

ROBIN J. ELACKATT
Mayor

VASHAUNDRA EDWARDS
Councilmember at Large Position No. 1

LYNN CLOUSER
Councilmember at Large Position No. 2



CHERYL STERLING
Councilmember District A
JEFFREY L. BONEY
Councilmember District B
ANTHONY G. MAROULIS
Mayor Pro Tem
Councilmember District C
FLOYD EMERY
Councilmember District D

CITY COUNCIL SPECIAL MEETING MINUTES

The City Council of the City of Missouri City, Texas, met in special session on **Saturday, March 20, 2021**, at the Quail Valley Golf Course, Bluebonnet Room, 2880 La Quinta Drive, Missouri City, Texas 77459, at **8:00 a.m.** to consider the following:

1. ROLL CALL

Mayor Elackatt called the meeting to order at 8:07 a.m.

Those also present: Mayor Pro Tem Maroulis, Councilmembers Clouser, Boney, and Emery; City Manager Jones, City Attorney Iyamu, City Secretary Jackson, Assistant City Manager Atkinson, Assistant City Manager Martel, Director of Financial Services Portis, Director of Court Services Rychlik, Director of Parks and Recreation Mangum, Interim Director of Development Services Thomas Gomez, Interim Assistant Fire Chief Partida, Director of Human Resources and Organizational Development Russell, Police Chief Berezin, Chief Performance Officer Harris, Director of Information Technology Cole, Director of Public Works/City Engineer Kumar, and Director of Communications Walker. Also present: Jason Gray, JDGray Group LLC. Councilmember Edwards, Councilmember Sterling, Korita Jones, Senior Consultant, Quyang Pan, Consultant, and Karen Welch, Consultant, with Gallagher attended remotely.

2. CLOSED EXECUTIVE SESSION

After proper notice was given pursuant to the Texas Open Meetings Act, the City Council went into Executive Session at 8:13 a.m.

Texas Government Code, Section 551.087 - Deliberations regarding commercial or financial information that the governmental body received from a business prospect that the governmental body seeks to locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations: mixed use developments.

Mayor Elackatt stepped away at 9:50 a.m. and returned at 9:51 a.m.; and, stepped away at 9:56 a.m. and returned at 11:49 a.m.

Mayor Pro Tem Maroulis stepped away at 9:57 a.m. and returned at 9:57 a.m.

Councilmember Emery stepped away at 11:13 a.m. and returned at 11:18 a.m.

Councilmember Clouser stepped away at 11:13 a.m. and returned at 11:19 a.m.

City Council recessed at 11:54 a.m. and returned at 12:16 p.m. into closed executive session.

3. RECONVENE

At 1:21 p.m., City Council reconvened the special City Council meeting and recessed. No action was taken.

At 1:30 p.m., City Council reconvened the special City Council meeting.

4. DISCUSSION/POSSIBLE ACTION

- (a) Receive a presentation and discuss economic development.

City Council addressed agenda item 4a in closed executive session.

- (c) Receive a presentation and discuss the City's bond program.

Director of Financial Services Portis presented the issuance of debt and the financial costs associated with capital projects such as building projects, new roads, and an expanded plant; the spread of the cost of capital improvement over time (intergenerational equity); refinancing existing debt at lower interest rates; and, that debt could be a general obligation or revenue backed. Portis also discussed the types of debt, authorized but unissued debt, the Capital Improvement Plan (CIP), the City's Financial Policy and Practice regarding debt issuance, future debt capacity summary, future debt capacity using a low \$0.17 scenario, future debt capacity using a medium \$0.18 scenario, and future debt capacity using a high \$0.1956 scenario.

Assistant City Manager Martel presented the CIP high, medium and low funding scenarios.

