

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF LUFKIN, TEXAS HELD ON THE 17TH DAY OF MAY, 2011

On the 17th day of May, 2011, 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:

Victor Travis	Councilmember, Ward No. 1
Robert Shankle	Councilmember, Ward No. 2
Lynn Torres	Councilmember, Ward No. 3
Phil Medford	Councilmember, Ward No. 6
Paul L. Parker	City Manager
Keith Wright	Deputy City Manager
Bruce Green	City Attorney
Renee Thompson	City Secretary
Rodney Ivy	Human Resource Director
Gerald Williamson	Asst. Police Chief
Duane Freeman	Asst. Fire Chief
Belinda Southern	Finance Director
Dorothy Wilson	Planning Director
Steve Floyd	Public Works Director
Barbara Thompson	Main Street Director
Jim Wehmeier	Economic Development Director
Dale Allred	Inspection Services Director
Chuck Walker	Public Utilities Director

being present, and

Jack Gorden, Jr.	Mayor
Don Langston	Mayor Pro-Tem
Rufus Duncan	Councilmember, Ward No. 5
Scott Marcotte	Police Chief
Danny Kistner	Fire Chief

being absent, when the following business was transacted:

1. The meeting was opened with prayer by Pastor Bob Klund, Believers Bible Church.
2. Councilmember Lynn Torres welcomed visitors present.
3. **APPROVAL OF MINUTES**

Minutes of the Regular Meeting of May 3, 2011, were approved on a motion by Councilmember Robert Shankle, and seconded by Councilmember Victor Travis. A unanimous affirmative vote was recorded.

NEW BUSINESS:

4. **CANVASS OF 2011 GENERAL ELECTION FOR THE CITY OF LUFKIN, AND CONSIDER A RESOLUTION DECLARING THE RESULTS OF THE CITY OF LUFKIN GENERAL ELECTION – APPROVED - OF MAY14, 2011**

Councilmember Lynn Torres stated that the next item for consideration was the Canvass of 2011 General Election for the City of Lufkin, and a Resolution declaring the results of the City of Lufkin General Election of May14, 2011.

City Secretary Renee Thompson stated that the City of Lufkin General City Election was called for May 14, 2011, for the purpose of electing a member to the City Council. Ms. Thompson added that there were no propositions on the ballot, no person made a declaration of write-in candidacy, and one (1) candidate on the ballot was unopposed for election to

office. Ms. Thompson explained that under those circumstances, Subchapter C, Chapter 2, of the Election Code authorized the City Council to declare the unopposed candidate elected to office. Ms. Thompson stated that Rufus Duncan was elected to serve as Councilmember Ward No. 5.

Ms. Thompson stated that the City of Lufkin City Council resolved and ordered that a General Election be held at the Kurth Memorial Library on May 14, 2011, for the purpose of electing a Councilmember for Ward No. 6. Ms. Thompson added that Early Voting for the election was conducted each weekday, May 2, 3, 6, 9, and 10, 2011, from 8:00 a.m. to 5:00 p.m., and May 4 and 5, 2011 from 7:00 a.m. to 7:00 p.m. in the City Hall atrium, with Renee Thompson serving as Early Voting judge. Ms. Thompson then stated that the results of the election were: Early voting paper ballots- Sarah Murray- 12, Steve Hall- 0, Darrel L. McDonald- 1, and Daniel Huerta- 0. Early Voting electronic- Sarah Murray- 36, Steve Hall- 31, Darrel L. McDonald- 42 and Daniel Huerta- 9. Early Voting total- Sarah Murray- 48, Steve Hall- 31, Darrel L. McDonald- 43 and Daniel Huerta- 9. Election Day paper ballots- Sarah Murray- 0, Steve Hall- 0, Darrel L. McDonald- 0 and Daniel Huerta- 0. Election Day electronic- Sarah Murray- 45, Steve Hall- 9, Darrel L. McDonald- 35 and Daniel Huerta- 15. Election Day total- Sarah Murray- 45, Steve Hall- 9, Darrel L. McDonald- 35 and Daniel Huerta- 15. Total Votes Cast- Sarah Murray- 93, Steve Hall- 40, Darrel L. McDonald- 78 and Daniel Huerta- 24. Ms. Thompson stated that there was no apparent winner and a Runoff Election was called for June 18, 2011, between Sarah Murray and Darrel L. McDonald.

