

**BUDGET WORKSHOP  
CITY COUNCIL  
CITY OF NASSAU BAY, TEXAS  
September 14, 2017  
7:00 PM**

**MEMBERS OF COUNCIL PRESENT:** Mayor Mark Denman, Councilmembers Don Matter, John Mahon, Bryce Klug, Jonathan Amdur, and Bob Warters

**MEMBERS OF COUNCIL ABSENT:** Mayor Pro Tem Sandra Mossman

**OTHERS PRESENT:** City Manager Jason Reynolds, City Secretary Sandra Ham, Assistant City Manager Mary Chambers, Finance Director Csilla Stiles, Police Chief Kenneth Campbell, Public Works Director Paul Lopez, and Human Resource Administrator Isela Castillo

**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 six elected officials in attendance.

**BUDGET WORKSHOP**

City Manager Jason Reynolds provided an overview of talking points for the budget workshop to include the proposed tax rate, possible additional revenue streams, cost effective solutions, capital projects, water and sewer fund, and Hurricane Harvey expenditures.

City Manager Reynolds stated the proposed tax rate to be \$0.74212, with expected revenue of \$5,481,860 and estimated expenses of \$5,720,580. The previous year balance would provide for costs of \$238,720 in the Fiscal Year 2018 budget. Mr. Reynolds reviewed the recurring expenses and one-time costs. The proposed budget provides for approximately 100 days of reserve.

In exploring additional revenue opportunities, City Manager Reynolds conveyed to Council the ability to raise the tax rate up to the effective rate \$0.766480, which would provide 108 days of revenue. This indicates only \$120,220 from the prior year balance would be utilized to balance the budget.

Councilmember Warters noted Hurricane Harvey expenses were not explicitly shown throughout the budget, and commented the need for higher revenue with the strain on the Public Works department and other projects still to be completed. There was discussion on the applicability of FEMA reimbursement to replenish the reserves.

There was brief discussion on the opportunity to increase revenue with trash collection fees. Councilmember Warters indicated strong opposition to the suggestion, and cited the trash collection fees as similar to increasing taxes.

City Manager Reynolds proceeded with cost effective solutions, including exploration of the TML medical insurance plan and the TMRS retirement system. Although Mr. Reynolds indicated the medical insurance was not to be an in-depth discussion topic, he relayed to Council that staff are taking proactive measures. As a follow-up to previous conversations on the TMRS retirement system, Mr. Reynolds provided four options for cost savings, with each option affecting the current expense rate and unfunded liability. Additionally, he presented benchmarks of other city plan options.

Councilmember Bryce Klug agreed it was worth consideration to review additional retirement options in reducing the unfunded liability. Notably, Councilmember Klug issued concern of the program's sustainability. Councilmember Don Matter expressed similar concerns, citing reduced sales tax revenue and Nassau Bay's inability for growth as a land-locked City as reasons for exploration of cost saving measures, specifically the unfunded liability. Mayor Denman agreed the current retirement program as shown is not sustainable, and stated making additional payments to the retirement system, if funds are available, as a reasonable effort in reducing the liability.

Senior staff members were present, and discouraged Councilmembers from making significant changes to the retirement system. Rather, staff members expressed concerns regarding options that would change the structure of the retirement plan, and stressed changes to the plan would affect employee retirement income and employee morale, and could subsequently result in employee resignations. Staff also presented additional strategies for generating additional annual revenue, in lieu of changes to the retirement plan.

Councilmember Warters similarly cautioned against reductions, as he also believed it would negatively affect employee morale. Councilmember Warters requested a comparison of similar and local cities in reviewing the competitiveness of employment at Nassau Bay to other city plans. Councilmember Klug countered, posing the unfunded liability and legacy payment as an existential threat to the City budget, and further options still need to be strongly considered.

Continuing cost saving measures, City Manager Reynolds discussed the potential of a partnership with Johnson Space Center, specifically utilization of Hotel Occupancy Tax funds for payment of the NASA 1 street lighting. This partnership could potentially save \$88,000 per year for the City.

City Manager Reynolds proceeded discussions on capital projects, noting the Fiscal Year 2018 Budget to focus more on water and sewer planning, and less on capital improvement projects. Mr. Reynolds indicated there will be an approximate 3% increase per year, for the next 15 years, in water service rates. The increase rates will be utilized for repairing the water lines.

Closing the discussion, City Manager Reynolds reviewed the potential impacts of Hurricane Harvey on the City's future revenue. Additionally, outstanding expenses may be unknown. He noted Finance Director Csilla Stiles to be taking account of reported home damage for consideration on the Fiscal Year 2019 budget. Brief discussion was held on the concern of property damage on home values. Overall, there was a theme of mitigating losses to the City.

**ADJOURNMENT**

There being no further business, the meeting adjourned at 8:38 p.m.

Minutes approved as submitted and/or amended this 14th day of November, A.D. 2017.

CITY OF NASSAU BAY, TEXAS



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Mark A. Denman  
Mayor

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Sandra V. Ham  
City Secretary