

**MINUTES OF THE ANNUAL BUDGET RETREAT OF THE CITY COUNCIL OF THE  
CITY OF LUFKIN, TEXAS HELD ON THE 17<sup>th</sup> DAY OF MAY, 2012.**

On the 17<sup>th</sup> day of May, 2012, the City Council of the City of Lufkin, Texas convened in an Annual Budget Retreat at Kurth Lake Lodge with the following members, thereof to wit:

Bob Brown	Mayor
Don Langston	Mayor Pro-Tem
Victor Travis	Councilmember, Ward No. 1
Robert Shankle	Councilmember, Ward No. 2
Lynn Torres	Councilmember, Ward No. 3
Rufus Duncan	Councilmember, Ward No. 5
Sarah Murray	Councilmember, Ward No. 6
Paul L. Parker	City Manager
Keith Wright	Deputy City Manager
Bruce Green	City Attorney
Kara Atwood	City Secretary
Belinda Southern	Finance Director
Scott Marcotte	Police Chief
Gerald Williamson	Assistant Police Chief
Ted Lovett	Fire Chief
Duane Freeman	Assistant Fire Chief
Rodney Ivy	Human Resources Director
Chuck Walker	Public Utilities Director/City Engineer
Steve Floyd	Public Works Director
Steve Poskey	Street Department Director
Ramon Johnson	Water & Sewer Director
Michael Cleghorn	Assistant Director of Solid Waste
Dorothy Wilson	Planning Director
Jim Wehmeier	Economic Development Director
Barbara Thompson	Main Street Director
Dale Allred	Inspection Services Director
Mike Akridge	Parks & Recreation Director
Debbie Cassidy	WWTP Director
Sid Munlin	Information Technology Director
Gordon Henley	Director of Ellen Trout Zoo
Rhonda McLendon	Animal Control Director
April Earley	Municipal Court Judge
Tara Watson-Watkins	LCVB Director
Lorraine Simoneau	Kurth Memorial Library Director
Drew Squyres	Utility Collections Director
Lance Moore	Civic Center Director

being present when the following business was transacted.

1. The meeting was opened with prayer by Deputy City Manager Keith Wright.
2. Mayor Bob Brown welcomed visitors present. City Manager Paul Parker asked all Department Heads to give a brief introduction of themselves and their departments. City Councilmembers then introduced themselves. Mayor Brown also introduced himself.
3. **PRESENTATION AND DISCUSSION CONCERNING THE 2011/2012 FINANCIAL REPORT AND PRELIMINARY DISCUSSIONS CONCERNING THE 2012/2013 FISCAL YEAR BUDGET.**

Mayor Bob Brown stated that the first item on the agenda was a presentation and discussion concerning the 2011/2012 Financial Report and preliminary discussions concerning the 2012/2013 Fiscal Year Budget.

City Manager Paul Parker gave an overview of the budget process and the preparation of the budget. City Manager Parker stated that one of the main purposes of the retreat was to

