

**MINUTES OF REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF  
LUFKIN, TEXAS, HELD ON THE  
2<sup>nd</sup> DAY OF MARCH 2004**

On the 2<sup>nd</sup> day of March 2004 the City Council of the City of Lufkin, Texas, convened in a Regular Meeting in the Council Chambers of City Hall with the following members thereof, to wit:

Louis A. Bronaugh	Mayor
Jack Gorden, Jr.	Mayor pro tem
R. L. Kuykendall	Councilmember, Ward No. 1
Rose Faine Boyd	Councilmember, Ward No. 2
Lynn Torres	Councilmember, Ward No. 3
Don Langston	Councilmember, Ward No. 4
Dennis Robertson	Councilmember, Ward No. 6
C. G. Maclin	City Manager
Atha Martin	City Secretary
Bob Flournoy	City Attorney
Keith Wright	City Engineer
David Koonce	Director of Human Resources
Kenneth Williams	Director of Public Works
Douglas Wood	Director of Accounting
Stephen Abraham	Director of Planning

being present when the following business was transacted.

1. Meeting was opened with prayer by Rev. Jack Shelton, First United Methodist Church.
2. Mayor Bronaugh welcomed visitors present. Councilmember Torres welcomed LHS students who were attending the Council meeting to satisfy their government requirement.
3. **APPROVAL OF MINUTES**

Minutes of the Regular Meeting of February 10 and February 17, 2004 were approved on a motion by Councilmember Lynn Torres and seconded by Councilmember Don Langston. A unanimous affirmative vote was recorded.

4. **ORDINANCE – APPROVED – FIRST READING – COMPREHENSIVE PLAN**

Mayor Bronaugh stated that the next item for consideration was First Reading of an Ordinance adopting amendments to the Comprehensive Plan.

City Manager Maclin stated that this item was discussed at the last Council meeting and there were a couple of items that Council desired for revisions – one deletion and one addition. Mr. Maclin stated that those corrections have been made; the addition is under the housing plan and reads as follows: “The City should consider initiatives that will promote the development of single family dwellings within the City limits”.

Councilmember Robertson stated that the Council had slipped the service center facility one year already and asked if Council is looking at the possibility of not having the funds again next year to have to slip that again. City Manager Maclin stated that the issue was that when we discussed the Capital Improvements Program from 1999 that we would finish those items that we had in 1999 and basically Council has already agreed to exchange those dollars that have previously been set aside for the service center to construct the Whitehouse extension over to FM 819. Mr. Maclin stated that basically Council has already decided that they will have to delay the service center that

far. Mr. Maclin stated that staff knew based on current anticipation of completion of the entire 1999 project that it would probably be that long anyway by the time we got a new CIP approved and new dollars, and that was the reason for that, just to be more accurate in what appears to be correct timing for the completion of the 1999 CIP and then starting a new 2005-2006 CIP (a five year plan). Mr. Maclin stated that staff felt like that was more logical in terms of timeliness of being feasible.

Councilmember Robertson stated that looking at the existing facility, we really need to update something and it looks like those employees have been very patient about getting a decent facility out there to operate out of where they have reasonable space to operate machinery and have employee benefits out there. Councilmember Robertson stated that it seems that we keep stalling this project off and he has some concerns about the fact that we have upgraded other facilities with employees and it looks like we keep slipping this one. Mr. Maclin stated that the City has acquired the property and has the site for the proposed development. Mr. Maclin stated that it is just a matter of being able to place this as a high priority within the next CIP to insure that it is built.

Councilmember Gorden stated that the fire station on the west side of Lufkin has been moved also. Councilmember Robertson stated that that concerns him too.

Motion was made by Councilmember Jack Gorden, Jr. and seconded by Councilmember Lynn Torres that Ordinance adopting amendments to the Comprehensive Plan be approved as presented. A unanimous affirmative vote was recorded.

**5. ORDINANCE – DENIED – ZONE CHANGE – SMALL SINGLE FAMILY DWELLING TO NEIGHBORHOOD RETAIL – SOUTH MONTROSE ADDITION – 306 SOUTH END BOULEVARD**

Mayor Bronaugh stated that the next item for consideration was the request of Philippe and Demethra Orion to change the zoning from a “Small Single Family Dwelling” to “Neighborhood Retail” district on property described as Lot 2, Block 8 of the South Montrose Addition and more commonly known as 306 South End Boulevard and consider an amendment to the future land use plan for the subject property and other adjoining properties.

