MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF LUFKIN, TEXAS HELD ON THE 2nd DAY OF JANUARY, 2008.

On the 2nd day of January, 2008, 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:

Jack Gorden, Jr.	Mayor
Rose Faine Boyd	Mayor Pro Tem
R. L. Kuykendall	Councilmember, Ward No. 1
Lynn Torres	Councilmember, Ward No. 3
Don Langston	Councilmember, Ward No. 4
Rufus Duncan	Councilmember, Ward No. 5
Phil Medford	Councilmember, Ward No. 6
Paul L. Parker	City Manager
Keith Wright	Assistant City Manager
Bob Flournoy	City Attorney
Renee Thompson	City Secretary
Larry Brazil	Police Chief
Scott Marcotte	Asst. Police Chief
Pete Prewitt	Fire Chief
Doug Wood	Finance Director
David Koonce	Human Resource Director
Barbara Thompson	Main Street Director
Dorothy Wilson	Planning Director
Steve Floyd	Solid Waste and Recycling Director
Jim Wehmeier	Economic Development Director
J. B. Smith	Patrolman- Police Department
Bill Cameron	City Webmaster

being present, when the following business was transacted:

1. The meeting was opened with prayer by Pastor Jeff Kolk, Cross Roads Baptist Church.

2. Mayor Jack Gorden welcomed visitors present. Councilmember Lynn Torres recognized LHS students who were present satisfying their government class requirement and acknowledged that those students deserved extra credit because they were attending the Council Meeting during their school vacation time.

3. **APPROVAL OF MINUTES**

   Minutes of the Regular Meeting of December 18, 2007 were approved on a motion by Councilmember Lynn Torres, and seconded by Councilmember Rose Faine Boyd. A unanimous affirmative vote was recorded.

OLD BUSINESS:

4. **PUBLIC HEARING AND SECOND READING OF AN ORDINANCE AMENDING THE ZONING ORDINANCE AND THE FUTURE LAND USE PLAN OF THE 2001 COMPREHENSIVE PLAN OF THE CITY OF LUFKIN, TEXAS – APPPROVED - BY CHANGING THE ZONING AND FUTURE LAND USE PLAN DESIGNATION ON APPROXIMATELY 28.015 ACRES OF LAND DESCRIBED AS PART OF TRACT 222 AND TRACT 88.2 OF THE J. M. SOTO SURVEY ABSTRACT 44 TO A "RESIDENTIAL LARGE SINGLE-FAMILY DWELLING" ZONING DISTRICT AND THE FUTURE LAND USE PLAN OF THE 2001 COMPREHENSIVE PLAN TO THE CLASSIFICATION OF "LOW DENSITY RESIDENTIAL"**

   Mayor Jack Gorden stated that the next item for consideration was a Public Hearing and the First Reading of an Ordinance amending the Zoning Ordinance and the Future Land Use Plan of the 2001 Comprehensive Plan of the City of Lufkin, Texas by changing the Zoning and Future Land Use Plan designation on approximately 28.015 acres of land described as part of

Tract 222 and Tract 88.2 of the J. M. Soto Survey Abstract 44 to a "Residential Large Single-Family Dwelling" Zoning District and the Future Land Use Plan of the 2001 Comprehensive Plan to the classification of "Low Density Residential".

City Manager Paul Parker stated that this was a twenty-eight (28) acre tract that Sabine Investments wanted to develop for a large family residential development. City Manager Parker added that Staff and the Planning and Zoning Commission recommended that Council approve the request.

Mayor Gorden opened the Public Hearing at 5:10 p.m. and asked anyone wishing to speak on this item to please step forward. There appearing to be no one wishing to speak, Mayor Gorden closed the public hearing at 5:11 p.m.

Mayor Jack Gorden then asked for comments or questions from the Council.

Councilmember R L. Kuykendall moved to approve the Second Reading of an Ordinance amending the Zoning Ordinance and the Future Land Use Plan of the 2001 Comprehensive Plan of the City of Lufkin, Texas by changing the Zoning and Future Land Use Plan designation on approximately 28.015 acres of land described as part of Tract 222 and Tract 88.2 of the J. M. Soto Survey Abstract 44 to a "Residential Large Single-Family Dwelling" Zoning District and the Future Land Use Plan of the 2001 Comprehensive Plan to the classification of "Low Density Residential". Councilmember Don Langston seconded the motion. A unanimous affirmative vote was recorded.

5. **SECOND PUBLIC HEARING FOR PROPOSED ANNEXATION OF APPROXIMATELY FIFTY-FIVE (55) ACRES LOCATED ON U. S. HIGHWAY 69 SOUTH AND EXTENDING JUST EAST OF GARRISON DRIVE**

Mayor Jack Gorden stated that the next item for consideration was the Second Public Hearing for proposed annexation of approximately fifty-five (55) acres located on U. S. Highway 69 South and extending just east of Garrison Drive.

City Manager Paul Parker stated that was the second public hearing on this annexation and that an additional public hearing would be held at the January 14th, 2008, Planning and Zoning Commission meeting and that no action was required on this item. City Manager Parker continued that should Council desire to go forth with this annexation, an ordinance requiring action would be brought at a later date and this public hearing was to allow citizens to voice their opinion on the proposed annexation to help Council determine whether or not to proceed with the annexation.