receive direction from the Council regarding projects and programs that they wished to be included in the budget process. City Manager Parker reviewed the budget calendar with Council and highlighted the special called meeting that would be needed should the City adopt a tax rate above the effective tax rate. City Manager Parker stated that the final budget would be adopted on September 18, 2012. City Manager Parker continued that the budget would be submitted to Council on August 21, 2012, and Staff would be glad to hold as many meetings as necessary to ensure Council had as much information as needed. City Manager Parker highlighted the revenue funds and stated he would be happy to answer any questions Council may have. City Manager Parker reviewed the General Fund Revenue accounts and stated that the City was in good shape financially. City Manager Parker continued that sales tax was booked one month in arrears, thus the reason for the fund appearing to be below budget. City Manager Parker stated that franchise taxes increased this year from higher energy use due to the drought, which caused the City to receive an additional one hundred thousand dollars (\$100,000) from ONCOR. Finance Director Belinda Southern stated that the City would also receive a video tax that would be approximately forty-eight thousand dollars (\$48,000). City Manager Parker furthered that revenue from building permits and fees was below budget due to the slump in the economy. City Manager Parker continued that fines and forfeiture revenue was below budget due to Municipal Court Judge April Earley and staff still being in the process of collecting an number of outstanding warrants and past due fines. City Manager Parker stated that this figure would increase by the end of the budget year. City Manager Parker continued that the only area of concern was the EMS/Ambulance Fee revenue which was due to the conversion of the EMS collections being outsourced and the company not holding up to the promised obligations. City Manager Parker stated that this issue may need to be revisited before the end of the year and that City Attorney Bruce Green was reviewing the contract to see what the City's options were as far as breaking the contract. City Manager Parker continued that Staff has had numerous conversations with Emergidata and they are aware of the City's concerns. City Manager Parker furthered that Staff was actively pursuing the matter and would continue to do so. City Manager Parker stated that the worst case scenario would be that the City would have to resume the Emergency Medical Service (EMS) collections; however, this year's revenue would be less than last year regardless. City Manager Parker stated that Emergidata had assured the City that extra staff had been added to try and alleviate the backlog of billing. Councilmember Lynn Torres asked how long the contract with Emergidata was. City Manager Parker stated that the contract was for five (5) years and that City staff was still doing a lot of the collections in house. Councilmember Rufus Duncan asked what the percentage of the fees Emergidata received. City Manager Parker stated that Emergidata received 7.85% of all fees collected. Councilmember Victor Travis questioned if five (5) years was standard contract time. City Manager Parker stated answered that it was. City Manager Parker stated that he would be calling other cities that use Emergidata to see how they are functioning. Councilmember Don Langston stated that the City had a problem with EMS revenue before and staff needed to be diligent about continuing to work on a solution. City Manager Parker stated that the City had collected less revenue than last year even with the increase in rates that took effect last year. City Manager Parker stated that he hoped the City would not have to pursue breaking the contract and that the penalty for not providing the stated services would be enforced. Councilmember Don Langston questioned whether the City really needed to be in the EMS business. City Manager Parker stated that there were not any EMS companies who wished to provide EMS services into the County. City Manager Parker stated that the City no longer provided routine transports for area nursing homes. Fire Chief Ted Lovett stated that eighty percent (80%) of emergency calls are EMS related and that the service the City provides is the best in the area. Councilmember Langston stated that his real concern was if the City could not collect the costs or identify them, this could be a service that would have to be reviewed should financial conditions tighten in the future. City Manager Parker stated that the Emergidata service would allow the City to determine the costs of the EMS program. City Manager Parker stated that the City receives two hundred fifty thousand dollars (\$250,000) from Angelina County to provide EMS Services to the County residents; however, this amount probably doesn't cover the cost of the service. City Manager Parker stated that the City currently does not charge if patients are treated on site but not transported, and that Staff would review this issue when EMS rates were discussed. Councilmember Langston stated that the City needs to look into billing residents who are treated, but not transported.

City Manager Parker continued with the review of the financials and stated that expenditures were all in line and there were only a few departments that were over budget including Emergency Management, due to the Everbridge payment being made for the entire year; Legal, due to expenses for the lawsuit being appealed by Potter and Minton; and General Government, due to the retirement of former City Secretary Renee Thompson. Councilmember Travis asked for clarification for the expenditure on Renee Thompson's retirement. Deputy City Manager Wright stated that this expenditure was comprised of unused sick leave and vacation benefits that are paid at retirement. Deputy City Manager Wright continued that this amount is usually budgeted if retirement is known; however, sometimes employees retire without notifying administration during the budget preparation. City Manager Parker reviewed the Hotel/Motel Tax fund and the breakdown of how the money is disbursed. City Manager Parker reviewed the Recreation fund and stated that staff was monitoring the fund after the City assumed the operations of the youth baseball league and the concession stands for the parks. City Manager Parker stated that over twenty thousand dollars (\$20,000) had been generated in revenue from the concession operations. City Manager Parker continued that the league is running well and should meet their revenue goal of eighty thousand dollars (\$80,000). Parks & Recreation Director Mike Akridge highlighted the playing seasons for softball and baseball. City Manager Parker stated that the revenue goal would be achieved this fiscal year. Councilmember Duncan stated that once the first fiscal year is completed after the City assumed the responsibility; the Parks Department should issue a press release regarding their achievements. Councilmember Travis asked how people were hired to run the concession stands. Director Akridge gave an overview of the hiring process and positions open. City Manager Parker then reviewed the Zoo funds and stated that Ellen Trout Zoo Director Gorden Henley wished to compile a complete master plan for the Zoo. City Manager Parker stated that he would not review the other funds unless Council had specific questions in regard to them. City Manager Parker reviewed the Economic Development, Lufkin Convention and Visitors Bureau and Health Insurance funds for employees and retirees. City Manager Parker stated that the Health Insurance fund would probably show a loss this year due to several significant employee and retiree health issues, including the death of Officer Eric Willmon. City Manager Parker furthered that the City carried Stop Loss coverage for health incidents that exceeded one hundred thousand dollars (\$100,000) and the City would receive payments for several cases this year. City Manager Parker stated that the Health Insurance Fund was currently one hundred fifty thousand dollars (\$150,000) over budget; however, there would be additional revenue from Stop Loss coverage payments. City Manager Parker continued that insurance rates had not been raised in approximately four (4) years. City Manager Parker continued that the Health Insurance committee would have to review health insurance rates and benefits prior to the finalization of the budget. Mayor Brown questioned whether all employees were covered under the City's Health Insurance. Human Resource Director Rodney Ivy stated that all full time employees were covered, but part time employees were not. Councilmember Langston questioned the number of hours work to be considered a full time employee. Director Ivy stated that an employee who worked two thousand eighty hours (2,080) per year was considered full time. City Manager Parker stated that Staff had a meeting scheduled at the end of the month with the City's Health Insurance administrator, Texas Municipal League Intergovernmental Employee Benefits Pool to review the policy and rates. City Manager Parker stated that the Insurance Committee would also be invited to the meeting. City Manager Parker stated that the change in the prescription plan would definitely show a savings to the plan.

