

**MINUTES
SPECIAL JOINT MEETING
CITY OF NASSAU BAY
CITY COUNCIL
AND
ECONOMIC DEVELOPMENT CORPORATION
JULY 22, 2019
7:00 PM**

(Note: The main purpose of the meeting was to conduct the EDC's quarterly meeting. The City Council was asked to participate in New Business at the beginning of the meeting.)

MEMBERS OF COUNCIL PRESENT: Mayor Mark Denman, Mayor Pro Tem Don Matter, Councilmembers Ashley Graves, Bob Warters, and Matt Prior

MEMBERS OF COUNCIL ABSENT: Councilmembers John Mahon and Bryce Klug

MEMBERS OF EDC PRESENT: President Mark Denman, Bob Warters, Cindy Harreld-DeWease, Bill Quinn, and Tony Quezada

MEMBERS OF EDC ABSENT: Board Members John Mahon and Bryce Klug

OTHERS PRESENT: City Attorney Dick Gregg, Jr. City Manager Jason Reynolds (teleconference), Assistant City Manager Mary Chambers, City Secretary Sandra Ham, Finance Director Csilla Ludnayi, Human Resources Manager Chani Honeycutt, and Planning Commission Chairman Roscoe Lee

PRESIDING: Mayor Mark Denman

CALL TO ORDER AND ROLL CALL OF MEMBERS

The meeting was called to order at 7:01 p.m.

A quorum of City Council was present with five Councilmembers in attendance.

A quorum of the EDC was present with five Board Members in attendance.

CITIZENS' REQUEST FOR HEARING BEFORE CITY COUNCIL

Public Hearing was opened at 7:02 p.m.

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

Due to timing, Mayor Mark Denman respectfully requested that the remaining City Council business items be placed at the end of the meeting and asked to proceed to EDC business items.

EDC APPROVAL OF MINUTES

The minutes of the meeting on April 22, 2019 were presented for approval.

It was moved by Board Member Bill Quinn, seconded by Board Member Tony Quezada, that the minutes be approved.

Motion passed 5 – 0.

CITIZENS' REQUEST FOR HEARING BEFORE EDC

Public Hearing was opened at 7:03 p.m.

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

EDC NEW BUSINESS

Election of EDC Vice President

Board President Mark Denman noted the vacancy in the Economic Development Corporation Officer position of Vice President, left by previous officer Johnathan Amdur. According to EDC Bylaws, an appointment was needed to keep the EDC Officer slate current.

It was moved by Board Member Cindy Harreld-DeWease, seconded by Board Member Bill Quinn, to nominate Bob Warters to the Officer position of Vice President for the unexpired portion of the term of that office.

Motion passed 5 – 0.

Approval of a funding request from the Bay Area Houston Economic Partnership (BAHEP)

Board President Denman indicated BAHEP President Bob Mitchell was present for any questions. Board Member Bill Quinn emphasized the EDC's long history with BAHEP. There were no questions.

It was moved by Board Member Bob Warters, seconded by Board Member Bill Quinn, to approve the funding request from the Bay Area Houston Economic Partnership.

Motion passed 5 – 0.

Approval of a funding request from the Clear Lake Area Chamber of Commerce

Assistant City Manager Mary Chambers provided an overview of the funding request, describing the request as a two-year agreement from the Clear Lake Area Chamber of Commerce (CLACC) in the amount of \$15,500 per year. Mrs. Chambers indicated approval would allow for continued membership in CLACC with a well-defined relationship. The agreement's deliverables are identical to the agreement approved in 2017.

It was moved by Board Member Bill Quinn, seconded by Board Member Tony Quezada, that funding be approved for the Clear Lake Area Chamber of Commerce.

Motion passed 4 – 0 – 1, Board Member Cindy Harreld-DeWease abstaining.

Approval of Orders for Payment to Reimburse the City for Invoices Paid on Behalf of the EDC

Finance Director Csilla Ludanyi discussed the expenditures listed below. The invoice amounts to be reimbursed were:

Reimbursements to the City of Nassau Bay for FY19:

- a. Memberships – IEDC - \$435
- b. Advertising/Printing – MindEcology - \$595
- c. Undesignated – CLACC Luncheon & Historical Marker Restoration - \$550
- d. NASA Pkwy Project – Palm Tree Professionals - \$8,500
- e. Streets & Curbs – Southwest Signal (illuminated street signs) - \$29,376
- f. Development Services – CDS Market Study - \$24,000
- g. Tax Incentive (CFA 12/2018-3/2019) - \$3,359.60
- h. Fire Department FF&E - \$7,973.21

TOTAL – \$74,789.21

Finance Director Ludanyi indicated the largest expense was related to the illuminated signs along NASA Parkway and the Economic Development Market Study. Additionally, she recognized the reimbursements include the final amounts for the Fire Department FF&E, which will bring the fire station expenses almost to close.