Mayor Gorden then opened the Public Hearing at 5:13 p.m. Speaking on the Ordinance was:

James Slack
Joe Pase
Craig Wood
Wells Wright
Don Reynolds
Bill Pate
Dewey Robertson

Mayor Gorden then closed the Public Hearing at 5:22 p.m.

Mayor Jack Gorden asked for comments or questions from the Council.

Councilmember Rose Boyd questioned whether or not anything would be able to be done in regard to the salvage yard should the area be annexed. City Manager Parker replied that the actual business operation would have to be "grandfathered" since it was in existence prior to annexation; however, the burning and code enforcement issues would be addressed per existing ordinances and that limitations on the growth of the business could be placed with the zoning restrictions.

Councilmember Rufus Duncan questioned whether City ordinance required that wrecking yards have a site bearing fence in place and did the property in question currently have a site bearing fence. Planning Director Dorothy Wilson explained that State law required a site bearing fence on salvage yards facing a state highway, and that the business currently had an eight foot (8') site bearing fence on the front of the property, but not in the rear. Council member Lynn Torres added that as a resident of Normandy Estates, there was no site bearing fence in place along the rear of the salvage yard which joins with backyards for houses located on Perier Street and that all material in the salvage yard was plainly visible to the residents. Planning Director Wilson reiterated that junk cars, appliances and salvage material was piled approximately thirty feet (30') high in the salvage yard, and that it would be difficult for the salvage yard to erect a site bearing fence to block the view of the material.

City Manager Parker stated that there would be an additional public hearing held on the annexation at the next Planning and Zoning Commission meeting and that it was not a required public hearing, but held as a courtesy to residents. Councilmember Lynn Torres questioned whether the Planning and Zoning Commission would make a recommendation as to the zoning of the property. City Manager Parker stated that yes, it would, but the property would be initially annexed and then the zoning selected at a later date. Councilmember Rufus Duncan questioned whether the City had an ordinance that required Commercial businesses of the nature of a salvage yard to have a site bearing fence when adjoining residential property. City Manager Parker answered that yes, should a new business be constructed next to a residential area, a site bearing fence would be required; however, due to this business being in existence prior to annexation, a site bearing fence could not be required, even after annexation. Mayor Gorden stated that there should be some relief to the issue.

6. **<u>PUBLIC HEARING AND SECOND READING OF AN ORDINANCE CLOSING AND VACATING AN ALLEY, - APPROVED - HEREINAFTER DESCRIBED AS BEING THE ALLEY BETWEEN FRANK AVENUE AND BYNUM STREET IN THE CITY OF LUFKIN, TEXAS</u>**

Mayor Jack Gorden stated that the next item for consideration was a Public Hearing and the Second Reading of an Ordinance closing and vacating an alley, hereinafter described as being the alley between Frank Avenue and Bynum Street in the City of Lufkin, Texas.

City Manager Paul Parker stated this was the second public hearing and reading of this ordinance and that this was the sale of the alley for the construction of the new Walgreens in the amount of the appraised value of thirty-two thousand nine hundred dollars ($32,900).

Mayor Gorden opened the Public Hearing at 5:27 p.m. and asked anyone wishing to speak on this item to please step forward. There appearing to be no one wishing to speak, Mayor Gorden closed the public hearing at 5:28 p.m.

Mayor Jack Gorden asked for comments or questions from the Council.

Councilmember Don Langston verified that the developer was legally bound to relocate utilities at no cost to the City. City Manager Parker stated yes, the developer would be responsible for utility relocation.

Councilmember Don Langston moved to approve the Second Reading of the Ordinance closing and vacating the alley, hereinafter described as being the alley between Frank Avenue and Bynum Street in the City of Lufkin, Texas. Councilmember Phil Medford seconded the motion. A unanimous affirmative vote was recorded.

<u>NEW BUSINESS:</u>

7. **<u>AWARD OF BIDS FOR THE PURCHASE OF THREE (3) 2008 FORD F250 REGULAR CAB WITH UTILITY BEDS, ONE (1) 2008 FORD F250 REGULAR CAB, ONE (1) 2008 FORD EXPEDITION, ONE 2007 FORD F150 SUPER CAB XL, ONE (1) 2008 FORD F450 TRUCK, AND ONE (1) FORD F550 DUMP TRUCK THROUGH THE TEXAS LOCAL GOVERNMENT PURCHASING COOPERATIVE (HGAC) – APPROVED - IN THE TOTAL AMOUNT OF TWO HUNDRED TWENTY THOUSAND TWO HUNDRED FORTY-EIGHT DOLLARS ($220,248)</u>**

Mayor Jack Gorden stated that the next item for consideration the award of bids for the purchase of three (3) 2008 Ford F250 Regular Cab with Utility Beds, one (1) 2008 Ford F250 Regular Cab, one (1) 2008 Ford Expedition, one 2007 Ford F150 Super Cab XL, one (1) 2008 Ford F450 Truck, and one (1) Ford F550 Dump Truck through the Texas Local Government Purchasing Cooperative (HGAC) in the total amount of two hundred twenty thousand two hundred forty-eight dollars ($220,248).