Assistant City Manager Atkinson presented the 2021 bond process calendar of events as follows:

Date	Events
April 19	City Council appoint a Bond Committee at their regular meeting.
May – June	Citizen Bond Committee to meet to create a proposal for City Council consideration.
May 6	Provide Citizen Bond Committee process overview and financial presentation, committee receives reports from staff on Parks & Recreation and Facilities
May 13	Citizen Bond Committee meets on Transportation/Drainage & PMMP evaluation results
June 3	Citizen Bond Committee to meet to review & prioritize projects and financing sources
June 10	Open House by Citizen Bond Committee for the public to provide feedback
June 24	Citizen Bond Committee to meet to review & prioritize projects and financing sources then vote on a recommendation to City Council
July 5	City Council will receive a presentation from Citizen Bond Committee at their Special Meeting, Council to hold a public hearing to receive feedback on the proposed projects and election during regular council agenda.
July 19	City Council presented final list of projects to take action & call election (if they are not ready, they have a meeting on August 2 they can hold to take action)
August 2	City Council vote to hold a bond election on November 2, 2021
August 12	Open House for Staff to present facts on bond election.
September 16	Open House for Staff to present facts on bond election
November 2	Election Day

The Mayor asked about drainage funds available from previous bond elections. Assistant City Manager Martel stated there were funds set aside for projects. Councilmember Boney requested further discussion regarding street repair funding for each of the scenarios. Assistant City Manager Martel discussed the proposed projects to be addressed using staff's interpretation for street funding with each of the scenarios. Councilmember Boney asked if it was staff's request to repair streets using each of the scenarios. Assistant City Manager Martel stated yes, that was correct. Assistant City Manager Martel stated the total street reconstruction projects for five years was projected at \$20,100,000.00.

Mayor Elackatt asked if staff believed a bond election was recommended. Assistant City Manager Martel stated yes as the big-ticket projects required additional funding, such as street repair.

Mayor Elackatt asked if City Council were to recommend a scenario, could the citizen's bond committee recommend another scenario. Assistant City Manager Martel stated he was correct. Mayor Elackatt asked

if the committee could change the scenario. City Manager Jones that was correct. Assistant City Manager Martel stated the bond committee would look at the projects and submit recommendations to City Council.

Councilmember Edwards asked if the sidewalk project would be implemented with the bond program with city streets or if the sidewalks project would be solely the city's responsibility to maintain and operate. Assistant City Manager Martel stated City Council funded an extra \$2 million dollars in the budget last year and Director of Public Works/City Engineer Kumar was able to execute this with a contractor. He adds the sidewalk project from a major standpoint was caught up and city staff was looking at a maintenance program to be accomplished in the current budget.

Councilmember Boney asked about plans for the Quail Valley Golf Course. Assistant City Manager Atkinson stated drainage improvements were incorporated as the city was looking at the overall drainage plan for the city.

Assistant City Manager Atkinson asked if City Council was interested in moving forward with the bond proposal and, if so, with forming a bond committee. Mayor Pro Tem Maroulis stated he would like the bond package to be emailed to him; he wanted to know if staff could help council in terms of districts so that they knows where the money was going; and, he liked the direction the city was going.

Mr. Gray stated that the main items city staff members were needing City Council to consider was if this would be the right time to go out for this while recognizing there were a lot of city needs. And, if so, putting together a bond committee to work through the projects; deciding how much direction to give the bond committee; and, to then receive a recommendation from the bond committee which City Council will have to decide which would be placed on the November 2, 2021 ballot.

City Manager Jones asked if City Council would like to consider moving forward; and, if so, from a high, medium or low scenario perspective. Mayor Elackatt asked if the current time would be the most ideal due to ratings. Director of Financial Services Portis responded by stating that from the debt which was just issued, bond interest rates were low.

Councilmember Edwards stated she takes favor in what city staff members were proposing as they were noting the needs of the city; however, she would also recommend that the city host Q&A informative public meetings so that the residents to be more informed of the proposed bond election. Mayor Elackatt stated public meeting input sessions may vary based on who would show up for the meeting. He added that once you take into consideration the various projects needed, the city has no funds available to move forward with them and he believed direction should be given to the administration to then move forward and notify the bond committee who would then identify the projects which should be incorporated in the bond election. Mayor Elackatt noted that the proposed November 2, 2021 bond election timeline would need to be monitored as there was not a lot of time. Councilmember Edwards agreed and recommended that literature be sent out to the residents so that they may be aware if they were unable to serve the bond committee. Assistant City Manager Atkinson stated city staff members were proposing bond committee open houses in an effort to answer citizen questions about the bond election. Councilmember Edwards asked if the proposed process was also implemented in 2014. Assistant City Manager Atkinson and City Manager Jones stated yes.