#### **4. PRESENTATION AND DISCUSSION CONCERNING THE STATUS OF THE CURRENT CAPITAL IMPROVEMENT PROGRAM.**

Mayor Bob Brown stated that the next item on the agenda was the presentation and discussion concerning the status of the current Capital Improvement Program.

City Manager Parker stated that when the initial Capital Improvement Program was formulated, Councilmembers Robert Shankle, Sarah Murray, Victor Travis and Mayor Bob Brown were not in office. City Manager Parker then gave a brief history of the Capital Improvement Program. City Manager Parker stated that this program was funded by a portion of tax revenue. City Manager Parker stated that since the City had paid off old bonds and growth in the community had increased; that should the Council desire, the City would be able to issue new debt for projects without raising the tax rate. City Manager Parker

stated that initially Staff created a phased Capital Improvement Program to be completed over ten (10) years. City Manager Parker continued that five (5) phases were initially determined out of the list of projects. City Manager Parker stated that Council only approved the first year of projects in the program with the understanding that the bonds and projects for each additional year would have to be approved as well. City Manager Parker then highlighted the completed projects from the initial approved phase including the new Fire Rescue Unit and Fire Engine. City Manager Parker stated that at the last Capital Improvement Retreat meeting Council requested that Staff review projects to see what could be done in house. City Manager Parker stated that a City construction crew had been hired to complete a number of projects and this method had saved an enormous amount of funding. City Manager Parker then reviewed and explained projects that were identified and considered in the Capital Improvement program, but completed through other funding methods. City Manager Parker stated that over one million dollars (\$1,000,000) from the amount over the reserve in the General Fund was used to complete some projects along with residual bond funds. City Manager Parker then asked if Council had any questions or comments. Mayor Brown then recessed the meeting for a ten (10) minute break.

**5. PRESENTATION AND APPROVAL OF THE PROPOSED 2012/2013 GENERAL FUND CAPITAL IMPROVEMENT PROGRAM AND THE PURCHASE OF EQUIPMENT THROUGH THE GENERAL FUND UNOBLIGATED FUND BALANCE.**

