARY SEAL)

All Exhibits are subject to Developer's review and approval

EXHIBIT "A"

METES AND BOUNDS

DRAFT

EXHIBIT "B"

Sanitary Sewer Line and Sanitary Sewer Tap

DRAFT

EXHIBIT "C"

Private Driveways

DRAFT

EXHIBIT "D"

Assignment of Water and Sanitary Sewer Capacity

[to be attached]

DRAFT

Summary report: Litera Compare for Word 11.9.0.82 Document comparison done on 5/9/2025 6:00:23 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original DMS: nd://4901-9920-7215/1/Development Agreement between HEB and City of Montgomery.docx	
Modified DMS: nd://4901-9920-7215/5/Development Agreement between HEB and City of Montgomery.docx	
Changes:	
<u>Add</u>	73
Delete	43
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	116



May 30, 2025

The Planning and Zoning Commission
City of Montgomery
101 Old Plantersville Road
Montgomery, Texas 77316

Re: Variance Request
HEB Grocery LP(Dev. No. 2402)
City of Montgomery

Dear Commissioners:

HEB (the “Developer”) plans to proceed with the development of the approximately 17-acre commercial development located at the southeast corner of SH105 and FM 2854. The development consists 2 commercial pads, one being a proposed gas station/carwash and the HEB Grocery store. The Developer is requesting the following variances from the City’s Code of Ordinances:

- Section 78-92(a): Required 16’ minimum utility easement: The Developer is requesting to remove the utility easement entirely along SH-105 and place all proposed public utilities within TxDOT right-of-way. The variance is being requested by the Developer stating that there is sufficient space for the proposed utility extensions to be placed in TxDOT right of way, and if the proposed public utilities were placed in a utility easement they would be in conflict with the proposed private retaining walls located in that same area. It should be noted that if TxDOT were to ever expand SH-105 to the extent of where public utilities are located, all utilities not within an existing easement would be required to be relocated at the expense of the utility owner (The City).
- Section 78-162 (a) Minimum Landscape Setback: Requesting a 20’ setback in lieu of the 25’ requirement to be maintained on all commercial properties abutting single-family properties. The variance is being requested due to the proposed retaining walls located at the back of the property. It is important to note that the residential property abutting the development are not located within the City limits.
- Section 78-185 Article VIII: Per the enclosed letter, the Developer is requesting to limit tree planting to 150’ from the front door on all commercial pads. This request is not an explicit variance of any City Code. Section 78-166(d)(9) requires that “in the case of new parking lots, or additions to existing parking that expand the footprint of the parking lot by more than 30 percent, 60 square feet of tree canopy must be preserved or planted for each additional parking space. Parking lot trees must be located in the interior of the parking lot or in an area immediately adjacent to the parking lot. For parking lots of 250 spaces or more, at least 50 percent of the tree canopy must be located within the interior of the parking lot. Only trees of the preferred species listed in Table 2 of section 78-168 may be used to satisfy the planting requirements of this section; and all such trees must be at least two and a half-inch caliper and a minimum of ten feet in height. Additionally, no parking space shall be further than 125 feet away from the trunk of a tree.” Since this is not a direct variance to any City Code there is no action required for the variance related to Section 78-185 Article VIII at this time.

Variance Request – HEB
City of Montgomery
Page 2 of 2
May 30, 2025

Enclosed you will find the request for variance as submitted by the engineer for the development. It is important to note that the Developer has not received plan approval for the site and the final layout of their site is contingent on the variances being requested at this time.

Approval of the requested variances does not constitute plan approval and only allows the Developer to further refine the proposed plat and site plans, which will require the full review and approval of the City.

If you have any questions or comments, please do not hesitate to contact me.

Sincerely,



Chris Roznovsky, PE
City Engineer

CVR/zlgt

Z:\00574 (City of Montgomery)_900 General Consultation\Correspondence\Letters\2025\2025.05.30 MEMO to P&Z
HEB Variance Request.docx

Enclosures: Variance Request

Cc (via email): Ms. Corinne Tilley – City of Montgomery, Planning & Development Administrator & Code Enforcement
Officer

Mr. Anthony Solomon – City of Montgomery, Interim City Administrator and Police Chief

Ms. Ruby Beaven – City of Montgomery, City Secretary

Mr. Alan Petrov – Johnson Petrov, LLP, City Attorney

May 21, 2025
WPS: 0040418.04

Development Services
City of Montgomery
101 Old Plantersville Road
Montgomery, TX 77316

Re: Variance Request
HEB Montgomery
Montgomery, TX

To Whom It May Concern:

Please accept this letter as an official request for variance on the following items:

- Landscape setback along the southern property line shall be a minimum of 20 feet. A retaining wall and utilities may be installed within the proposed setback. This is in reference to city code section 78-162.
 - o The proposed alternate is to install a 20-foot landscape setback. Within the setback, a retaining wall and visual barrier will be provided. Visual barrier will be provided via landscape screening where possible, where landscape screening is not possible, a 6-foot fence will be installed for screening.
 - o The reason behind this request is due to the site conditions, i.e., the depth of the property and the significant grade difference from the front to the back of the site. The significant grade differences require the installation of retaining walls on the north, south and most of the west sides of the property. This limits the usable remaining space to properly develop the HEB Grocery Store, Fuel Station, and Car Wash to serve the needs of the community. Reducing the southern landscape setback by five feet creates the extra space needed for the development.
- No utility easement will be required along the northern property line along Highway 105 Right-of-Way. This is in reference to city code section 78-92.
 - o The existing utilities are within the TxDOT ROW. The Highway 105 ROW exceeds 100 feet in width, and there is sufficient space within the ROW for both water and sanitary sewer extensions to be installed.
 - o The reason behind this request is due to the site conditions, i.e., the depth of the property and the significant grade difference from the front to the back of the site. The significant grade differences require the installation of retaining walls on the north, south and most of the west sides of the property. This limits the usable remaining space to properly develop the HEB Grocery Store, Fuel Station, and Car Wash to serve the needs of the community.
- No trees will be installed within 150 feet of the front doors of the grocery store. This is in reference to city code section 78-185.

- The required number of trees by code will be installed within the limits of the development, except within 150 feet of the front doors.
- This is a public sanitation and safety concern. As this is a grocery store that regularly prepares and stocks fresh foods, having trees within 150 feet of the front doors introduces the opportunity for birds to fly into the store and contaminate food and products.

Sincerely,



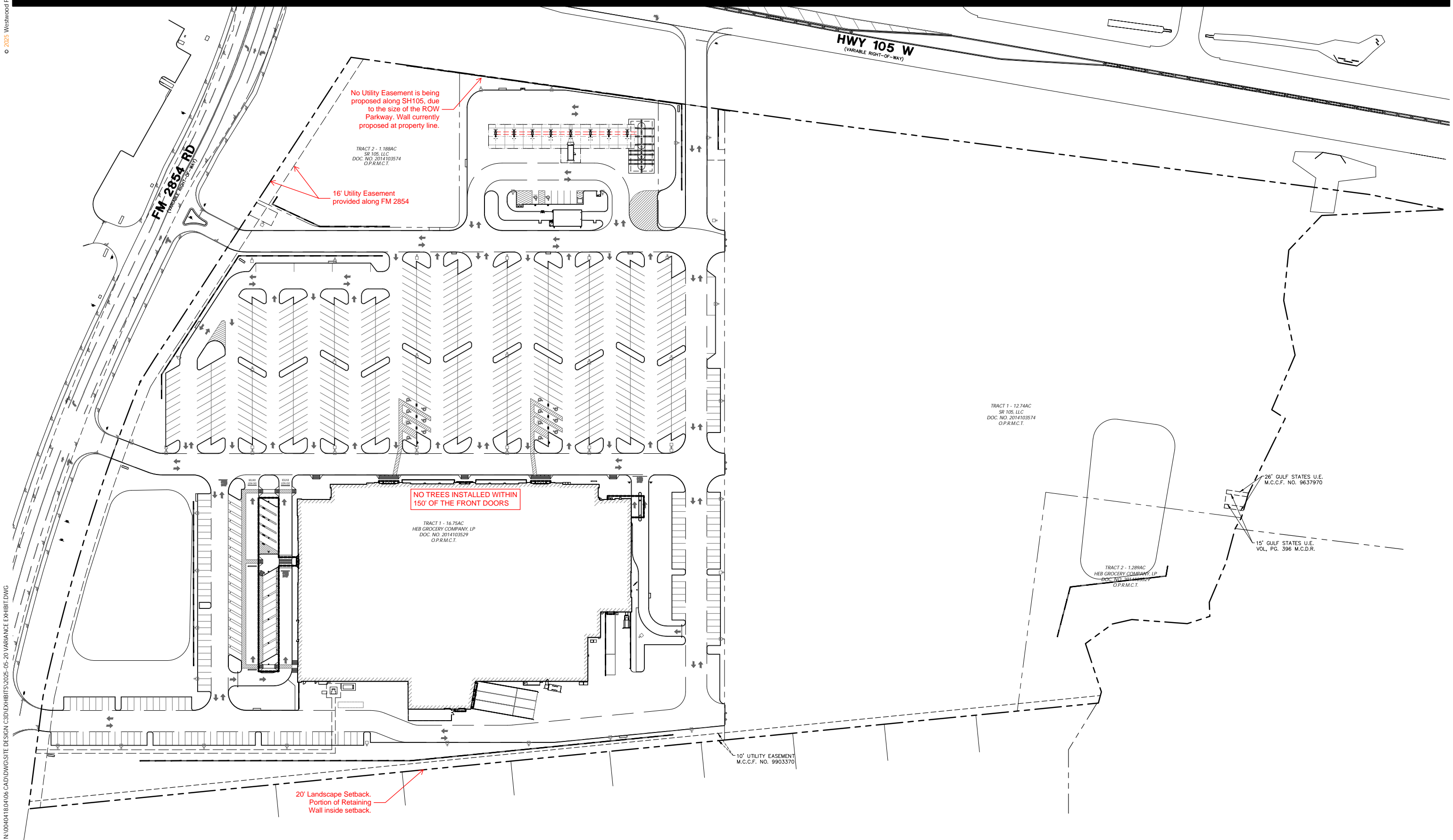
Hector Leon, P.E.

972-265-4862

hector.leon@westwoodps.com

HEB MONTGOMERY VARIANCE EXHIBIT

CITY OF MONTGOMERY, TEXAS



N:\0040418\04106 CAD\DWG\SITE DESIGN C3D\EXHIBITS\2025-05-20 VARIANCE EXHIBIT.DWG



Phone (214) 473-4640 2901 Dallas Parkway, Suite 400
Toll Free (888) 937-5150 Plano, TX 75093
Firm No. F-11756 westwoodps.com
Westwood Professional Services, Inc.

VARIANCE EXHIBIT



MAY 16, 2025
#0040418.04



Montgomery City Council
AGENDA REPORT

Meeting Date: 06/10/2025	Budgeted Amount: NONE
Department: Administration	Prepared By: WGA

Subject

Consideration and Possible action on the acceptance of the Engineer's Recommendation of Baxter & Woodman to complete the Design Services related to the Water Plant No. 4 project.

Recommendation

Approve the contract with Baxter & Woodman to complete the design of the Water Plant No. 4 project and authorize the Mayor to sign the agreement.

Discussion

The Engineer's Memo is attached.

The City began advertising for design firms on September 13, 2024 for the proposed Water Plant No. 4 project. The City received a total of three submissions on September 26th and began to review submissions.

WGA recommended that the City begin Negotiations with Baxter & Woodman at the February 25th Council meeting. WGA has since been negotiating the terms of the contract on behalf of the City. The contract has been reviewed by both WGA and the City Attorney and we have no objection to the contract as presented.

The scope of work is to prepare construction plans, bid phase services, and construction administration for the new Water Plant No. 4 facility. Baxter & Woodman's proposal states that the design process, including approvals, is expected to take approximately 330 days depending on City acceptance or comments.

The fees associated with the design total \$491,240.