Mr. Gray asked if anyone on City Council was opposed to forming the bond committee, having them do their work, hearing their recommendations, and assuming that Council may be moving forward with the bond election in November. At this time, there were no objections from Mayor Elackatt, Mayor Pro Tem Maroulis, Councilmember Clouser, Councilmember Boney and Councilmember Emery. Mr. Gray also asked Councilmember Edwards and Councilmember Sterling who were remotely present. Councilmember Sterling and Councilmember Edwards stated they had no objections. Councilmember Emery, Councilmember Clouser and Mayor Pro Tem Maroulis answered that they had no objections. Councilmember Boney stated he had no objections and would prefer that it be focused on the needs of the citizens and not the wishes.

Mayor Elackatt stated he was in support of the bond election and noted community awareness needs to be made, he understands that for each bond committee meeting the public was invited, and he would like to see communication distributed to the public, similar to what Councilmember Edwards was referring to, so that the public was aware of upcoming bond committee meetings. Mr. Gray stated that what he was hearing was to communicate and to communicate early. Mayor Elackatt stated how citizens could serve the committee would also need to be included in the literature.

Councilmember Edwards requested the communications utilized in the 2014 bond process and recommended that Kelly Matte present during HOA meetings so that the public may be notified of the bond process. Assistant City Manager Atkinson stated meeting would be recorded and presented to the public. Director of Communications Walker discussed the 2014 bond referendum communications.

- (e) Receive a presentation and discuss the current compensation and benefits study.

Ms. Korita Jones presented an overview of the study background, survey methodology, and the summary of the salary data comparisons. Ms. Karen Welch presented the summary of salary data comparisons with their levels of competitiveness to the market, the salary structure analysis, the proposed defined pay progression plan for employees including police and fire departments, the implementation methodology and costing, and the summary of pay and benefits practices and recommendations.

Ms. Jones recommended the next steps as follows: to adjust all of the current salary ranges by 3% to ensure competitiveness with the market and internal alignment; move the employees to the next closest step up relative to their current pay in the new salary table; and, the City may want to consider whether adopting, modifying or eliminating pay and benefit practices that were leading or lagging the market to improve its total compensation offering to current and prospective employees.

She added that if the City does not implement the recommended changes, Gallagher recommends at a minimum, and if the City was able, cost of living/general increases be provided to employees to ensure that as time goes on, employee base salaries do not fall below market trends. Ms. Jones also noted the Cost of Living Adjustment (COLA) increase information was as follows per WorldatWork:

- For 2020, for all industries, the actual market COLA given to employees averaged 1.9% (Exempt and Non-exempt workers).
- For 2021, the projected COLA increase is approximately 2.0%.

At this time, it was uncertain what impact market conditions would have on these figures. In regards to compensation trends considerations during COVID-19, according to WorldatWork "COVID-19 Quick Polls," 57% of organizations have already paid or still plan to pay out salary increases in 2020. However, 19% of 238 employers said they were waiting to decide on whether they would pay out salary increases and 17% said they were cancelling salary increases in 2020. The participant profile represents more than 50% private organizations.

Ms. Jones states that in terms of interpreting market study results in the context of COVID-19:

- The presented market findings represent economic conditions at the beginning of the COVID-19 pandemic (1Q 2020).
- It was important to assess the study findings in the context of the unprecedented economic pressure that may impact City revenues and compensation adjustments.
- Due to the financial impact of COVID-19, the City may elect to provide no salary structure adjustments or step increases. As similar organizations assess their compensation strategy, the City's decision to provide no adjustments or partial adjustments (salary structure or step increase) may have an impact on the current variance from the target market point.
- They recommend that the City perform a reassessment of the market over the next 3 to 6 months once more stability was defined as COVID-19 impact was reduced.