City Manager Paul Parker stated that these eight (8) vehicles were included in the 2008 Amortization Schedule for approval and the total amount budgeted for these vehicles was two hundred twenty-seven thousand dollars ($227,000), with the actual total cost being in the amount of two hundred twenty thousand two hundred forty-eight dollars ($220,248). City Manager Parker stated that Staff recommended approval of the purchase of these vehicles.

Mayor Jack Gorden asked for comments or questions from the Council.

Councilmember Rufus Duncan moved to approve the award of bids for the purchase of three (3) 2008 Ford F250 Regular Cab with Utility Beds, one (1) 2008 Ford F250 Regular Cab, one (1) 2008 Ford Expedition, one (1) 2007 Ford F150 Super Cab XL, one (1) 2008 Ford F450 Truck, and one (1) Ford F550 Dump Truck through the Texas Local Government Purchasing Cooperative (HGAC) in the total amount of two hundred twenty thousand two hundred forty-eight dollars ($220,248). Councilmember Rose Faine Boyd seconded the motion. A unanimous affirmative vote was recorded.

8. **BIDS FOR A RAW SEWAGE PUMP CONTROL SYSTEMS FOR THE WASTEWATER TREATMENT PLANT – APPROVED - IN THE AMOUNT OF THIRTY-EIGHT THOUSAND FOUR HUNDRED NINETY DOLLARS ($38,490)**

Mayor Jack Gorden stated that the next item for consideration was the bid for a raw sewage pump control systems for the Wastewater Treatment Plant in the amount of thirty-eight thousand four hundred ninety dollars ($38,490).

City Manager Parker stated that the Wastewater Treatment Plant currently has three (3) raw sewage pumps and that these pumps and controls are the original equipment installed in 1974 and all are in need of upgrading and being incorporated into the Plant PLC system. City Manager Parker continued that these pumps and controls are manufactured by EMICC, Inc., who is a sole source provider for this equipment and the equipment recommended for purchase consists of three (3) controllers at six thousand three hundred dollars ($6,300) each for a total of eighteen thousand nine hundred dollars ($18,900), and one (1) A-B Compactologic Level Control with touch screen in the amount of ten thousand five hundred ninety dollars ($10,590) for a total equipment cost of twenty-nine thousand four hundred ninety dollars ($29,490). City Manager Parker added that an additional estimated nine thousand dollars ($9,000) is required for installation of the equipment and that Staff recommended approval of the purchase of the equipment and installation for a total cost of thirty-eight thousand four hundred ninety dollars ($38,490).

Councilmember Rose Faine Boyd moved to approve the bid for the raw sewage pump control system for the Wastewater Treatment Plant in the amount of thirty-eight thousand four hundred ninety dollars ($38,490). Councilmember Lynn Torres seconded the motion. A unanimous affirmative vote was recorded.

9. Mayor Jack Gorden recessed the Regular Session at 5:31 p.m. for a five (5) minute break before the Work Session.

Mayor Jack Gorden reconvened the Council Meeting to enter into a Work Session at 5:36 p.m.

WORK SESSION:

10. **DISCUSSION CONCERNING FORMULATING A CAPITAL IMPROVEMENT PROGRAM (CIP) INCLUDING DEVELOPING A DECISION MATRIX, FINANCIAL BOND CAPACITY AND TIME TABLE**

Mayor Jack Gorden stated that the next item for consideration was a discussion concerning formulating a Capital Improvement Program (CIP) including developing a decision matrix, financial bond capacity and time table.

City Manager Paul Parker stated that he would go through the sections in the Council packets concerning the Capital Improvement Program as well as the individual forms, the process, and reports included in the packet for consideration. City Manager Parker explained that none of the forms, the time table, or suggested processes was sacred or set. City Manager Parker added that the process could take as long or as short a time as the Council chose. City Manager Parker stated that the time table included in the packet was simply set up to coincide with the upcoming budget process so that the Council could make all of the decisions at one time. City Manager Parker added that Staff did not want to rush through the process if the Council wanted to take longer and/or use two (2) to three (3) meetings to go through the evaluation system.

City Manager Parker stated that during the 2006/2007 Budget Retreat and throughout the year the Mayor, Council and Staff had discussed the fund balance and the amount of money that the City of Lufkin had been able to accumulate above the twenty-five percent (25%) reserve. City Manager Parker added that Council had discussed ways to dispense the additional funds and come up with a plan to evaluate projects and other funding alternatives.

City Manager Parker reiterated that there was nothing sacred about the proposal that Staff had recommended and that anything in the proposal could be changed at any time. City Manager Parker stated that as of October 30, 2007 the twenty-five percent (25%) reserve was set at six million eight hundred sixty-one thousand one hundred sixty-nine dollars ($6,861,169). City Manager Parker added that the figure was based on a percentage of each year's budget. City Manager Parker stated that in addition to that reserve the City of Lufkin had four million four hundred eighty-seven thousand five hundred ninety-nine dollars ($4,487,599) that Council and Staff had considered for projects. City Manager Parker added that Councilmember Don Langston had suggested that the City consider the concept of fronting a bond issue for the projects. City Manager Parker stated that the City could possibly do a combination of all suggestions if the Council so desired. City Manager Parker stated that previously Council and Staff had discussed "pay as you go" projects by using the four million plus dollars to accomplish projects. City Manager Parker stated that at the back of the Work Session information was the original CIP project list that Staff had provided for the Council last year. City Manager Parker added that Staff had completed a couple of the projects that Council had directed Staff to go ahead and carry out.

