

**REGULAR MEETING AND PUBLIC HEARING
CITY COUNCIL
CITY OF NASSAU BAY, TEXAS
AUGUST 31, 2020
7:00 PM
VIA TELECONFERENCE**

MEMBERS OF COUNCIL PRESENT: Mayor Mark Denman, Mayor Pro Tem Don Matter, Councilmembers Ashley Graves, John Mahon, Bryce Klug, Bob Wartens, Matt Prior, and Councilmember-Elect Phil Johnson (all members via teleconference)

MEMBERS OF COUNCIL ABSENT: None

OTHERS PRESENT: City Attorney Dick Gregg, Jr., City Manager Jason Reynolds, City Secretary Sandra Ham, Assistant City Manager Mary Chambers, Finance Director Csilla Ludanyi, Public Works Director Paul Lopez, Police Chief Tim Cromie, Fire Chief Tom George, Human Resources Manager Chani Honeycutt, Emergency Management Coordinator Dena Mahan, and Planning Commission Chairman Roscoe Lee (all members via teleconference)

PRESIDING: Mayor Mark Denman

CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Mark Denman called the meeting to order at 7:00 p.m. and announced a quorum of Council was present with all elected officials in attendance.

CITIZENS' REQUEST FOR HEARING BEFORE CITY COUNCIL

Mayor Denman announced a Public Hearing for citizens to address Council regarding any issues and concerns.

Public Hearing was opened at 7:01 p.m.

There being no one else wishing to speak, the Public Hearing was immediately closed.

APPOINTMENTS, PROCLAMATIONS, PRESENTATIONS, AWARDS

Update on the status of the City of Nassau Bay, post Hurricane Laura

Emergency Management Coordinator Dena Mahan presented on the City's preparation plan for Hurricane Laura. She began her comments by illustrating the City's readiness, which included a strong communication plan that included social media, live interviews, Nassau Bay Alerts, phone calls, and the City's website. She noted the highest points of weather for the City, with zero injuries or property damage reported. Continuing her comments on preparation, she described the City's readiness in regards to fuel, food, personnel, and EOC activation. She ended her presentation by overviewing the post storm process and the continued storm activity in the Gulf of Mexico.

Mayor Mark Denman expressed his appreciation to staff for their extraordinary efforts during Hurricane Laura.

Councilmember Matt Prior thanked staff for the quick response on the drainage of Lake Nassau during the storm event.

Emergency Management Coordinator Mahan indicated the City has a great system of checklists, which helps in preparedness. Although the City did not have to activate for more severe weather, City personnel and facilities were prepared for far worse.

When asked about any learning opportunities, City Manager Jason Reynolds noted the facility used for housing the City's vehicles, should there have been a worse storm, does not allow for evacuation of personnel. The City needs to research additional facilities for personnel should a higher category storm approach Nassau Bay.

Councilmember John Mahon commented on parked vehicles, and he noticed many residents moved their automobiles to higher ground. He cautioned that should the storm have been worse that these vehicles could have been severely impacted. EMC Mahan noted that communication was relayed to residents about parking in the streets, but for future messaging, a reminder about boats could also be broadcasted.

Mayor Pro Tem Don Matter inquired on back up plans for security, should barricades or additional policing of the City be required. EMC Mahan indicated the City has a mutual aid agreement with the Harris County Sheriff's Office.

Presentation of the City Manager's Proposed Budget for Fiscal Year 2021

City Manager Jason Reynolds provided a high-level overview of the Fiscal Year 2020 Budget. Additionally, he noted there will be Council discussion on the adjusted tax rate proposal.

In comparison to other regional cities and based on the median home value of \$272,000, the City of Nassau Bay trends is lower in comparison in terms of costs to operate. Mr. Reynolds began with a long-range financial plan for the General Fund. The final proposed draft budget maintains a suitable reserve balance up to Fiscal Year 2026, with all proposed reserves exceeding the 90 day working capital policy.

Councilmember Matt Prior inquired on the proposed one-time projects, with Mr. Reynolds stating if there is unavailable funding for that project then it is not completed. He noted for the past seven years, the surplus in the reserves had provided the needed cushion for one-time expenses. Councilmember Prior expressed concern about the City's conservative approach in projecting budgeted revenue. He believes this conservative approach does not allow for planning three to five years into the future and requested considerations for more realistic revenue projections for the City.