- This would allow the City to appropriately assess their strategy for 2021 and consider the budget feasibility of adjustments in light of other essential services.

Ms. Jones added the following regarding administrative recommendations:

- Maintain the integrity of the Decision Band Method® (DBM) Principles
 - Introductory/refresher training
 - Consistently review, place, and move personnel into the appropriate DBM® bands and grades
- Annual Updates
 - In order to reflect necessary increases in the base salary and salary range for each job, the salary structure should be reviewed annually. Gallagher could provide the City with the average percentage increases for base salaries and salary structures on an annual basis, or the City may use a labor market index.
- Long-Term Updates
 - The City should reevaluate its overall salary structures at General intervals (e.g., 2 to 3 years depending upon market movement) to ensure that its salary ranges were consistent with the market.
 - This would involve conducting a market compensation study, such as was conducted here, every 2 to 3 years (depending on the economy) to make sure that the City's pay scales and employee salaries remain competitive.

Ms. Jones stated the following regarding administrative recommendations on how to address possible misalignment:

- For positions that appear to be potentially misaligned based upon market comparisons or employee/supervisor perceptions:
 - If the ranges were in line with the market, review the employee(s) salaries in the respective position(s) for supporting rationale for differences (e.g. new to the position or longevity).
 - If the City's median and/or ranges were not in line with the market, review the DBM to determine if it needs to be adjusted (i.e. compare duties, responsibilities, and decisions to other positions in the same/lower/higher band/grade).
 - If no DBM adjustment was needed and the position does not meet the requirements for placement in the premium band/grade, look at other considerations such as longevity. If the ranges were in line with the market and the employee's placement in the range seems low, consider moving to an applicable step in line with the time in position.
 - If no DBM adjustment was needed, but the position meets the requirements that pertain to placement in the premium band/grade, move the position into a premium band/grade at least at the minimum pay for the band/grade.
 - Example: The City may need to look at B21 to see if a premium grade was warranted. Current premium grades were generally a 13% premium in the B band. Creating a B21P band/grade could be a 13% increase above the B21 range.
 - If a DBM adjustment was deemed valid, then move position into the new band/grade placing the employee at least at the minimum pay for the band/grade.

Councilmember Boney asked if the 2018 compensation study proposed recommendations for employee pay increases within the next two or three years. Ms. Welch stated the last compensation study was completed in 2020 and the results were presented before City Council on this day. Councilmember Boney asked if from the 2018 compensation study, if certain incremental salary increases were proposed within the next two or three years. Director of Financial Services Portis responded by stating the city's history of pay compensation was included further along the current presentation. Councilmember Boney asked if Gallagher presented recommendations for implementation for the next two to three years. Ms. Jones stated that was correct, they do provide recommendations with various implementation options which could be a few years out.

Director of Financial Services Portis presented the city's internal process and the proposed defined pay progression plan. She added that merit pay was not included in the Gallagher presentation which would include a 0.5% of base salary, would be a one-time annual lump sum payment, would not be added to base salary, employees must exceed expectations in performance evaluation, and the city anticipates an approximate annual cost of Merit Pay \$100,000 in which the city would assume 70% of employees would meet the requirements.

Councilmember Clouser stepped away at 3:25 p.m. and returned at 3:32 p.m.

Director of Financial Services Portis, Police Chief Berezin and interim Fire Chief Partida discussed the proposed public safety incentives. Director of Financial Services Portis ran a model to then discuss how the proposed plan would fiscally impact the city for the next five-years. The assumptions would be a DBM increased 3%, employees placed into step system based on current salary, merit pay was one-time pay and not added to salary base, benefit rate of 20%, merit pay begin in FY 2022, new Incentives begin in FY 2022, surveyed positions below market, adjusted to be within the 25th percentile, annual increase in costs due to continuous step increases, adding a new position in Parks & Recreation overseeing the Golf Course and Tourism, and pay adjustments in FY 2021 effective with pay period beginning March 28, 2021. Director of Financial Services Portis also discussed the cumulative fiscal impact and noted that for FY 2021, funds were available in the amount of \$663,166.02 to pay for the proposed step program; and, in fiscal years 2023 and 2025, the City would budget an ongoing \$1.2 million and typically budget \$1.2 million annually, with ongoing funding provided bi-annually. Councilmember Emery asked if City Council would have control on whether the City would move forward based on funding availability each year. Director of Financial Services Portis stated yes.