City Manager Maclin stated that the Planning and Zoning Commission by unanimous vote recommends that the request to change the zoning from “Small Single Family Dwelling” to “Neighborhood Retail” be denied. Mr. Maclin stated that the Commission does recommend that the Future Land Use Plan be amended to change the land use designation on the property described as 800 and 802 Timberland Drive from “Low Density Residential” to “Retail” as shown on attachment #5.

Stephen Abraham, Director of Planning, stated that this is the first time that they have encountered a situation like this. Mr. Abraham stated that there had been a small error on the existing land use map. Mr. Abraham stated that it inadvertently had designated Timberland Discount Pharmacy, which was previously a cell phone office, as “Low Density Residential”. Mr. Abraham stated that obviously those are developed as commercial property and zoned “Commercial”. Mr. Abraham stated that he knew that the Future Land Use map of the Comprehensive Plan was incorrect. Mr. Abraham stated that in that process they decided that if it was incorrect on those two lots is it conceivable that perhaps some adjacent properties should have been designated as non-residential. Mr. Abraham stated that looking at the situation, the subject property, which is shown on attachment #3, was not suitable for designation as non-residential. Mr. Abraham stated that the property has its only access from South End Boulevard, unlike those two abutting properties, which he is recommending that Council change the Future Land Use map on; they are both accessed from Timberland Drive. Mr. Abraham stated that the question is whether South End Boulevard is a residential street or a commercial street. Mr. Abraham stated that it is the feeling of the Planning &

Zoning Commission as well as his own feeling that the zone change be denied because of the opinion of it being a residential neighborhood.

Motion was made by Councilmember Lynn Torres and seconded by Councilmember R. L. Kuykendall that request to change the zoning from "Small Single Family Dwelling" to "Neighborhood Retail" district on property described as Lot 2, Block 8 of the South Montrose Addition and more commonly known as 306 South End Boulevard be denied. A unanimous affirmative vote was recorded.

Motion was made by Councilmember Don Langston and seconded by Councilmember Jack Gorden, Jr. that Ordinance amending the Future Land Use Plan for 306 South End Boulevard and other adjoining properties be approved on First Reading as presented. A unanimous affirmative vote was recorded.

#### **6. PUBLIC HEARING – FRANCHISE CONTRACT EXTENSION – COX COMMUNICATIONS CABLE TELEVISION SERVICE**

Mayor Bronaugh opened Public Hearing to consider franchise contract extension option as stated in the contract with Cox Communications Cable Television Service.

No one appeared for or against the contract extension.

Mayor Bronaugh closed the Public Hearing.

City Manager Maclin asked the City Attorney to review with the City Council the contract that was approved about 16 years ago by the City Council and the options included in that contract.

City Attorney Flournoy stated that the original contract was 15 years and was actually up in October 2003. Mr. Flournoy stated that they have the right for an extension provided they are not in default under the terms and conditions or the applicable provisions of any federal or state agency having regulatory control over the Cable Television System have not changed in such a way that it would prohibit that renewal. Mr. Flournoy stated that it appears that they are to notify the City and be granted that renewal option.

Councilmember Langston stated that in light of the way that technology changes over time, are we strictly talking about the opportunity to utilize television signal through cable, or are we talking about other signals such as telephone, internet services, etc. Mr. Flournoy stated that he did not think it covered any of that, and that it is more restrictive. Mr. Flournoy stated that it will be restricted to communication type transmissions.

In response to question by Councilmember Gorden, Mr. Flournoy stated that the Council is considering extending this contract for another 15 years.

City Manager Maclin stated that historically in dealing with cable companies because of the amount of investment that they are required to make to provide quality service and multiple opportunities and choices for services, typically they are going to ask for a longer franchise agreement to be able to amortize their investment. Mr. Maclin stated that the shorter your length of time of franchise agreement contract typically the more difficult it is for the company to be willing then to make those long term investments. Mr. Maclin stated that Glenn Parker with Cox Cable Services is present today to answer any questions Council may have. Mr. Maclin stated that staff has had multiple meetings with Mr. Parker over the last couple of years and one of the things staff received confirmation on from Mr. Parker is that the cable company is willing to assist the City in the utilization of their public access channel. Mr. Maclin stated that this is one of the things that the FCC has encouraged and promoted long before the TeleCommunications Act of 1996. Mr. Maclin stated that they do have a public access