City Manager Parker stated that it would be about 2011 before the City could issue new debt based on the pay off system and keeping the same tax rate and debt ratio. City Manager Parker explained that assuming the City did not increase property tax or debt, it would be 2011 before the City could issue a small CIP. City Manager Parker stated that the City of Lufkin had been very fortunate with the Sales Tax Revenue. City Manager Parker added that the City had three to three and one half (3-3 ½) years in a row that the City had done well on the Sales Tax.. City Manager Parker explained that the Council had also been very proactive in looking at programs under the City's jurisdiction as far as rates and schedules and had recently done an adjustment of the rates for ambulance service. City Manager Parker added that this had provided additional revenue to the City. City Manager Parker stated that a significant amount of the additional revenue was put into Fire Department personnel salaries but it also allowed the City to accomplish some projects that would have had to come out of Sales Tax and General Fund revenues. City Manager Parker stated that the City also installed Photo Enforcement Traffic Cameras at various locations in the City. City Manager Parker added that this revenue allowed the City to hire two (2) additional Police Officers. City Manager Parker explained that the final stage of the interview process was currently taking place. City Manager Parker stated that if people continued to run the red lights at the same rate that they currently were, it would allow the City to do more for the Police Department in the coming years because all of the revenues attained from the Photo Enforcement Cameras would have to go into traffic enforcement areas. City Manager Parker added that as the City put more of these revenues into traffic control it would free up other money to be used for other purposes.

City Manager Parker stated that if it were the goal of the Council to maintain a twenty-five percent (25%) reserve, then Staff recommended retaining one million dollars ($1,000,000) to be set aside for unexpected expenditures, matching grants, land purchases, and unforeseen needs. City Manager Parker added that any unspent funds would roll over into the next budget year. City Manager Parker explained that this would be assuming that the Council wanted to maintain a twenty-five percent (25%) reserve at all times. City Manager Parker stated that another option would be to go into the twenty-five percent (25%) reserve and then rebuild it the following year. City Manager Parker added that if the City maintained the twenty-five percent (25%) reserve, he recommended strongly that one million dollars ($1,000,000) be set aside to spend. City Manager Parker stated that if the one million dollars ($1,000,000) were set aside, the balance of remaining funds would be approximately $3.5 million dollars.

Councilmember Rufus Duncan asked how much of the approximate $4.4 million surplus dollars over the reserve was there at the beginning of the last budget year. Councilmember Duncan asked if the amount went up or down. Finance Director Doug Wood stated that the amount went up. Mr. Wood added that the surplus increased by approximately two hundred thousand dollars ($200,000) the previous year. City Manager Parker stated that Staff anticipated having an approximate $1.3 million dollar deficit at the beginning of the last budget year but ended up having an approximate two hundred thousand dollar ($200,000) increase. City Manager Parker explained that Staff had budgeted very conservatively on Sales Tax and Property Tax growth.

City Manager Parker stated that if Council were to ask him to guess whether the City of Lufkin would end the year with a positive cash flow he would say "yes" barring some unforeseen circumstance. City Manager Parker added that one of his fears was that the upcoming construction of Hwy. 59 would prove to be very detrimental to the City's cash flow. City Manager Parker stated that he watched traffic in the Hwy. 59 area during the holidays and tried to imagine Christmas of 2008 without the Tulane bridge. City Manager Parker stated that he had no idea what the impact would be on the City's Sales Tax but hoped that his fears were unfounded.

Councilmember Duncan stated that his point was that the $4.4 million dollars of surplus had been built up over many years. City Manager Parker stated that was correct and the funds was not just one (1) year of excess funds. Councilmember Langston stated that the funds had been building for approximately four (4) to five (5) years. City Manager Parker stated that he felt the City had been above the twenty-five percent (25%) reserve for numerous years. City Manager Parker added that even during the years that the City of Lufkin was cutting back there was excess over the reserve.

Assistant City Manager Keith Wright stated that during the early 1990's he was pretty sure the City's budgets had no Fund Balance and were totally deficit and had grown since that time. City Manager Parker added that at one time the City had bonding problems because there was no reserve. City Manager Parker explained that the reserve assisted with bonding and unforeseen major catastrophes. City Manager Parker stated that when Hurricane Rita came through East Texas the City of Lufkin was out approximately $1.3 - $1.4 million dollars. City Manager Parker added that the City paid as it went and then was reimbursed later. City Manager Parker stated that was one of the advantages of having those funds available.

City Manager Parker stated that if the City kept the one million dollars ($1,000,000) aside then the Council could decide on the amount of money to keep in the reserve. City Manager Parker added any combination of amounts and percentages would work but that Council would need to consider that there could be some problems with bonding. City Manager Parker stated that there were many decisions for the Council to make. City Manager Parker added that the twenty-five percent (25%) reserve gave the City a really favorable position however. City Manager Parker stated that he would hate to see the City go very far into the reserve but the choice was left up to the Council.