Councilmember Phil Medford moved to approve the Canvass of 2011 General Election for the City of Lufkin, and the Resolution declaring the results of the City of Lufkin General Election of May 14, 2011. Councilmember Robert Shankle seconded the motion. A unanimous affirmative vote was recorded.

5. ADMINISTER OATH OF OFFICE TO COUNCILMEMBER WARD NO. 6. (HONORABLE WES SUITER, COUNTY JUDGE)

Councilmember Lynn Torres stated that the next item for consideration was to Administer Oath of Office to Councilmember Ward No. 6. (Honorable Wes Suiter, County Judge) Councilmember Torres explained that due to the Runoff between Sarah Murray and Darrel L. McDonald the item would need to be tabled until a winner was declared.

Councilmember Phil Medford moved to table the Oath of Office for Councilmember Ward No. 6. Councilmember Robert Shankle seconded the motion. A unanimous affirmative vote was recorded.

6. RESOLUTION AUTHORIZING THE MAYOR TO ORDER A RUNOFF ELECTION FOR THE CITY OF LUFKIN, TEXAS - APPROVED - TO BE HELD AT ONE (1) POLLING PLACE IN LUFKIN, TEXAS ON JUNE 18, 2011 BETWEEN THE HOURS OF 7:00 A.M. AND 7:00 P.M. FOR THE PURPOSE OF ELECTING A COUNCILMEMBER FOR WARD 6, FOR A THREE (3) YEAR TERM, TO SERVE THE CITY OF LUFKIN, TEXAS; AND PROVIDING FOR THE NECESSARY NOTICES AND FIXING THE DATE

Councilmember Lynn Torres stated that the next item for consideration was a Resolution authorizing the Mayor to order a Runoff Election for the City of Lufkin, Texas to be held at one (1) polling place in Lufkin, Texas on June 18, 2011, between the hours of 7:00 a.m. and 7:00 p.m. for the purpose of electing a Councilmember for Ward 6, for a three (3) year term, to serve the City of Lufkin, Texas; and providing for the necessary notices and fixing the date.

City Manager Paul Parker stated that the item was calling for a Runoff Election to be held on June 18, 2011.

Councilmember Torres asked if the voting would take place in the same locations. City Manager Parker stated that Early Voting would take place in the Lufkin City Hall Atrium and that on Election Day, the voting would take place at the Kurth Memorial Library.

Councilmember Phil Medford moved to approve the Resolution authorizing the Mayor to order a Runoff Election for the City of Lufkin, Texas to be held at one (1) polling place in Lufkin, Texas on June 18, 2011 between the hours of 7:00 a.m. and 7:00 p.m. for the purpose of electing a Councilmember for Ward 6, for a three (3) year term, to serve the City of Lufkin, Texas; and providing for the necessary notices and fixing the date. Councilmember Victor Travis seconded the motion. A unanimous affirmative vote was recorded. Councilmember Torres stated that it would be good if there were a greater number of voters to turn out for the Runoff than voted in the General Election.

7. **PUBLIC HEARING AND FIRST READING OF AN ORDINANCE AMENDING THE ZONING ORDINANCE OF THE CITY OF LUFKIN, TEXAS, - APPROVED - BY GRANTING A "SPECIAL USE PERMIT" FOR A RESIDENTIAL HEALTH CARE FACILITY WITHIN A "COMMERCIAL" ZONING DISTRICT ON CERTAIN TRACTS OR PARCELS OF LAND WITHIN THE CORPORATE LIMITS OF THE CITY OF LUFKIN, TEXAS, BEING 5.07 ACRES OF THE CANTEX LUFKIN ADDITION, LOT 1, ANGELINA COUNTY, TEXAS, ALSO KNOWN AS 201 SOUTH JOHN REDDITT DRIVE AND AUTHORIZING THE CITY PLANNER TO MAKE SUCH CHANGES ON THE OFFICIAL MAP AND CHANGE THE DESIGNATION OF THE FUTURE LAND USE PLAN OF THE 2001 COMPREHENSIVE PLAN TO "MIXED USE"**