Approved By

City Staff	Ruby Beaven	Date: 06/02/2025
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June 5, 2025

City Council
City of Montgomery
101 Old Plantersville Rd.
Montgomery, Texas 77316

Re: Design Firm Contract Execution
Water Plant No. 4
City of Montgomery

Dear Mayor and Council:

As you are aware, WGA has been in negotiations with Baxter & Woodman on their proposed design services for the Water Plant No. 4 Project. As a reminder, the City began advertising for design firms on September 13, 2024. The City received a total of 3 submissions on September 26, 2024 and we recommended that the City begin contract negotiations with Baxter & Woodman after discussions with City Staff. City Council authorized WGA to begin contract negotiations at their February 25, 2025 Council Meeting.

Baxter & Woodman's proposed design services include providing signed and sealed plans and specifications for the new Water Plant No. 4 facility project. Included in the services provided is also assistance with bid phase services, construction administration, and identifying alternative funding sources. The total contract performance period including design, approvals and bidding is 330 calendar days and the fees outlined in the contract total \$491,240.00 for design, bid phase, and construction administration services to be completed on an hourly not-to-exceed and lump sum basis.

If you have any questions or comments, please contact me.

Sincerely,

Chris Roznovsky, PE
City Engineer

CVR/zlgt

Z:\00574 (City of Montgomery)_900 General Consultation\Correspondence\Letters\2025\2025.06.05 MEMO to Council Water Plant No. 4.docx

Enclosure: Design Contract

Cc (via email): Mr. Anthony Solomon – City of Montgomery, Interim City Administrator & Police Chief
Ms. Ruby Beaven – City of Montgomery, City Secretary & Director of Administrative Services
Ms. Corinne Tilley – City of Montgomery, Code Enforcement Officer & Planning and Development Administrator

May 28, 2025

Ms. Katherine Vu
City Engineer
City of Montgomery
101 Old Plantersville Road
Montgomery, TX 77316

Subject: City of Montgomery – Water Plant No. 4

Dear Ms. Vu:

Baxter & Woodman, Inc., is pleased to submit the following proposal. This proposal outlines our scope of services and engineering fee.

Scope of Services

The services for this project include preparation of a preliminary engineering report (PER), preparation of construction plans and project manual, bid phase services, and limited construction administration for Water Plant No. 4, located south of the intersection of Old Plantersville Road and Old Dobbin Plantersville Road. Construction administration and inspection services will be performed by the City Engineer. The project will consist of:

- A new 1,000-gpm Water Well No. 6
- A 500,000-gallon elevated storage tank (EST) or a ground storage tank (GST), hydropneumatic tank (HPT), and booster pumps
- A control building with MCC and bleach disinfection system
- Emergency generator
- Yard piping
- Site grading and drainage
- Access driveways and site fencing

1. PROJECT COORDINATION AND DATA COLLECTION

1.1. PROJECT MANAGEMENT

- A. Plan, schedule, and control the activities that must be performed to complete the project including budget, schedule, and scope.
- B. Coordinate with OWNER and project team to ensure the goals of the project are achieved.
- C. Prepare and submit monthly invoices, coordinate invoices from sub-consultants, and provide a monthly status report via email describing tasks completed the previous month and outlining goals for the subsequent month.

1.2. PROJECT MEETINGS

- A. The following meetings are anticipated for this project:
 - 1. Meetings with OWNER at project kick-off, 30% (PER review meeting), 60%, and 90% (4 total).

1.3. SURVEYING SERVICES

- A. Utilize Windrose Land Surveying Services to perform topographic survey of the proposed Water Plant No. 4 site.
- B. Utilize Windrose Land Surveying to prepare metes and bounds descriptions and exhibits for sanitary control easements, if necessary.

1.4. GEOTECHNICAL INVESTIGATION

- A. Utilize Ninyo & Moore Geotechnical Engineers to perform geotechnical bores and provide geotechnical report including recommendations for structures and pavement. The total number and depth of bores will be determined during the preliminary engineering phase.

2. PRELIMINARY DESIGN

2.1. DESIGN CONCEPTS

- A. Provide preliminary engineering for two alternate proposed site plan concepts:
 - 1. A water plant with a water well, EST, generator, and control building.
 - 2. A water plant with a water well, GST, HPT, booster pumps, generator, and control building.
- B. Provide conceptual plans, opinions of probable cost, and O&M costs for both options.
- C. Conduct meeting with OWNER to determine final site components and configuration.

3. FINAL DESIGN AND PLAN DEVELOPMENT

3.1. FINAL DESIGN

- A. Review and respond to Pre-Final (90%) plan sheet comments.
- B. Begin coordination with power provider to set up permanent power at the site.

3.2. PROJECT MANUAL

- A. Prepare Specifications detailing the general scope, extent, and character of construction work to be furnished and performed by the Contractor(s).
- B. Prepare for review and approval by the OWNER and its legal counsel the forms of Construction Contract Documents consisting of "Front End Documents" including Advertisement for Bids, Bidder Instructions, Bid Form, Agreement, Performance Bond Form, Payment Bond Form, General Conditions, and Supplementary Conditions.

3.3. PLAN PREPARATION

- A. Complete required plan sheets required for bidding.

3.4. ENGINEER'S OPINION OF PROBABLE COST

- A. Prepare Opinion of Probable Cost (OPC) for the Project.

3.5. PEER AND CONSTRUCTABILITY REVIEWS

- A. Perform in-house peer and milestone reviews by senior staff during prefinal and final submittals.

4. AGENCY REVIEW AND APPROVAL

4.1. PERMITS AND AGENCY COORDINATION

- A. Submit the design documents to the Texas Commission on Environmental Quality (TCEQ) for approval of water well construction and upon construction completion, approval to use water well. This includes compilation of a Pollution Hazards Study and sanitary control easements descriptions, if needed.
- B. Submit drawings to Montgomery County for review and approval of control building.

5. BID ASSISTANCE

5.1. BIDDING ASSISTANCE

- A. Provide design assistance and clarification for bid documents.
 - 1. Provide documents for bidding and assist the OWNER in solicitation of bids from as many qualified bidders as possible, answer contractor questions and prepare addenda as necessary.
 - 2. Attend pre-bid conference and bid opening.

6. CONSTRUCTION ADMINISTRATION

- 6.1. The City Engineer will provide the majority of construction administration and inspection services.
- A. Attend pre-construction conferences.
 - B. Review submittals.
 - C. Review and respond to requests for information (RFIs).
 - D. Review and coordination for water well development including:
 - 1. Review of contractor's recommended screening locations
 - 2. Geophysical logs
 - E. Attend facility startup.
 - F. On-call consultation for items outside of this scope will be billed on an hourly basis.

7. FUNDING ASSISTANCE

- 7.1. Identify potential grant and loan programs to fund the construction of the water plant. A summary of funding options will be presented in the PER.

- 7.2. Assist the OWNER with preparation of and supporting documentation for up to one grant or loan application.

7.3. DIVISION OF RESPONSIBILITY

- A. The OWNER and the Engineer share in the responsibility for preparing the loan application.
- B. The OWNER will prepare and assemble the financial documentation that is required to demonstrate that the OWNER has the ability to pay back the loan. The OWNER will also provide some of the information that is needed for the various forms; information that only the OWNER can access or that can be accessed more easily by the OWNER. The main financial documents are:
 - 1. The dedicated source of revenue.
 - 2. The user charge ordinance.
 - 3. Information on the bond issue or other funds to pay the local share, if any.
 - 4. The loan ordinance, which is prepared by the OWNER's attorney.
 - 5. The OWNER's attorney's legal opinion.
 - 6. Financial and compliance audit.
 - 7. Any applicable service agreements.
- C. The Engineers prepare the following:
 - 1. Administrative items:
 - a) Loan Application Form.
 - b) Financial Information Checklist.
 - c) Financial Sustainability Plan.

- d) Project Completion Schedule.
- e) Summary of Construction Costs.
- f) Statement regarding access to privately owned individual systems, if applicable.

The following items are understood:

- Hydrogeological report and acceptance of report by LSGCD will be provided by others
- Detention will be provided by the developer and water plant stormwater can discharge to developer's stormwater system
- A Phase I Environmental Site Assessment (ESA) will be performed by the developer
- The developer is coordinating electrical power extension down Old Plantersville Road

Services not included in this proposal

- Hydrogeological report or amendment to an existing hydrogeological report
- Environmental studies and services
- Subsurface utility exploration (SUE) services
- Stormwater detention
- Coordination to extend power near the site
- Easement and plat work
- Multiple bid packages beyond one construction package
- Review of pay estimates
- Construction inspection services

Fee

1. Basic Services – Lump Sum Fees

- \$36,000 for the preliminary engineering report (PER)
- \$303,000 for final design
- \$35,000 for project management

The Owner shall pay the Engineer for the services performed or furnished a lump sum amount of **\$374,000.**

2. Basic Services – Hourly-not-to-exceed Fees

- \$6,240 for bid phase services
- \$40,000 for limited construction services

The Owner shall pay the Engineer for the services performed or furnished an amount not-to-exceed **\$46,240.**

3. Additional Services – Maximum Not-to-exceed Fees

- \$10,500 for topographic survey and sanitary control easement (SCE) metes & bounds
- \$28,000 for geotechnical investigations
- \$32,500 for funding support

The Owner shall pay the Engineer for the services performed or furnished an amount not-to-exceed **\$71,000**.

4. Additional Services – Hourly Fee Services

For LSGCD coordination for any hydrogeological report amendments, work will be performed on an hourly basis as authorized and in accordance with the attached rate schedule.

The total maximum fee for all services, excluding hourly services, is **\$491,240**.

The Engineer's fee for the stated scope of services is based upon the 2025 Engineer's standard hourly billing rates for actual work time performed plus reimbursement of out-of-pocket expenses including travel and subconsultant fees.

This proposal is valid for 120 days from the date issued.

Schedule

1. Completion of preliminary design: 60 days from date of notice to proceed.
2. Completion of 90% design: 180 days from acceptance of preliminary design and finalization of scope.
3. Completion of 100% design: 30 days from receiving comments from City.
4. Bidding services: 30 to 60 days from acceptance of project, depending on preferred bidding schedule.
5. Construction services: Schedule will be in accordance with construction schedule.

Standard Terms and Conditions

The attached Standard Terms and Conditions apply to this proposal.

Acceptance

If you find this proposal acceptable, please sign and return one copy for our files. If you have any questions or need additional information, please do not hesitate to contact Janice Noeldner at 281-350-7036 or jnoeldner@baxterwoodman.com.

Sincerely,

BAXTER & WOODMAN, INC.
CONSULTING ENGINEERS



Michael A. Kurzy, PE
Executive Vice President

Texas Registered Engineering Firm F-21783

City of Montgomery

ACCEPTED BY: _____

TITLE: _____

DATE: _____

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PLEASE READ THESE STANDARD TERMS AND CONDITIONS ("TERMS") CAREFULLY BEFORE EXECUTING THE LETTER PROPOSAL PRESENTED BY BAXTER & WOODMAN, INC. ("Baxter & Woodman"). BY EXECUTING THE LETTER PROPOSAL, OWNER AGREES TO BE BOUND BY THESE TERMS, THE PROVISIONS OF THE LETTER PROPOSAL, AND THE PROVISIONS OF ANY DOCUMENT REFERRING TO THESE TERMS OR THE LETTER PROPOSAL, ALL OF WHICH SHALL COLLECTIVELY CONSTITUTE THE "AGREEMENT".

Owner's Responsibility – Provide Baxter & Woodman with all criteria and full information for the "Project," which is generally otherwise identified in the Letter Proposal. Baxter & Woodman will rely, without liability, on the accuracy and completeness of all information provided by the Owner (as defined in the Letter Proposal) including its consultants, contractors, specialty contractors, subcontractors, manufacturers, suppliers and publishers of technical standards ("Owner Affiliates") without independently verifying that information. The Owner represents and warrants that all known hazardous materials on or beneath the site have been identified to Baxter & Woodman. Baxter & Woodman and their consultants shall have no responsibility for the discovery, presence, handling, removal or disposal of, or exposure of persons to, unidentified or undisclosed hazardous materials unless this service is set forth in the Letter Proposal.

Schedule for Rendering Services – The agreed upon services shall be completed within a reasonable amount of time. If Baxter & Woodman is hindered, delayed or prevented from performing the services as a result of any act or neglect of the Owner, any Owner Affiliate, or force majeure event, Baxter & Woodman's work shall be extended and the rates and amounts of Baxter & Woodman's compensation shall be equitably adjusted in a written instrument executed by all Parties.