City Manager Parker stated that assuming the City kept the twenty-five percent (25%) and one million dollars ($1,000,000) aside for unforeseen problems or opportunities during the year, there would still be $3.4 million. City Manager Parker stated that the City could carry out thirty million dollar ($30,000,000) debt service by using $2.5 million of the excess fund reserve up front to fund it.

Councilmember Don Langston stated that would get the City to the point where the funds were paid down enough to support the tax structure. City Manager Parker stated that the City could issue a thirty million dollar ($30,000,000) bond, the latter part of the current year, and be able to pay it off without raising taxes. City Manager Parker stated that Staff had decided on the thirty million dollar ($30,000,000) figure based on the maximum that could be accomplished during the CIP Program (approximately five (5) to six (6) years). City Manager Parker added that during the review process if the Council identified thirty-five million dollars ($35,000,000) in projects that need to be done then it could be accomplished by adding more money up front. City Manager Parker stated that if Council only identified twenty million dollars ($20,000,000) in projects then money could be removed and used for the "pay as you go" projects. City Manager Parker added that if the concept were adopted, Council would still have nine hundred eighty-seven thousand five hundred ninety-nine dollars ($987,599) to complete projects such as the girl's softball restrooms, additional parking at Kit McConnico Park, etc. City Manager Parker explained that the City was able to put one million dollars ($1,000,000) for unforeseen events, $2.5 million to front a thirty million dollar ($30,000,000) bond issue and still have approximately one million dollars ($1,000,000) left to complete projects this year until a bond issue could be passed.

City Manager Parker stated that the Council could make any changes in the CIP process. City Manager Parker added that the recommendation from Staff was a very progressive and aggressive attack to take at that time but could be changed in any way that the Council chose. City Manager Parker stated that if Council chose to do as Staff recommended then the City would begin the CIP Process by going through the Work Session at the current meeting and then continuing with the Time Table in the Council's packet. City Manager Parker added that he put in a very tight time table and had debated whether or not it was good. City Manager Parker stated that he needed direction from the Council. City Manager Parker stated that the Time Table included in the packet was to coincide with the 2009 City Budget Process. City Manager Parker stated that the recommendation was to put one million dollars ($1,000,000) for the reserve for the remainder of the budget year, one million dollars ($1,000,000) for the "pay as you go" projects that were identified by the Council during the CIP Process, and front a thirty million dollar ($30,000,000) bond with the $2.5 million remaining funds.

City Manager Parker stated that was the overview and that he would go into the particulars of the Time Table and Review Sheet after the Council had the opportunity to ask questions.

Mayor Jack Gorden then asked if there were any comments or questions from the Council.

Councilmember Don Langston stated that he had looked at the Time Table and thought it looked good but would be totally dependent on the projects that came forth. City Manager Parker stated that he agreed but that most of the work was designed to be on the Staff's backs and if there were a lot of projects the process would have to be slowed down or the City would have to go to outside engineering to get good estimates. City Manager Parker stated that the process was designed so that the Council would not have to do any in depth work. City Manager. Parker added that all the Council would have to do would be tell the Engineering Department the problem, idea, and/or basic information concerning a project and then it would be up to Staff to take the information and try to define and develop the project and then bring it back to the Council Members to determine if Staff was on the right track. City Manager Parker added that Staff would continue to refine the concept until it met with the Council's approval. City Manager Parker stated that the schedule was very ambitious.

Councilmember Rufus Duncan asked if he was the only Councilmember that didn't feel comfortable borrowing thirty million dollars ($30,000,000). Councilmember Duncan added that he had no problem with spending the reserves on capital improvement project and that he was aware that in 2011 the City would have more funds coming in as the current indebtedness would be down but that he had reservations about borrowing thirty million dollars ($30,000,000) in an environment that could change dramatically. Councilmember Duncan stated that if the City was as close as two hundred thousand dollars ($200,000) on one (1) year of building up or down the reserves, and things were to change dramatically, the City could be asking for a tax increase.

Assistant City Manager Keith Wright explained that it was actually just a thirty million dollar ($30,000,000) plan. Assistant City Manager Wright explained that the City would not borrow that much at one time. Assistant City Manager Wright added that the City would sell bonds for five to six million dollars ($5,000,000 - $6,000,000) annually as the projects were completed. Assistant City Manager Wright stated that the CIP Program could always be revised. Assistant City Manager Wright added that the last CIP Program was revised many times during those years. Assistant City Manager Wright stated that the City would come up with a plan for the CIP Program but would be selling bonds as the projects were completed. City Manager Parker agreed and added that it all came down to the decision of the Council. City Manager Parker asked if the City should use the "pay as you go" method or expand more into a larger Capital Program. City Manager Parker stated that he felt comfortable using either method without raising taxes because the City had the ability to issue the bonds in segments. City Manager Parker added that in the event of a "down turn" the City would back off the issuance of bonds.

