

**MINUTES OF THE CITY COUNCIL OF THE CITY OF GALVESTON
WORKSHOP - MARCH 27, 2025**

3/27/2025 - Minutes

1. DECLARATION OF A QUORUM AND CALL MEETING TO ORDER

With a quorum present, the workshop was called to order at 9:00 a.m.

2. ROLL CALL

Present: Mayor Craig Brown, Mayor Pro Tem Marie Robb, Council Member Sharon Lewis, Council Member David Finklea, Council Member Bob Brown, Council Member Alex Porretto, and Council Member Beau Rawlins.

3. DISCUSSION ITEMS

- 3.A. Clarification Of Consent And Regular City Council Agenda Items - This Is An Opportunity For City Council To Ask Questions Of Staff On Consent And Regular Agenda Items (1 Hour)

Items 10A, 10B, 10C, 10D, 11A, 11C, 11E, 11G, 11J, 11K, 11L, 11Q, 11Y, 11Z, 11AA, 11BB, 11DD, and 12B were clarified by Staff.

- 3.B. Discuss Policies And Procedures For The Placement Of Agenda Items On City Council's Agendas (C Brown - 15 Min)

City Council discussed improving the management of City Council meeting agendas. Mayor Brown emphasized the need for better agenda management and invited feedback on revising related ordinances. Topics discussed included: (1) Concerns about last-minute agenda additions, which leave staff with insufficient preparation time; (2) Workshops are intended to address potential agenda items or procedural matters, not for fact-finding. Council members should go to staff for specific information in advance; (3) Council members should confirm a second for an item in writing and provide detailed descriptions to avoid vague topics; and (4) Discussions were held about moving the deadline for agenda items, and limiting items per Council member.

- 3.C. Discussion Of The Master Developer Plan For Stewart Beach Park (D Anderson -20 Min)

Architectural Project Manager Dudley Anderson discussed with City Council development of Stewart Beach Park, specifically around the Master Developer Plan and the Request for Proposal (RFP) process. GEPD representative Josh Owens clarified that a "master developer" aims to maximize return on investment, create jobs, and boost economic growth. He emphasized that the RFP should clearly define the city's objectives, such as capital investment, job creation, or public amenities. Discussion was held regarding clarity of the RFP. There was agreement on the importance of public input to ensure that residents' desires for amenities are considered, balancing the need for revenue and investment. Purchasing Manager Mike Caruso stressed the need for a detailed scope of work and transparent evaluation criteria in the RFP. The City plans to reach out to coastal developers and relevant vendors through advertising and outreach to ensure the right developers are aware of the opportunity.

Options for Moving forward include (1) Option A - Issue an RFP for a new master developer; (2) Option B - Adopt and revise an existing master plan based on public input, then conduct public outreach; (3) Option C - Start with a completely new master plan. Staff is leaning toward Option B, which uses existing resources while separating the master plan from the

developer's involvement. The discussion emphasized setting clear goals, engaging the public, and finalizing a plan for moving forward. A follow-up meeting is scheduled for the next month to review progress, with a deadline for Council submitting input to Staff by April 10.

3.D. Discussion Of Future Status Of Community, Revenue Producing, And Tourist Oriented Parks (D Buckley - 20 Min)

3N. Status Update & Timing Of Moving Collection Of HOT Tax To The City Of Galveston (Rawlins/Porretto)

Deputy City Manager Dan Buckley discussed with City Council future management of parks in Galveston, focusing on whether the City or the Park Board should manage specific parks like Seawolf and Dellanera. Key points include: (1) Legal Implications - Delegating park management to the Park Board aligns with the City Charter and is not considered a sale. The City can mandate that the Park Board follows its procurement guidelines, and the City can convert parks for proprietary uses (e.g., RV parks) as long as they remain publicly accessible; (2) Operational benefits, efficiencies, and cost savings - The City could eliminate duplicate services by taking over park operations, but the financial impact depends on whether the City or the Park Board can manage parks more efficiently; (3) Next steps - Staff is seeking a policy decision from Council to either negotiate an agreement with the Park Board or consider taking over the parks. The City needs to decide whether parks should generate revenue or focus on serving residents and tourists, which will shape the operational model going forward. City Council would like to see specific information on the City's or the Park Board's plan for operating the parks.

