

**REGULAR MEETING AND PUBLIC HEARING
CITY COUNCIL
CITY OF NASSAU BAY, TEXAS
JULY 19, 2021
6:00 PM**

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

MEMBERS OF COUNCIL ABSENT: None

OTHERS PRESENT: 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, Director of Communications & Tourism Kristin Edwards, Human Resources Manager Chani Honeycutt 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 6:04 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 6:04 p.m.

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

Presentation and discussion regarding the City Manager's proposed budget for Fiscal Year 2022

City Manager Jason Reynolds began the workshop by providing an agenda overview for the Budget Workshop, which will include a discussion on the Council's vision, long-range financial plan, departmental breakdown, reserves, organizational changes, projects for consideration, and Council requests to staff.

He announced that the tax rate will not be established or discussed at this meeting. Additionally, Mr. Reynolds stated the current revenue numbers displayed are similar to last year's numbers and will remain so until the certified roll is received.

Mr. Reynolds continued by overviewing the long-range financial plan and noted that at the end of Fiscal Year (FY) 2021, the City is projected to have \$2,420,000 in reserves. Per the City Charter, Nassau Bay needs 90 days of reserves. At the end of FY22, the City reserves is anticipated to be \$2,360,000. From the FY22 to FY21 Budget, there will be a -2% decrease. City Manager Reynolds indicated reserves for one-time use to be \$59,610.

City Manager Reynolds provided the notable changes for expenses, which include targeted salary increases, 3% merit increases, retirement, a health insurance increase of 5%, worker's compensation and general liability increase, and an upgraded cybersecurity system. Councilmember Bryce Klug inquired on the actual amount of the 5% increase for health insurance. Mr. Reynolds responded it is approximately a \$20,000 to \$25,000 increase.

Mr. Reynolds continued by detailing the each of the departments. He provided a breakdown of each General Fund department's expenses, with an overall total General Fund decrease of -9.68%. City Manager Reynolds discussed the various decreases, specifically the Parks Department, as the CIP park projects are not reflected in the General & Administrative (G&A) Department.

City Manager Reynolds noted the decrease in the Police Department is largely reflective of the recent TRMS COLA Change and the transition of a previously higher paid officer. Additionally, the Police Department experience larger overtime expenses in FY21, which is not expected in the next fiscal year. The Police Department remains the largest portion of the budget, followed by General & Administrative, which is largely personnel costs.

Mr. Reynolds continued the presentation with a review of the City's reserves. The City's proposed revenue is \$6,098,960 and proposed expenses are \$6,098,960, of which \$206,820 are one-time expenses and \$214,840 is allocated for CIP. The projected end of year reserve is \$2,346,489, and accounting for the City's 90-day Charter policy, the amount available for additional projects is \$842,636.

Councilmember Phil Johnson inquired if the revenue projection is based on last year's numbers, which Mr. Reynolds responded yes, with the expectation this number will increase. There was a brief discussion on the 90-day policy, with a goal of possibly maintaining 100 to 105 days for reserves. Mayor Bob Warters voiced support of a higher day policy, as the recently unexpected SEWPP expense supports the need for a larger reserve.

Councilmembers continued discussions on the City's philosophy for reserves. Councilmember Sandra Mossman supported City Manager Reynolds stance on balancing reserves around 100 days. Councilmember Johnson requested a benchmark for the reserve policy and inquired what was the largest event that could affect the City's reserves. He cited an example similar to Hurricane Ike. Councilmember Johnson indicated he doesn't want to be too conservative, but a benchmark estimate could assist Council in being prepared.

The discussion transitioned to cost reductions, as City Manager Reynolds noted each of the Department Directors review their budget lines for the most effective operations. Councilmember Bryce Klug inquired whether additional workforce was needed to ensure the CIP plan is rolled out efficiently. Mayor Pro Tem Don Matter stressed a need to enforce the quality of any contractors, citing examples such as trash pickup and landscaping.

Mr. Reynolds inquired upon Council for guidance on the City's financial goals. He stated that Council previously mentioned having a performance measure that limits growth to a percentage geared around CPI. He questioned whether Council wants to use FY2021 as the benchmark and implement a growth percentage.

Mr. Reynolds also noted council has commented each year for the past six years that G&A expense percentage of the General Fund is too high. He inquired to Council if they desired to set a threshold. City Manager Reynolds reminded Council that legal expenses are included in the G&A. Without legal services, the G&A percentage is 15%. Mayor Wartens indicated he was comfortable at 17%, including legal. Councilmember Johnson requested that the legal department be separate, with Councilmember Klug agreeing. City Manager Reynolds stated as code enforcement grows, legal fees will continue to grow as well.

City Manager Reynolds transitioned the discussion to the recent and proposed organizational changes. Presenting the current organizational chart, he noted that items displayed in grey are earmarked to be restructured. He began with focusing on the Public Works Department and indicated the Department to be overwhelmed with CIP projects.

Additionally, as the employees age, there needs to be a focus on succession planning. In order to assist with the changes, it is proposed to hire a new Project / Asset Manager, which will manage the CIP list, help build plans, and prepare budget documents. Mr. Reynolds noted that this new position will also allow more time for the Public Works Director to grow the Department. The estimated cost is \$98,000 per year, which will be split with the Water / Sewer Fund and is inclusive of benefits.