Invoices and Payments – The fees to perform the proposed scope of services constitutes Baxter & Woodman's estimate to perform the agreed upon scope of services. Circumstances may dictate a change in scope, and if this occurs, an equitable adjustment in compensation and time shall be agreed upon by all Parties by written agreement. No service for which added compensation will be charged will be provided without first obtaining written authorization from the Owner. Baxter & Woodman invoices shall be due and owing by Owner in accordance with the terms and provisions of the State of Texas Prompt Payment Act (Texas Government Code, Chapter 2251).

Opinion of Probable Construction Costs – Baxter & Woodman's opinion of probable construction costs represents its reasonable judgment as a professional engineer. Owner acknowledges that Baxter & Woodman has no control over construction costs or contractor's methods of determining prices, or over competitive bidding, or market conditions. Baxter & Woodman cannot and does not guarantee that proposals, bids, or actual construction costs will not vary from Baxter & Woodman's opinion of probable construction costs.

Standards of Performance – (1) The standard of care for all services performed or furnished by Baxter & Woodman will be the same care and skill ordinarily used by professionals practicing under similar circumstances, at the same time and in the same locality on similar projects. Baxter & Woodman makes no warranties, express or implied, in connection with its services; (2) Baxter & Woodman shall be responsible for the technical accuracy of its services and documents; (3) Baxter & Woodman shall use reasonable care to comply with applicable laws, regulations, and Owner-mandated standards; (4) Baxter & Woodman may employ such sub-consultants as Baxter & Woodman deems necessary to assist in the performance or furnishing of the services, subject to reasonable, timely, and substantive objection by Owner; (5) Baxter & Woodman shall not supervise, direct, control, or have authority over any contractors' work, nor have authority over or be responsible for the means, methods, techniques, sequences, or procedures of construction selected or used by any contractor, or the safety precautions and programs incident thereto, for security or safety at the site, nor for any failure of any contractor to comply with laws and regulations applicable to such contractor's furnishing and performing of its work; (6) Baxter & Woodman neither guarantees the performance of any contractor nor assumes responsibility for any contractor's failure to furnish and perform the work in accordance with the contract documents; (7) Baxter & Woodman is not acting as a municipal advisor as defined by the Dodd-Frank Act. Baxter & Woodman shall not provide advice or have any responsibility for municipal financial products or securities; (8) Baxter & Woodman is not responsible for the acts or omissions of any contractor, subcontractor, or supplier, or any of their agents or employees or any other person at the site or otherwise furnishing or performing any work; (9) Shop drawing and submittal review by Baxter & Woodman shall apply only to the items in the submissions and only for the purpose of assessing if, upon installation or incorporation in the Project work, they are generally consistent with the contract documents. Owner agrees that the contractor is solely responsible for the submissions (regardless of the format in which provided, i.e., hard copy or electronic transmission) and for compliance with the construction documents. Owner further agrees that Baxter & Woodman's review and action in relation to these submissions shall not constitute the provision of means, methods, techniques, sequencing, or procedures of construction or extend to safety programs or precautions. Baxter & Woodman's consideration of a component does not constitute acceptance of the assembled item; (10) Baxter & Woodman's site observation during construction shall be at the times agreed upon in the Project scope. Through standard, reasonable means, Baxter & Woodman will become generally familiar with observable completed work. If Baxter & Woodman observes completed work that is inconsistent with the construction documents, information shall be communicated to the contractor and Owner for them to address.

Insurance – Baxter & Woodman will maintain insurance coverage with the following limits and Certificates of Insurance will be provided to the Owner upon written request:

Worker's Compensation:	Statutory Limits	Excess Umbrella Liability:	\$10 million per claim and aggregate
General Liability:	\$1 million per claim	Professional Liability:	\$5 million per claim
	\$2 million aggregate		\$10 million aggregate
Automobile Liability:	\$1 million combined single limit		

In no event will Baxter & Woodman's collective aggregate liability under or in connection with this Agreement or its subject matter, based on any legal or equitable theory of liability, including breach of contract, tort (including negligence), strict liability and otherwise, exceed the contract sum to be paid to Baxter & Woodman's

under this Agreement. Any claim against Baxter & Woodman arising out of this Agreement may be asserted by the Owner, but only against the entity and not against Baxter & Woodman's directors, officers, shareholders, or employees, none of whom shall bear any liability and may not be subject to any claim.

Indemnification and Mutual Waiver – (1) To the fullest extent permitted by law, Baxter & Woodman shall indemnify and hold harmless the Owner and its officers and employees from claims, costs, losses, and damages ("Losses") arising out of or relating to the Project, provided that such Losses are attributable to bodily injury, sickness, disease, or death, or to injury to or destruction of tangible property, including the loss of use resulting therefrom, but only to the extent caused by any grossly negligent act or omission of Baxter & Woodman; (2) To the fullest extent permitted by law, Owner shall indemnify and hold harmless Baxter & Woodman and its officers, directors, employees, agents and consultants from and against any and all Losses (including but not limited to all fees and charges of engineers, architects, attorneys, and other professionals, and all court, arbitration, or other dispute resolution costs) arising out of or relating to the Project provided that any such Losses are attributable to bodily injury, sickness, disease, or death, or to injury to or destruction of tangible property, including the loss of use resulting therefrom, but only to the extent arising out of or occurring in connection with the Owner's, or Owner's officers, directors, employees, consultants, agents, or others retained by or under contract to the Owner, negligent act or omission, willful misconduct, or breach of this Agreement; (3) To the fullest extent permitted by law, Owner and Baxter & Woodman waive against each other, and the other's employees, officers, directors, insurers, and consultants, any and all claims for or entitlement to special, incidental, indirect, enhanced, punitive, or consequential damages, in each case regardless of whether such party was advised of the possibility of such losses or damages or such losses or damages were otherwise foreseeable, and notwithstanding the failure of any agreed or other remedy of its essential purpose; (4) In the event Losses or expenses are caused by the joint or concurrent fault of the Baxter & Woodman and Owner, they shall be borne by each party in proportion to its respective fault, as determined by a mediator or court of competent jurisdiction; (5) The Owner acknowledges that Baxter & Woodman is a business corporation and not a professional service corporation, and further acknowledges that the corporate entity, as the party to this contract, expressly avoids contracting for individual responsibility of its officers, directors, or employees. The Owner and Baxter & Woodman agree that any claim made by either party arising out of any act of the other party, or any officer, director, or employee of the other party in the execution or performance of the Agreement, shall be made solely against the other party and not individually or jointly against such officer, director, or employees.

Termination – Either party may terminate this Agreement upon ten (10) business days' written notice to the other party in the event of failure by the other party to comply with the terms of the Agreement through no fault of the terminating party. A condition precedent to termination shall be conformance with the Dispute Resolution terms below. If this Agreement is terminated, Owner shall receive reproducible copies of drawings, developed applications and other completed documents upon written request. Owner shall be liable, and shall promptly pay Baxter & Woodman, for all services and reimbursable expenses rendered through the effective date of suspension/termination of services.

Use of Documents – All Baxter & Woodman documents (data, calculations, reports, Drawings, Specifications, Record Drawings, and other deliverables, whether in printed form or electronic media format, provided by Baxter & Woodman to Owner pursuant to this Agreement) are instruments of service and Baxter & Woodman retains ownership and property interest therein (including copyright and right of reuse). Owner shall not rely on such documents unless in printed form, signed or sealed by Baxter & Woodman or its consultant. Electronic format of Baxter & Woodman's design documents may differ from the printed version and Baxter & Woodman bears no liability for errors, omissions, or discrepancies. Reuse of Baxter & Woodman's design documents is prohibited, and Owner shall defend and indemnify Baxter & Woodman from all claims, damages, losses, and expenses, including attorney's fees, consultant/expert fees, and costs arising out of or resulting from said reuse. Project documents will be kept for time periods set forth in Baxter & Woodman's document retention policy after Project closeout.

Successors, Assigns, and Beneficiaries – Nothing in this Agreement shall be construed to create, impose, or give rise to any duty owed by Owner or Baxter & Woodman to any third party, including any lender, contractor, subcontractor, supplier, manufacturer, other individual, entity or public body, or to any surety for or employee of any of them. All duties and responsibilities undertaken pursuant to this Agreement are for the sole and exclusive benefit of the Owner and Baxter & Woodman and not for the benefit (intended, unintended, direct or indirect) of any other entity or person.

Dispute Resolution – All disputes between the Parties shall first be negotiated between executives who have authority to settle the dispute for a period of thirty (30) days. If unresolved, disputes shall be then submitted to mediation as a condition precedent to litigation. The mediation session shall be held within forty-five (45) days of the retention of the mediator, and last for at least one (1) full mediation day, before any party has the option to withdraw from the process. If mediation is unsuccessful in resolving a Dispute, then the parties may seek to have the Dispute resolved by a court of competent jurisdiction.

Miscellaneous Provisions – (1) This Agreement is to be governed by the law of the state or jurisdiction in which the project is located; (2) all notices must be in writing and shall be deemed effectively served upon the other party when sent by certified mail, return receipt requested; (3) all express representations, waivers, indemnifications, and limitations of liability included in this Agreement will survive its completion and/or termination for any reason; (4) any provision or part of the Agreement held to be void or unenforceable under any laws or regulations shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the Owner and Baxter & Woodman, which agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that expresses the intention of the stricken provision; (5) a party's non-enforcement of any provision shall not constitute a waiver of the provision, nor shall it affect the enforceability of that provision or of the remainder of this Agreement; (6) to the fullest extent permitted by law, all causes of action arising under this Agreement shall be deemed to have accrued, and all statutory periods of limitation shall commence, no later than the date of substantial completion, which is the point where the Project can be utilized for the purposes for which it was intended; (7) this Agreement, together with any other documents incorporated herein by reference, constitutes the sole and entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter; (8) no amendment to or modification of this Agreement is effective unless it is in writing and signed by each party.

BAXTER & WOODMAN, INC.
2025 HOURLY BILLING RATES FOR PROFESSIONAL SERVICES

EMPLOYEE CLASSIFICATION	HOURLY BILLING RATES
Executive Vice President	\$275
Vice President	\$260
Engineer VII	\$250
Engineer VI	\$235
Engineer V	\$210
Engineer IV	\$200
Engineer III	\$180
Engineer II	\$160
Engineer I	\$140
Engineering Intern	\$80
Construction Manager II	\$210
Construction Manager I	\$185
Engineering Tech V	\$185
Engineering Tech IV	\$165
Engineering Tech III	\$145
Engineering Tech II	\$125
Engineering Tech I	\$105
Environmental Scientist V	\$190
Environmental Scientist IV	\$175
Environmental Scientist III	\$155
Environmental Scientist II	\$135
Environmental Scientist I	\$115
Professional Surveyor	\$210
Survey Manager	\$170
Survey Crew Chief	\$150
Surveyor, Project	\$125
Survey Technician II	\$105
Survey Technician I	\$90
Spatial Technology Manager	\$200
Spatial Technology Professional III	\$175
Spatial Technology Professional II	\$145
Spatial Technology Professional I	\$130
Production Manager	\$185
CADD Technician/Designer III	\$155
CADD Technician/Designer II	\$140
CADD Technician/Designer I	\$110
Urban Planner V	\$220
Urban Planner IV	\$190
Urban Planner III	\$170
Urban Planner II	\$150
Urban Planner I	\$130
Administrative Support I to V	\$100
Marketing Professional I to IV	\$150
Communication Specialist I to IV	\$150
Accounting Professional I to IV	\$120
IT Professional I to III	\$120

Montgomery City Council
AGENDA REPORT

Meeting Date: 06/10/2025	Budgeted Amount: NONE
Department: Administration	Prepared By: WGA

Subject

Consideration and Possible Action on the Acceptance of the Public Infrastructure on MISD CTE & Ag Barn project.

Recommendation

Staff and WGA recommend that City Council Accept the public infrastructure and enter into the One-Year Warranty as of June 2, 2025 and authorizing the City Administrator to sign the Certificate of Acceptance.