channel and staff has discussed with them about the potential of the City providing some programming to be aired on that channel and they have agreed to assist us and work with us in providing that. Mr. Maclin stated that staff has talked about everything from City Council meetings to departmental activities to tourism activities, construction projects in the City, and items particularly of interest to visitors in the community. Mr. Maclin stated that staff would like to pursue this in the future where we would provide some of these pre-prepared video tapes and perhaps have them aired on the access channel and aired in the local hotels and motels and promote special events and festivals, etc. Mr. Maclin stated that he wanted it on the record that staff had had those conversations with Cox and they are in agreement to assist the City. Mr. Maclin stated that the only conflict is that on occasion they use the public access channel when Fox sports and other broadcasters who provide coverage of Houston Astros or Houston Rockets, they have an opportunity through the Nacogdoches station where they send that feed for those sports games and they will put that on Channel 96. Mr. Maclin stated that he agreed that we would not want to pre-empt those because they would get more phone calls, and we would get phone calls about watching a tourism video on the City of Lufkin as opposed to the live game of the Houston Astros. Mr. Maclin stated that in his opinion this is something the City would want to pursue in the not too distant future and certainly would be a benefit to our local tourism attractions as well as promoting various activities of the City of Lufkin.

In response to question by Councilmember Gorden, Mr. Parker stated that there is a feasibility clause in the Cox contract. Mr. Parker stated that they have not denied too many people and if the property is within the City limits they (Cox) is obligated to do up to 350'. Mr. Parker stated that there is rarely a case that they have not extended cable to. Mr. Parker stated that obviously if the request for cable is 2,000 feet or 3,000 feet and they will have to put up trunk and feeder, it will not pay for itself and they will never get their money back off of their investment. Mr. Parker stated that that is how they keep their cost down to their subscribers when they calculate their rates. Councilmember Gorden stated that in his opinion that ought to be part of the City granting Cox to do business in the City limits that they over all agree to serve the people who want cable.

Mr. Parker stated that they have renewed their contract with ESPN for nine years. Mr. Parker stated that they will be upgrading the system and it will be a two year project.

Councilmember Robertson asked why the Cable system could not provide customers with a customer-friendly package of stations that they would like to watch rather than having to pay for all of the other channels that they do not want to watch. Mr. Parker stated that realistically they do but it is not the "pick and choose" that Mr. Robertson is talking about. Mr. Parker stated that the cable company puts the programming in blocks to make it as "customer-friendly" as they possibly can. Mr. Parker stated that a lot of it is contingent on the contracts that they get. Mr. Parker stated that they have to negotiate their contracts for the programming. Mr. Parker stated that the contracts are very specific and go as far as to where you will carry them. Mr. Parker stated that would be EPSN, A & E, Fox News, etc. Mr. Parker stated that there are five major companies that they negotiate contracts with.

Councilmember Robertson stated that he had received a letter from a constituent who claimed that his programming had gone off the air without any kind of notice. When he called the cable service he was told that they had discontinued that package for him and he did not have any previous notification of that change in Cox Cable. Councilmember Robertson asked if the company was that unfriendly in terms of the customers across the board or is this an isolated case. Mr. Parker stated that without knowing what they were talking about, the Cox Cable Company is not unfriendly, but even if they were unfriendly the FCC would not allow them to be unfriendly. Mr. Parker stated that when they make any changes they have to give the public 30 days notice and notice is given through the newspaper, the character generator channel and through bill messages. Mr. Parker stated that most folks don't read the bill messages or

the newspaper. Councilmember Robertson stated that the citizen relaying this story to him was very dissatisfied with Cox Cable. Councilmember Robertson stated that the citizen had to buy a new package costing him \$10 more to get the program that had been discontinued. Mr. Parker stated that since Cox took over the cable company they have changed the basic line up, which was channels 2 through 50, and the expanded basic was another five or six channels. Mr. Parker stated that folks wanted a cheaper tier so they created a 2-13 basic and two years ago they phased out their analog premiums, which would be HBO show time.

Councilmember Langston stated that years ago with previous ownership there were numerous complaints about various aspects of service, quality of service, issues of extension of service and things of that nature. Councilmember Langston stated that he hears very little negative comment now days about the cable service. Councilmember Langston stated that if we were having issues that previous Councils dealt with there would be more people in the audience and we don't see them tonight.