Discussion was held regarding bringing the collection of Hotel Occupancy Taxes (HOT) back under City control, as it was transferred to the Park Board in 2015. The timeline for this shift is still being discussed, with a recommendation from Staff to begin by the end of the year.

3.E. Discussion Of Findings Of The Park Board's Current Conflict Of Interest Audit (Bulgherini - 20 Min)

City Auditor Glenn Bulgherini presented findings of the Park Board's Conflict of Interest Audit, which focused on the Galveston Park Board's compliance with its conflict of interest policy. The audit uncovered two key issues:

1. A Park Board director hired his wife's company for work within his department, without informing executive staff.
2. Another director operated his personal business on Park Board-controlled premises, which violated the Park Board's policy.

While the directors believed they were following Texas Local Government Code Chapter 176 (which exempts disclosures for income under \$2,500), the audit emphasized that the Park Board's policy requires employees to avoid conflicts of interest. The audit made three recommendations: (1) Employees or their relatives cannot do business with the Park Board or on its property if they supervise the department; (2) Prior approval should be required for any employee-related businesses on Park Board property; and (3) Conflicts of interest, whether actual or potential, should be disclosed on the Park Board's website, regardless of Chapter 176.

Discussion has held regarding the lack of disciplinary action against the involved directors, and whether legal counsel was informed. City Auditor Bulgherini reported that the Park Board acknowledged the audit's findings and agreed to adopt the recommendations, though the issue of accountability remains unresolved. The situation highlights concerns about procurement processes, transparency, and management practices within the Park Board, especially as no proper bidding occurred when hiring services.

- 3.F. Discussion Of Failure To Collect Audited STR And Hotel HOT Tax Resulting In Loss Of HOT Funds (G Bulgherini/ Porretto/Rawlins - 15 Minutes)

City Auditor Glenn Bulgherini reported on the failure to collect audited Short-Term Rental (STR) and Hotel Occupancy Tax (HOT Tax), resulting in a loss of revenue. Key points from the discussion include: (1) Loss of Revenue - The City lost around \$21,600 due to not collecting the taxes on time. An additional \$5,000 was lost in the Internal Audit Department; (2) Audits and Billing - Of 19 audits, 13 were re-billed after the issue was flagged, and the remaining six audits are part of the revised audit plan. The loss stems from statutes expiring, meaning the revenue cannot be recovered for those periods; (3) Communication Issue - While email notifications were sent in December 2024 and February 2025, there were delays in processing. Once the issue was identified, billing was expedited; (4) Mitigation Efforts - Moving forward, the City plans to audit additional months to reduce further losses. Despite the loss, there is a chance to recover some of the revenue through future audits; (5) State Collection - Since 2021, Airbnb and VRBO have been collecting the HOT tax on behalf of the state, which has made some audits more complex, especially with 1,000 unregistered short-term rentals still affecting city revenue. The discussion concluded with an acknowledgment of ongoing efforts to refine the auditing process and minimize losses.

- 3.G. Presentation Of The Current Status Of Available City Development Incentive Programs And Consideration Of Recommendations To Encourage Development, Including But Not Limited To Lowering Fiscal Impact Of Required Drainage Improvements (Finklea/Robb - 20 Min)

3L. Discuss changes to development regulations to spur development and increase tax base (Rawlins/Porretto)

