

**BUDGET WORKSHOP AND PUBLIC HEARING
CITY COUNCIL
CITY OF NASSAU BAY, TEXAS
AUGUST 16, 2021
6:00 PM**

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

MEMBERS OF COUNCIL ABSENT: Ashley Graves (arrived 6:08pm) and Sandra Mossman (arrived 6:59pm)

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, 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 6:01 p.m. and announced a quorum of Council was present with five 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 6:02 p.m.

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

PUBLIC HEARING AND ACTION ITEMS FROM PUBLIC HEARING

Public Hearing on the proposed Tax Rate for Tax Year 2021 (Fiscal Year 2022)

Mayor Warters announced a Public Hearing for citizens to address Council regarding the proposed Tax Rate for Tax Year 2021 (Fiscal Year 2022).

Public Hearing was opened at 6:04 p.m.

There being no one else wishing to speak, the public hearing was immediately closed.

Public Hearing on the City Manager's Proposed Budget for Fiscal Year 2022

Mayor Warters announced a Public Hearing for citizens to address Council regarding the City Manager's Proposed Budget for Fiscal Year 2022.

Public Hearing was opened at 6:05 p.m.

There being no one else wishing to speak, the public hearing was immediately closed.

NEW BUSINESS

Update on COVID's impact on the City and the City's response protocols

City Manager Jason Reynolds overviewed the City's response over the past year of COVID operations. He acknowledged that as the City Manager he managed operations and the City's response at the beginning of the pandemic. Mr. Reynolds provided details from Dan Newman, CEO of Houston Methodist Hospital Clear Lake, who indicated the current COVID Delta Variant cases are surpassing cases at the previous COVID-19 peak, and cases are trending high on the local level and system wide level.

Councilmember Ashley Graves arrived via teleconference at 6:08pm.

City Manager Reynolds indicated his inability to utilize a mask mandate within City Hall. He questioned if Council wished to participate in any upcoming new policy implementation, based on the newest trends of rising cases. Mayor Bob Warters voiced support of continuing to run operations through the City Manager, with Councilmember Matt Prior agreeing, noting that crisis response to be Mr. Reynolds' strength. Councilmember Prior requested City Manager Reynolds align with other regional responses.

Councilmember Phil Johnson also agreed, noting Mr. Reynolds had the firsthand knowledge on employee needs. Councilmember Bryce Klug inquired on those employees are working remotely, with Mr. Reynolds responding at the time it was only Finance Director Csilla Ludanyi. Councilmember Klug felt confident a hybrid work schedule would work for City Hall, accommodating for the unique needs of each employee.

Received the Tax Year 2021 No-New-Revenue-Rate and the Voter-Approval-Rate calculations

Finance Director Csilla Ludanyi detailed the Tax Year 2021 No-New-Revenue-Rate and the Voter-Approval-Rate calculations recently completed by the Harris County Tax Assessor-Collector's office. With statutory changes made during the 86th Legislative Session, Texas Tax Code Section 26, substitute these two tax rate calculations for the rates formerly known as Effective and Rollback tax rates, respectively.

Ms. Ludanyi described the new calculation terminology. The no-new-revenue tax rate is the tax rate for the 2021 tax year that will raise the same amount of property tax revenue for City of Nassau Bay from the same properties in both the 2020 tax year and the 2021 tax year. The voter-approval rate is the highest tax rate that City of Nassau Bay may adopt without holding an election to seek voter approval of the rate. The proposed tax rate is greater than the no-new-revenue tax rate. This means that City of Nassau Bay is proposing to increase property taxes for the 2021 tax year.

Finance Director Ludanyi provided the specific Tax Year 2021 tax rates as calculated:

No-New-Revenue Tax Rate	\$ 0.679984
No-New-Revenue Maintenance & Operations Tax Rate	\$ 0.682294
Voter-Approval Maintenance & Operations Tax Rate (at 1.035%)	\$ 0.779203
Debt Tax Rate	\$ 0.073029

The City must receive these calculations in order to proceed with the legal rate setting process.