Assistant City Manager Atkinson presented the salary adjustment history as follows:

Date	Action
March & April 2008	Salary adjustments based on compensation study with performance based salary adjustments of up to 4%
May 2009	2.75% increase to all employee base salaries
July 2011	Performance based salary adjustments to all employees of up to 2.75%
April 2012	Benefit & Comp Study performed with 2% across the board pay adjustments
April 2013	Police and Fire adjusted to 100% of market, and most exempt and non-exempt employees to 95% of market
November 2014	One –Time Lump Sum payment to all employees
April 2015	PD Market Analysis Completed with ranges adjusted 4%, increases in certification pay and salary adjustments of 2% for each year of time in position for sworn officers excluding the Chief
May 2016	Pay structures for exempt and non-exempt set at 95% of market and Public Safety structures at 100% of market. 3% increase to ranges, and 2% for each year of time in position for all employees.
November 2018	Compensation study with increases based on time in position
December 2019	1% one-time lump sum payment to all employees

Councilmember Boney asked why salary adjustments were not implemented in 2020. Assistant City Manager Atkinson stated the process they were on was that one year city staff members would look at salaries compared to market and the next year they would look at benefits. Councilmember Boney asked if anything was done for employees in 2020. Director of Financial Services Portis noted hazardous pay was distributed to first responders in 2020 using CARES Act funding.

City Manager Jones noted that the proposed pay plan ordinance would be scheduled before City Council during the April 5, 2021 regular City Council meeting. Mayor Pro Tem Maroulis asked if Gallagher was presenting the 3-percent increase in terms of performance. City Manager Jones stated that was correct in an effort to bring everyone back in line, 2.5-percent would be a salary increase with 0.5-percent for merit pay.

Mayor Elackatt asked Director of Financial Services Portis for her thoughts on the step program. Director of Financial Services Portis stated it would depend on what the estimates would be on an annual basis and if the city has the capability to afford it. City Manager Jones stated that every year, there would be a market analysis and Council would be making a decision to move forward, that year, based on the financial position of the city. He added that Council would have control on the percentage increases for employees moving forward and the proposed pay plan would allow employees to see their potential pay increases. Mayor Elackatt asked Director of Financial Services Portis if the City would be able to afford this new step plan process and would she recommend this to City Council. Director of Financial Services Portis stated she would recommend this however with the caveat that Council would have to be comfortable with either increasing the M&O (maintenance and operations) portion of the tax rate to be able afford it. Again, she stated she would recommend doing it but, on an annual basis, they would have to look into this to make sure the city has the funds to do this. Mayor Elackatt asked if the City would not be able to move forward with a three-percent increase but one-percent, would there be an issue. Director of Financial Services Portis stated the city would then be out of the proposed pay plan structure because the structure they have in place would be for a 2.5-percent increase. Further, she adds if the percentages were to change every year, then it would not be best to have a step plan system in place. City Manager Jones added that if Council were to pause pay increases for one year, it would not mean that the pay plan would be off it would mean that the increases for that year would be on pause. He adds that Council would have control as they do every year to determine if pay increases would be awarded. Mr. Jones stated that he believes what the pay plan does for employees was give them certainty and it would help the City with recruiting and retaining employees. Councilmember Boney expressed concerns considering the various outstanding projects needed for the city with the balance of retaining employees who would be promised a 3-percent pay increase and then were not awarded an increases based on the city's budgetary restrictions for that year. Councilmember Sterling stated she agrees with Director of Financial Services Portis and City Manager Jones and notes that pay plans could be paused and were driven by the economy.