Councilmember Don Langston asked how large the last CIP Program was that the City of Lufkin undertook. Finance Director Doug Wood stated that the Program was approximately twenty million dollars ($20,000,000) and seven million dollars ($7,000,000) for the streets to amount to approximately twenty-seven million dollars ($27,000,000) since 1999. Mr. Wood added that it took almost eight (8) years to issue the funds. Assistant City Manager Wright stated that there was several project added to the original CIP Program. Assistant City Manager Wright stated that the Council could adjust the program at any time.

Councilmember Rufus Duncan stated that suppose the City did not begin the program during the current year but only spent the funds that were in excess of the twenty-five percent (25%) reserve, how much would the City be able to issue in bonds in 2011. City Manager Parker stated that he would come back to Councilmember Duncan's question after he went over the information in Section "D" of the Work Session in the Council packet. City Manager Parker stated that the figures were based on a thirty million dollar ($30,000,000) bond over a six (6) year period at five million dollars ($5,000,000) per year. City Manager Parker added that it was based on the assumption of a two percent (2%) growth. City Manager Parker stated that by 2020 and fronting the $2.5 million dollars on a thirty (30) year issue, the City would have a fund balance of one hundred ninety-three thousand seven hundred ninety-three dollars ($193,793).

Councilmember Langston stated that the reason he brought up getting some figures that the City could front was primarily designed around the fact that the City was earning roughly four percent (4%) on the money at that time and the inflation was running seven to nine percent (7% - 9%) in the construction industry so the City could basically borrow the money and be hedged well and get more bang for the buck. Councilmember Langston added that he was still somewhat unsure about the thirty million dollar ($30,000,000) figure until he could see projects identified. City Manager Parker reiterated that the thirty million dollar ($30,000,000) figure was not a magic number and that the amount could change depending on the number of projects that were identified.

Assistant City Manager Wright stated that the Staff needed to determine the major projects and then prioritize them to determine the funds that would be necessary to go forward with the CIP Program. City Manager Parker stated that would be true unless the Council decided to use the "pay as you go" plan. Assistant City Manager Wright added that the Council could always use the "pay as you go" plan, once the projects were proposed. Assistant City Manager Wright added that the City had a declining infrastructure that had been deteriorating over the years and needed to be addressed. Assistant City Manager Wright stated that Council would have to decide how to address that infrastructure. Councilmember Langston stated that the City recently had an Inflow and Infiltration Study and that could create a major project and in turn would generate a major expense to the citizens. Councilmember Langston added that another concern was water. Councilmember Langston explained that water revenues fluctuated and water lines were currently being replaced that should put the City in good shape with infrastructure. Councilmember Langston stated that the City still did not know where its future source would come from and what expenses would be incurred from that endeavor. Councilmember Langston added his opinion was that whatever the Council decided to do out of General Revenue Funds had to have a lot of bang for the buck, and not just a wish list but a need list. Councilmember Langston stated that there were a lot of roads in the City and that all were paved but not curbed and guttered. Councilmember Langston added that the Council needed a lot of data before making decisions. Assistant City Manager Wright agreed and stated that Staff needed to give the Council real data that the Council could make an informed decision based on what the Council determined the need to be. Assistant City Manager Wright added that at that time whatever project the Council felt needed to be researched and had not been presented by Staff could be added and prioritized as well. Assistant City Manager Wright stated that it was the job of the Staff to support any project that was presented and added that if a project was insufficiently supported then it would be taken off the list. City Manager Parker stated that one of the advantages of the way the CIP Program was currently being approached was the decisions would be made by the City Council rather than a "Blue Ribbon" Committee of citizens of Lufkin. City Manager Parker added that the Council could see the real needs instead of just the wants and wishes of a select few.

City Manager Parker stated that Councilmember Langston brought up a good point that needed to be emphasized. City Manager Parker stated that funds utilized in the CIP Program would come from the General Fund. City Manager Parker explained that water and sewer projects would come through separate revenue funds. City Manager Parker added that in the rate study there were two (2) five percent (5%) rate increases that were two (2) years apart to assist in funding General Obligation Revenue Bonds for future water projects. City Manager Parker added that water revenue fluctuated from year to year but General Obligation Funds could cross over and be used for water and sewer projects. City Manager Parker stated that there was no legal ramification if funds were moved. Councilmember Duncan stated that he would like more details concerning that.

Assistant City Manager Wright stated that Staff was limited on how many projects could be completed in one (1) year. Assistant City Manager Wright added that in the previous CIP Program approximately one third (1/3) of the projects were water and sewer. Assistant City Manager Wright explained that Staff was proposing a thirty million dollars ($30,000,000) CIP Program over a period of five (5) years and that part of the program would include water and sewer. Assistant City Manager Wright stated that approximately five million dollars ($5,000,000) in projects per years was pushing the capacity of projects that could be completed.

City Manager Parker asked Finance Director Doug Wood if he could figure the amount of debt that the City of Lufkin could issue by the year 2011 if the two and one half million dollars ($2,500,000) were not included. Councilmember Duncan asked how much debt service would roll off by the 2011 that could be used for future debt and what that amount would fund. Finance Director Doug Wood stated that the amount would be approximately $1.1 million dollars. City Manager Parker added that the $1.1 million would fund approximately eleven million dollars ($11,000,000).