Discussion

WGA recommends approval of the Certificate of Acceptance, Certificate of Substantial Completion, and entering into the 1- year warranty period as of June 2, 2025.

As a reminder, MISD was required to extend a public waterline from their point of connection to their westernmost boundary. The City requested that the upsize a proposed 8” to a 12” waterline to add additional capacity for future development. The City agreed to contribute \$75,000 to the costs of the required public utility extensions. MEDC approved this expenditure at their August 20, 2024 meeting.

The resolution was passed at the November 12, 2024 Council Meeting.

Approved By

City Staff	Ruby Beaven	Date: 05/15/2025
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June 5, 2025

City Council
City of Montgomery
101 Old Plantersville Rd.
Montgomery, Texas 77316

Re: Acceptance of Public Infrastructure
MISD CTE & AG Barn
City of Montgomery

Dear Mayor and City Council:

We conducted a final inspection of the above referenced project on February 21st and 28th 2025 and find the project to be substantially complete in accordance with the approved plans and specifications. The contractor has addressed all items at the final inspection, and we recommend the City accept the public sanitary sewer infrastructure, and begin the one-year warranty period, which will end on June 2, 2026.

As a reminder, the project was completed by MISD as part of their CTE & AG Barn Development which required the extension of public sanitary sewer to their property, and an extension of public waterline to their southwestern property boundary. As a part of their development, we asked MISD to upsize their required 8" line to a 12" for additional future capacity in the City. The City agreed to contribute \$75,000 to the costs of the required public utility extensions. This expenditure was approved by MEDC at their August 20, 2024 Commission meeting. City Council passed the resolution at their November 12, 2024 meeting.

Additionally, \$1,000 will remain in the Developer's escrow account for the project to cover the costs of the 1-year Warranty Inspection.

If you have any questions or comments, please do not hesitate to contact me.

Sincerely,

Chris Roznovsky, PE
City Engineer

CVR/zlgt

Z:\00574 (City of Montgomery)_900 General Consultation\Correspondence\Letters\2025\2025.06.05 MEMO to Council RE MISD CTE & AG Acceptance.docx

Enclosures: Final Project Punchlist

Cc (via email): Mr. Anthony Solomon – City of Montgomery, Interim City Administrator & Police Chief
Ms. Ruby Beaven – City of Montgomery, City Secretary & Director of Administrative Services
Ms. Corinne Tilley – City of Montgomery, Code Enforcement Officer & Planning and Development Administrator



CERTIFICATE OF SUBSTANTIAL COMPLETION

June 5, 2025

Owner: The Honorable Mayor and City Council
City of Montgomery
101 Old Plantersville Road
Montgomery, Texas 77316

Contractor: Mr. Jay Taylor
Stewart Builders, Ltd.
23000 NW Lake Drive
Houston, TX 77095

Re: MISD CTE/AG Barn Infrastructure Improvements
City of Montgomery
TIN No. 74-2063592

Dear Mayor and Council,

We have observed the subject project constructed by the CONTRACTOR and find it to be substantially complete in accordance with the approved plans and specifications. The project was periodically observed during construction by our field project representative

We also recommend that the Contractor's warranty period of one-year begin June 2, 2025.



Sincerely,

A handwritten signature in blue ink, appearing to read "S. Donahue".

Sean Donahue, PE
Construction Department Manager

(Professional Engineer Seal of Approval)

Z:\00574 (City of Montgomery)\134 MISD CTE & Ag Complex\COSC & COA - City.docx

CERTIFICATE OF ACCEPTANCE

June 5, 2025

Mr. Jay Taylor
Stewart Builders, Ltd.
23000 NW Lake Drive
Houston, TX 77095

Re: MISD CTE/AG Barn Infrastructure Improvements
City of Montgomery
TIN No. 74-2063592

Mr. Taylor,

This is to certify that the City of Montgomery accepts the subject project on the basis of the Certificate of Substantial Completion issued by our Engineers at WGA, LLC, and understands that a guarantee shall cover a period of one-year beginning, June 2, 2025.

Signature: _____
Mr. Anthony Solomon
City of Montgomery, Interim City Administrator

Date Approved: _____

cc: Mr. Anthony Solomon – City of Montgomery, Interim City Administrator
Ms. Corinne Tilley – City of Montgomery, Code Enforcement Officer and P&D Administrator
Ms. Ruby Beaven – City of Montgomery, City Secretary
Mr. Mike Muckleroy – City of Montgomery, Director of Public Works
Mr. Alan Petrov – Johnson Petrov, LLP, City Attorney
Ms. Katherine Vu, PE – Ward, Getz, & Associates, LLC, City Engineer



June 2, 2025

The Honorable Mayor and City Council
City of Montgomery
101 Old Plantersville Road
Montgomery, TX 77316

Re: MISD CTE/AG Barn Infrastructure Improvements
City of Montgomery
TIN No. 74-2063592

Dear Mayor and Council,

Ward, Getz & Associates, LLC held a final inspection for the referenced project on Friday, February 21, 2025, and Friday, February 28, 2025. The punchlist of deficiencies noted during the inspection have been completed and/or corrected.

The following individuals were in attendance during the final inspection:

Akeem Dunmoye – Ward, Getz & Associates, LLC
Angel Romo Walle – Ward, Getz & Associates, LLC
Carlos Colombani – Stewart Builders, Ltd.
Eric Standifer – City of Montgomery

Based on the following, we recommend the City of Montgomery officially start the Contractor's one-year warranty period on June 2, 2025.

If you have any questions or comments, please do not hesitate to contact me.

Sincerely,

Sean Donahue, PE
Construction Department Manager

SD/cnf

Z:\00574 (City of Montgomery)\134 MISD CTE & Ag Complex\Punchlist\Final Inspection Letter - Punchlist Completed.docx

cc (via email): Mr. Anthony Solomon – City of Montgomery, Interim City Administrator
Ms. Corrine Tilley – City of Montgomery, Code Enforcement Officer and P&D Administrator
Ms. Ruby Beaven – City of Montgomery, City Secretary
Mr. Mike Muckleroy – City of Montgomery, Director of Public Works
Mr. Alan Petrov – Johnson Petrov, LLP, City Attorney
Ms. Katherine Vu, PE – Ward, Getz & Associates, LLC, City Engineer



FINAL INSPECTION

Project: MISD/CTE AG Barn Infrastructure Improvements
Project Number: 00574-134-00
Engineer: Ward, Getz & Associates, LLC
Contractor: Stewart Builders, Ltd.
Inspection Date & Time: February 21, 2025 and February 28, 2025 at 11:00 am

	Punchlist Details	Substantial Completion Inspection	One-Year Warranty
1	Adjust Gate Valve Boxes to final grade.	X	
2	Adjust fire hydrants to final grade.	X	
3	Install valve boxes at gate valves where missing	X	
4	Engineer to provide asbuilt drawings in both PDF and DWG formats per Sec. 78-130 of the City of Montgomery Code of Ordinances	X	
5	Engineer to provide Bond per Sec.78 -131 of the City of Montgomery Code of Ordinances	X	
6	All waterline valve boxes to be painted blue.	X	

Z:\00574 (City of Montgomery)\134 MISD CTE & Ag Complex\Punchlist\Substantial Completion Inspection.xlsx



Ward, Getz & Associates, LLC

#00574-134-00 - MISD CTE & Ag Barn (Dev. No. 2307)

Completion Inspection

City of Montgomery

MISD CTE/AG Barn Infrastructure Improvements

00574-134-00

Substantial Completion Inspection

Created By SiteMax Systems
Created Date Monday, June 2nd, 2025



Project Address
Montgomery, Texas, US

Ward, Getz & Associates, LLC

#00574-134-00 - MISD CTE & Ag Barn (Dev. No. 2307)

Deficiency #1 - Adjust Gate Valve Boxes to final Grade

[Link](#)

Deficiency #2 - Adjust fire hydrants to final grade

[Link](#)

Deficiency #3 - Install valve boxes at gate valves where missing

[Link](#)

Deficiency #4 - Engineer to provide asbuilt drawings in both PDF and DWG formats per Sec. 78-130 of the City of Montgomery Code of Ordinances [Link](#)

Deficiency #5 - Engineer to provide Bond per Sec.78 -131 of the City of Montgomery Code of Ordinances

[Link](#)

Deficiency #6 - All waterline valve boxes to be painted blue.

[Link](#)

Completed 6

#	1	Item	Adjust Gate Valve Boxes to final Grade
Status	Completed	Priority	None
Type	Deficiency	Phase	General



[+ more](#)



[+ more](#)

#	2	Item	Adjust fire hydrants to final grade
Status	Completed	Priority	None
Type	Deficiency	Phase	General



Resolution Completed



#	3	Item	Install valve boxes at gate valves where missing
Status	Completed	Priority	None
Type	Deficiency	Phase	General
Resolution	Completed		



#	4	Item	Engineer to provide asbuilt drawings in both PDF and DWG formats per Sec. 78-130 of the City of Montgomery Code of Ordinances
Status	Completed	Priority	None
Type	Deficiency	Phase	General

#	5	Item	Engineer to provide Bond per Sec.78 -131 of the City of Montgomery Code of Ordinances
Status	Completed	Priority	None
Type	Deficiency	Phase	General

#	6	Item	All waterline valve boxes to be painted blue.
Status	Completed	Priority	None
Type	Deficiency	Phase	General
Resolution	GV lids are blue		



Montgomery City Council
AGENDA REPORT

Meeting Date: June 10, 2025	Budgeted Amount: N/A
Department: Administration	Prepared By: Ruby Beaven

Subject

Consideration and possible action on a City of Montgomery Alcohol Beverage License Application filed by Two Lips to Tulips.

Recommendation

Staff recommend approval of the City of Montgomery Alcohol Beverage License Application filed by Two Lips to Tulips.

Discussion

John “Tim” Giraud, Jr., CEO/President of 6 Arms Strong Import & Export, LLC dba Two Lips to Tulips has submitted the City of Montgomery Alcohol Beverage License. This request is for a Tasting Room/Wine Bar at 22016 C Eva St. Montgomery, TX 77356.

Mr. Giraud, began in March 2025 to begin the process of obtaining his Texas Alcohol Beverage Permit (TABC). The City Secretary must sign the TABC application as well as the Comptroller and County agencies to obtain the TABC approval.

City Code of Ordinances states that the City cannot approve or issue a City Alcoholic Beverage Permit until the TABC has issued their license and the applicant must come before City Council for final approval.

Mr. Giraud submitted his City application to the City Secretary on April 04, 2025, and no fee was issued or taken as the TABC had not completed their application process. Mr. Giraud was asked to inform the City when his TABC license was approved in order for the City Secretary to issue the City Permit. The City Secretary was notified that TABC has approved the license and Mr. Giraud is ready to proceed with obtaining the City Permit.

The City will be allowed to collect the maximum local fees of \$75.00 for a Winery Permit (G) and issue a two-year period permit. This permit will align with the dates of the TABC license.

Approved By

City Secretary/Director of Administrative Services	Ruby Beaven	Date: 06/06/2025
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CITY OF MONTGOMERY
ALCOHOL BEVERAGE
LICENSE APPLICATION

City of Montgomery, Texas
101 Old Plantersville Road
Montgomery, TX 77316
(936) 597-3288
www.montgomerytexas.gov

APPLICATION FOR THE SALE OF ALCOHOLIC BEVERAGE LICENSE

Date Received by the City: _____

1. Type of Alcoholic Beverage License: (attach completed TABC Application Form)

- ____ (1) Category A – Off Premises Consumption Sale of All Alcoholic Beverages – Package Store
- ____ (2) Category B – Off Premises Consumption Sale of Wine, Beer or Ale.
- ____ (3) Category C – Off Premises Consumption Sale of Beer.
- ____ (4) Category D – On Premises Consumption Sale of Beer, Wine and Mixed beverages – Restaurant or Café, where the sale of beer, wine and mixed beverage on the premises would be incidental to the restaurant or café.
- * (5) Category E – On Premises Consumption Sale of Beer, Wine and Mixed beverages – Tavern, Lounge, or Bar. The sale of Beer, Wine and Mixed beverages for On-Premises Consumption being the principal business line.
- ____ (6) Category F – Warehouse storage of Beer, Wine or Liquor for Distributors – No sale of Beer for on or Off-Premises Consumption permitted on the Premises.