Mayor Pro Tem Maroulis asked if every year, City Council would need to set aside or budget \$1 to \$1.5 million to salaries in order to make the steps work. Director of Financial Services Portis stated that every year there would be a cost of \$1.5 million budgeted; and, every other year \$1.2 million would need to be budgeted.

City Manager Jones stated what was presented before City Council to then be considered during a regular council meeting would be the adoption of the pay step plan to include merit pay based on evaluations along with the additional incentives. He asked if there was anything council would like to include in the ordinance. Hearing no further comments, City Manager Jones stated the proposed ordinance would be brought before City Council during the April 5, 2021, regular City Council meeting.

- (d) Receive a presentation and discuss the municipal utility districts within the City's jurisdiction.

Assistant City Manager Martel presented an overview of the municipal utility districts (MUD) update status. City Attorney Iyamu presented the legal options for the city MUDs. Director of Financial Services Portis presented the financial regionalization/natural groupings for consolidation scenarios and the methodology for evaluating the financial impact to city.

Director of Financial Services Portis noted the impacts to the city as follows:

- City's Debt Capacity – There was not capacity to take on the additional MUD debt and do the general purpose Capital Improvement Plan of the City.
- Bond Rating – Moody' lists increasing the net debt burden due to additional issuance absent tax base growth as a factor that could lead to a downgrade which impacts interest rates.
- Financial Advisor Conclusion:
 - Annexations or dissolution of Muds with significant outstanding debt service may not be financially feasible until that outstanding debt was retired or reaches a de minimum level.

- Note: Six Muds with no or de minimis debt: Quail Valley UD, Thunderbird UD, Meadowcreek, Palmer Plantation #1, Sienna Plantation #6, Sienna Plantation #7, and Fort Bend County #49 (all within unfavorable dissolution scenarios).

Assistant City Manager Martel noted the implementation options as follows:

- Option 1: Maintain the Status Quo
- Option 2: Implement Systematic Dissolution/ Annexation Program
- Option 3: Implement a Voluntary Dissolution/ Annexation Program
- Option 4: Negotiate a voluntary Asset Transfer
- Option 5: Create Wholesale Treatment Utility/ Utility Service Providers
- Option 6: Public Private Partnership to Facilitate Consolidation

Councilmember Emery requested to stay with Option 1 with the caveat that the city work to eliminate any new MUDs. Councilmember Boney agreed to stay with Option 1 and figure out a way to work collaboratively with the MUDs in the City because some of them may have resources to assist the City with capital projects.

City Attorney Iyamu asked if there was a desire to update the plan, and, if so, the Financial Advisor would be able to do that on an annual basis.

City Council recessed the special City Council meeting at 4:37 p.m. and reconvened at 4:47 p.m.

Mr. Gray asked if City Council would like to continue moving forward, postpone, or start now and pick up on a later date. Councilmember Clouser recommended that they not start something and pick up later and would prefer to discuss in one session. Councilmember Edwards agreed. Mayor Elackatt stated that he believed that it would be beneficial for City Council to return to this on a later date. Mr. Gray requested to run through the next process and come back.

(f) City Council strategic planning.

Mr. Gray presented the strategic focus areas and where there was a gap in terms of priorities by City Council; identified City Council's now, five-years, and next twenty-year plans; identified how the plans fit in with City Council's current strategic focus areas; identified two new strategic focus areas as "Diverse & United" and "Known Destination;" the effectiveness, quality, services infrastructure and growing base for maintaining a financially sound city; growing business investments in Missouri City; developing a high-performance city team; and, having a quality development through buildout.

Mr. Gray stated City Council would go further in depth with each of the strategic focus areas on a later date.

Agenda item 2b was not addressed, at this time.

(b) Receive a presentation and discuss the comprehensive communication plan.

3. **ADJOURN**

The special City Council meeting adjourned at 4:58 p.m.

Minutes PASSED AND APPROVED this the 19th day of April 2021.

Maria Jackson, City Secretary