City Manager Reynolds continued the discussion by notating the largest expenses in the City are attributed to the General Fund, comprising 46% of the total budget. The Water and Sewer Fund is the second largest Fund within the City. He provided a summary of all expenditure changes in the General Fund, as he projects a 1.6% increase in expenses of \$94,800. The Water and Sewer Fund is projected at a 3.8% increase in expenses, while the Debt Service Fund expenses are expected to be lower than the prior year. He illustrated the year to year comparison of revenue for all Funds within the budget and

provided a caveat to the Tourism Fund, as revenue for the Fund is projected very conservatively due to the COVID pandemic.

Mr. Reynolds indicated that expenditures for the General Fund were in line with the revenue stream. He noted the Contingency line item was lowered. Additionally, there was a projected 3% merit increase budgeted, but City staff were only awarded a 2.5% merit increase.

Mr. Reynolds detailed the General Fund expenditures by department and indicated the Police Department to be the largest expense at 25% of the General Fund budget. The average homeowner with the average home value will pay \$156.93 per month in property taxes to the City. The next largest costs are the Public Works and the Parks Department combined. Councilmember-Elect Phil Johnson inquired on the difference per month for the average homeowner based on the new proposed tax rate, with Mr. Reynolds responding that it is approximately a 9% increase.

Councilmember Bryce Klug requested of City Manager to provide an overview of the City's budget priorities. Mr. Reynolds indicated the strongest priorities of Council include public safety and renewing infrastructure. As previously depicted, the largest portions of budget expenditures are allocated to those two priorities. The remaining expenditures are strong support elements to ensure those priorities are achieved. A majority of the property revenue received is allocated to the Police Department. This strengthens the Department by ensuring more than one officer is on shift and marine operations are enabled. Additionally, it has allowed the City to adjust the Police Department salaries to become more competitive in the region, further attracting high quality employees.

Mr. Reynolds described the \$500,000 transfer from the General Fund to the Water and Sewer Fund. He also indicated the City will be utilizing \$707,470 of reserves for one-time costs. Currently the cost of operation for one day is \$16,872, and the City will maintain 100 days of reserve. For capital projects, the General Fund will allocate \$639,240 for those projects. He also overviewed the funding sources for additional capital projects.

Mr. Reynolds ended the overview by providing details on the Water & Sewer capital projects and overall FY21 projects. He described the water and sewer line rehabilitation, which City Council has authorized to complete in Phase 1 and Phase 2. He also provided additional details on the Southeast Transmission Line. Mr. Reynolds emphasized the importance of the water source line, as the City is a co-owner. There are currently financial resources being allocated in addressing past repairs. Councilmember Klug highlighted the fact that as Nassau Bay is a co-owner, the City has the ability to obtain less expensive and more reliable water. Mr. Reynolds agreed, noting the City pays for water in the cents, while regional cities are paying in the dollars.

PUBLIC HEARING AND ACTION ITEMS FROM PUBLIC HEARING

Public Hearing on the City Manager's Proposed Budget for Fiscal Year 2021

Mayor Denman announced a Public Hearing for citizens to address Council regarding the City Manager's Proposed Budget for Fiscal Year 2021.

The Public Hearing was opened at 7:37 p.m.

Roscoe Lee, 1631 Antigua Lane, indicated his participation in several of the budget workshops, in which each City Department provided a presentation in support of the budget. He noted there was no “fluff” within the budget, specifically with the major challenge for City staff in reducing expenditures to ensure there is the prioritized funding for the Police Department salary increases. He ended his comments by commending City Council and staff for the work performed in the budget process. He also highlighted the City’s aggressive steps to fill staff vacancies.

There were no other public comments and the Public Hearing was closed at 7:39 p.m.

Approval of an ordinance adopting the Fiscal Year 2021 Annual Budget and appropriating the several sums set therein to the departments and the funds therein named (first and only reading)

The caption of the ordinance reads as follows (first and only reading):

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF NASSAU BAY, TEXAS, ADOPTING THE FY2021 BUDGET FOR THE CITY OF NASSAU BAY, TEXAS, AND APPROPRIATING THE SEVERAL SUMS SET THEREIN TO THE DEPARTMENTS AND FUNDS THEREIN NAMED.