Board President Denman requested further details on the FF&E, and Finance Director Ludanyi clarified that FF&E items are related to furniture, fixtures, and equipment, which had a set budget of \$350,000.

Assistant City Manager Mary Chambers provided additional insight on the market study, stating the preliminary drafts of the study detail activity on every retail and commercial property in the City. She noted the study will be helpful as the City attempts to fill all of the vacant retail and commercial properties.

It was moved by Board Member Bill Quinn, seconded by Board Member Tony Quezada, to approve items A through H for reimbursement.

Motion passed 5 – 0.

Approval of the June 2019 Financial Statements

Finance Director Csilla Ludanyi provided an overview of the financial statements ending June 30, 2019. She specifically highlighted growth in sales tax in FY19, which is largely due to one tax payer. This single payer comprises one-fourth to one-third of the sales tax revenue reported. Ms. Ludanyi will not include this single payer when determining future sales tax trends. As of July 2019, 87% of the budget has been received, with approximately \$262,000 in sales tax receipts.

Finance Director Ludanyi continued by noting the current investment balance for the Corporation to be \$575,000 as of June 30, 2019. Additionally, she noted the anticipated

year end fund balance to be \$507,000. She projects the FY20 year end fund balance to be \$521,189.

Finance Director Ludanyi referenced previous considerations by Board Member Bryce Klug to utilize the large fund balance, rather than hold the funds in investments. Ms. Ludanyi indicated most of the funds are held in TexPool, and are therefore pretty liquid, should the Corporation take action to utilize the fund.

It was moved by Board Member Bill Quinn, seconded by Board Member Tony Quezada, to approve the June 2019 Financial Statements.

Motion passed 5 – 0.

Presentation, discussion, and action to approve the Fiscal Year 2020 EDC Budget, as amended if required, pursuant to Section 6.02 of the Bylaws

Finance Director Csilla Ludanyi began her comments by noting approval of the proposed budget during the meeting would facilitate City Council approval of the EDC budget at the upcoming Council meeting. The Fiscal Year 2020 anticipated end of year reserve is \$521,180, which assumes a 5% sales tax increase based on a five year trend. Additionally, it accounts for new payers and termination of some existing payers such as Fuddruckers. Additionally, the budget includes the Clear Lake Area Chamber and BAHEP agreements, two palm trees, signage on NASA Parkway, public private partnership funding for Saturn 2, the ongoing CFA incentive, and funding for business retention incentives.

Discussion ensued regarding the tax incentives budgeted at \$142,000, with Finance Director Ludanyi clarifying \$12,000 of the funds are allocated for Chick-fil-A, and the remainder of the funds are a placeholder for potential private / public partnerships.

Board President Mark Denman requested if the budget could be amended at any point. Ms. Ludanyi indicated the budget could be amended, but would ask that the Corporation retain at least \$75,000 in the budget, suggesting Board Members spend no more than \$450,000 on additional projects.

Board Member Bill Quinn requested if there was funding for additional drainage projects. Finance Director Ludanyi noted she was not aware of the Corporation's interest in spending funds on drainage, but if approved, funds can be spent on such projects in FY20. In FY19, the Corporation allocated approximately \$40,000 for drainage projects.

It was also clarified that no more EDC funds were allocated towards the Fire Station. A new project being funded includes funds for signage, which the FY20 budget currently allocates \$45,000 for the NASA 1 illuminated signs.

Additional discussion ensued regarding the tax incentives, in which Board President Denman noted there would be continued discussion in Executive Session.

It was moved by Board Member Cindy Harreld-DeWease, seconded by Board Member Tony Quezada, to approve the Fiscal Year 2020 EDC Budget.

Motion passed 5 – 0.

At this moment in the meeting, Mayor Denman requested the City Council New Business be considered prior to the EDC Executive Session.

CITY COUNCIL NEW BUSINESS

Presentation and discussion of the City of Nassau Bay's participation in the TMRS system

Finance Director Csilla Ludanyi introduced Anthony Mills, Senior Regional Manager-City Services, and Leslee Hardy, Director of Actuarial Services to provide an update on the Texas Municipal Retirement System (TMRS).