2. Legal Description of the property for which License is sought. (Either by Lot and Block number or by a Metes and Bounds Description: A0031 RIGSB7 BEN J TRACT 81A-1, ACRES 2.660)

3. Exact Nature of the Business to be operated. (Must be fully described in cover letter on company letterhead).

WINE BAR TASTING ROOM

4. Attach a Plat of the property to the Application showing the improvements, parking areas, location of signage and other structures on the property and within three hundred (300) feet to scale.

5. Description of signs and the hours they will be operated to be attached as a separate document.

MON/TUES → CLOSED WED/THUR → 3PM TO 8PM FRI → 3PM TO 10PM

6. Attach floor plan of the building in which the business is to be conducted (showing fixtures, furniture, restrooms, kitchen and other equipment).

7. Attach a verified statement stating that the building is not within three hundred (300) feet of a church, school or hospital and that the building is in compliance with the requirements of this chapter for separate and adequate toilet facilities for men and women if used for on-premises consumption of beer, liquor or wine. This can be included in cover letter.

8. Business Owner: JOHN "JIM" GIRAUD JR. Phone: (832) 264-3652
Address: 22016 C EVA ST, MONTGOMERY TX 77356
Home Address: 9654 C KATY BLVD #274 Phone: (832) 264-3652
Check if you are leasing property: NO HOUSTON, TX 77055

9. Land Owner: BUDDY & RACHIEL ADAMS Phone: B → (713) 539-1702
Address: 22016 A EVA ST, MONTGOMERY TX 77356 R → (281) 642-7042

10. Business Partners: N/A Phone: _____
Address: _____
Home Address: _____ Phone: _____

11. A cover letter on your company's letterhead shall include a description of the nature of the business to be conducted, the names and address and interests of all persons having a direct or indirect financial interest in the property. The cover letter can include any other requested information that needs further description.

Upon receipt of this application form and confirmation that all items have been received, you will be notified of the date and

time of the City Council Meeting by the City Secretary.

The provisions of the City Code shall be considered concurrent with or in addition to the Texas Alcoholic Beverage Code, and, where a conflict may be found to exist, the provisions of the Texas Alcoholic Beverage Code shall apply. Applicants for a City alcoholic beverage license must comply with all applicable state and county codes and regulations as well as the requirements of the City Code.

It shall be unlawful for any person to manufacture, brew, distill, sell or distribute any wine, beer, liquor or other alcoholic beverage within the City, or engage in any other activity for which a license or permit is required by the Texas Alcoholic Beverage Code, without first obtaining a license so to do from the City. The annual fee for each such license shall be an amount equal to one-half the fee charged by the state for a license or permit to engage in a similar activity.

Note: The Alcoholic Beverage Code, provides that a mixed beverage permit is exempt from City permit fees during the three year period following the issuance of the permit.

If you require any additional information, please contact the City Secretary at (936) 597-3288.

This is to certify that I, JOHN T. GIRAUD, JR., have complied with all State, County, Codes and Regulations of the City of Montgomery, Texas.

[Signature] or _____
Business Owner and/or Lessee Partner if Applicable



BAR-B-QUE
MAGNOLIA
MONTGOMERY

The Meating Place BBQ Montgomery
22016 Eva St
Montgomery, TX 77356
936-597-7724

April 3, 2024

To Whom it May Concern,

Please consider this a statement of knowledge that we, the lessors, are aware that the lessees, Two Lips to Tulips, will be selling wine in the building that is located on the premises that we lease from McClanhan Development. If you have any questions or concerns, please email Rachel at rachel@meatingplacebbq.com or call 281-642-7042. Thank you for your time concerning this matter.

Kind Regards,


Buddy Adams, The Meating Place BBQ



Two Lips to Tulips

22016 C Eva St, Montgomery Texas 77356

March 4, 2025

City of Montgomery
101 Old Plantersville Road
Montgomery, Texas 77316

To Whom It May Concern,

My name is John "Tim" Giraud, Jr. I am the CEO/President & Managing Member of 6 Arms Strong Import & Export, LLC dba Two Lips to Tulips. We will be doing a Tasting Room/Wine Bar at 22016 C Eva St, Montgomery TX 77356.

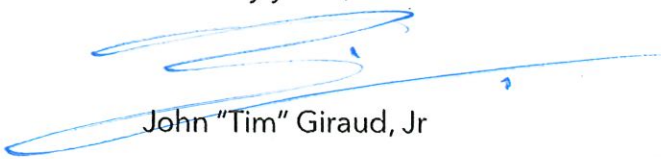
We are leasing the building and property from Buddy & Rachel Adam's, the owners of the Meating Place BBQ Montgomery LLC.

We will be conducting Business Wednesday & Thursday from 3pm to 8pm, Friday from 3pm to 10pm, Saturday from 12pm to 10pm & Sunday from 12pm to 8pm.

We will be selling wine and smalls bites.

We are not within 300 feet of any churches, schools or hospitals. We are also in full compliance with our toilet facilities for our men and women customers while at our place of business.

Sincerely yours,



John "Tim" Giraud, Jr

22016 C Eva St Montgomery Texas 77356 (832)264-3652



GENERAL INFO

ACCOUNT

Property ID: 34576
Geographic ID: 0031-01-08115
Type: R
Zoning:
Agent:
Legal Description: A0031 RIGSBY BEN J, TRACT 81A-1, ACRES 2.660
Property Use: 600

OWNER

Name: MCCLANAHAN DEVELOPMENT LLC
Secondary Name:
Mailing Address: 13921 HIGHWAY 105 W CONROE TX 77304-5703
Owner ID: 746030
% Ownership: 100.000000
Exemptions:

LOCATION

Address: 22016 EVA ST, MONTGOMERY TX 77356
Market Area:
Market Area CD: 1101.C
Map ID:
Zoning:

PROTEST

Protest Status:
Informal Date:
Formal Date:

VALUES

CURRENT VALUES

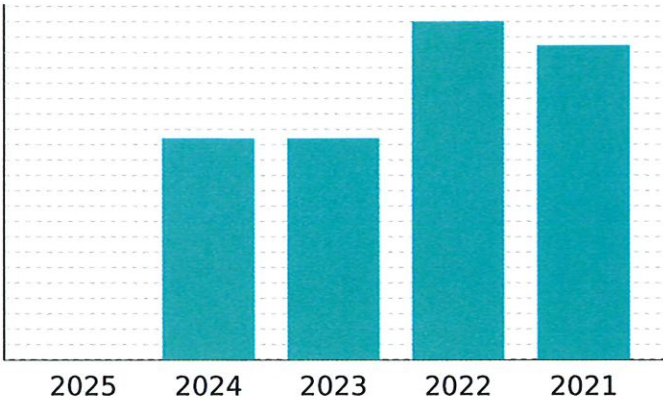
Land Homesite: N/A
Land Non-Homesite: N/A
Special Use Land Market: N/A
Total Land: N/A

Improvement Homesite: N/A
Improvement Non-Homesite: N/A
Total Improvement: N/A

Market: N/A
Special Use Exclusion (-): N/A
Appraised: N/A
Value Limitation Adjustment (-): N/A

Net Appraised: N/A

VALUE HISTORY



VALUE HISTORY

Year	Land Market	Improvement	Special Use Exclusion	Appraised	Value Limitation Adj (-)	Net Appraised
2025	N/A	N/A	N/A	N/A	N/A	N/A
2024	\$288,440	\$71,560	\$0	\$360,000	\$0	\$360,000
2023	\$288,440	\$71,560	\$0	\$360,000	\$0	\$360,000
2022	\$288,440	\$261,560	\$0	\$550,000	\$0	\$550,000
2021	\$288,440	\$222,380	\$0	\$510,820	\$0	\$510,820

TAXING UNITS

Unit	Description	Tax Rate	Net Appraised	Taxable Value
CMO	City of Montgomery	N/A	N/A	N/A
F02	Emergency Ser Dist #2	N/A	N/A	N/A
GMO	Montgomery Cnty	N/A	N/A	N/A
HM1	Mont Co Hospital	N/A	N/A	N/A
SMO	Montgomery ISD	N/A	N/A	N/A

DO NOT PAY FROM THIS ESTIMATE. This is only an estimate provided for informational purposes and may not include any special assessments that may also be collected. Please contact the tax office for actual amounts.

IMPROVEMENT

Improvement #1: **Commercial** Improvement Value: **N/A** Main Area: **3,627**
 State Code: **F1** Description: **321** Gross Building Area: **3,645**

Type	Description	Class CD	Exterior Wall	Number of Units	EFF Year Built	Year	SQFT
031	Restaurant	D		1	2004	1977	3,627
CP6	Canopy Roof & Slab -	D		1	2004	1982	18

Improvement Features

031 HVAC: CC1, HVAC: CH4, Plumbing: 2, Exterior Finish: C2, Electrical: 1, Additional Factor 1: 321

Improvement #2: **Commercial** Improvement Value: **N/A** Main Area: **864**
 State Code: **F1** Description: **321** Gross Building Area: **1,056**

Type	Description	Class CD	Exterior Wall	Number of Units	EFF Year Built	Year	SQFT
083	Sales Area Enclosure	D		1	2004	1945	864
CP6	Canopy Roof & Slab -	D		1	2004	1945	192

Improvement Features

CP6 Additional Factor 1: 373

083 HVAC: CH3, Additional Factor 1: 373, Plumbing: 2, HVAC: CC2, Exterior Finish: C2, Electrical: 1

Improvement #3: **Commercial** Improvement Value: **N/A** Main Area: **600**
 State Code: **F1** Description: **321** Gross Building Area: **720**

Type	Description	Class CD	Exterior Wall	Number of Units	EFF Year Built	Year	SQFT
083	Sales Area Enclosure	D		1	2004	1945	600
CP6	Canopy Roof & Slab -	D		1	2004	1945	120

Improvement Features

CP6 Additional Factor 1: 373

083 HVAC: CH3, Additional Factor 1: 373, Plumbing: 2, Exterior Finish: C2, Electrical: 1

LAND

Land	Description	Acres	SQFT	Cost per SQFT	Market Value	Special Use Value
G9	Wasteland/floodway	1.4529	63,287	\$3.00	N/A	N/A
S1	Primary Site	0.5593	24,362	\$4.00	N/A	N/A

Land	Description	Area	Val	Cost per Val	Market Value	Special Use Value
G9	Wasteland/floodway	0.6478	28,220	\$0.04	N/A	

Item 13.

DEED HISTORY

Deed Date	Type	Description	Grantor/Seller	Grantee/Buyer	Book ID	Volume	Page	Instrument
12/17/24	SWD	Spcl W/deed	CHEATHAM, JOSHUA C	MCCLANAHAN DEVELOPMENT LLC				2025000338
12/10/21	WDV	W/d & V/In	GERRARD, DAVID P & CHERYL A	CHEATHAM, JOSHUA C				2021172265
9/20/16	WDV	W/d & V/In	MERDIAN, JOHN E	GERRARD, DAVID P & CHERYL A				2016085269



Montgomery County Clerk L. Brandon Steinmann

210 W. Davis, Conroe, TX 77301
936-539-7885
CCOPR@mctx.org
MAIL: P.O. Box 959, Conroe, TX 77305

DBA# 202500733
FILED AND RECORDED
03/24/2025 01:20PM
Rosio Munoz
L. BRANDON STEINMANN, COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

ASSUMED NAME "DBA" CERTIFICATE Certificate of Ownership for an Unincorporated Business

For an Unincorporated Business or Profession other than as a Corporation, Limited Partnership, Limited Liability Company, Limited Liability Partnership, Protected Series or Registered Series of a Limited Liability Company, or Foreign Filing Entity.

Business Name: Two legs To Turtles
Business Physical Address: 22016 Hwy 105 W, C Montgomery TX 77356
City State Zip

NOTICE: The filing of this business name is valid only for a period not to exceed 10 years as outlined in the Texas Business and Commerce Code Chapter 71.

A County Clerk is not responsible for verifying the accuracy of the information contained in an Assumed Name "DBA" certificate. This certificate properly executed is to be filed with the County Clerk for each county in which the business will operate.