Councilmember Lynn Torres stated that the next item for consideration was a Public Hearing and First Reading of an Ordinance amending the Zoning Ordinance of the City of Lufkin, Texas, by granting a "Special Use Permit" for a Residential Health Care Facility within a "Commercial" Zoning District on certain tracts or parcels of land within the corporate limits of the City of Lufkin, Texas, being 5.07 acres of the Cantex Lufkin Addition, Lot 1, Angelina County, Texas, also known as 201 South John Redditt Drive and authorizing the City Planner to make such changes on the Official Map and change the designation of the Future Land Use Plan of the 2001 Comprehensive Plan to "Mixed Use".

City Manager Paul Parker stated that the owner, Lufkin Westgate Holding, LLC, represented by the applicant First Angelina Capital Funding, LLC, and agent Rodney Moore was requesting a "Special Use Permit" in a "Commercial" zone for a Residential Healthcare Facility to be operated by Cantex. City Manager Parker added that the facility was proposed to provide one hundred twenty (120) beds.

City Manager Parker stated that a Residential Health Care Facility was defined as "Residences usually occupied by the frail and elderly that provide rooms, meals, personal care, and health monitoring services under the supervision of a professional nurse, and that may provide other services, such as recreational, social and cultural activities, financial services and transportation." City Manager Parker added that the proposal fell under the "Special Use" requirements in the Zoning Ordinance. City Manager Parker stated that the area was a combination of mixed uses. City Manager Parker added that the site was 5.07 acres and was the northern lot of a three (3) lot subdivision developed in 2011. City Manager Parker explained that the proposal was for one hundred twenty (120) beds with approximately fifty-seven thousand two hundred twenty-four (57,224) square feet. City Manager Parker stated that there was an additional one thousand forty-eight (1048) square foot building on the northeast corner of the proposed property. City Manager Parker added that the combined structures would equal fifty-eight thousand two hundred seventy-two (58,272) square feet.

City Manager Parker stated that one (1) of the major concerns that the Planning Staff had was the location of the three (3) lots near a heavily traveled roadway. City Manager Parker explained that the applicants had agreed to use an internal road system to share the three (3) lots, which would help mitigate part of the traffic concerns. City Manager Parker stated that the Planning and Zoning Commission recommended approval of the "Special Use Permit" for the Residential Health Care Facility and the request for a change to the Comprehensive Plan Future Land Use Map from "Retail" to "Mixed Use", with the condition that documentation regarding the Loop access road shared entry plan for the feeder road be recorded with the City Engineer. City Manager Parker added that the Planning and Zoning Commission and Staff recommended that the City Council approve the request.

Councilmember Torres opened the Public Hearing at 5:19 p.m. and asked anyone who wished

to speak on the item to please step forward. Speaking concerning the item was:

Bonnie Denman
Rodney Moore

Councilmember Torres closed the Public Hearing at 5:22 p.m.

Councilmember Torres asked for questions or comments from the Council. There was some discussion regarding the request.

Councilmember Victor Travis moved to approve the First Reading of the Ordinance amending the Zoning Ordinance of the City of Lufkin, Texas, by granting a "Special Use Permit" for a Residential Health Care Facility within a "Commercial" Zoning District on certain tracts or parcels of land within the corporate limits of the City of Lufkin, Texas, being 5.07 acres of the Cantex Lufkin Addition, Lot 1, Angelina County, Texas, also known as 201 South John Redditt Drive and authorizing the City Planner to make such changes on the Official Map and change the designation of the Future Land Use Plan of the 2001 Comprehensive Plan to "Mixed Use". Councilmember Phil Medford seconded the motion. A unanimous affirmative vote was recorded.