City Manager Parker then went over the General Obligation Debt Service Fund Report that was included in the Council packet.

City Manager Parker stated that the Council had previously asked for a way to review and/or rank proposed projects when the Council discussed the possibility of beginning another CIP Program. City Manager Parker added that he had tried to determine the different areas that he would want to consider and then put weighted numbers to them. City Manager Parker stated that he then met with the Staff did some revisions. City Manager Parker added that the Ranking System was developed to meet the criteria that was important to the City. City Manager Parker stated that if a project received a perfect score then it would total one hundred (100) points. City Manager Parker stated that he envisioned that every Council Member would receive a booklet that would include every proposed project with details about the project in advance of the Project Ranking System. City Manager Parker explained that on the day of the Project Ranking System the Staff would explain each project and answer any questions the Council had concerning any project. City Manager Parker stated at the conclusion of that day each Council Member would rank each project individually. City Manager Parker furthered that when the Ranking System was completed the numbers would be averaged to determine the Council's selection of priorities. City Manager Parker added that even after the projects were prioritized the Council could still adjust the list. City Manager Parker explained that each tool was merely a guide and that Council would still have the option to change and revise the list of priorities. City Manager Parker stated that the proposed Time Table could be too ambitious but the Council needed to have the necessary information to begin the process. City Manager Parker added that the Ranking System could be modified if the Council thought there were other items that needed to be added or if the weights on any of the items should be changed. City Manager Parker suggested that the Council review the proposal in the packet and bring any ideas, suggestions, or questions to the next scheduled Council Meeting. City Manager Parker then went over the criteria in the Ranking System.

City Manager Parker asked the Council to work on the Project Sheets that were included in the packets and bring any project suggestions to Assistant City Manager Keith Wright. City Manager Parker added that the Project Sheet was designed to go along with the Ranking System. City Manager Parker stated that Council only needed to give Staff their ideas or concepts and then Staff would develop a map, design, location, cost, etc. City Manager Parker reiterated that Council could then make additional suggestions or changes to the project.

Councilmember Don Langston asked if Staff could compile data comparing the City of Lufkin to cities of the same size in expenditures in particular areas of the General Obligation Fund. Councilmember Langston added that he wanted to know if the City of Lufkin was in line with other cities in expenditures, trends, etc. City Manager Parker stated that the City could mimic the cities that were used in the salary survey. City Manager Parker stated that one of the areas that he wanted the City of Lufkin to push was the drainage issue. City Manager Parker added that drainage was a big dollar venture that was hard to sell because it only related to the certain area of the City that was affected by heavy rains and flooding.

Assistant City Manager Wright stated that Department Heads were being required to provide the Council an estimated maintenance and operation expense. Assistant City Manager Wright added that proposed projects may require additional manpower, operational funding, and maintenance funding but those figures would be estimated in the overall cost of the project. City Manager Parker added that the form also included a three percent (3%) inflation factor. Assistant City Manager Wright stated that once the projects were identified they would have to be put into a schedule. City Manager Parker reiterated that the forms included in the Council packet could be modified in any way the Council desired.

City Manager Parker then requested that Council review the Time Table in section "C" of the packet. City Manager Parker explained that if Council chose to go forward with that Time Table then Council would be asked to bring forth any projects for consideration within the next two (2) weeks for Staff to study. City Manager Parker then went over the Time Table. City Manager Parker explained that the Time Table included in the packet was designed to coincide with the upcoming budget process.

City Manager Parker stated that concluded his presentation and that it would then be up to the Council to determine the method to use for funding the projects. Finance Director Doug Wood stated that the City of Lufkin had completed approximately fifty-three million dollars ($53,000,000) in projects since 1999. Councilmember Rufus Duncan asked how this had affected the property tax rate. Mr. Wood stated that the property tax had increased by 6.4 cents from a voter approved election in May 2001. City Manager Parker explained that the current tax rate was .5554 and .2022 could only be used for debt and .3532 for operations. City Manager Parker stated that theoretically in the year 2011 the Council did not issue anything and the debt rolled off, then the Council could reduce the overall taxes or shift the funds over to operations. City Manager Parker added that in the last four (4) years the City had maintained the .2022 tax rate for debt services. Councilmember Duncan requested that Staff send an email explaining the history of the tax rates in the City. City Manager Parker directed Finance Director Doug Wood to send the information to all of the Council.

City Manager Parker stated that the basic question before the Council was did the City want to begin a full Capital Improvement Program or did the Council want to identify $4.8 million dollars in projects. City Manager Parker asked for the Council's thoughts on the issue.

Councilmember Lynn Torres stated that she needed to know what projects were out there to be able to make decisions concerning funding. Councilmember Torres added that the $4.8 million dollars for projects was not far reaching enough in planning the future of the City. Councilmember Torres furthered that then the City would be playing "catch up" in regard to emergencies and infrastructure. Councilmember Torres expressed that she could not make a decision concerning funding until she had a better idea of what projects were being proposed. Councilmember Duncan concurred with Councilmember Torres.

