

**BUDGET WORKSHOP  
CITY COUNCIL  
CITY OF NASSAU BAY, TEXAS  
FEBRUARY 22, 2021  
7:00 PM**

**MEMBERS OF COUNCIL PRESENT:** Mayor Bob Warters, Mayor Pro Tem Don Matter, Councilmembers Phil Johnson, John Mahon, Bryce Klug, Sandra Mossman, Matt Prior, and Councilmember-Elect Ashley Graves

**MEMBERS OF COUNCIL ABSENT:** None

**OTHERS PRESENT:** City Manager Jason Reynolds, City Secretary Sandra Ham, Assistant City Manager Mary Chambers, Finance Director Csilla Ludanyi, Police Chief Tim Cromie, Fire Chief Tom George, and Planning Commission Chairman Roscoe Lee

**PRESIDING:** Mayor Bob Warters

**CALL TO ORDER AND ROLL CALL OF MEMBERS**

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

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

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

**NEW BUSINESS**

**Update by City Manager Jason Reynolds on Winter Storm Uri.**

City Manager Jason Reynolds provided a brief update on Winter Storm Uri. Mr. Reynolds indicated there were several power outages that affected a portion of the City, including the lift station. Power outages led to conservation efforts in the City and a boil water notice. Harris County Precinct 2 graciously provided a generator in order to provide power to the lift station and assist it in becoming operational. Moving forward, the City will focus on damage assessment.

There was a brief discussion on the power outages, which were originally meant to be rolling blackouts. Councilmember Phil Johnson inquired on what actions the City would take to ensure these power outages did not happen again. Mr. Reynolds indicated the City has written complaint letters to State Representative Dennis Paul and State Senator Larry Taylor. Mayor Pro Tem Don Matter inquired whether TML would be seeking action, as he would like to see their support in the issue.

City Manager Reynolds commented that the biggest loss thus far for the City is vegetation. He noted any potential FEMA funds for recovery could not be utilized for plants or vegetation.

Councilmember Matt Prior expressed his appreciation to the City for the exceptional information flow throughout the emergency.

The discussion ended with remarks on the City generator. The City does maintain a generator, but at the time it was being utilized by the Fire & EMS Station, as they were in the process of installing the station's new permanent generator.

### **Resolution adopting the use of Harris County's voting system for the May 1, 2021 General City Officers' Election**

City Secretary Sandra Ham indicated that Harris County has purchased new voting equipment, Hart InterCivic (Verity 2.4), which will be used for the May 2021 uniform election. Texas Election Code Sec. 123.001(b)(3)(B) requires that the governing body of the political subdivision ordering the election must adopt the system by resolution for use in the election.

Additionally, the resolution authorizes the election to be held in conjunction with Harris County and authorizes the City Manager to negotiate and execute a Joint Election Agreement with Harris County for the purposes of conducting the election on May 1, 2021. There was a brief discussion on the election, election costs, Early Voting and Election Day.

The caption of the resolution reads as follows:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NASSAU BAY, TEXAS, ADOPTING THE USE OF HARRIS COUNTY'S VOTING SYSTEM FOR THE MAY 1, 2021 GENERAL CITY OFFICERS' ELECTION; AUTHORIZING THAT THE ELECTION SHOULD BE HELD JOINTLY WITH HARRIS COUNTY; AND CONTAINING OTHER PROVISIONS RELATING TO SAID ELECTION.

(Said Resolution is of record in Resolution Book No. 19 of the City of Nassau Bay, Texas, being Resolution No. R2021-2219.)

It was moved by Councilmember Bryce Klug, seconded by Councilmember Phil Johnson, to approve the resolution adopting the use of Harris County's voting system for the May 1, 2021 General City Officers' Election.

Motion passed 7 – 0.

### **BUDGET WORKSHOP**

City Council conducted a debt workshop session to discuss the City's current debt situation, acceptable levels of debt, future debt policy, implications of debt on the tax rate, and proposed projects for future debt allocation.

Mayor Bob Warters provided an overview of the previous Budget Workshop and the items agreed upon by all members. These items included a consensus that 80% funding of TRMS was satisfactory, additional payments to TMRS were not necessary, and accelerated payments to developer Fred Griffin were not required. There was a brief discussion on the current payment to TMRS, and the steady payment rate. Councilmember Bryce Klug acknowledged those additional funds to TMRS could be reallocated to infrastructure projects.