8. BID FOR THE HIGHWAY 59 SOUTH SEWER LINE INTERCEPTOR - APPROVED - TO DUPLICHAIR CONTRACTORS IN THE AMOUNT OF SEVEN HUNDRED NINE THOUSAND NINE HUNDRED TWENTY-TWO DOLLARS AND SEVENTEEN CENTS (\$709,922.17)

Councilmember Lynn Torres stated that the next item for consideration was a bid for the Highway 59 South Sewer Line Interceptor to Duplichain Contractors in the amount of seven hundred nine thousand nine hundred twenty-two dollars and seventeen cents (\$709,922.17).

City Manager Paul Parker stated that the Engineering Department recently bid the Highway 59 South Sewer Line Interceptor Project. City Manager Parker added that the project would provide sewer service in the majority of the newly annexed areas, predominantly the land west of Highway 59 South and southwest of College Drive, over to Gobblers Knob Road (FM 1336). City Manager Parker stated that the sewer service would also be provided to the Fairchild Property, which could be developed in the future. City Manager Parker stated that the Engineering Department was very concerned because of the petroleum cost on the pipe and the project was bid with four (4) alternates. City Manager Parker stated that the project had been budgeted for one million one hundred thousand dollars (\$1,100,000) and the optimum bid was in the amount of seven hundred nine thousand nine hundred twenty-two dollars and seventeen cents (\$709,922.17). City Manager Parker added that this was considerably below budget and that Staff recommended that the Council approve the project with Bid Alternate No. 1, which was the installation of five thousand (5,000) linear feet of twenty-one inch (21") diameter SP- 115 PVC; three thousand three hundred fifty-seven (3,357) linear feet of fifteen inch (15") diameter SP- 115 PVC; one thousand five hundred forty-three (1,543) linear feet of eight inch (8") diameter SDR-26 PVC; six hundred forty-two (642) linear feet of six inch (6") diameter SDR-26 PVC; and the installation of thirty-five (35) manholes. City Manager Parker stated that the good thing about the project was that it would allow the City to abandon two (2) lift stations. City Manager Parker stated that Staff recommended that the Council award the contract to the low bidder, Duplichain Contractors, Inc., for bid Alternate No. 1 in the amount of seven hundred nine thousand nine hundred twenty-two dollars and seventeen cents (\$709,922.17).

Councilmember Torres asked for questions or comments from the Council. There was some discussion among the Council and City Manager regarding the bid.

Councilmember Victor Travis moved to approve the bid for the Highway 59 South Sewer Line Interceptor to Duplichain Contractors in the amount of seven hundred nine thousand nine hundred twenty-two dollars and seventeen cents (\$709,922.17). Councilmember Robert Shankle seconded the motion. A unanimous affirmative vote was recorded.

9. ADOPT THE REVISED INVESTMENT POLICY - APPROVED - TO ALLOW FOR THE REVISION OF CITY STAFF AUTHORIZED AS INVESTMENT OFFICERS

Councilmember Lynn Torres stated that the next item for consideration was to adopt the Revised Investment Policy to allow for the revision of City Staff authorized as Investment Officers.

City Manager Paul Parker stated that that the item was simply a housekeeping procedure. City Manager Parker added that with the recent resignation of Finance Director Doug Wood, and the promotion of Belinda Southern to Finance Director, there was a vacancy on the Financial Policy of an additional person to do investments for the City of Lufkin. City Manager Parker stated that Belinda Southern was recommending Senior Accountant Robbin Crawford to take the vacant position. City Manager Parker added that Staff recommended that the Council appoint Robbin Crawford to the Investment Policy, replacing Doug Wood's position, with Belinda Southern going to the position of Finance Director.

Councilmember Torres asked for questions or comments from the Council. There were none.

Councilmember Robert Shankle moved to approve the adoption of the Revised Investment Policy to allow for the revision of City Staff authorized as Investment Officers. Councilmember Phil Medford seconded the motion. A unanimous affirmative vote was recorded.