(Said Ordinance is of record in Ordinance Book No. 13 of the City of Nassau Bay, Texas, being Ordinance No. O2020-802.)

It was moved by Councilmember Bob Warters, seconded by Councilmember Ashley Graves, to approve the first and only reading of the Fiscal Year 2021 Annual Budget and to appropriate the several sums set therein to the departments and the funds therein named.

Mayor Denman took a roll call vote for the approval of the Fiscal Year 2021 Budget:

Councilmember Prior – Approve
Councilmember Warters – Approve
Councilmember Klug – Approve
Councilmember Mahon – Approve
Councilmember Graves – Approve
Mayor Pro Tem Matter – Approve
Mayor Denman – Approve

Motion passed 7 – 0.

CITIZENS’ REQUEST FOR HEARING BEFORE CITY COUNCIL

Mayor Denman announced a Public Hearing for citizens to address Council regarding any issues and concerns.

Public Hearing was opened at 7:43 p.m.

There being no one wishing to speak, the Public Hearing was immediately closed.

NEW BUSINESS

Receival of the Tax Year 2020 No-New-Revenue-Rate and the Voter-Approval-Rate calculations

Finance Director Csilla Ludanyi provided an overview of the how calculations are made for the No-New-Revenue (NNR) and Voter-Approval-Rate (VAR) Tax Rates. The No-New-Revenue tax rate enables the public to evaluate the relationship between taxes for the prior year and for the current year based on a tax rate that would produce the same amount of taxes (no new taxes) if applied to the same properties that are taxed in both years. The Voter-Approval-Rate is the highest tax rate that a taxing unit may adopt without holding an election to seek voter approval of the rate. The Voter-Approval-Rate is split into two separate rates, the Maintenance and Operations (M&O) Tax Rate and the Debt Rate.

The Harris County Tax Assessor-Collector's office has completed the Tax Year 2020 No-New-Revenue and Voter-Approval Tax Rate Calculations. With statutory changes made during the 86th Legislative Session, Texas Tax Code Section 26, the NNR and VAR tax rates substitute two tax rate calculations formerly known as Effective and Rollback tax rates respectively.

She indicated at the August 10, 2020 City Council meeting, City Council approved Tax Year 2020 NNR and VAR tax rate calculations. These rates were calculated at the 1.035% VAR rate and were not in consideration of the De Minimis Rate due to comptroller implementation language suggesting the possibility of petition for election. Ms. Ludanyi clarified that a new legal review of the statutes explains that the election petition is only applicable if the municipality chooses a tax rate over the VAR calculated at 1.08%, but under the De Minimis Rate. The updated worksheets provide for calculation of the VAR at 1.08% and provide the range of available tax rates at or below the new VAR and under the De Minimis Rate.

Finance Director Ludanyi noted the General Fund is approximately 58% funded by property tax revenue. The Certified Roll or Estimated Taxable Value plays a pivotal roll in setting the tax rate. The new proposed rate is one-cent lower than the previous year and below the requirements of triggering an election to set the rate. Councilmember-Elect Phil Johnson inquired on the additional revenue provided by the newly calculated rates. Ms. Ludanyi indicated the certified values have not yet been received, and current calculations are based on HCAD's estimates provided on July 24th.

Ms. Ludanyi continued with an overview of the TIRZ, which represents a significant portion of the City's taxable value, currently at 22%. This accounts for \$161 million for Tax Year 2020. With each year of increased value in the TIRZ, the City will experience a disruptive impact on the Truth in Taxation calculation.

She indicated the City must publish tax rate information and a notice of public hearing. The Budget cover must contain the following notice: "This budget will raise less revenue from property taxes than last year's budget by an amount of \$982,384, which is a 19.75 percent decrease from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$9,028." She cautioned that the legal calculation for this statement does not account for the TIRZ in the previous year's taxable value. This means the proposed taxable value seems to have decreased greatly. Each year this

calculation must be done, as long as the TIRZ is in existence and makes up a large portion of the total taxable value, the revenue decrease amount will seem outrageous.

The Notice will be published in the Bay Area Citizen on September 9th allowing for the public hearing and adoption of the tax rate on September 14th. The Notice will include all the language necessary to take advantage of the De Minimis Tax Rate. In order to publish this Notice, City Council is required to receive and approve the proposed rate.