Mayor Wartens continued with a review of the sales tax funds contributed to the EDC, NAMD, and Street Sales Fund. He indicated a goal to reduce this allocation to decrease administrative costs. Councilmember Phil Johnson contended there was use for the NAMD, as the NAMD has revenue generating authority. There is a need for the City to explore ways to generate this additional revenue. Mayor Wartens countered, as the City has not been able to capture these funds. Councilmember Johnson remained cautious about the City removing a lever that could possibly fund landscaping costs. Mayor Wartens voiced concern that there was little control of the NAMD by the City. There are over 15 years of administrative costs to run the NAMD, at approximately \$70,000 per year.

Councilmember Johnson indicated that with the rising concerns of short-term rentals, the NAMD could assist with regulating those issues. Mayor Wartens emphasized that there needs to be approval by commercial district to raise funds, and he not sure it is reasonable that they will meet the approval ratios. Councilmember John Mahon inquired whether a removed committee could eventually be reinstated. City Manager Reynolds noted it would take delicate timing to ensure sales tax funds are not lost, as an election may need to be called to recapture any funds with the removal of the EDC and NAMD. City Manager Reynolds voiced his support in removing the EDC and NAMD.

Mayor Pro Tem Don Matter inquired whether the City can legally spend tax dollars outside of City property. City Manager Reynolds responded yes, as the City has expended approximately \$100,000 on the NASA median. Mayor Wartens requested for City Manager Reynolds to ask the NAMD about business willingness to assess a tax on themselves.

The workshop continued with a discussion on the TMRS Cost of Living Adjustment (COLA), specifically reducing it from 70% to 30%. This potential reduction would have a significant impact on the FY2022 Budget. Councilmember Klug agreed it was a contentious issue, but stated it to be the least impactful to the employees with a meaningful decrease on the budget. City Manager Reynolds indicated this reduction saves the City approximately \$73,000 per year. Any action would not be effective until January 1, 2022. With the removal of the additional payments, there is a \$150,000 savings for the City per year. Councilmember Prior requested more information on the impact of the COLA reduction to the employees. Mr. Reynolds indicated that it was a small impact to retirees and yearly adjustments.

City Manager Reynolds stated the Infrastructure Committee recently met and reviewed potential projects to propose to City Council. Mr. Reynolds provided an overview of each of the projects. There was a consensus of the committee to expend funds in the \$2.1 million range. Mr. Reynolds noted that the Finance Director does require specific projects in order to move forward with the debt issuance.

At the moment, it was proposed to allocate \$1 million to street projects. This would be in addition to the \$800,000 from the current Street Fund. Mayor Pro Tem Matter requested a possibility to complete drainage on Point Lookout with this street replacement project. In addition, there was a brief discussion on the water/sewer line project, which already has a steady plan in place for replacement. It was agreed that the water/sewer line project should remain funded from the enterprise fund.

Councilmember John Mahon stated a need for consideration of additional grant funds given to the City for projects, specifically if Harris County would provide funds for any of these potential street projects. Mayor Pro Tem Matter indicated the Point Lookout drainage project to be a good

candidate. Councilmember Mahon emphasized the debt issuance needed to take into consideration other funds that the City may receive for projects.

There was a brief discussion on the stormwater drainage lines. Because of the risks with the lines, there was consideration of Council to utilize \$500,000 for the project, when originally \$100,000 was the proposed amount for the project. Mr. Reynolds noted there are 50 outflows going into canals, the lake or the lagoon, therefore there is a need to address the extensive stormwater system. Councilmember Klug agreed on the importance, as flooding and bad drainage remain a threat to property values.

Additionally, a proposal was presented for a backup power line. Councilmember Klug agreed, and noted should there have been backup power for the pumps during Harvey, as it would have saved half a day of flooding. Mayor Pro Tem Matter continued with a discussion of pumps and drainage, and his concerns for power loss. He agreed Council needed to investigate this issue even further. There was a consensus among Council for alternative power sources.

Council continued with a discussion on the street projects. Members commented on the road striping project. Councilmember Johnson inquired on the curbs, with Mr. Reynolds noting they could be addressed with the street project funds. The comments on the street projects also briefly considered bump outs and crosswalks.

Councilmembers transitioned to comments on public safety needs, including a new NBVFD ladder truck, which is estimated to cost \$1.5 million. A public safety boat for marine operations is estimated to cost \$300,000. There was a brief discussion on the Axion Signal system for the Police Department, which is a camera system for the police vehicles and officers. There was a consensus of support for the camera system, but not for inclusion in the debt issuance.