10. FIRST READING OF AN ORDINANCE OF THE CITY OF LUFKIN, TEXAS, GRANTING TO ONCOR ELECTRIC DELIVERY COMPANY, LLC, ITS SUCCESSORS AND ASSIGNS, A NON-EXCLUSIVE ELECTRIC POWER FRANCHISE TO USE THE PRESENT AND FUTURE STREETS, ALLEYS, HIGHWAYS, PUBLIC UTILITY EASEMENTS, AND OTHER PUBLIC PROPERTY (PUBLIC RIGHTS-OF-WAY) OF THE CITY OF LUFKIN, TEXAS, - APPROVED - FOR THE PURPOSES OF CONSTRUCTING AND OPERATING AN ELECTRIC DISTRIBUTION AND TRANSMISSION SYSTEM; SETTING FORTH TERMS AND CONDITIONS TO GOVERN THE FRANCHISE; PROVIDING FOR COMPENSATION THEREFORE; PROVIDING FOR THE REPEAL OF ALL EXISTING FRANCHISE ORDINANCES TO ONCOR ELECTRIC DELIVERY COMPANY, LLC, ITS PREDECESSORS AND ASSIGNS, A SEVERABILITY CLAUSE, A SAVINGS CLAUSE, THE TERM AND EFFECTIVE DATE; AND FINDING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED IS OPEN TO THE PUBLIC.

Councilmember Lynn Torres stated that the next item for consideration was the First Reading of an Ordinance of the City of Lufkin, Texas, granting to Oncor Electric Delivery Company, LLC, its successors and assigns, a non-exclusive electric power franchise to use the present and future streets, alleys, highways, public utility easements, and other public property (public rights-of-way) of the City of Lufkin, Texas, for the purposes of constructing and operating an electric distribution and transmission system; setting forth terms and conditions to govern the franchise; providing for compensation therefore; providing for the repeal of all existing franchise Ordinances to Oncor Electric Delivery Company, LLC, its predecessors and assigns, a severability clause, a savings clause, the term and effective date; and finding that the meeting at which this Ordinance is passed is open to the public.

City Manager Paul Parker stated that the City of Lufkin had been working with Oncor Electric Delivery Company for approximately a year for renewing their Franchise Agreement with the City of Lufkin. City Manager Parker stated that whenever the franchise began, approximately twenty (20) years earlier, it was before the days of deregulation. City Manager Parker added that using the old Franchise Agreement as a model wasn't applicable, because so many variables had changed. City Manager Parker stated that Oncor provided the City with a model ordinance that they had used in many cities. City Manager Parker explained that City Attorney Bruce Green looked at that model ordinance, along with what other cities in Texas had received, and the City and Oncor negotiated back and forth for approximately a year with both parties looking out for the best interest of their respected entities. City Manager Parker stated that Staff felt very strongly that the City had a Franchise Agreement that addressed the majority of the needs of the City, and that both parties felt that the agreement was very doable for both Oncor and the City of Lufkin. City Manager Parker added that Staff recommended that the Council approve the Ordinance granting to Oncor

Electric Delivery Company, LLC, its successors and assigns, a non-exclusive electric power franchise.

Councilmember Torres asked for questions or comments from the Council. There were none.

Councilmember Phil Medford moved to approve the First Reading of the Ordinance of the City of Lufkin, Texas, granting to Oncor Electric Delivery Company, LLC, its successors and assigns, a non-exclusive electric power franchise to use the present and future streets, alleys, highways, public utility easements, and other public property (public rights-of-way) of the City of Lufkin, Texas, for the purposes of constructing and operating an electric distribution and transmission system; setting forth terms and conditions to govern the franchise; providing for compensation therefore; providing for the repeal of all existing franchise Ordinances to Oncor Electric Delivery Company, LLC, its predecessors and assigns, a severability clause, a savings clause, the term and effective date; and finding that the meeting at which this Ordinance is passed is open to the public. Councilmember Victor Travis seconded the motion. A unanimous affirmative vote was recorded.