Councilmember Johnson questioned whether the position would be an employee, with Mr. Reynolds responding yes. Councilmember Johnson inquired whether there are other options for contracting services. Human Resources Manager Chani Honeycutt stated in the mist of research, she believes the City would be best served with a person in-house. Councilmember Johnson countered, stating a pay-as-you-go service is standard as an industry best practice.

Councilmember Bryce Klug applauded the efforts to create this position, although he echoed concerns regarding the feasibility of this position long-term. He believed contracting to scale up and down based on the project to be more feasible then adding a new employee. City Manager Reynolds indicated there is currently an additional \$40,000 in the budget for contract services.

Mayor Pro Tem Matter also agreed with a third-party contractor. He inquired on the cost of Dave Kasper of ARKK Engineers, with Finance Director Csilla Ludanyi indicating it to be dependent of the project. Mayor Pro Tem Matter then contended that a need for continuity may necessitate a full-time employee, as contractors have core competencies, but an employee would share the knowledge of the City.

Mayor Wartens agreed that Brown & Root provides these type of contract services, but was unsure whether it was it the price range of the City. Additionally, Mr. Reynolds noted that consultants don't report to Council. Councilmember Matt Prior inquired whether the City would have the demand for this position after five years. City Manager Reynolds indicated yes, as Mr. Kasper is retiring soon, and this new position will assist with continuity.

Additionally, Mr. Reynolds stated that this position will absorb some duties from the Assistant City Manager position, including contract servicing, and the CRS program from the Building Department. Councilmember Klug ended the discussion by stating the need to contract an individual with the core skills to augment the skills needed for each project.

City Manager continued by announcing that Building Official Mark Stelly would be retiring. Therefore, there is a need to hire a new Building Official, which will have a six-month overlap. With the influx of permitting, this new hire will work alongside Mr. Stelly, assisting with continuity of service. Additionally, the City has hired a new Permit Technician, which reduces contract services. The City utilizes Bureau Veritas for plumbing certificates and bigger projects. It is expected this new hire will be certified to issue plumbing permits.

City Manager Reynolds also discussed changes to the Municipal Court position and the addition of the Director of Communication & Tourism position. He stated the new communication position absorbs some responsibilities from four employees.

Mr. Reynolds also reviewed marine operations, as it was requested to have an officer dedicated to marine patrol. He noted that it would be \$80,000 total per year, including benefits, to add this marine patrol officer position. City Manager Reynolds suggested the Marine Operations Task Force meet to convene on the options. Councilmembers briefly discussed the option of hiring an officer part-time, but it seemed unlikely for recruitment efforts.

Mayor Pro Tem Matter inquired if additional funds would be added for Public Works subcontractors. Mr. Reynolds responded that for Fiscal Year 2022, \$40,000 has been added, totaling \$60,000 allocated for contractors. Public Works Director Paul Lopez cautioned that the quality of work of subcontractors to often be subpar.

City Manager Reynolds reviewed the upcoming bond projects, which should last for two to three years. Councilmember Klug inquired on the timeline, with Mr. Reynolds responding that projects can often be extensive, citing the recent San Sebastian Street project. City Manager Reynolds indicated this is often due to the bureaucratic process.

Mr. Reynolds proposed several projects and policies in Fiscal Year 2022 for consideration. Among them, is the City Officers' Election. Elections are currently budgeted at the maximum amount, but there is a need for direction on utilizing the Harris County Elections Division or conducting the election in-house. Additionally, in-house considerations are the use of paper ballots or polling machine, with costs varying from \$4,000 to \$25,000. City Secretary Sandra Ham reviewed the options and operational components to each option. It was decided that Council would budget the maximum amount and decide later in the year.

Additionally, City Manager Reynolds stated the trash contract will need to be re-bid, and policy direction from Council was required on decisions regarding backdoor pickup and fees. Specifically, if trash collection should impact the tax rate or if a simple fee should be assessed. Councilmember Johnson remarked that a discussion on the quality of service was needed. Mayor Warters indicated an element of consideration should be City's beautification.

Another item for consideration was a needed salary survey and salary adjustments. Councilmember Klug inquired on the number of open Police Department positions. Chief Tim Cromie indicated the pool of applicants are much smaller, although the recent salary adjustments are competitive.

Mayor Warters questioned Nassau Bay's ability to utilize salary surveys completed by other cities. Mr. Reynolds commented that other surveys are not always applicable to the City's specific roles. After being provided a survey from the City of Alvin, the salary survey indicated that Nassau Bay needed to increase pay by at least 48%.

Councilmember Johnson indicated that if the City is unable to get applicants, and are deficient in pay, then Council should look at increased wages. Councilmember Klug also suggested funding a Police Academy. City Manager Reynolds referenced Senate Bill 23, which indicates once a Police Department budget is established, it can never be reduced. There was brief discussion on incentives and recruitment.

Other items for discussion included City Hall security and adding streetlights along Space Park. Mr. Reynolds also suggested a citizen survey, an outreach approach to highlight what is being performed well in the City. Mayor Pro Tem Matter also requested City Council have a second meeting per month. City Manager Reynolds asked for Council's policy on the short-term rental amendment recommendations.

Ending the workshop, Councilmember Klug inquired on the remodeling project of the Council dais, and lastly requested a line-item breakdown for the City Council budget line.

ADJOURNMENT

There being no further business, the meeting adjourned at 7:55 p.m.

Minutes approved as submitted and/or amended this 9th day of August A.D. 2021.

CITY OF NASSAU BAY, TEXAS



Robert L. Warters
Mayor

ATTEST



Sandra V. Ham
City Secretary