In response to question by Mayor Bronaugh, Mr. Parker stated that three years prior to the end the franchise, the cable company will give another written notice with intent to renew.

City Attorney Flournoy stated that this is a non-exclusive contract and at the end of this 15 year period someone else could come in. Mr. Flournoy stated that there is a provision for franchise fee of 5% on the gross revenue and that will continue on whatever their revenue is and that will continue on the same term. Mr. Parker stated that the City is getting the maximum the FCC allows, and actually a little over that at 5.25%.

Motion was made by Councilmember Lynn Torres and seconded by Councilmember Rose Faine Boyd to approve the extension option as stated in the contract with Cox Communications Cable Television Service.

The following vote was recorded:

Aye: Councilmembers Torres, Boyd, Kuykendall, Langston, Gorden and Mayor Bronaugh

Nay: Councilmember Robertson

Motion carried with six affirmative votes.

## **7. BUDGET AMENDMENT – APPROVED – CIVIC CENTER FUND – FEDERAL MANDATED ACCESSIBIITY REQUIREMENTS**

Mayor Bronaugh stated that the next item for consideration was a budget amendment to the Civic Center Fund in order to accomplish Federal mandated accessibility requirements.

City Manager Maclin stated that over the last couple of years the City has done some renovations at the Civic Center including new bleacher system, the divider walls, new carpet, air conditioning and as a result of some of these repairs and renovations, it triggered an inspection through the Texas Architectural Barriers Act. Mr. Maclin stated that the inspector said that due to the renovations we made we have to bring the Civic Center into current handicapped access regulations. Mr. Maclin stated that we did have some accessible modifications that were made but we have to get current in the very near future. Mr. Maclin stated that the inspector gave the City 90 days to get into compliance and we requested an extension and received that extension. Mr. Maclin stated that this is basically a mandate that we make these revisions and obviously we did not have this budgeted. Mr. Maclin stated that we do have adequate funds in our fund balance to cover this. Mr. Maclin stated that staff is estimating this to be around

\$30,000 and involves some parking requirements, signage, curb cuts, and lowering some of the fixtures, changing the closure pressure on some of the doors, making accessible lavatory and mirrors, and changing the height of the counter. Mr. Maclin stated that one other item that staff would like to include in these renovations or accessibility accommodations is a few weeks ago one of the Civic Center renters in a group that included some children and those children climbed out on the Angelina statute and broke the bow of the bow and arrow portion. Mr. Maclin stated that the renter has agreed to pay for those repairs, which is approximately \$1,900. Mr. Maclin stated that staff sought multiple proposals and the gentleman who designed and built the eagle in the Spirit of America Garden in City Hall Park, Edd Hayes, has presented the City with a proposal to make that repair and for an additional \$1,500 he will provide a renovation of the statute by cleaning it and removing the old contaminants and then reseal all of the surfaces of the bronze and bring the sculpture back to what it looked like when it was first installed. Mr. Maclin stated that staff wants to include that \$1,500 in the \$30,000 estimate to get us in compliance with the State accessibility inspector. Mr. Maclin stated that staff is seeking Council's authorization to move forward with this. Mr. Maclin stated that it is staff's opinion that it could come in less than \$30,000, but he did not think it will exceed that.

Councilmember Langston stated that his only concern is that any renovation that is done on any facility whether it is City or private, requires the design professional to file with the Texas Architectural Barriers Commission and they are the design professional and should have seen these things because it's pretty obvious to those in the business if they don't have proper handicapped parking, etc. Councilmember Langston stated that he didn't understand why this wasn't caught back then and he knew that it needed to be done and this is probably a reasonable price. Councilmember Langston stated that he just has a concern that this did not go for enough in the investigation process so that the City had a total cost of making those renovations at that time rather than a piece meal cost. Councilmember Langston stated that also he would hope that that question be asked. Mr. Wright stated that on the second page after the memo the top paragraph is what they are claiming that this falls under and the architect did not think that the telescoping bleachers would trigger that. Mr. Wright stated that staff has discussed this with them and they are set that this is a violation that the City has to correct all of these items. Mr. Wright stated that nothing was said to the City when we did the panel fold doors, which was a separate project, or when we did the air conditioner modifications. Mr. Wright stated that staff was aware that we had some problems that one day would have to be addressed, particularly with the restroom facilities.