Ms. Ludanyi described the Voter-Approval rate, which includes the Debt Rate and an increase of 3.5%. Discussion ensued on the estimated taxable value, as approved by Council on August 9th. The estimated taxable value is \$701,272,849, with an anticipated collection rate of 99.6% of expected revenue collection.

Finance Director Ludanyi indicated that it was expected the newly acquired debt would significantly impact the proposed tax rates. After other sources of revenue are accounted for, the property tax revenue needed for annual debt obligation increased from approximately \$137,000 to \$406,000 year over year. The increase in debt service rate results in an automatic decrease in the M&O rate to \$0.606955 as portion of the total No-New-Revenue Tax Rate. The Voter-Approval Maintenance & Operations Tax Rate accounts for the increased debt.

There was a brief discussion on the total estimated taxable value of approximately \$701 million, and whether there was potential for increases and decreases. Finance Director Ludanyi indicated that in previous years, changes from the uncertified to the certified roll were not significant, and typically the estimated range is close to the projections. From 2020 to 2021, there was an increase in taxable value between 6% to 8%.

It was moved by Councilmember Bryce Klug, seconded by Mayor Pro Tem Don Matter, to receive the Tax Year 2021 No-New-Revenue-Rate and the Voter-Approval-Rate calculations.

Motion passed 6 – 0.

Approved action on the proposal of the Tax Year 2021 (Fiscal Year 2022) ad valorem tax rate of \$0.722120

Finance Director Csilla Ludanyi indicated that as part of Truth in Taxation, Texas Tax Code, Chapter 26 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. Ms. Ludanyi noted the proposed rate of \$0.722120 is lower than the Voter-Approval Rate or Tax Year 2021, which is \$0.779203.

The City proposes this tax rate notification and adoption on Monday, September 13, 2021. The budget scheduled for adoption is inclusive of the proposed rate. Although this is the same rate as Fiscal Year 2021, it will provide for \$355,000 less in revenue for Fiscal Year 2022. Finance Director Ludanyi noted the CIP presentation will be inclusive of this decrease in revenue. By voting to accept the proposal of setting the tax rate at \$0.722120, City 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 13, 2021. After publication, the City cannot approve a tax rate higher than \$0.722120.

It was moved by Councilmember Bryce Klug, seconded by Councilmember Ashley Graves, to approve the proposal of the Tax Year 2021 (Fiscal Year 2022) ad valorem tax rate of \$0.722120.

Motion passed 6 – 0.

Discuss tax rate implications and take possible action on the City's proposed CIP for Fiscal Year 2022

Finance Director Csilla Ludanyi provided a brief overview of the budget and tax rate approval timelines. She noted that she will move forward with publication of the budget and tax rate public hearing notices. Ms. Ludanyi expected to receive the certified roll from Harris County by August 31st. She indicated there will need to be another Special City Council meeting to provide the public the opportunity to voice their opinion at a budget public hearing.

Finance Director Ludanyi highlighted that the CIP budget will be impacted by the reduced revenue projections. As of the July 26th Budget Workshop, the City had allocated \$933,840 for CIP projects. Due to the reduced projected revenues, capital projects will need to be reduced by \$250,000.

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

City Manager Jason Reynolds continued with a general discussion on the tax rate's impact on the Capital Improvement Plan. He also inquired whether Council was interested in utilizing reserves to fund some of these projects. The current proposed budget, presented with a tax rate of \$0.722120, maintains 105 days of reserve.

Councilmember Bryce Klug inquired on the awning project within the CIP, and asked if HOT Funds could be applied to the purchase. Mr. Reynolds indicated he believes a portion of the project can be paid for with HOT Funds, although he does not believe the number of hotel reservations generated by the Conference Center to be validation of funding the whole project.

Councilmember Klug indicated a desire to fund the full CIP list of \$933,000, and perhaps requested an increase to sales tax projections within the budget. City Manager Reynolds requested the City continue with current projections, and suggested a six-month budget amendment if actuals trend higher than the projections. Additionally, Councilmember Klug voiced a need to be creative with funding projects, questioning whether the dredging study could be funded by the EDC.