11. RESOLUTION OF THE CITY OF LUFKIN APPROVING A SETTLEMENT AGREEMENT BETWEEN THE ALLIANCE OF ONCOR CITIES ("AOC") AND ONCOR ELECTRIC DELIVERY COMPANY, LLC ("ONCOR" OR COMPANY) - APPROVED - REGARDING THE COMPANY'S STATEMENT OF INTENT TO CHANGE ELECTRIC RATES IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE SETTLEMENT AGREEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; FINDING THE CITY'S RATE CASE EXPENSES REASONABLE; DIRECTING ONCOR TO REIMBURSE THE CITY ITS REASONABLE RATE CASE EXPENSES; DETERMINING THAT THE RESOLUTION WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; REPEALING ANY PRIOR RESOLUTIONS INCONSISTENT WITH THIS RESOLUTION AND REQUIRING DELIVERY OF THIS RESOLUTION TO THE COMPANY AND LEGAL COUNSEL

Councilmember Lynn Torres stated that the next item for consideration was a Resolution of the City of Lufkin approving a Settlement Agreement between the Alliance of Oncor Cities ("AOC") and Oncor Electric Delivery Company, LLC ("Oncor" or Company") regarding the Company's Statement of Intent to change electric rates in all cities exercising original jurisdiction; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the Settlement Agreement and finding the rates to be set by the attached tariffs to be just and reasonable; finding the City's rate case expenses reasonable; directing Oncor to reimburse the City its reasonable rate case expenses; determining that the Resolution was passed in accordance with the requirements of the Texas Open Meetings Act; declaring an effective date; repealing any prior Resolutions inconsistent with this Resolution and requiring delivery of this Resolution to the Company and legal counsel.

City Manager Paul Parker stated that on January 7, 2011, Oncor Electric Delivery Company, LLC came to the City about a proposed rate increase. City Manager Parker added that it had been the history over the past few years that the "Alliance of Cities" (AOC), that the City of Lufkin had been a part of, would challenge part of the rate increase. City Manager Parker stated that over the course of several months' extensive reviews and expert testimony the AOC was recommending a settlement with Oncor. City Manager Parker explained that the settlement would not just benefit the City of Lufkin, but would include all of the residents of the City who received electrical power from Oncor. City Manager Parker stated that the City of Lufkin initially took the position of opting to delay or deny the implementation of any rate increase. City Manager Parker added that Staff had worked with attorneys, rate consultants and other parties in the rate proceedings before the Public Utility Commission of Texas (PUCT), and the parties had reached a Settlement on the increase to be allowed Oncor.

City Manager Parker stated that Oncor's initial proposal would have resulted in a residential customer that used one thousand three hundred (1,300) kilowatt hours per month, seeing an increase in their bill of about five dollars (\$5) per month, and as a class a residential customer

would have experienced an increase of approximately fifteen percent (15%). City Manager Parker added that commercial rate class would have seen a thirteen percent (13%) to sixteen percent (16%) increase in base rates, and the large commercial rate class would have seen a five percent (5%) increase. City Manager Parker explained that Oncor was initially requesting rates to recover cost for vegetation management through a surcharge, which would have been approximately thirty-four million six hundred thousand dollars (\$34,600,000) per year.

City Manager Parker stated that Staff recommended that the City Council accept the settlement with Oncor, and that the settlement proposed that Oncor's rate increase would be limited to one hundred thirty-six million seven hundred thousand dollars (\$136,700,000), as compared to over three hundred sixty million dollars (\$360,000,000) initial request. City Manager Parker added that initially the increase would be implemented in two (2) phases. City Manager Parker explained that Phase I would go into effect July 1, 2011, and would be a ninety-three million seven hundred thousand dollar (\$93,700,000) increase of the one hundred thirty-six million seven hundred thousand dollars (\$136,700,000). City Manager Parker added that the balance would go into effect on January 1, 2012, and would be forty-three million dollars (\$43,000,000).

City Manager Parker stated that an increase of one hundred thirty-six million seven hundred thousand dollars (\$136,700,000) resulted in a bill increase of approximately one dollar sixty cents (\$1.60) per month for a customer using one thousand three hundred (1,300) kilowatt hours per month, instead of the proposed five dollars (\$5) per month. City Manager Parker added that this was good for all of the customers.