Councilmember Ashley Graves expressed appreciation to Finance Director Ludanyi for her efforts in effectively overseeing the tax rate process.

It was moved by Councilmember Bob Warters, seconded by Mayor Pro Tem Matter, to receive the Tax Year 2020 No-New-Revenue-Rate and the Voter-Approval-Rate calculations.

Motion passed 7 – 0.

Acceptance of the proposal of the Tax Year 2020 (Fiscal Year 2021) ad valorem tax rate of \$0.722120

Finance Director Ludanyi indicated that as part of Truth in Taxation Texas Tax Code Chapter 26, the code designates that the governing board of a taxing entity must vote on the proposal of a tax rate in order to begin the tax rate setting process. By voting to accept the proposal of setting the tax rate at \$0.722120, the Council ensures that the City can continue the legal process of providing notice of the public hearing and tax rate adoption that is scheduled to occur on Monday, September 14, 2020.

Ms. Ludanyi stated the rate of \$0.722120 to be lower than the Voter-Approval Rate (calculated at 1.08% for a Special Taxing Unit) for Tax Year 2020 which is \$0.735008. It is also lower than the De Minimis Rate of \$0.772472. It is higher than the VAR calculated at 1.035%. The City proposes this tax rate notification and for adoption on Monday, September 14, 2020. The budget scheduled for adoption today, August 31, 2020, is inclusive of this proposed rate.

It was moved by Councilmember Bob Warters, seconded by Mayor Pro Tem Matter, to accept the proposal of the Tax Year 2020 (Fiscal Year 2021) ad valorem tax rate of \$0.722120.

Motion passed 7 – 0.

EXECUTIVE SESSION

Meeting recessed to Executive Session at 7:58 p.m. as authorized by Texas Government Code, Chapter 551, Open Meetings, Subchapter D, Exceptions to Requirement that Meeting be Open, with Mayor Denman reading from the posted agenda the following topic to be discussed in Executive Session:

1. §551.074 Personnel – Discussion on the reappointment and appointment of members to the Board of Adjustment.

2. §551.074 Personnel – Discussion on the appointment of a member to the Palm Tree Landscape Plan Task Force.
3. §551.087 Deliberations Regarding Economic Development Negotiations - Discussion of economic development options – 18022 Upper Bay Rd, Nassau Bay, TX 77058.

Meeting returned to Open Session at 8:39 p.m.

ACTION ITEMS FROM EXECUTIVE SESSION

Resolution reappointing Regular Member Glenn Poche and Alternate Members Harv Hartman, Vincent Berend, and Diana Denman and appointing Regular Kyle Rone to the Board of Adjustment as discussed in Executive Session

The caption of the resolution reads as follows:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NASSAU BAY, TEXAS, APPOINTING AND REAPPOINTING MEMBERS TO THE BOARD OF ADJUSTMENT.

(Said Ordinance is of record in Ordinance Book No. 19 of the City of Nassau Bay, Texas, being Resolution No. R2020-2201.)

It was moved by Mayor Pro Tem Don Matter, seconded by Councilmember Bob Warters, to reappoint Regular Member Glenn Poche and Alternate Members Harv Hartman, Vincent Berend, and Diana Denman and appoint Regular Kyle Rone to the Board of Adjustment, as discussed in Executive Session.

Motion passed 7 – 0.

Appointment of Brenda Hesse to the Palm Tree Landscape Plan Task Force

It was moved by Councilmember Ashley Graves, seconded by Councilmember John Mahon, to appoint Brenda Hesse to the Palm Tree Landscape Plan Task Force, as discussed in Executive Session.

Motion passed 7 – 0.

Action on an economic development matter as discussed in Executive Session – 18022 Upper Bay Rd, Nassau Bay, TX 77058

It was moved by Mayor Pro Tem Don Matter, seconded by Councilmember Bob Warters, to authorize the City Manager to negotiate the real estate matter, not to exceed the terms as discussed in Executive Session.

Motion passed 7 – 0.

ADJOURNMENT

There being no further business, the meeting adjourned at 8:41 p.m.

Minutes approved as submitted and/or amended this 11th day of January A.D. 2021.

CITY OF NASSAU BAY, TEXAS



Robert L. Warters
Mayor

ATTEST:



Sandra V. Ham
City Secretary