Councilmember Matt Prior inquired on City Manager Reynolds' confidence in funding the proposed Kid Course 1800 playground equipment for the CIP listed budget of \$110,000. Mr. Reynolds noted that initial estimates for the equipment to be approximately \$80,000 to \$90,000, which does not include significant costs for groundwork. Mr. Reynolds emphasized the largest obstacle in installation will be deciding on the placement of the playground equipment, as it will likely be a contentious item. Councilmember Prior agreed many efforts and discussion have revolved around this project, but he would like to be very mindful of this expenditure.

Mayor Bob Waters voiced concern about including the Kid Course 1800 within the CIP budget at this time. He emphasized that 85% of the components of the to-be-installed Stadium at David Braun Park will have similarities of the Kid Course 1800 equipment. Mayor Waters indicated this duplicate purchase to not be cost effective, and requested Council's consideration to wait to see if there is a demand for the remaining 15% of the components not included in the Stadium.

Mr. Reynolds indicated that the Kid Course 1800 playground equipment is currently a budgeted item. He also asked for Council's consideration to wait for the Stadium to be installed at David Braun Park, and for the RFQ for the Kid Course to be presented in January. Mr. Reynolds noted that Council could allocate the funds, and if they were not needed, they could be allocated towards the landscaping plan within the CIP.

City Manager Reynolds transitioned the conversation to a needed safety boat purchase and inquired upon Council whether it was preferred to purchase in the current fiscal year, or budget in the FY2022 CIP list. Councilmembers Klug and Johnson agreed it was vital to purchase the boat as soon as possible. Mr. Reynolds indicated he and Finance Director Csilla Ludanyi would rather the boat purchase be contained within the FY22 budget, but understood Council's priorities. There was a brief discussion on alternate funding sources, including a possible Harris County grant. Mayor Warters also agreed to move forward with the boat purchase, and noted it is still a lengthy process to acquire a good used boat.

Councilmember Prior inquired on the status of the boat house. Fire Chief Tom George highlighted that the dock parts have been received, and the final assembly is pending. He noted that the upcoming Saturday volunteers will place the dock into the water. Fire Chief George also provided broad details on the type of boat they are researching to purchase. Mr. Reynolds indicated the budget for the purchase to be \$265,000.

Lastly, City Manager Reynolds inquired whether it was okay to proceed to add back into the Council budget line funding for the Galveston Bay Foundation. This fund amount is \$2,500. Councilmembers agreed.

EXECUTIVE (CLOSED) SESSION

Tabled Executive Session as authorized by Texas Government Code, Chapter 551, Open Meetings, Subchapter D, Exceptions to Requirement that Meetings be Open

The agenda item was posted as follows:

1. §§551.074 Personnel – Discuss the employment, evaluation, compensation, goals, and duties of the City Manager.
2. §§551.074 Personnel – Discussion of membership of the Nassau Bay Parks & Recreation Committee Board of Directors.

Mayor Bob Warters respectfully requested that the Executive Session be removed from the Council meeting agenda due to the fact several Councilmembers were not in attendance live, but rather on Zoom. He asked for it to be reconvened when all members were in attendance in person. Mayor Pro Tem Don Matter agreed, but voiced support of scheduling the Executive Session soon, as this is the third tabling of the session. A specific date was requested for this rescheduled meeting.

Councilmember Sandra Mossman arrived in-person at 6:59pm.

Councilmember Klug suggested August 23rd or August 30th for a special session. It was agreed that the next Special Council meeting will be for both Executive Sessions and will be held on August 30, 2021 at 6:00pm.

It was moved by Mayor Pro Tem Don Matter, seconded by Councilmember Sandra Mossman, to table the Executive Session, §§551.074 Personnel – Discuss the employment, evaluation, compensation, goals, and duties of the City Manager, and §§551.074 Personnel – Discussion of membership of the Nassau Bay Parks & Recreation Committee Board of Directors until the August 30, 2021 Special City Council meeting.

Motion passed 7 – 0.

ADJOURNMENT

There being no further business, the meeting adjourned at 8:39 p.m.

Minutes approved as submitted and/or amended this 13th day of September A.D. 2021.

CITY OF NASSAU BAY, TEXAS



Robert L. Warters
Mayor

ATTEST



Sandra V. Ham
City Secretary