Motion was made by Councilmember Rose Faine Boyd and seconded by Councilmember R. L. Kuykendall that budget amendment to the Civic Center Fund to accomplish Federal mandated accessibility requirements be approved as presented. A unanimous affirmative vote was recorded.

#### **8. TAX ABATEMENT – APPROVED – ETI (DUNCAN-TOO, LTD)**

Mayor Bronaugh stated that the next item for consideration was an application for a Tax Abatement from ETI (Duncan-Too, LTD.).

City Manager Maclin stated that included in the Council packet is a memorandum of explanation from the Director of Planning along with a Tax Abatement agreement. Mr. Maclin stated that there is also a map of the subject property and letters from Effective Teleservices indicating their desire, and an actual copy of their application for abatement. Mr. Maclin stated that this application indicates that they will increase the value by a minimum of \$1 million and provide a minimum of ten new jobs for a total of 3,000 points on the City qualification threshold. Mr. Maclin stated that this would qualify the applicants for four years at 100% abatement, and then year five at 75%, year six at 50% and year seven 25%.

Mr. Maclin stated that present tonight are representatives from ETI, the Chairman of the Economic Development Partnership Board Mr. Shands, and Mrs. Parker from the Economic Development Partnership, Mr. Huffman and Mr. Brown from the Chamber of Commerce as well as representatives from the City staff. Mr. Maclin stated that staff would like to recommend approval of this Tax Abatement Agreement for ETI.

Councilmember Robertson read a portion of the Tax Abatement Policy: "Tax abatement will not be ordinarily considered for projects which would be developed without such incentives unless it can be demonstrated that higher development standards, aesthetic improvements will be added, and/or other development and community goals will be achieved through the use of the abatement." Councilmember Robertson stated that if this company had already decided to come to town anyway this tells him that this would be out of that context of what the policy is. Mr. Maclin stated that he has been a part of the negotiations with Chuck Smith as far as four years ago visiting with him personally at his facility in Nacogdoches. Mr. Maclin stated that Mr. Smith had indicated his desire to come to Lufkin, but that desire to come to Lufkin was predicated on an assumption and understanding that if he met the criteria of the Tax Abatement Policy he would be granted those tax incentives in order to make it a profitable venture from what was then called the Berry Direct Company and is now called Teleservices, Inc. Mr. Maclin stated that any assumptions that he was coming to Lufkin any way were predicated on the fact that he would be eligible should he qualify for tax abatement and that was taken into account in his financial calculations of cash flow in order for this to be an effective venture that would be cost effective for his company as well as producing jobs and tax values for this community.

Councilmember Robertson stated that his question is the timing and it seems to him it is after the fact and almost in direct violation of the City's Tax Abatement Policy.

Mr. Maclin stated that he had discussed this with members of Council for quite some time and he didn't really feel like it was an unknown. Mr. Maclin stated that their Tax Abatement request was predicated on the timing of contract that would facilitate the need for additional personnel to meet the needs of the new contracts. Mr. Maclin stated that that was also predicated on the need for an additional labor pool as indicated in their application that they have pretty much saturated the Nacogdoches County immediate area labor pool and the opportunity for a satellite operation made good sense for them to come to Lufkin and create those jobs. Mr. Maclin stated that for many years now, their discussions with the City and the Partnership have been predicated on the assumption that they would be eligible for Tax Abatement like any other company. Councilmember Langston stated that the City has set up a mechanism where either a business entity or individual could look at our policy and determine whether they would qualify or not and certainly they qualify under our policy.

Councilmember Langston asked if we wanted to encourage use of these old buildings or just let them sit there and become more dilapidated. Councilmember Langston stated that that building was on the tax rolls for about \$300,000 for over 10 years. Councilmember Langston stated that the City will get the increased value of that building plus the addition of the jobs. Councilmember Langston stated that he couldn't see why there would be any question as to the validity and reasonableness of this request. Councilmember Langston stated that he would abstain from voting since he is the contractor doing the work on site.

Councilmember Gorden stated that these people had that understanding from the beginning. Councilmember Robertson stated that his concern is whether or not Council in total here was apprised of this issue before the fact that they had already decided to come to town. Councilmember Robertson stated that he did not disagree with ETI receiving a Tax Abatement. Councilmember Robertson stated that his opinion is that the timing of this should be more in line with our Policy as he reads it.