The City Council discussed strategies to encourage economic development and address challenges in City development, focusing on regulations, incentives, and infrastructure needs. Discussions centered on making the development process more business-friendly by reevaluating restrictive regulations, and ensuring fairness to existing businesses while promoting new development. There is consensus on targeting areas like Pelican Island, Broadway Corridor, and the airport for growth. Careful application of incentives is needed to avoid unfair competition with established businesses. There was a suggestion to simplify and update the signage ordinance to avoid negative consequences like loss of grandfathered signs. A discussion about reducing the overreaching detention pond requirements and adjusting the drainage ratio from 1:1 to 0.5:1 was held. The city is working with consultants to explore more development-friendly alternatives. Overall, the meeting emphasized the need for a balanced, flexible approach to urban planning that addresses infrastructure, drainage, and regulatory challenges, while fostering a business-friendly environment.

- 3.H. Discussion Of Proposed Changes To City Code Provisions Dealing With Vendors On The Beach Operating On Claimed Private Property (Legal - 20 Min)

Discussion was held regarding proposed changes to City's Code for beach vendors. The current issue - Vendors renting chairs and umbrellas on the beach have been receiving permits from the Park Board to operate on both private and public land, raising concerns about private property rights violations. Proposed changes - Vendors on private property would show proof of ownership (deed or tax bill) to obtain a permit, ensuring no conflicting permits are issued for the same property. The Park Board would issue permits for private property only if vendors prove legal ownership or leasing rights. The Council discussed fees for trash collection and ramp usage, enforcing the regulations particularly in cases of ownership disputes or conflicting vendors on the same land, and uncertainty around private and public land boundaries complicating permit issuance. Better mapping and identification of property boundaries are needed. Next steps include checking with the Park Board for any existing surveys or information and to have a joint meeting to discuss the issue further.

3.I. Update And Discussion Of The Garten Verein Facility Assessment Report (C. Kenworthy - 20 Min)

Facilities Director Charles Kenworthy and Don Labiche from the Labiche Architectural Group discussed with Council needed renovations of the Garten Verein Facility. The City of Galveston commissioned the Labiche Architectural Group to assess the building's condition, revealing several issues related to structural integrity, exterior issues, interior problems, columns and supports needing structural repairs, roof replacement, and aging HVAC and lack of energy efficient controls.

Some minor issues have already been addressed, but the City faces significant costs for further repairs, estimated at \$3.8 million. The renovation will be phased, starting with structural work, while still allowing the building to be rented out. Funding will come from the Hotel Occupancy Tax (HOT) Fund, which has previously supported historic preservation efforts. The project emphasizes balancing historical integrity with modern needs to keep the venue functional and sustainable for future events.

3.J. Discussion Of Golf Cart Inspections (Robb/C Brown - 15 Min)

Deferred to the April Workshop.

3.K. Discussion Of An Alternate Meeting Date And Associated Agenda Items For The City Council/Park Board Joint Meeting That Was Scheduled For March 19th (C Brown/ Porretto - 20 Min)

The Council discussed rescheduling a joint City Council and Park Board meeting that was originally scheduled for March 19th to April 16th, pending availability of the Park Board.

3.L. Discuss Changes To Development Regulations To Spur Development And Increase Tax Base (Rawlins/Porretto)

Discussed in conjunction with Item 3G.

3.M. Discuss Parking Tickets By Mail And Associated Data To Be Presented By City Staff (Porretto/Rawlins)

The Council discussed parking tickets issued by mail for the Seawall area, with data presented by Interim City Marshal Nick Yeley and Executive Director Robert Simmons. A summary of the key points: (1) Collection Data - From July 1st until now, around 12,800 citations were issued, with a 34% payment rate for those tickets. This system is yielding better results compared to previous years, and payments are expected to increase as collections progress; (2) System Details - The system alerts city staff about unpaid tickets. It verifies through both automated checks and manual review to ensure accurate data. The fines currently do not escalate for repeat offenders; (3). Parking Options -There is an annual parking pass for \$45 to allow residents and visitors to park on the Seawall without issue. There's discussion about improving communication to increase awareness about this pass; (4) The current system doesn't differentiate between local and out-of-town drivers, but this could be added later; (5) Downtown vs. Seawall Parking - Parking violations in the Seawall area are not tagged with tickets, but downtown violations still are; (6) Future Improvements - There is interest in evolving the system to address concerns about repeat offenders and to track whether violators are locals or out-of-towners. Overall, the system is working well, and there are plans for future updates to address additional concerns.