City Manager Parker stated that there were numerous other parts of the agreement before the City Council, but that one (1) was that Oncor would not file for another rate increase before July 1, 2013. City Manager Parker added that the increase to the Lighting class was limited to approximately thirteen percent (13%), as compared to the twenty-six percent (26%) initial request. City Manager Parker stated that the request for vegetation management was denied, so there wouldn't be the thirty-four million six hundred thousand dollars (\$34,600,000) system wide for the vegetation management. City Manager Parker stated that Oncor's return on the equity was set at 10.25%. City Manager Parker added that there was an old legal lawsuit pending between franchise fees collected and the PUCT. City Manager Parker explained that the PUCT had limited Oncor's ability to return part of the franchise fees. City Manager Parker stated that as part of the Settlement Agreement, the parties agreed that the issue was resolved and that Oncor would pay the higher franchise fees. City Manager Parker added that the City of Lufkin would actually receive seventy-four thousand seventy-two dollars and forty-two cents (\$74,072.42) of past franchise fees that were owed to the City, and the lawsuit would be dismissed.

City Manager Parker stated that there were numerous other smaller points in the Settlement Agreement and that the Council had been furnished a voluminous amount of information. City Manager Parker stated that Oncor would pay all of the legal fees as part of the settlement. City Manager Parker added that the City of Lufkin did have a two thousand dollar (\$2,000) fee from earlier in the case, but the fee would be the extent of the legal fees from the case. City Manager Parker stated that Staff recommended that the City Council approve the proposed Settlement.

Councilmember Torres asked for questions or comments from the Council. There were comments from the Council regarding the Settlement.

Councilmember Phil Medford moved to approve the Resolution of the City of Lufkin approving a Settlement Agreement between the Alliance of Oncor Cities ("AOC") and Oncor Electric Delivery Company, LLC ("Oncor" or Company) regarding the Company's Statement of Intent to change electric rates in all cities exercising original jurisdiction; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the Settlement Agreement and finding the rates to be set by the attached tariffs to be just and reasonable; finding the City's rate case expenses reasonable; directing Oncor to reimburse the City its reasonable rate case expenses; determining that the Resolution was passed in accordance with the requirements of the Texas Open Meetings Act; declaring an effective date; repealing any prior Resolutions inconsistent with this Resolution

and requiring delivery of this Resolution to the Company and legal counsel. Councilmember Victor Travis seconded the motion. A unanimous affirmative vote was recorded.

12. CITY MANAGER'S REPORT

Councilmember Lynn Torres stated that the next item for consideration was a report from City Manager Paul Parker.

City Manager Paul Parker stated that he would give a brief synopsis of the report. City Manager Parker added that the City had just received information showing that the City had another good month of Sales Tax. City Manager Parker stated that Water and Sewer Revenues were a little above projections, due to the extremely dry weather that had been occurring. City Manager Parker added that the Water and Sewer Revenues depended on the climate, heat, lack of rainfall, and the timeliness of the rainfall. City Manager Parker stated that so far the water usage had been well above the norm, and that those funds should stay on target or even possibly improve. City Manager Parker stated that Water and Sewer was a very tight fund because the City was phasing in the increase that was done at Abitibi. City Manager Parker explained that instead of doing a twenty plus percent (20+ %) that was recommended, the City was doing it over a four (4) year phase in. City Manager Parker added that this was causing the current years to be very lean in the Water Revenue standpoint. City Manager Parker stated that the additional revenue from the heat was beneficial for the user.

City Manager Parker stated that the Council also had the Capital Improvement Projects Report before them. City Manager Parker stated that there were a lot of projects going at the present time. City Manager Parker added that most of those projects were going very well. City Manager Parker stated that Sayers Street and Sellers Street Projects were going well. City Manager Parker added that the Industrial Park was just about completed, and that Moffett Road was well under construction. City Manager Parker stated that he would answer any questions that the City Council had regarding the projects. City Manager Parker stated that there were a lot of projects underway, but that the City was benefitting from the lower bid climate and were getting very good prices. City Manager Parker stated that the City had gotten approval from the State to go forth on the Civic Center bids and that the City would be working with the County on that project. City Manager Parker added that the bid date was June 23, 2011, for the Civic Center Expansion. City Manager Parker explained that the Civic Center Project was a combination project with the County for sheltering. City Manager Parker stated that he would answer any questions that the City Council had regarding the Financial Report or the Project Status Report.

