The City Council of the City of Seabrook met in regular session on Tuesday, August 31, 2021 at 6:00 p.m. in Seabrook City Hall, 1700 First Street, Seabrook, Texas, to discuss, consider and if appropriate, take action on the items listed below.

THOSE PRESENT WERE:

THOM KOLUPSKI	MAYOR
ED KLEIN	COUNCIL PLACE NO. 1
ROB HEFNER	COUNCIL PLACE NO. 2
JEFF LARSON	COUNCIL PLACE NO. 3
MICHAEL GIANGROSSO	COUNCIL PLACE NO. 4
BUDDY HAMMANN	MAYOR PRO TEM COUNCIL PLACE NO. 5
JOE MACHOL	COUNCIL PLACE NO. 6
GAYLE COOK	CITY MANAGER
SEAN LANDIS	DEPUTY CITY MANAGER
STEVE WEATHERED	CITY ATTORNEY
ROBIN LENIO	CITY SECRETARY

Mayor Kolupski called the meeting to order at 6:00 p.m.

1. PUBLIC COMMENTS AND ANNOUNCEMENTS - NONE

2. NEW BUSINESS – ATTACHMENT A INCLUDES INFORMATION FOR ALL NEW BUSINESS ITEMS.

2.1 Consider and take all appropriate action on an update to the Proposed FY 2021/2022 Capital Improvements Program (CIP) projects. *Gayle Cook, City Manager and Kevin Padgett, Director of Public Works*

Gayle Cook, City Manager, explained that the City has received the certified tax rolls and Michael Gibbs, the Director of Finance, has been able to complete the calculation for the no new revenue tax rate. Tonight Council will give staff direction on the tax rate so that notice of the public hearing can be sent to the paper on Monday for publication on Thursday. The Tax Code requires a 10 day waiting period between publication of the notice and the hearing; therefore, the regular Council meeting on September 21 will include a hearing on the tax rate as well as the tax ordinance for consideration and approval by Council.

Ms. Cook continued that there is a change in the FY2022-2026 CIP Program on the Commercial Road and Starboard Road projects on the EDC CIP that were discussed at the budget workshop. After further review, staff realized that water and wastewater services were not included in the CIP Program for future development of those areas; therefore, four (4) additional projects have been added that would be developer driven and funded, which would not require a change in funding sources to the overall CIP Program.

Ms. Cook continued by explaining that when the insurance proceeds come in for the damage to Carothers structures during Winter Storm Uri, the proceeds will be required to be placed in a special fund that can only be used for the Carothers property because the property was purchased with bonds after approval by voters in a bond election. In addition to the insurance proceeds, the CIP Program includes project P16 for a community garden at Carothers Coastal Gardens, under the Parks CIP, which is funded from a transfer out of the General Fund reserves and into the Capital Fund in the amount of $41,400.00. Staff is recommending to Council that a second capital improvements project be created for Carothers with an unknown scope for future improvements to the property and that the insurance proceeds and funds for P16 be combined into the one special fund for Carothers. Combining the funds will let the public know that all the funds are earmarked for Carothers. Council can conduct a workshop at a later date, in the new fiscal year, to finalize the detailed scope for the second, newer project.

Michael Gibbs, Director of Finance, explained that Fund 41 is the Carothers fund in the current fiscal year (20/21) budget and the fund balance at the end of the current fiscal year is projected to be $76,615. If Council chooses to combine the $41,400 earmarked for P16 (community garden at Carothers) with the remaining insurance proceeds of $235,217, all funds will be specifically earmarked for Carothers and the scope of work for improvements to Carothers Coastal Gardens can be expanded.

Councilmembers commented that it doesn't make sense to budget for a project where the scope has not been finalized, but at the same time, the all the costs for the community garden are not known yet.

Ms. Cook stated that it is very fluid and that's why the combining the funds is being proposed. The important element is the transparency that all of the funding is under Carothers and the detailed scoping can come later.

Motion was made by Mayor Pro Tem Hammann and seconded by Councilmember Klein

To approve combining the monies into one fund for CIP projects for Carothers Coastal Gardens.