City Manager Parker stated that Council did not have to make a decision on the Capital Improvement Program today; additional meetings could be held to provide as much information as needed. City Manager Parker stated that bonds to fund the projects would be issued in the fall of 2012. Councilmember Duncan asked how much taxes could be reduced if bonds were not issued. City Manager Parker stated that the exact amount could not be determined; however, it was safe to say, that if bonds were not issued, the tax rate could be reduced. City Manager Parker continued that Staff could work up some projections. City Manager Parker continued that Councilmember Langston questioned whether old debt could be paid for with new debt. Councilmember Duncan stated that if the tax rate were lowered by one cent, what amount of bonds could be issued. Councilmember Langston asked if the bonds could be refinanced, and if so, how the savings could be spent and if the interest rate could be lowered. City Manager Parker stated that Finance Director Belinda Southern had reviewed the refinance status of current bonds and stated that the City was a number of years away from refinancing existing bonds. Councilmember Don Langston stated that if the City created eight million dollars (\$8,000,000) in bond funds it would indeed have to be spent on projects. Councilmember Don Langston questioned how much would eight million dollars (\$8,000,000) equate in taxable rate. City Manager Parker stated that the City has reduced the tax rate while issuing bonds. City Manager Parker reviewed the planned funding and sources for General Obligation Debt. City Manager Parker stated that this sheet showed that debt could be issued without raising taxes while keeping a solid reserve fund. City Manager Parker stated that the second sheet assumed that the City issued eight (8) million in bonds this year and nine (9) million in bonds in 2015. City Manager Parker stated that if this were done, the fund balance would be negative for five (5) years and the fund reserve would cover this. City Manager Parker stated that if taxes are not raised we do not raise and a two percent (2%) growth occurred, eight (8) million dollars could be issued this year, and an additional nine (9) million in 2015. City Manager Parker stated that growth had been slow for the past few years. Councilmember Duncan asked how much one (1) penny of sales tax equaled in revenue. Finance Director Southern replied approximately two hundred forty five thousand dollars (\$245,000). Councilmember Torres asked if the existing bonds could be paid for early. Finance Director Southern replied that no, the overpayment would be held in escrow and draw interest; however, the bonds would be paid on the due date unless they are called. City Manager Parker reviewed the work sheet with a seventeen cent (.17) tax rate, which showed several years of a negative fund balance. City Manager Parker stated that should Council desire taxes could be reduced to seventeen and one-half cents (.175) and still issue both the eight (8) million and nine (9) million dollar bond issues. City Manager Parker continued that both issues could not be done should taxes be lowered a cent (.01). City Manager Parker stated that Council could always decide to issue a lower bond amount. Councilmember Langston stated that lowering taxes was a good idea; however if there was real need in the City we need to continue with the Capital Improvement Program. Councilmember Duncan asked Councilmember Langston if he thought a one cent (.01)

decrease in the tax rate was a big drop. Councilmember Langston stated that no, it was not; in order to see a big drop in the tax rate; the City was going to have to create some jobs. City Manager Parker reviewed the email included in the packet on the general fund balance. City Manager Parker stated that the City's general fund balance has approximately three (3) million dollars above our reserve, which is twenty-five percent (25%) of our annual budget. City Manager Parker stated that Staff would request Council to fund a number of projects through this unobligated fund balance.

City Manager Parker directed Council to the project books and highlighted the projects that were recommended in the initial Capital Improvement Program, but were not completed.

City Manager Parker highlighted the Zoo Commissary project which is a large scale kitchen to prepare food to feed Zoo animals. City Manager Parker continued that currently the Zoo fed approximately eight hundred (800) animals and was using a makeshift kitchen to do so. City Manager Parker stated that the Zoo feeds all different types of animals and must prepare many different diets and this facility would allow for more bulk food buying and easier preparation. Ellen Trout Zoo Director Gordon Henley stated that the existing kitchen was crowded and did not provide adequate storage. Zoo Director Henley stated that the new professional facility would help take the Zoo into the future. Councilmember Langston stated that there was definitely a need for the facility, but questioned why this project would be included in the Capital Improvement Program when the Zoo had \$1.4 million in the building fund. City Manager Parker stated that the funding source would be the Council's decision. City Manager Parker continued that Staff included the project in the Capital Improvement Program on the chance that Council might want to save the Zoo Building Fund for another large exhibit, such as the ape exhibit.

City Manager Parker continued with the replacement of Fire Engine No. 3 and stated this would be the second of the three (3) Engines to be bought in the Capital Improvement Program. City Manager Parker stated that the approximate cost of the Engine was five hundred thousand dollars (\$500,000). Councilmember Duncan questioned how long this piece of equipment would last. City Manager Parker stated that the Engine would last twenty (20) years. City Manager Parker stated that this was one of the reasons for a number of the projects, including this Engine that would be proposed to be bought with funding from the Unobligated General Fund Balance; due to Staff wanting to ensure that projects met the twenty (20) year life span requirement.