I hereby state that this registrant is a (mark appropriate box): ☐ Sole Proprietorship ☐ General Partnership

☒ Other Form of Unincorporated Business: _____

I/We, the undersigned, is/are the owner(s) of the above business and my/our name(s) and address(es) given is/are true and correct, and there is/are no other ownership(s) in said business other than those listed herein below.

Owner Name: John Timothy Giraud Jr Signature: _____
Residence Address: 9654 C Katy Pk #224 Houston TX 77055 Veteran: Y / ☒ N
City State Zip

Owner Name: _____ Signature: _____
Residence Address: _____ Veteran: Y / N
City State Zip

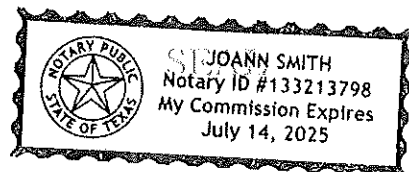
Owner Name: _____ Signature: _____
Residence Address: _____ Veteran: Y / N
City State Zip

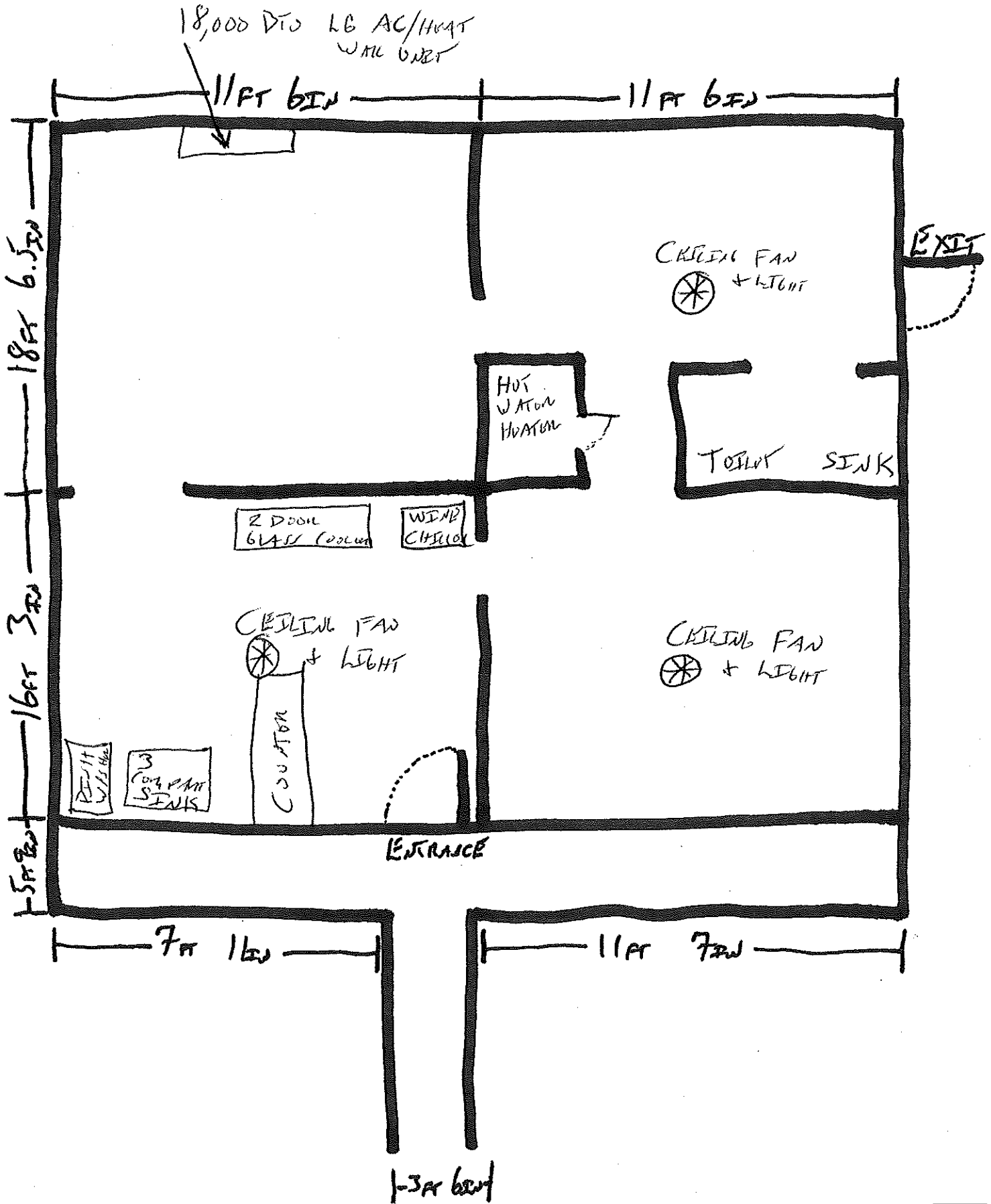
Owner Name: _____ Signature: _____
Residence Address: _____ Veteran: Y / N
City State Zip

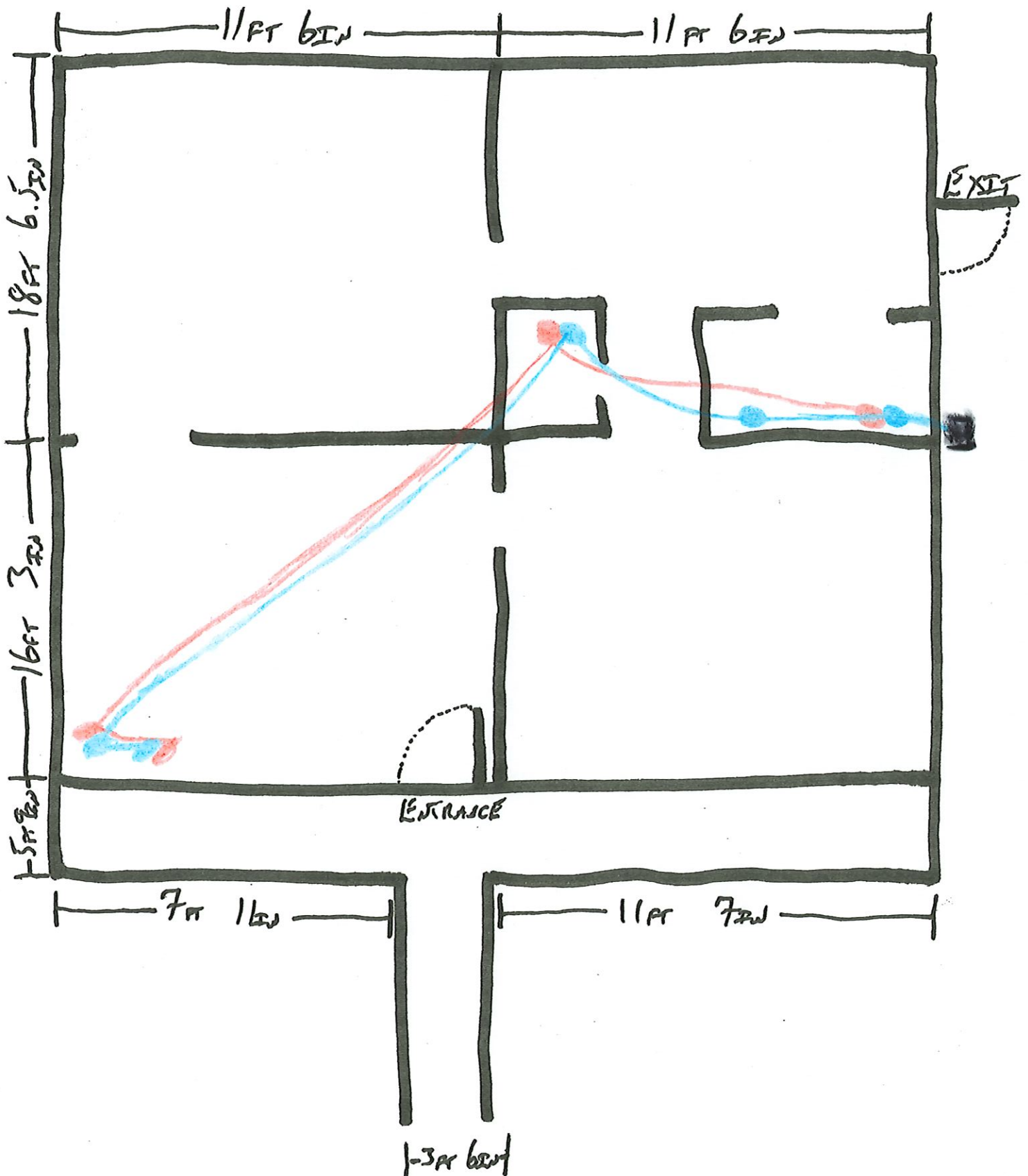
The State of Texas
County of Montgomery

This instrument was acknowledged before me on this 24 day of March, 2025
by (owner's name) John Timothy Giraud JR.

[Signature]
Signature of Notary Public in and for State of Texas







DOC# 2025041
PAGES 9

Document reference ID : 463254

Licensing Application Summary

You must review your application and confirm that the information displayed here is correct. Select **Review and Confirm** to continue and make the payment. If the information is not correct, select **Next** to return to the application, edit the data as needed and finalize the submission. If you need to store the application packet for your records, select **Download**.

Application ID: 463254
Applicant Name: 6 Arms Strong Import & Export, LLC
License Type applied for: Winery Permit (G)

Entity Information

Business Structure: Limited liability company
FEIN/SSN Number: 874479813
Member Managed or Manager Managed: Manager Managed
Historically Underutilized Business: No
Veteran-owned business: No
Fraternal Owned: No
Secretary of State Filing Number: 804373496
Date Filed: 1/4/2022
Filing State: TX

Initial Application Information

Authority Type: I am a principal or authorized user with binding authority
Prefix: Mr
Legal First Name: John
Legal Middle Name: Timothy
Legal Last Name: Giraud
Suffix: Jr.

Email Address: Tim@6ArmsStrong.com

Phone Number: [832-264-3652](tel:832-264-3652)

Principal Parties

Principal Parent Entity	Principal Party	Role	Ownership %	Action
6 Arms Strong Import & Export, LLC	6 Arms Strong Industries, LLC	Member	100	
6 Arms Strong Import & Export, LLC	John Giraud	Manager and/or Officer	0	

Basic Business information

Business/Trade Name: Two Lips to Tulips

Location's Phone Numbers

Business Phone Number [832-264-3652](tel:832-264-3652)

Location Address

Address: 22016 Hwy 105 W, C, Montgomery, TX, United States, Montgomery 77356

Is your location within city limits? Yes

Mailing Address Information

Address: 22016 Hwy 105 W, C, Montgomery, TX, United States, Montgomery 77356

Measurement Information

Measuring from the public entrance of your location along street lines and directly across intersections, will your location be within 1,000 feet of the nearest property line of a public or private school? No

Is a residential address or established neighborhood association located within 300 feet of any property line of your premises? No

Location Additional Information

Do you, the applicant, intend to engage in any activity authorized by the winery permit on the permitted premise of another winery? No

Property Ownership

Do you, the applicant, own the land, building, and/or warehouse at this proposed licensed location? No

Are you operating under? Lease

Property Ownership Details

Property Type	Property Ownership Type	Entity Name
Land and Building	Lessor	The Meating Place BBQ Montgomery LLC

Warehouse Information

Address 1: 22016 Hwy 105 W, C Montgomery, TX, United States 77356

Address 2: ...



**CERTIFICATE OF COMPTROLLER REPRESENTATIVE FOR: (BN, J/JD, S, FC, W, X, G, J, BB,
BC & BI)**

Per Sec. 16.011, "A winery permit may be issued for premises in an area in which the sale of wine has not been authorized by a location option election. . . "

I hereby certify on this _____ day of _____, _____, that the location for which the license/permit is sought is inside the boundaries of this city or town, in a "**wet**" area for such license/permit excluding wineries, and not prohibited by charter or ordinance in reference to the sale of such alcoholic beverages.

SIGN HERE

Comptroller Representative

_____, TEXAS
City

SEAL



CERTIFICATE OF COUNTY CLERK FOR: (W, X, G, J, BB, BC & BI)

I hereby certify on this 24 day of March, 2025, that the location for which the license/permit is sought is in a "wet" area for such license/permit excluding wineries, and is not prohibited by any valid order of the Commissioner's Court.