Motion was made by Councilmember Jack Gorden, Jr. and seconded by Councilmember Rose Faine Boyd that the Tax Abatement application from ETI (Duncan-Too, LTD.) be approved as presented.

Motion carried with six affirmative votes with Councilmember Langston abstaining.

**9. FINANCE COMMITTEE REPORT – AXLEY & RODE – ANNUAL FINANCIAL REPORT**

Mayor Bronaugh stated that the next item for consideration was the Finance Committee Report and to consider presentation by Axley & Rode of the results of their audit of the City's annual financial report.

City Manager Maclin stated that this is the annual time for the external auditor to present the City of Lufkin Comprehensive annual financial report. Mr. Maclin stated that the finance committee met this afternoon and received a more in depth extensive report from the external auditors and were provided some information from our accounting department who actually prepared the base of the document. Mr. Maclin asked Linda Milford of Axley & Rode to provide a condensed version of the presentation given to the Finance Committee this afternoon and then be available for any questions Council may have.

Linda Milford stated that they have completed their audit and issued their opinion on these financial statements. Ms. Milford stated that their opinion is on page 10 and 11. Ms. Milford stated that on page 10 at the top it is headed "Unqualified Opinion" on basic financial statements, supplementary schedule of expenditures of federal and other schedules governmental entity". Ms. Milford stated that basically this means that they are saying that the financial statements are fairly presented in all material respects. Ms. Milford stated that this report does include some other things that are covered by auditing. Ms. Milford stated that those are also discussed in their opinion and they are listed as the introductory section and the statistical section in the back of the report. Ms. Milford stated that they also comment on the management's discussion and analysis which is in the front of the report. Ms. Milford stated that they have provided very limited procedures on this and discussed with the Accounting Department how to finance the items in here and have made some suggestions and helped with some of the figures. Ms. Milford stated that they do not express an opinion on management's discussion and analysis. Ms. Milford stated that this gives the past history of the City, the past year and a look forward into the coming year.

Ms. Milford stated that in accordance with governmental auditing standards they have also issued their report on their consideration on the City's internal control over financial reporting and their test of compliance with certain provisions of laws, regulations and grants. Ms. Milford stated that that report is an integral part of an audit performed in accordance with governmental accounting standards and should be read in conjunction with this report considering the results of their audit. Ms. Milford stated that this report is bound down towards the back under the compliance section and in it they do state as far as the internal controls and compliance go they found no conditions that they felt needed to be reported.

Ms. Milford stated that they have also issued another report on internal controls and on compliance dealing with the Federal financial assistance part of this audit and again there were no findings and no items they felt needed to be reported to Council.

Ms. Milford stated that this is the second year that the City has had their CAFR (Comprehensive Annual Financial Report) prepared in accordance with the Governmental Accounting Standards Board Statements #34, which requires the presentation of government wide financial statements. Ms. Milford stated that the Statement of Net Assets and the Statement of Activities are these two statements. Ms.



Milford stated that these statements combine business type activities and governmental statements into one statement which is fully accrued.

Ms. Milford stated that the statement of activities is on the next page, page 24, and this is a different presentation in that the governmental programs are shown going across the page in a new format with expenses being shown and then the three types of program revenues ending with the governmental activities net cost. Ms. Milford stated that none of these programs are self-supporting. Ms. Milford stated that at the bottom of the page is the schedule that shows the general revenues, which are comprised of taxes, property taxes, sales taxes, franchise taxes, unallocated interest income, all the revenues that cannot be directly allocated to a specific governmental function.

Ms. Milford stated that the next statement is the balance sheet/governmental funds on page 25. Ms. Milford stated that this is a bit different from the way it was prepared in the past in that they have pulled out major funds and then the total non-major governmental funds is a combination of all those funds that were not major funds. Ms. Milford stated that this year there were three funds presented as major funds and they are the debt service fund, the 1999 bond program and the 2001 street bond program.

Ms. Milford stated that the Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund is presented on page 26. Ms. Milford stated that they are showing for this past year there was a change in the fund balance, a decline in the fund balance of the General Fund. Ms. Milford stated that the City still meets the requirement of what they want to have for the remaining fund balance. Ms. Milford stated that on page 27 is a Reconciliation of the Statement – Revenues Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities. This includes those items which will be included in the government wide statements but are not in the governmental fund. Ms. Milford stated that on the total governmental fund there was a net change in fund balances, a decline of \$80,000, which is carried forward to the top of page 27.