13. PRESENTATION BY PUBLIC UTILITIES DIRECTOR CHUCK WALKER REGARDING ENGINEERING, WATER AND SEWER, AND SEWER PLANT DEPARTMENTS

Councilmember Lynn Torres stated that the next item for consideration was supposed to be a Presentation by Public Utilities Director Chuck Walker. Councilmember Torres stated that the presentation would have to be postponed and that the Council looked forward to hearing it.

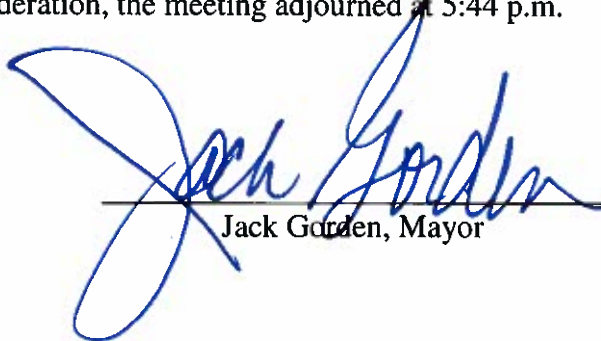
14. Councilmember Lynn Torres then stated that there was no need for an Executive Session that evening.

15. DISCUSSION OF ITEMS OF COMMUNITY INTEREST, INCLUDING EXPRESSIONS OF THANKS, CONGRATULATIONS OR CONDOLENCE; INFORMATION REGARDING HOLIDAY SCHEDULES; HONORARY RECOGNITIONS OF CITY OFFICIALS, EMPLOYEES OR OTHER CITIZENS; REMINDERS ABOUT UPCOMING EVENTS SPONSORED BY THE CITY OR OTHER ENTITY THAT IS SCHEDULED TO BE ATTENDED BY CITY OFFICIALS OR EMPLOYEES; AND ANNOUNCEMENTS INVOLVING IMMINENT THREATS TO THE PUBLIC HEALTH AND SAFETY OF THE CITY

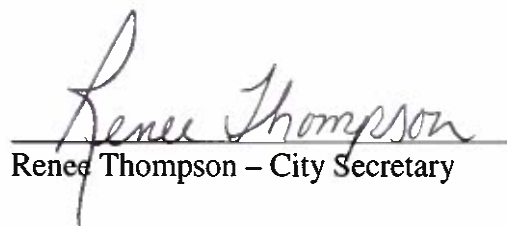
Councilmember Torres stated that the next item for consideration was the discussion of items of community interest, including expressions of thanks, congratulations or condolence; information regarding holiday schedules; honorary recognitions of City officials, employees or other citizens; reminders about upcoming events sponsored by the City or other entity that is scheduled to be attended by City officials or employees; and announcements involving imminent threats to the public health and safety of the City.

City Manager Paul Parker stated that there would be a Lufkin Convention and Visitors Bureau Meeting on Thursday, May 19, 2011, at 3:00 p.m. at the Chamber of Commerce. City Manager Parker stated that May 30, 2011, the City of Lufkin would be closed for the Memorial Day Holiday. City Manager Parker added that Thursday, June 2, 2011, would be the Industrial Appreciation Dinner at the Red Barn, with the reception beginning at 5:30 p.m. and the dinner following at 6:30 p.m. City Manager Parker explained that the event was to show appreciation to the local industries that were the backbone of the City of Lufkin. City Manager Parker stated that Friday, June 3, 2011, would be the First Friday Luncheon at Crown Colony. City Manager Parker explained that the Silver Spike Award would be given at the meeting. City Manager Parker stated that Saturday, June 4, 2011, would be the Annual Neches River Rendezvous, and that the Chamber of Commerce could still be contacted if anyone was interested in taking part.

16. There being no further business for consideration, the meeting adjourned at 5:44 p.m.



Jack Gordon, Mayor



Renee Thompson – City Secretary