3.N. Status Update & Timing Of Moving Collection Of HOT Tax To The City Of Galveston (Rawlins/Porretto)

Discussed in conjunction with Item 3D.

3.O. Discussion Of Quarterly Hot Report Requirements Via The HOT Contract (Porretto/Rawlins)

The discussion focused on the quarterly HOT (Hotel Occupancy Tax) report requirements outlined in the HOT contract. Management received an email regarding this issue, noting that some of the timing for the report was off. City staff informed that they may not be receiving the detailed report required by the HOT contract. The issue was raised to ensure a better understanding of HOT tax expenditures and to address the reporting process.

- 3.P. Discuss Known Issues Of Stewart Beach Lagoon Project And Future Plans Of Filling Of Lagoon Or Presentation Of Solutions To Mitigate Drainage Issues Presented By Our City Engineer (Rawlins/Robb)

The Council discussed the Stewart Beach Lagoon Project and its drainage issues. CM Rawlins highlighted concerns about the poorly designed lagoon, which is causing drainage problems for nearby beaches and developments, particularly the Grand Reserve. A third-party engineering firm has been hired to review the situation and provide suggestions for improvement. There was discussion that previous sand removal from the beach could have contributed to the drainage issues. There is a strong desire to address these drainage problems quickly, especially as a master developer may soon be involved in the area's redevelopment. The council suggests that the Parks Board should be called upon to provide more clarity on their plans.

CM Porretto declared a conflict on this item and did not participate in the discussion.

- 3.Q. Discuss History And Timeline Of Beach Vendor/Concessionaire Agreements Conveyed To The Parks Board To Provide Lease Management Oversight And City Of Galveston's Position On Reimbursement To Concessionaires For Leases That Can't Be Honored (Rawlins/Robb)

The discussion centered around issues related to beach vendor concessionaire agreements in the City of Galveston. The key points of the conversation are: (1) The city is working with the Parks Board to manage lease agreements and oversee concessionaire operations, particularly with regard to the displacement of vendors; (2) There are concerns about the reimbursement for concessionaires who can no longer honor their leases due to changes or disruptions; (3) Several vendors, some with long-standing businesses, have been significantly affected; and (4) The Park Board has offered full refunds to displaced vendors, but there is an acknowledgment that simply offering refunds doesn't address the full scope of the economic hardship these businesses are facing. The issue is scheduled for further discussion in a joint meeting on April 16.

CM Porretto declared a conflict on this item and did not participate in the discussion.

4. EXECUTIVE SESSION

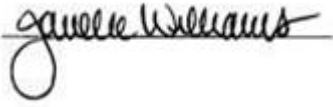
City Council convened into Executive Session at 12:28 p.m. and reconvened into Open Session at 1:08 p.m. No action was taken during Executive Session.

- 4.A. Pursuant To Texas Gov't Code 551.071- Consultation With Attorney, An Executive Session Will Be Conducted To Discuss And Receive Legal Advice Concerning Pending Litigation And/Or A Settlement Offer, Or On A Matter In Which The Duty Of The Attorney To The Governmental Body Under The Texas Disciplinary Rules Of Professional Conduct Of The State Bar Of Texas Clearly Conflicts With This Chapter, Related To The Following:

4.A.1. Discussion Of The Status Of The New Pelican Island Bridge

5. ADJOURNMENT

The workshop was adjourned at 4:49 p.m.

A handwritten signature in black ink that reads "Janelle Williams". The signature is written in a cursive style with a large, looped initial "J".

Janelle Williams, City Secretary

Date Approved: April 24, 2025