City Manager Parker stated that the next project was the Ellen Trout Walking Trail, which would be a crushed granite walking trail with an additional bridge across the dam. City Manager Parker furthered that this project would be completed by City Staff and would not be a lighted walking trail.

City Manager Parker continued with the Joyce Lane Reconstruction project and stated that Staff felt this was a very important project due to the new school in the location. City Manager Parker stated that the road needed improvements due to the increased traffic to the schools. Councilmember Langston asked what reconstruction included. Deputy City Manager Wright stated this included the removal of ditches, the addition of storm sewer, curb and gutter and new asphalt. Councilmember Langston stated that the reconstruction projects always concerned him; that a bigger roadway was being built than necessary and highlighted Fuller Springs Drive as an example. Public Utilities Director Chuck Walker stated that this would be a smaller road and only a two lane road until closer to the school. Councilmember Langston stated that he would really like to understand how this money is being spent and did not want any funding to be wasted. Councilmember Langston stated that sometimes new street construction caused problems, such as racing and he asked that Staff please consider the overall impact. City Manager Parker reiterated that the approval of these projects is fully up to the Council.

City Manager Parker stated that the next project was the construction of Fire Station No. 5 which would consist of the replacement of the existing fire station. City Manager Parker continued that the old station would be torn down and additional land purchased. City Manager Parker stated that the existing personnel would move to either the Central Station or the old Fire Station No. 3 during construction.

City Manager Parker stated this was a good location for a fire station to serve the area. City Manager Parker stated that the new building would mirror the station on Old Union Road, with the exclusion of one bay. Councilmember Langston stated that this was a good opportunity to clean up areas that are abandoned on Kurth Drive, such as the City did on Lufkin Avenue with the purchase of the abandoned trailer park to build the Central Fire Station. Councilmember Langston stated that Staff needed to look at property on Kurth Drive that is abandoned to buy to locate the new fire station. Councilmember Langston stated that the new construction would enhance the area, and would be a good idea to build on Kurth Drive.

City Manager Parker stated that the next project was the improvements to Brandon Park, which included pavilion replacement, installation of basketball goals and courts, new playground equipment and lighting. City Manager Parker continued that this was one of the highest ranking projects in the Parks Master Plan.

City Manager Parker continued that the Whitehouse Drive East Extension was the next project to be considered. City Manager Parker stated that portions of this project were included during a number of phases of the Capital Improvement Program; however, item number six (6) on the agenda was in regard to this project and Staff would discuss the project in detail during that agenda item.

City Manager Parker highlighted the McHale/Chester Street culvert replacement project and commented that this was one of the remaining culverts that were in bad shape.

City Manager Parker stated that the next project was the Richardson Park Adult Soccer Field. City Manager Parker continued that the City could not continue to increase fields in other parks for Little League without impacting adult soccer. City Manager Parker stated that the field would be constructed in the rear of Grace Dunne Park. City Manager Parker stated that Staff recommended this project for completion. Councilmember Langston asked if there was room at Kit McConnico Park for Adult Soccer. City Manager Parker stated there was not room, and it would be better to keep the sports separated due to the wear and tear on the fields that occur from adult soccer.

City Manager Parker continued with explaining the next project; Whitehouse Drive West, which would run from FM 819 to Southwood Drive and would require a railroad crossing. City Manager Parker furthered that Staff did not think the project should be completed this year; however, they would request that if this is a project Council wished to complete in the future, it should be approved now due to the time Staff would need to secure the railroad crossing. City Manager Parker continued that it could take up to two (2) years to secure the crossing. Deputy City Manager Wright stated that this would assist with the traffic flow in and around the intersection of FM 819 and Loop 287. Councilmember Duncan questioned how this would alleviate the traffic problem in the area. Deputy City Manager Wright stated that this would allow traffic headed to the Brookhollow area to cut through and use Gobblers Knob as an alternate route. Councilmember Langston stated this might increase neighborhood traffic.