Mr. Mills began the discussion by providing an overview of TMRS' history and city membership. He indicated TMRS has an actuarial policy to ensure all member cities are on pace to be fully funded. He understands Council's concerns regarding the system, as pensions have been recently negatively portrayed in the media. Mr. Mills highlighted main differences between TMRS and other retirement systems, noting TMRS is a "hybrid" cash-balance defined benefit plan with statutory provisions in place that ensure oversight and responsible funding. He indicated the TMRS' investment return assumption is 6.75%, one of the lowest among large public plans. Several changes made since 2007 have helped reduce volatility of city contributions from year to year.

In 2010, the City Nassau Bay had 44 active contributors, with 8 retired contributors. Currently in 2019, there are 44 active contributors, and 27 retired contributors into the system. The City's annually required employer contribution is called the Actuarially Determined Employer Contribution (ADEC), and cities must pay the ADEC every year, or reduce benefits if the ADEC is not sustainable.

Mr. Mills continued by noting the City's contribution rate may vary, with the rate for the upcoming year to be 15.92%. He presented a graph providing the system funded ratio percentages, benchmarking Nassau Bay to other cities in the system. Although there was a lower ration in 2010, due to a plan change design, since then Nassau Bay has trended towards 100% self-funded.

Council inquired on a benchmark for funded ratios, as Nassau Bay was at 74.6% in 2018. Leslee Hardy indicated 80% was a benchmark ratio, and she expected Nassau Bay to reach that mark in four years.

Ms. Hardy continued by noting current and future City Councils retain the option to change the plan prospectively. She noted closing the TMRS plan to new employees, though highly unusual, is permitted. If the plan were to be closed, a higher plan rate would be effective immediately at 19.12% for 2019. Ms. Hardy stated rates would continuously increase as covered payroll decreased. Lastly, if Council should choose to close the system to new employees, contributions to the system would still be required until the death of the last retiree/beneficiary.

Councilmember Bob Warters inquired on the investment return assumption of 6.75% and requested information on prior year returns. Ms. Hardy indicated 2018 was not a good year at 6.6%. Mr. Warters continued by asking how the TMRS system guarantee benefits.

Ms. Hardy responded by stating TMRS calculate rates based on a lifetime annuity and calculates each employee's cash balance. Councilmember Warters continued to express his concern with the return assumption and the annuity portion of the system.

Ms. Hardy ended by stating the City has held their rate at 16.03%, in order to more aggressively pay down the unfunded liability.

Mayor Denman redirected the agenda to EDC Business, concluding the meeting agenda with EDC Executive Session.

EDC EXECUTIVE SESSION

Meeting recessed to Executive Session at 8:14 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 topics to be discussed in Executive Session:

1. §551.087 Deliberations Regarding Economic Development Negotiations - Discussion of economic development options – 2332 NASA Road 1, Nassau Bay, Texas 77058.
2. §551.087 Deliberations Regarding Economic Development Negotiations - Discussion of economic development options – 18000 Upper Bay Road, Nassau Bay, Texas 77058.

Meeting returned to Open Session at 8:46 p.m.

ACTION ITEMS FROM EDC EXECUTIVE SESSION

Action on matters discussed in Executive Session – 2332 NASA Road 1, Nassau Bay, Texas 77058

It was moved by Board Member Cindy Harreld-DeWease, seconded by Board Member Bob Warters, to authorize the City Manager to negotiate a contract in an acceptable form between the establishment located at 2332 NASA Road 1, the EDC, and the City of Nassau Bay.

Motion passed 5 – 0.

Action on matters discussed in Executive Session – 18000 Upper Bay Road, Nassau Bay, Texas 77058

No action taken.

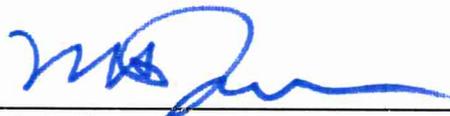
ADJOURNMENT

July 22, 2019 Joint City Council & EDC Meeting Minutes

There being no further business, the meeting adjourned at 8:47 p.m.

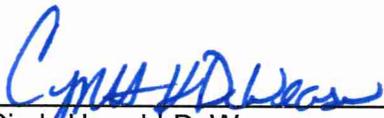
Minutes approved as submitted and/or corrected this 28th day of October, A.D., 2019.

CITY OF NASSAU BAY, TEXAS
ECONOMIC DEVELOPMENT CORP.



Mark A. Denman
President

ATTEST:



Cindy Harreld-DeWease
Secretary
(M190722 Joint Meeting)