SIGN HERE

L. Brandon Steinmann

County Clerk

By: Rosio Munny, Deputy Clerk

Montgomery
County

SEAL





COMPTROLLER OF PUBLIC ACCOUNTS CERTIFICATES

I hereby certify on this 24 day of March, 2025, the applicant holds or has applied for and satisfies all legal requirements for the issuance of a Sales Tax Permit under the Limited Sales, Excise and Use Tax Act or the applicant as of this date is not required to hold a Sales Tax Permit.

Sales Tax Permit Number 32082564330

Outlet Number 00003

Print Name of Comptroller Employee Shawniece Cunningham

Print Title of Comptroller Employee Enforcement Officer

SIGN HERE

[Signature]
Comptroller Representative



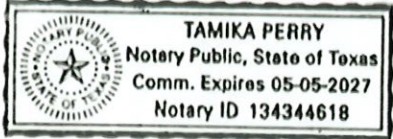
Houston, TEXAS
City

SEAL





Publisher's Affidavits for All Applicants Except BN, DS, S, J, and JD
TX Alc. Bev. Code, Section 11.39 and 61.38

Name of Newspaper	Conroe Courier
Published in City, County	Montgomery, Montgomery
Counties generally circulated in	Harris, Trinity, Walker, Grimes, Polk, San Jacinto, Washington, Montgomery, Liberty, Austin, Waller, Chambers, Colorado, Brazoria, Fort Bend, Galveston, Wharton, Jackson, and Matagorda.
Dates notice published in daily/weekly newspaper (MM/DD/YYYY)	03/26/2025, 03/27/2025
Publisher or designee certifies attached notice was published in newspaper stated on dates shown	
Signature of publisher or designee	
Sworn to and subscribed before me on this date MM/DD/YYYY	03/28/2025
Signature of Notary Public	
SEAL	
Attach printed copy of the notice	

Application has been made with the Texas Alcoholic Beverage Commission for a (Winery) G Permit by John Giraud for 6 Arms Strong Import & Export, LLC dba Two Lips to Tulips, to be located at 22016 Hwy 105 W. C. Montgomery TX 77356 (Montgomery County). Officer of said corporation is John Giraud/Member-Manager

IPLHCN0074979



PUBLISHER'S AFFIDAVIT	
Name of newspaper	
City, County	
Dates notice published in daily/weekly newspaper (MM/DD/YYYY)	
<i>Publisher or designee certifies attached notice was published in newspaper stated on dates shown</i>	
Signature of publisher or designee	
Sworn to and subscribed before me on this date	
Signature of Notary Public	
SEAL	
ATTACH PRINTED COPY OF THE NOTICE	

Required Certifications



TEXAS ALCOHOLIC BEVERAGE COMMISSION

Texans Helping Businesses & Protecting Communities

Join TABC in the fight against human trafficking

L-CERT (7/2022)

Submit this form to the proper officials to obtain certification for the type of license/permit for which you are applying as required by TX Alc. Bev. Code, Sections 11.37, 11.39, 11.46(b), 61.37, 61.38, 61.42 and Rule §33.13. This Required Certifications form must be submitted with your Initial Application form.

Contact your local TABC office for assistance.

LOCATION INFORMATION

1. Trade Name of Location (Name of restaurant, bar, store, etc.)			
TWO LIPS TO TULIPS			
2. Owner of Business/Applicant (Name of Corporation, LLC, etc.)			
6 ARMS STRONG IMPORT AND EXPORT LLC			
3. Type of Owner			
<input type="checkbox"/> Corporation	<input checked="" type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Partnership	
<input type="checkbox"/> Limited Partnership	<input type="checkbox"/> Limited Liability Partnership	<input type="checkbox"/> Other: _____	
4. Location Address			
22016 HWY 105 W, C			
City	County	State	Zip Code
MONTGOMERY	MONTGOMERY	TX	77356
5. Mailing Address			
22016 HWY 105 W, C			
City	County	State	Zip Code
MONTGOMERY	MONTGOMERY	TX	77356
6. Business Telephone Number	Alternate Telephone Number	E-mail Address	
(832) 264-3652		TIN@6ARMSSTRONG.COM	
7. Application for:			
<input checked="" type="checkbox"/> Original	<input type="checkbox"/> Reinstatement	License/Permit Number	<input type="checkbox"/> Reinstatement and Change of Trade Name
	<input type="checkbox"/> Change of Location	License/Permit Number	<input type="checkbox"/> Change of Location and Trade Name
8A. Type of Off-Premise Retailer License/Permit:			
<input type="checkbox"/> BF Retail Dealer's Off-Premise License	<input type="checkbox"/> E Local Cartage Permit	<input type="checkbox"/> P Package Store Permit	
<input type="checkbox"/> BQ Wine and Malt Beverage Retail Dealer's Off-Premise Permit	<input type="checkbox"/> ET Third-Party Local Cartage Permit	<input type="checkbox"/> Q Wine Only Package Store	
<input type="checkbox"/> LP Local Distributor's Permit			
8B. Type of On-Premise Retailer License/Permit			
<input type="checkbox"/> BE Retail Dealer's On-Premise License	<input type="checkbox"/> E Local Cartage Permit	<input type="checkbox"/> MB Mixed Beverage	
<input type="checkbox"/> BG Wine and Malt Beverage Retail Dealer's On-Premise Permit	<input type="checkbox"/> FB Food and Beverage Certificate	<input type="checkbox"/> WP Waterpark Permit	
<input type="checkbox"/> BP Brewpub License	<input type="checkbox"/> LH Late Hours Certificate		
8C. Type of Wholesaler's, Distributor's, or Manufacturer's License/Permit			
<input type="checkbox"/> BB General Distributor's License	<input type="checkbox"/> D Distillers and Reclifiers Permit - allows on-premise consumption	<input type="checkbox"/> S Nonresident Seller's Permit	
<input type="checkbox"/> BC Branch Distributor's License	<input type="checkbox"/> DS Out-of-State Winery Direct Shipper's Permit	<input type="checkbox"/> SD Brewer's Self-Distribution License	
<input type="checkbox"/> BN Nonresident Brewer's License	<input checked="" type="checkbox"/> G Winery - allows on-premise consumption	<input type="checkbox"/> W Wholesaler's Permit	
<input type="checkbox"/> BW Brewer's License	<input type="checkbox"/> J Bonded Warehouse	<input type="checkbox"/> X General Class B Wholesaler Permit	
<input type="checkbox"/> JD Bonded Warehouse (Dry Area)			
9. For On or OFF-Premise Applicants, Indicate Primary Business Type at this Location			
<input checked="" type="checkbox"/> Bar (W/TS Bar)	<input type="checkbox"/> Grocery/Market	<input type="checkbox"/> Package Store	<input type="checkbox"/> Sexually Oriented
<input type="checkbox"/> Civic Center	<input type="checkbox"/> Hotel	<input type="checkbox"/> Public Entertainment Fac. (PEF as defined in Sec. 108.73)	<input type="checkbox"/> Sporting Arena
<input type="checkbox"/> Convenience Store	<input type="checkbox"/> Motel	<input type="checkbox"/> Racetrack	
<input type="checkbox"/> Delivery Company	<input type="checkbox"/> Movie Theater	<input type="checkbox"/> Restaurant	

Trade Name: Two LIPS To TULERSLocation Address: 22016 HWY 105 W, C City: Montgomery County: Montgomery**Off-Premise Certifications**Per Sec. 11.37, not later than the 30th day after the date a prospective applicant for a permit...requests certification, the city secretary...shall certify whether the location or address given in the request is in a wet area and whether the sale of alcoholic beverages for which the permit is sought is prohibited by charter or ordinance.**Certificate of City Secretary: P, Q, BF, BQ**

TX Alc. Bev. Code, Section 11.37 & 61.37

☐ CHECK HERE IF NOT IN CITY LIMITS

I hereby certify on this _____ day of _____, 20____, that the location for which the license/permit is sought as the place of business is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

Permits/Licenses Wet For	Based on most recent local option election, area is wet for:
<input type="checkbox"/> BF	The legal sale of malt beverages for off-premise consumption only <input type="checkbox"/> greater than 5% alcohol by volume OR <input type="checkbox"/> 5% or less alcohol by volume
<input type="checkbox"/> BF, BQ, Q	The legal sale of malt beverages and wine for off-premise consumption only
<input type="checkbox"/> BF, BQ, Q, P	The legal sale of all alcoholic beverages for off-premise consumption only

OR

☐ I hereby refuse on this _____ day of _____, 20____ to certify this location.

SIGN

HERE _____, _____, TEXAS
City Secretary/Clerk City**SEAL****On-Premise Certifications**Per Sec. 11.37, not later than the 30th day after the date a prospective applicant for a permit...requests certification, the city secretary...shall certify whether the location or address given in the request is in a wet area and whether the sale of alcoholic beverages for which the permit is sought is prohibited by charter or ordinance.**Certificate of City Secretary (FOR MB, MB/FB, BG, BG/FB, BE, & BE/FB)**

TX Alc. Bev. Code, Section 11.37 & 61.37

I hereby certify on this _____ day of _____, 20____, that this location address is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

Permits/Licenses Wet For	Based on most recent local option election, area is wet for:
<input type="checkbox"/> MB	Mixed Beverage Permit
<input type="checkbox"/> MB/FB	Mixed Beverage Restaurant Permit with required Food and Beverage Certificate
<input type="checkbox"/> BG*	Wine and Malt Beverage Retail Dealer's On-Premise Permit
<input type="checkbox"/> BG/FB*	Wine and Malt Beverage Retail Dealer's On-Premise Permit with required Food and Beverage Certificate
<input type="checkbox"/> BE*	Retail Dealer's On-Premise License
<input type="checkbox"/> BE/FB*	Retail Dealer's On-Premise License with required Food and Beverage Certificate
*Mark box on right for BE and/or BE/FB	<input type="checkbox"/> greater than 5% alcohol by volume OR <input type="checkbox"/> 5% or less alcohol by volume
*Mark box on right for any of the following license or permit types BG, BG/FB BE, BE/FB	Election for given location was held for: <input type="checkbox"/> legal sale of malt beverage/wine (17%) on-premise AFTER Sept. 1, 1999 OR <input type="checkbox"/> legal sale of malt beverage/wine (14%) on-premise BEFORE Sept. 1, 1999

SIGN

HERE _____, _____, TEXAS
City Secretary/Clerk City**SEAL****Certification for Late Hours Certificate (LH)**

TX Alc. Bev. Code, Chapters 29 & 70 et seq.

I hereby certify on this _____ day of _____, 20____, that one of the below is correct:

<input type="checkbox"/>	The governing body of this city or county has by ordinance or order authorized the sale of <i>mixed beverages</i> between midnight and 2:00 A.M.;
OR	
<input type="checkbox"/>	The governing body of this city or county has by ordinance or order authorized the sale of <i>malt beverage</i> between midnight and _____ A.M.;
OR	
<input type="checkbox"/>	The population of the city or county where premises are located was 500,000 or more according to the 24 th Decennial Census of the United States as released by the Bureau of the Census on April 1, 2020;
OR	
<input type="checkbox"/>	The population of the city or county where premises are located was 800,000 or more according to the last Federal Census (2020).

SIGN

HERE _____, _____, TEXAS
City Secretary/Clerk City**SEAL**

Trade Name: Two Lip To TulsaLocation Address: 22016 Hwy 105 W, CCity: MontgomeryCounty: Montgomery**Wholesaler, Distributor or Manufacturer Certifications**

Per Sec. 11.37, not later than the 30th day after the date a prospective applicant for a permit... requests certification, the city secretary... shall certify whether the location or address given in the request is in a wet area and whether the sale of alcoholic beverages for which the permit is sought is prohibited by charter or ordinance.

Certificate of City Secretary for: J☐ CHECK HERE IF NOT IN CITY LIMITS

I hereby certify on this ____ day of _____, 20__, that this location address is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

SIGN

HERE _____, TEXAS
City Secretary/Clerk City

SEAL**Certificate of City Secretary for Winery (G) Applicants**

Per Sec. 16.011, "A winery permit may be issued for premises in an area in which the sale of wine has not been authorized by a local option election..."