City Manager Parker stated the next project was the construction of a new recreation center that would include basketball courts, exercise and meeting rooms along with offices. City Manager Parker furthered that the following project was the extension of the existing Azalea Trail which would be a lighted concrete walking trail and would continue behind Sam's and Wal-Mart. City Manager Parker continued that this project was also one of the more costly projects on the list. City Manager Parker stated that the next project on the list was the purchase of the second Fire Engine, however, this purchase did not need to be included in this bond issue. City Manager Parker continued the Atkinson Drive reconstruction project was in the previous recommendation. City Manager Parker furthered that the next two (2) projects, the purchase of the Milling Machine and Asphalt Paving Machine, did not really need to be included in the Capital Improvement Program due to neither piece of equipment having a twenty (20) year life span. City Manager Parker stated that Staff would later recommend that these purchases be made out of the General Fund Unobligated Fund Balance. City Manager Parker stated that this concluded the list of projects previously recommended by Council for the Capital Improvement Program. Councilmember Langston clarified that this was not the recommendation of the Council, but the Council's ranking of

Staff suggested projects. Councilmember Langston continued that Council only approved the first phase of projects to prevent being locked into to a number of projects that might not be needed in the future. Councilmember Langston stated that the goal was to identify all projects that were needed, however, that needs could change in the future.

City Manager Parker continued discussing the remainder of the projects that were ranked but not approved, including Davisville Road, from Moffett Road to Loop 287; and Detention Ponds number one (1) and number eight (8), which are located in the Cedar Creek watershed, the Fire Department Training Facility, and the Hill Street extension. City Manager Parker highlighted the Jones Street Reconstruction project and stated that the street was severely deteriorated and used heavily. Councilmember Langston asked how long this street was. Deputy City Manager Wright answered that the street extended from Lufkin Avenue to Denman Avenue. City Manager Parker continued that the Lowry Street/Moffett Road project would be a good idea once the Highway 59 North Construction was completed. City Manager Parker discussed the Skate Park project and stated that the initial location was Winston Park; however, Staff felt that Kiwanis Park would be a better location. Deputy City Manager Wright stated that this project would help keep skateboards off public property; especially the new convention center plaza. Councilmember Travis questioned whether the City could be held liable for accidents in the Skate Park. City Manager Parker stated that the City could generally not be liable for an accident unless it occurred due to issues or broken equipment that the City knowingly did not repair. City Manager Parker stated that the Spence Street reconstruction was needed due to it being heavily traveled by trucks. City Manager Parker discussed the Settlement/Carriage Drive Street reconstruction and the construction of a Veterinary Clinic at the Zoo. City Manager Parker then moved to the Denman Avenue Storm Drainage improvements and the placement of an Emergency Generator at Water Plant No. 2 and stated that these two (2) projects could be completed with Ike Round 2.2 funding. City Manager Parker stated these two (2) projects were eligible for the 2.1 million dollars of Ike funding that the City was eligible for. City Manager Parker furthered that should Council decide not to move forward with the Whitehouse Drive extension, these two projects would qualify.

City Manager Parker stated that were three (3) additional projects that were not initially included in the Capital Improvement Program; however, the need for these projects had arisen since the formulation of the program.

City Manager Parker stated that since the hiring of the City Attorney and Municipal Judge; Municipal Court activity had increased and the need for a permanent courtroom had arisen. City Manager Parker stated that currently Council Chambers is being used as a courtroom; however it is not convenient, conflicts with other meetings and was not set up to function as courtroom. City Manager Parker continued that Staff recommended that the Armory Building be renovated for Fire Administration and the Fire Administration Building be remodeled for the Municipal Court. City Manager Parker continued that the Fire Administration Building is ideal for Municipal Court and also has a drive thru window that could be used for citizens to pay tickets. City Manager Parker continued that the Armory is ideal for Fire Administration due to its existing bay doors, secure storage for medications and enough area for trucks to park for training. City Manager Parker furthered that the City will soon take control of the Armory and this would be a good location for Fire Administration and Staff recommended that Council consider this project. Councilmember Duncan stated that the City should not be keeping old facilities; they should be sold and new energy efficient buildings be constructed. Councilmember Duncan continued that old buildings are hard to maintain due to their existing flat roofs, asbestos issues, lead paint and lack of insulation. Councilmember Duncan stated that quality employees deserved nice facilities. Councilmember Langston agreed with Councilmember Duncan's statements and added that this will not only create a maintenance nightmare but will scatter buildings for City services. Councilmember Langston stated that he would have to see a return on the investment and that the renovation of an old building would be very costly. Councilmember Langston stated that several factors needed to be considered including whether it would improve operating costs, would it be efficient to run and provide services and where should it be located. Councilmember Langston stated that a prime example of an old building was Fire Station No. 4 on the Loop; it should have been sold and was now being used for storage. City Manager Parker stated that it was indeed being used for storage. City Manager Parker stated that the decision on which projects were chosen to be completed was entirely up to Council. City Manager Parker stated that the renovation to