MOTION CARRIED BY UNANIMOUS CONSENT

2.2 Consider and take all appropriate action on FY 2021/2022 Final Proposed Budget. *Gayle Cook, City Manager and Michael Gibbs, Director of Finance*

Ms. Cook stated that the City has now received the certified tax rolls and the assessment came in a little lower than anticipated from $1,595,000,000 to $1,590,000,000. This is not a substantial decrease, but does affect the budget previously proposed at the workshop.

Ms. Cook continued that there were questions at the budget workshop regarding sales tax and the trending changes due to online sales. In looking back over the last 18 months of sales tax revenues, the trend indicates an increase over last year's sales tax revenue of $309,000. This increase will enable the budget to be adjusted to cover some of the downfall on 2021 property tax appraisals. In addition, some of the CIP items that Council prioritized can be funded with surplus sales tax and general fund.

Ms. Cook explained that the amended and balanced budget presented tonight includes a 4% increase for police officer salaries, a new full time Public Safety administrative assistant position, a new full time Parks maintenance employee, a move from part-time to full time for the Animal Control attendant, and the STEP increase for all employees who are not maxed out in their pay grades. A number of tenured employees are maxed out in their pay grades and a 2.4% lump sum payout for those employees has historically been included in the balanced budget, in place of the STEP increase that they would have received if they were not at the max in their pay grades. Tonight's proposed amended and balanced budget takes out the lump sum payments and earmarks those amounts to fund the market study that was discussed at the budget workshop.

Ms. Cook continued that the transfers into the General fund have not changed. The Waste Management franchise fee will be placed in the Capital Fund and earmarked for street projects. $1.9 million from the Enterprise Fund will be an offset for administrative facilities expenses in the General Fund. The Industrial District payment of $146,000 will go into the Capital Fund as well. The prior year's General Fund balance is proposed to fund the IT wireless project, the two (2) infrastructure gates that are the electronic access to the water tower, the kayak launch, the restroom on Main Street, and the Carothers community gardens transfer into CIP.

Ms. Cook stated that there is no change to the Public Safety funding; however, PD has asked for a one-time cost item to purchase new software to replace the PD's current outdated software. At the time the budget was drafted, the best cost estimate for the new software was $50,000; however since that time, the estimate has gone up to $100,000. Chief Wright presented to EDC for funding all or a portion of this software and the EDC Board had several questions and asked Chief Wright to with additional information. Not knowing if or how much EDC will support his purchase, the recommendation in this amended budget is to bump up that expense to $100,000. The update to the Comprehensive Master Plan, another one-time cost, is in this budget from the previous year's General Fund balance.

Ms. Cook stated that the budget will be posted on the City's website and it will be on the homepage, marked as proposed budget. Each department has its own summary page and details and if the public has any questions it will be posted on the city's webpage.

Motion was made by Mayor Pro Tem Hammann and seconded by Councilmember Klein

To approve FY 2021/2022 Final Proposed Budget, as presented.

MOTION CARRIED BY UNANIMOUS CONSENT

2.3 Consider and take all appropriate action on a proposed tax rate for the Fiscal Year 2021/2022 and on setting the Public Hearings on the budget and proposed tax rate for the regular City Council meeting on September 21, 2021 at 6:00 p.m. *Gayle Cook, City Manager and Michael Gibbs, Director of Finance*

Ms. Cook explained that right now the City's tax rate is $0.543613. The certified tax rolls have been received and the No New Revenue tax rate is $0.516794. Myself and Director of Finance, Michael Gibbs, looked back on historical assessed value and estimated a 5.55% growth, but the appraisals came out as only 5.2% growth. Just as a reminder, Senate Bill 2 (SB2) capped the tax rate increase at 3.5% and every city is different in its final rate because there are separate portions of the rate for O&M and debt and every city has different debt obligations. SB2 also allows for banking the unused incremental difference between the approved tax rate and the 3.5% cap. If Council approves a rate that is less than the voter approval rate, the City can bank the difference for up to three (3) years and roll it forward to assist with not triggering an election when the need is greater than the 3.5% cap in future years.