I hereby certify on this 10th day of April, 2025, that this location address ☒ is ☐ is not in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

OR

☐ I hereby refuse on this ____ day of _____, 20__ to certify this location.

SIGN

HERE Shy B _____, TEXAS
City Secretary/Clerk City Montgomery

SEAL**Certificate of City Secretary for: R & D**

I hereby certify on this ____ day of _____, 20__, that this location address is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages, and

☐ does ☐ does not allow for on-premise consumption and

☐ does ☐ does not allow for off-premise consumption in accordance with 501.035 of the Election Code.

OR

☐ I hereby refuse on this ____ day of _____, 20__ to certify this location.

SIGN

HERE _____, TEXAS
City Secretary/Clerk City

SEAL**Certificate of City Secretary for: BB, BC, W & X**

Applicants Per Sec. 251.79 "a wholesaler's permit, general class B wholesaler's permit, or a general or branch distributor's license may be issued and licensed premises maintained in any area where the sale of any alcoholic beverage is legal."

I hereby certify on this ____ day of _____, 20__, that this location address ☐ is ☐ is not in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

OR

I hereby refuse on this ____ day of _____, 20__ to certify this location.

SIGN

HERE _____, TEXAS
City Secretary/Clerk City

SEAL

Trade Name: Two Lanes To TulsaLocation Address: 22016 HWY 105 W. CCity: MarathonCounty: Mo**Off-Premise Certifications**Per Sec. 11.37, not later than the 30th day after the date a prospective applicant for a permit...requests certification, the county clerk...shall certify whether the location or address given in the request is in a wet area and whether the sale of alcoholic beverages for which the permit is sought is prohibited by any valid order...**Certificate of County Clerk: P, Q, BF, BQ**

TX Alc. Bev. Code, Section 11.37 & 61.37

☐ CHECK HERE IF NOT IN CITY LIMITS

I hereby certify on this _____ day of _____, 20____, that the location for which the license/permit is sought as the place of business is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

Permits/Licenses Wet For	Based on most recent local option election, area is wet for:
<input type="checkbox"/> BF	The legal sale of malt beverages for off-premise consumption only <input type="checkbox"/> greater than 5% alcohol by volume OR <input type="checkbox"/> 5% or less
<input checked="" type="checkbox"/> BF, BQ, Q	The legal sale of malt beverages and wine for off-premise consumption only
<input type="checkbox"/> BF, BQ, Q, P	The legal sale of all alcoholic beverages for off-premise consumption only

OR

☐ I hereby refuse on this _____ day of _____, 20____ to certify this location.

SIGN

HERE _____, _____ County
County Clerk**SEAL****On-Premise Certifications**Per Sec. 11.37, not later than the 30th day after the date a prospective applicant for a permit...requests certification, the county clerk...shall certify whether the location or address given in the request is in a wet area and whether the sale of alcoholic beverages for which the permit is sought is prohibited by any valid order...**Certificate of County Clerk (FOR MB, MB/FB, BG, BG/FB, BE, & BE/FB)**

TX Alc. Bev. Code, Section 11.37 & 61.37

I hereby certify on this _____ day of _____, 20____, that this location address is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

Permits/Licenses Wet For	Based on most recent local option election, area is wet for:
<input type="checkbox"/> MB	Mixed Beverage Permit
<input type="checkbox"/> MB/FB	Mixed Beverage Restaurant Permit with required Food and Beverage Certificate
<input type="checkbox"/> BG*	Wine and Malt Beverage Retail Dealer's On-Premise Permit
<input type="checkbox"/> BG/FB*	Wine and Malt Beverage Retail Dealer's On-Premise Permit with required Food and Beverage Certificate
<input type="checkbox"/> BE*	Retail Dealer's On-Premise License
<input type="checkbox"/> BE/FB*	Retail Dealer's On-Premise License with required Food and Beverage Certificate
*Mark box on right for BE and/or BE/FB	
<input type="checkbox"/> greater than 5% alcohol by volume	
OR	
<input type="checkbox"/> 5% or less alcohol by volume	
*Mark box on right for any of the following license or permit types	
BG, BG/FB	
BE, BE/FB	
Election for given location was held for:	
<input type="checkbox"/> legal sale of malt beverage/wine (17%) on-premise AFTER Sept. 1, 1999	
OR	
<input type="checkbox"/> legal sale of malt beverage/wine (14%) on-premise BEFORE Sept. 1, 1999	

SIGN

HERE _____, _____ County
County Clerk**SEAL****Certification for Late Hours Certificate (LH)**

TX Alc. Bev. Code, Chapters 29 & 70 et seq.

I hereby certify on this _____ day of _____, 20____, that one of the below is correct:

<input type="checkbox"/>	The governing body of this city or county has by ordinance or order authorized the sale of <i>mixed beverages</i> between midnight and 2:00 A.M.;
OR	
<input type="checkbox"/>	The governing body of this city or county has by ordinance or order authorized the sale of <i>malt beverage</i> between midnight and _____ A.M.;
OR	
<input type="checkbox"/>	The population of the city or county where premises are located was 500,000 or more according to the 24 th Decennial Census of the United States as released by the Bureau of the Census on April 1, 2020;
OR	
<input type="checkbox"/>	The population of the city or county where premises are located was 800,000 or more according to the last Federal Census (2020).

SIGN

HERE _____, _____ County
County Clerk**SEAL**

Trade Name: _____

Location Address: _____ City: _____ County: _____

Wholesaler, Distributor or Manufacturer CertificationsPer Sec. 11.37, not later than the 30th day after the date a prospective applicant for a permit...requests certification, the county clerk...shall certify whether the location or address given in the request is in a wet area and whether the sale of alcoholic beverages for which the permit is sought is prohibited by any valid order....**Certificate of County Clerk for: J**☐ CHECK HERE IF NOT IN CITY LIMITS

I hereby certify on this ____ day of _____, 20____, that this location address is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

SIGN

HERE _____, _____ County
County Clerk

S E A L

Certificate of County Clerk for Winery (G) Applicants

Per Sec. 16.011, "A winery permit may be issued for premises in an area in which the sale of wine has not been authorized by a local option election..."

I hereby certify on this 7th day of April, 2025, that this location address ☒ is ☐ is not in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

OR

I hereby refuse on this ____ day of _____, 20____ to certify this location.

SIGN

HERE L. Brandon Steinmann, Montgomery County
County ClerkBy: [Signature], Deputy Clerk**Certificate of County Clerk for: BW & D**I hereby certify on this ____ day of _____, 20____, that this location address is in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages, and☐ does ☐ does not allow for on-premise consumption and☐ does ☐ does not allow for off-premise consumption in accordance with 501.035 of the Election Code.

OR

☐ I hereby refuse on this ____ day of _____, 20____ to certify this location.

SIGN

HERE _____, _____ County
County Clerk

S E A L

Certificate of County Clerk for: BB & BC, W & XApplicants Per Sec. 251.79 "a wholesaler's permit, general class B wholesaler's permit, or a general or branch distributor's license may be issued and licensed premises maintained in any area where the sale of any alcoholic beverage is legal."I hereby certify on this ____ day of _____, 20____, that this location address ☐ is ☐ is not in a "wet" area for this type of license or permit and inside the boundaries of this jurisdiction, where it is legal to sell such alcoholic beverages.

OR

I hereby refuse on this ____ day of _____, 20____ to certify this location.

SIGN

HERE _____, _____ County
County Clerk

S E A L

Trade Name: _____

Location Address: _____ City: _____ County: _____

Publisher's Affidavit for All Applicants Except BN, DS, S
TX Alc. Bev. Code, Section 11.39 and 61.38

Name of newspaper		<p align="center">ATTACH PRINTED COPY OF THE NOTICE HERE</p> <p>Click here to see example of newspaper publication</p>
City, County		
Dates notice published in daily/weekly newspaper (MM/DD/YYYY)		
<i>Publisher or designee certifies attached notice was published in newspaper stated on dates shown.</i>		
Signature of publisher or designee		
Sworn to and subscribed before me on this date (MM/DD/YYYY)		
Signature of Notary Public		
SEAL		

Comptroller of Public Accounts Certificate for All Applicants

TX Alc. Bev. Code, Section 11.46 (b) & 61.42 (b)

This is to certify on this 9th day of April, 2025, the applicant holds or has applied for and satisfies all legal requirements for the issuance of a Sales Tax Permit under the Limited Sales, Excise and Use Tax Act or the applicant as of this date is not required to hold a Sales Tax Permit and that none of the persons making this application are indebted to the State of Texas.

Sales Tax Permit Number 32082564330 Outlet Number 100001



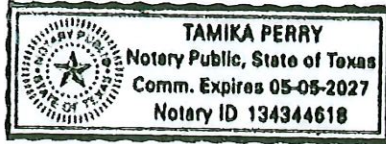
Print Name of Comptroller Employee Mary C. Gill

Print Title of Comptroller Employee Tax Enforcement Officer

SIGN HERE Mary C. Gill FIELD OFFICE 2431





Publisher's Affidavits for All Applicants Except BN, DS, S, J, and JD TX Alc. Bev. Code, Section 11.39 and 61.38	
Name of Newspaper	Conroe Courier
Published in City, County	Montgomery, Montgomery
Counties generally circulated in	Harris, Trinity, Walker, Grimes, Polk, San Jacinto, Washington, Montgomery, Liberty, Austin, Waller, Chambers, Colorado, Brazoria, Fort Bend, Galveston, Wharton, Jackson, and Matagorda.
Dates notice published in daily/weekly newspaper (MM/DD/YYYY)	03/26/2025, 03/27/2025
Publisher or designee certifies attached notice was published in newspaper stated on dates shown	
Signature of publisher or designee	
Sworn to and subscribed before me on this date MM/DD/YYYY	03/28/2025
Signature of Notary Public	
SEAL	
Attach printed copy of the notice	

Application has been made with the Texas Alcoholic Beverage Commission for a (Winery) G Permit by John Giraud for 6 Arms Strong Import & Export, LLC dba Two Lips to Tulips, to be located at 22016 Hwy 105 W, C, Montgomery TX 77356 (Montgomery County). Officer of said corporation is John Giraud/Member-Manager
IFLHCN0074979

Master File ID:	2200061733	Application Status:	Pending – In Review
Application ID:	463254	Submission Date:	3/3/2025
License Type:	G	Subordinate License ID:	
Primary License ID:	200159327		
Trade Name:	Two Lips to Tulips		
Owner:	6 Arms Strong Import & Export, LLC		
Location Address:	22016 Hwy 105 W C		
	Montgomery , TX		
	773562242		
	United States		
County:	Montgomery	Wine Percent:	
Location Phone No.:		Gun Sign:	

Ruby Beaven

From: Tim Giraud <Tim@6armsstrong.com>
Sent: Friday, June 6, 2025 5:25 PM
To: Ruby Beaven
Subject: Fw: Your TABC license/permit application has been approved

Tim Giraud
CEO/President
6 Arms Strong
Tim@6ArmsStrong.com
+1 (832) 264-3652

From: no-reply@tabc.texas.gov <no-reply@tabc.texas.gov>
Sent: Friday, June 6, 2025 11:47 AM
To: cdumas@dumasneel.com <cdumas@dumasneel.com>; Tim Giraud <Tim@6armsstrong.com>
Subject: Your TABC license/permit application has been approved



Application Approved

Congratulations! Your TABC application has been approved.

You must now print and display your license or permit in a conspicuous place on the licensed premises.

[Visit AIMS](#)

Additional Information

Application ID : 463254

License Number	Application Sub Type	Self Transaction	Status
200159327	Winery Permit (G)	New Winery Permit	approved

How to Print Your License

To print your license, log in to your Alcohol Industry Management System (AIMS) account and click the Manage an Existing License button from your AIMS dashboard. To learn more, you can:

- [View this video tutorial](#)
- [Read this guide](#)



Learn about AIMS

Visit TABC's [How To Use AIMS webpage](#) to find user guides and videos, or you can find answers to frequently asked questions on the [AIMS FAQs page](#).



Questions?

Get in touch with TABC by calling 512-206-3360.

How are we doing? [Take survey.](#)