the existing Parks and Recreation Building was the next project. City Manager Parker continued that a large portion of the building was not being utilized and the existing space needed to be built out for expansion of fitness and exercise programs. City Manager Parker continued that a number of ideas regarding the use of building had been discussed; however, Staff felt this was the best use of the building. City Manager Parker continued that that building would be gutted and renovated for an approximate cost of eight hundred twenty-five thousand dollars (\$825,000). Councilmember Torres questioned whether the planned renovations would address the entrance problem. Deputy City Manager Wright stated that it would move the entrance to the front of the building. Councilmember Duncan asked for clarification of the renovations. Councilmember Langston questioned who owned the adjacent parking. City Manager Parker stated that the City owned the parking. Councilmember Langston commended Staff for finding ways to utilize existing property; however, due to changes in codes and regulations, these projects and the City's current facility usage needed to be addressed. Deputy City Manager Wright stated that the City could not sell the Armory property due to it being located on City Park property. Councilmember Langston commented that maybe Parks and Recreation should be moved to the Armory. City Manager Parker stated that Staff had considered that possibility; but did not want to leave another building downtown vacant. Councilmember Duncan asked what the process consisted of to be able to sell property. City Manager Parker stated that only park property required a vote from the public and other property, such as an old Fire Station could be sold through the bid process. Councilmember Duncan asked what the sale price of the Armory would be. Staff did not have a good estimate. Councilmember Torres stated that even if we build a new Fire Administration, we will still be left with an empty building. Councilmember Duncan stated that since the Courtroom was the need, a new Municipal Court building needed to be constructed. Deputy City Manager Wright explained the plan for the renovation of the Armory and stated it was a good solid building. Councilmember Langston stated that Council had to be honest about the condition of the existing buildings. City Manager Parker continued that the final project was a portion of Champions Drive, which would not be a complete reconstruction. Councilmember Duncan stated this project needed to be done regardless of whether it was included in the Capital Improvement Program. City Manager Parker concurred and stated that there were other funding mechanisms for some of these projects.

City Manager Parker stated that the last list of projects were new projects Staff recommended being included in the Capital Improvement Program. City Manager Parker continued that one of those purchases was a street sweeper for the Street Department. City Manager Parker stated that none of the large pieces of equipment were included in the Amortization schedule. City Manager Parker stated the next project, an upgrade of the City's radio system to digital, was not an option, but a requirement. City Manager Parker stated that initially the Deep East Texas Council of Government (DETCOG) was to provide funding for this conversion for the Police and Fire Department; however, only the Police Department was funded. City Manager Parker stated that the Police Department radios were converted to the digital system, but Fire was not, which caused Police and Fire to be unable to communicate directly. City Manager Parker stated that the mandate required all City radio systems, which included water and sewer, parks and recreation and the zoo, to be converted as well. City Manager Parker stated that the approximate cost of the conversion was three hundred ninety-eight thousand dollars (\$398,000) with the bulk of the cost being for the Fire Department. Deputy City Manager Wright stated this also would increase service capability within the County. City Manager Parker stated that the next recommended purchase was a new monopole for City radio and wireless services due to the existing monopole being at capacity. City Manager Parker stated the estimated cost for a new monopole was eighty thousand dollars (\$80,000). City Manager Parker stated that the next project was one that Councilmember Shankle had asked to be considered, the Knight Street drainage project. City Manager Parker stated that the last project was the North Brentwood extension. Councilmember Duncan stated that if this project was done, the issue with the ten foot (10') easement needed to be addressed. Councilmember Travis stated that the safety of the access needed to be considered also. Deputy City Manager Wright stated that deceleration and acceleration lanes would have to be constructed to ensure the safety. Councilmember Langston stated that this would alleviate traffic and possibly encourage retail development as well; however, the City had to be careful and not build roads just for developers, but residents as well.

Mayor Brown then recessed the meeting for lunch at 11:35 p.m.