Councilmembers considered needs for the City's parks system, specifically David Braun Park. Possible projects include additional pickleball courts, upgrading the light system, and a gate system for the park. Conversation ensued on the need to reduce vehicle traffic in the park, but it was determined that a gate system was not feasible.

Councilmember Mossman inquired on repairs to the baseball fields. There was dialogue on the safety of the fields, and potential for regrading and leveling the fields. Councilmember Mossman argued if the fields were to become a usable level, residents would use them. Mr. Reynolds countered that the potential for major storms don't make it financially reasonable to restore the fields. Councilmember Mahon indicated a need for lights on the fields.

Parks & Recreation Committee Chairman Roscoe Lee indicated that the Committee is not sure if the demographics are in favor for the use of these baseball fields. Councilmember Johnson felt strongly that the City should restore the fields as Nassau Bay seeks to bring young families to the City. Councilmember Prior indicated the playground equipment is in dire need of repair. Councilmember Mossman stated the City has done an exceptional job of taking care of animals with the dog park and adults with the newly added pickleball courts. She argued it was time to begin caring for the children.

Discussion ensued on the topic of upgrading David Braun Park. Mr. Reynolds noted that Council should take into consideration increased traffic on Upper Bay. Mayor Wartens indicated he would like to establish a need for restoration of the fields, as he doesn't believe there will be high usage.

City Manager Reynolds continued by requesting of Council to review the projects and to provide him their list of priorities for future discussion. Mayor Warters voiced his priority on water and sewer lines. Mayor Pro Tem Matter indicated that other than safety, infrastructure, drainage, storm protection and flood protection are important. He believes other projects are discretionary spending.

Finance Director Csilla Ludanyi commented on the previous workshop and provided Council a debt refunding analysis, which included the debt service fund and descriptions of the debt. Hilltop Securities provided three scenarios for debt refunding. The recommendation is to only refund the Series 2011, as the Series 2013 is not worth pursuit. Refunding the Series 2011 could net savings of \$244,000, while the Series 2013 would have net savings of \$15,000. There was a discussion on savings of the refinancing. Mayor Warters inquired whether Finance Director Ludanyi recommended refinancing. Finance Director Ludanyi stated the Series 2011 would be a viable candidate for refunding.

Finance Director Ludanyi continued with debt scenarios for the new debt issuance. She provided a financial technical overview and compared interest rates and potential term lengths.

She also provided a scenario based on the TIRZ / RDA dissolution, and the current obligations that must be relieved before dissolution. As the TIRZ / RDA is separate legal entity, this requires a fiscal and legal analysis to be done. A potential timeline to dissolve would be 2023. The City would reabsorb the cost of the Fire & EMS Station debt at \$0.05 on the tax rate and the City would issue new debt to pay off the developer.

Finance Director Ludanyi also discussed the pension obligation debt and stated taxable bonds are sold at par. Discussion continued with comments on philosophy on refinancing the TMRS unfunded liability. Councilmember Klug asked for Council consideration to utilize \$1 million in debt for TRMS in order to take advantage of the tax rate. Councilmember Mahon inquired on the savings, with Finance Director Ludanyi indicating it be 6%. There was general consensus to take advantage of this approach. Finance Director Ludanyi indicated she would proceed with \$1 million taxable pension obligation.

City Manager Reynolds continued with overview of the priorities from Council, which projects the debt issuance to be at \$2.2 million. Mr. Reynolds noted he would be comfortable up to \$2.5 million. He asked Council to consider that there are several water/sewer projects listed the priorities. Mayor Warters indicated he didn't object to paying for water/sewer projects with the General Fund. Mr. Reynolds also asked for Council's consideration to pay for lift station upgrades. It was noted the debt payment would be approximately \$270,000 per year. Councilmember Mossman stated the City should take advantage of the low interest rates.

Finance Director Ludanyi provided an overview on the present refunding of the 2011 debt issuance. She indicated she would present debt service rates for Council to approve, in addition to how those rates impact the tax rate. Councilmember Klug voiced concern that this stabilizing tax rate may be handicapping the City for the next five years. A debt issuance of \$2.5 million would stabilize the tax rate.

The workshop ended by discussing the potential dates and times for the next Council workshop meeting.

## **ADJOURNMENT**

There being no further business, the meeting adjourned at 9:50 p.m.

Minutes approved as submitted and/or amended this 12th day of June A.D. 2021.

CITY OF NASSAU BAY, TEXAS



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Robert L. Warters  
Mayor

ATTEST



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Sandra V. Ham  
City Secretary