Ms. Cook continued that the current tax rate is $0.543613, and there is no unused increment for this year. The calculation from the certified rolls brings the no new revenue rate to $0.516973. If Council chooses to adopt the no new revenue rate, the budget would have a deficit of $51,285, which would require cuts to bring the budget back to balance. Based on the conversation and consensus of Council at the budget workshop, the City published a tax rate hearing notice with a proposed rate of $0.520904.

Ms. Cook stated that the City can balance the budget for FY 2021/2022 and set aside funds for market study recommended salary increases, in a phased approach, if Council chooses 2% or 3% over the no new revenue tax rate. Each option would have a small carryover that could be banked over three (3) years and used in the future.

Mayor Kolupski stated that cutting the tax rate is the goal. Citizens have had a tough two years, and they are getting hammered with the assessments. The options are below the current tax rate, but would like to try to get the rate down to something a little more palatable, but with no cuts to the budget. The 2% option will result in a surplus of $67,000. The decision will only affect how much is remaining to pay salary increases from the market study. The STEP raises for employees, the 4% increase for PD, and the three new positions are already in the proposed balanced budget.

Ms. Cook explained that the market study would be completed mid-year and Council would approve a budget amendment to fund Phase 1 on market salary increases recommended. The in-house survey conducted by HR resulted in an estimate of over $200,000 to bring several existing positions up to market. An in-house market analysis is performed every year by HR and normally only a handful of positions require an adjustment. The same cities are surveyed every year to make sure that Seabrook is staying at mid-market, position by position. This year, several positions fell below market. The best estimate for the cost of the market study itself is $10,000 to $45,000. Bringing all positions up to market is estimated at over $200,000. An independent consultant doing the market study will help determine which positions to fund, will ensure that the compensation is for duties actually performed and not just on title. The last study was completed in 2015, and it is recommended that an analysis be completed at least every 10 years. Because the in-house analysis came back with several positions that need updating, it is a good time to do the consultant performed market study, rather than waiting another 4 years to bring it to the 10 year mark. Council is very interactive in the process and decides what cities Seabrook is competing with to set the comparable cities.

Mayor Pro Tem Hammann explained that an outside consultant gives credibility to what is done in-house. In an organization with people doing multiple jobs, if a person leaves, the expense to re-hire is more than if the person was only doing one job. An outside consultant will confirm inflation and it is preferably to look at a survey saying these positions are underpaid, than to experience a bunch of people leaving. It's not only a look at salary, but also analysis of job descriptions to make sure the comparison is apples to apples between cities.

Ms. Cook noted that the 2% increase (a rate of $0.524444) will result in a surplus of $67,259 with a carryover of $.005735. She continued that the 3% increase (a rate of $0.528284) will result in a surplus of $126,763 with a carryover of $001895. Both options will result in an increase over the no new revenue rate, but will actually be a decrease in the tax rate compared to the current rate.

Motion was made by Mayor Pro Tem Hammann and seconded by Councilmember Klein to approve a 3% tax increase to $0.528284 and set the Public Hearing for Tuesday, September 21, 2021 at 6:00pm.

MOTION FAILED BY 3-4 VOTE, WITH MAYOR KOLUPSKI AND COUNCILMEMBERS LARSON, GIANGROSSO, AND MACHOL VOTING IN OPPOSITION

Motion was made by Councilmember Machol and seconded by Councilmember Larson to approve a 2% tax increase to $.524444 and set the Public Hearing for Tuesday, September 21, 2021 at 6:00pm.

MOTION CARRIED BY 4-3 VOTE, WITH MAYOR PRO TEM HAMMANN AND COUNCILMEMBERS KLEIN AND HEFNER VOTING IN OPPOSITION

Upon motion duly made and seconded, Mayor Kolupski adjourned the meeting at 6:50 p.m.

Approved this 5th day of October, 2021.

Thomas G. Kolupski

Thomas G. Kolupski
Mayor

Robin Lenio

Robin Lenio, TRMC
City Secretary