Ms. Milford stated that on page 28 begins the City's statement of revenue expenditures and changes in fund balance basis and actual. Ms. Milford stated that this presents the City with its original budget, the final amended budget, the actual results of operations and a variance between the final budget. Ms. Milford stated that some of the revenues did not come in to what was expected or anticipated during the budget process and there was a shortfall in the revenues compared to the budget. Ms. Milford stated that they were aware and did note that the City has kept on top of this and noted early on that they were expecting a shortfall and that the expenditures had been kept in line where as to come to the last page, page 33, it shows that the actual expenditures was well below what was budgeted. Ms. Milford stated that the City was to be congratulated on taking the steps necessary to stay within budget and anticipate any shortfalls in revenues.

Ms. Milford went over the proprietary fund statement of net assets on page 34 and 35. Ms. Milford stated that the statement of revenues, expenses and changes in fund net assets proprietary funds in on pages 36 and 37. The statement of cash flows is on page 38 of the CAFR. Ms. Milford stated that she likes to point out that the first place you want to look here is to the cash flows provided from operating activities because this shows how you are operating the proprietary funds. Ms. Milford stated that the City is seeing a very positive amount in cash flows.

Ms. Milford stated that the Notes to the Financial Statements follow and give a lot of additional information concerning the financial statements and go into a great deal of detail in some cases explaining amounts in the financial statements. Ms. Milford stated that this is followed by additional budgetary schedules.

Ms. Milford stated that the City elected to do a capital maintenance program rather than going directly into and depreciating infrastructure of the street program.

Ms. Milford stated that she would be happy to answer any questions by Council.

City Manager Maclin stated that in addition to the cover letter there are some graphs that provide a pictorial view of the fund balances and expenditures and revenues that Mr. Douglas Wood, Director of Accounting, prepared. Mr. Maclin stated that there is also the Management Letter and the response to that letter where each of those issues are being addressed by City staff.

Councilmember Gorden stated that he wanted to commend Doug Wood and his staff and Mr. Maclin for a well laid out presentation. Councilmember Gorden stated that he would encourage everyone to read the manual because it gives a layout of the City's finances and the different aspects of it.

Councilmember Robertson stated that Mr. Wood and his staff have done a very fine job in managing the City's money.

Motion was made by Councilmember Jack Gorden, Jr. and seconded by Councilmember Dennis Robertson that the Comprehensive Annual Financial Report as presented by the Axley & Rode be approved as presented. A unanimous affirmative vote was recorded.

10. **EXECUTIVE SESSION**

Mayor Bronaugh recessed Regular Session at 6:13 p. m. to enter into Executive Session. Regular Session reconvened at 7:54 p.m. and Mayor Bronaugh stated that Council had discussed personnel and Attorney/Client matters.

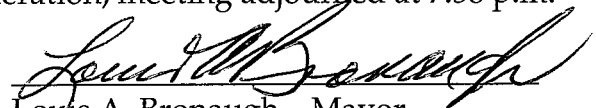
11. **ELECTION – TABLED – EXEMPTING CITY OF LUFKIN AND ALL RETIREMENT AND DISABILITY RETIREMENT BENEFIT PLANS PROVIDED BY THE CITY OF LUFKIN FOR THE BENEFIT OF ITS EMPLOYEES – CIVIL SERVICE AND NON-CIVIL SERVICE – APPLICATION OF ARTICLE XVI – SECTION 66 OF THE TEXAS CONSTITUTION**

Motion was made by Councilmember Don Langston and seconded by Councilmember Rose Faine Boyd to table this item to allow adequate time for the City Attorney to meet with the Firemen's Pension Fund Board. A unanimous affirmative vote was recorded.

12. **CALENDAR NOTATIONS FROM MAYOR, COUNCILMEMBERS AND CITY MANAGER**

City Manager Maclin stated that Dennis Cooley of TxDOT will be the First Friday luncheon speaker.

13. There being no further business for consideration, meeting adjourned at 7:58 p.m.

  
Louis A. Bronaugh – Mayor

ATTEST  
  
Atha Martin – City Secretary