City Manager Parker stated that what he was hearing was that Councilmember Torres wanted to begin the CIP Process and once the legitimate needs and costs were identified then a decision could be made concerning funding. Councilmember Torres stated that she could be a more informed spender of funds if she knew what projects were proposed. Mayor Gorden and Councilmember Rose Faine Boyd agreed with Councilmember Torres. Mayor Gorden stated that the Council was basically obligated to begin a CIP Process to identify the real needs of the City. Councilmember Boyd agreed that the Council needed to know the critical and necessary projects that should be completed. Mayor Gorden added that the City also needed input from the Council for ideas and suggestions of projects. Assistant City Manager Wright stated that there should be two (2) lists. Assistant City Manager Wright added that there would be a list from Staff and a list from the Council to develop a direction for the City. Mayor Gorden stated that one project that came to mind for the future was the water needs of the City of Lufkin and the possibility of using the General Fund to augment water and sewer projects. Councilmember Langston stated that his thought was that Staff had presented an aggressive schedule and that Council should see what Staff proposed while they were determining their own priorities and ideas for projects. Councilmember Langston asked where the City of Lufkin was in the Comprehensive Plan and was the City up to date or due for revision. City Manager Parker stated that the Comprehensive Plan was probably due for revision. City Manager Parker added that he agreed with Councilmember Langston on the Time Table and that it was too aggressive but if the Council wanted it to coincide with the budget process then it had to be done in a shorter time. Councilmember Langston stated that he was interested in Council looking to add an east to west corridor in the City. Assistant City Manager Wright added that he would like to see the City develop a Comprehensive Plan just for the Parks and Recreation Department and have a professional look at that area. Councilmember Langston stated that just the east to west corridor would take a lot of time if the Council chose to pursue the idea. Councilmember Langston added that there were additional issues that required different funding mechanisms but that he would like a sense of where the City was going. City Manager Parker stated that the Council and Staff could consider using some of the funding that was proposed for the CIP Process to complete a revision of the Comprehensive Plan for the City. City Manager Parker furthered that the Parks and Recreation Department would need a separate Comprehensive Plan. Mayor Gorden stated that basically the Council Members and Staff were all saying the same thing and that the process had to start somewhere.

Councilmember Phil Medford stated that he agreed that the process had to begin somewhere and that now was the time to begin but that he did not feel any compulsion to have the CIP Process completed to coincide with the budget. Councilmember Medford explained that this was a long range plan on many of the projects that meant you should not make a snap decision about. Councilmember Medford suggested beginning the program and that by the time the budget process started the Council would be more informed and have more input and could determine some of the decisions that Council would make concerning the budget. Councilmember Medford stated that the CIP Process did not have to correspond with the upcoming budget. City Manager Parker stated that he agreed with Councilmember Medford.

City Manager Parker asked the when the appropriate time would be for the Council to begin submitting project ideas. Mayor Gorden suggested seeing where the process was by the January 15, 2008 meeting. The Council concurred. Councilmember Langston stated that he saw the entire process running until September 2008.

City Manager Parker stated that he would add another Work Session to the January 15, 2008 meeting and wanted the Council to look at the forms that were included in the packets and bring suggestions back to that meeting.

Councilmember R. L. Kuykendall asked Assistant City Manager Keith Wright how this CIP Process compared to the 1999 CIP Process. Assistant City Manager Wright stated that the forms were built on the forms used in the 1999 CIP Process but were expanded and the forms also tied back in to the scoring process. Assistant City Manager Wright added that Council was much more involved in the process than they were in 1999. City Manager Parker stated that Staff would provide a list of projects along with the list that Council Members provided.

City Manager Parker stated that one date he wanted Council to consider was April 8, 2008. City Manager Parker stated that last year the Council had a Strategic Planning Session prior to the beginning the budget cycle and that he wanted to reserve that date if the Council agreed. City Manager Parker directed City Secretary Renee Thompson to send out an email to Council concerning the April 8, 2008 date.

11. <u>CALENDAR NOTATIONS FROM MAYOR, COUNCIL MEMBERS, AND CITY MANAGER</u>

Mayor Gorden reminded the Council of the upcoming Open House at the offices of Flournoy and Green, PLLC and Siebman, Reynolds, Burg, and Phillips, LLP on Monday, January 7, 2008 at 5:00 p.m. Mayor Gorden stated that there would be a joint workshop with the 4B Corporation and the Partnership on Thursday, January 10, 2008 at 8:00 a.m. at the Chamber Red Barn. Mayor Gorden added that First Friday would be held on January 11, 2008 at 12:00 noon at Crown Colony with Mayor Gorden and Judge Suiter as guest speakers. City Manager Parker asked Council to put February 26, 2008 on their calendar for Lufkin Day in Austin. City Manager Parker stated that there was a TML Region XVI Quarterly Meeting on Thursday, January 17, 2008 in Liberty but was the same date as the TxDOT Meeting that same night concerning I-69. City Manager Parker directed City Secretary Renee Thompson to send the Council a reminder of the upcoming meetings.

12. There being no further business for consideration, the meeting adjourned at 7:08 p.m.

Jack Gorden

Jack Gorden, Mayor

Renee Thompson

Renee Thompson – City Secretary