Mayor Brown reconvened the meeting at 12:33 p.m.

7. **PRESENTATION AND CONSIDER APPROVAL OF PROPOSED 2012/2013 WATER/WASTEWATER FUND CAPITAL IMPROVEMENT PROGRAM.**

City Manager Parker stated that the Council previously approved a five (5) million dollar bond issue, with the second five (5) million dollar bond issue included in the water & sewer rate increase. City Manager Parker stated that during the same time the rate increase was implemented, the Texas Commission on Environmental Quality (TCEQ) mandated that the City complete a number of projects related to infiltration issues within the City. City Manager Parker stated these improvements were necessary to avoid being fined for overflow. City Manager Parker stated that item one (1) through four (4) on the Phase I water & Sewer project list are under construction and Item No. 5 has been completed. City Manager Parker stated that the majority of the work was completed by the City Construction Crew. City Manager Parker stated that Hwy 69 South annexed area project has been completed. City Manager Parker stated that Phase II items two (2) through five (5) are required by TCEQ to be completed. Deputy City Manager Wright stated that an extensive study had been completed and these projects were deemed to be the worse contributors to the problems with infiltration. City Manager Parker stated that in order to move water from the Abitibi to US 59 South, a number of projects need to be completed. City Manager Parker stated that the City currently has a grant from the Environmental Protection Agency (EPA) to renovate the two (2) two million gallon water storage tanks along with build a chlorination plant. City Manager Parker stated that the City also has to lift the water wells up to TCEQ standards, which won't affect the flow or functionality, however; the wells have to be eighteen inches (18") above the ground, and must be raised even though the water is treated prior to use. City Manager Parker continued that the City has a great need to push this water out once collected. City Manager Parker stated that easements and rights-of-way have been purchased to install a twenty-four inch (24") line to push water to the entire City and Diboll as well. City Manager Parker furthered that this project and the lifting of the water wells are the only projects that Council has discretion over due to the others being mandated by TCEQ. City Manager Parker stated that Staff suggested the bond sale be pushed out a year. City Manager Parker stated that these were the water and sewer recommendations and should Council wish to approve the installation of the twenty-four inch (24") line in the future, Staff would request Council approval to proceed with buying the pipe and materials. City Manager Parker concluded that was the end of the presentation of proposed projects.

6. **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LUFKIN, TEXAS, AUTHORIZING THE SUBMISSION OF A TEXAS COMMUNITY DEVELOPMENT PROGRAM DISASTER RECOVERY APPLICATION TO THE TEXAS GENERAL LAND OFFICE FOR HURRICANE IKE ROUND 2.2 FUNDING; AND ACKNOWLEDGING CERTAIN REQUIREMENTS TO THE CITY'S PARTICIPATION IN THE COMMUNITY DEVELOPMENT PROGRAM - WITHDRAWN.**

Mayor Bob Brown stated that this item will not be needed due to Council's consensus not to move forward with the Whitehouse Drive Extension Project. Councilmember Torres stated that the City needed to ensure that this funding stayed with the City. City Manager Parker stated that Staff recommended that Council approve Staff to move forward with pursuing Ike Round 2.2 Funding for the Denman Avenue Storm Sewer project and Emergency Generator purchase for Water Plant No. 2. Mayor Brown then asked for comments or questions from the Council. Councilmember Lynn Torres moved to approve using the Ike Round 2.2 Funding for the Denman Avenue Storm Sewer project and purchase of an Emergency Generator for Water Plant No. 2. Councilmember Robert Shankle seconded the motion and a unanimous vote was recorded.

8. **GENERAL DISCUSSION FROM MAYOR AND CITY COUNCIL CONCERNING PROJECTS OR PROGRAMS TO BE CONSIDERED FOR INCLUSION IN THE 2012/2013 FISCAL YEAR BUDGET.**

City Manager Parker asked if there were any specific programs or projects that Council wished to be included in the annual fiscal budget.

Councilmember Shankle asked that the drainage problems on Knight Street be addressed due to continued problems with flooding in the area.

Councilmember Langston stated that due to all the construction projects that have been discussed, the Construction Committee should meet and discuss each project in depth.

Mayor Brown stated he would assume the position on the Construction Committee. Mayor Brown stated that the Council needed to make sure that what was being constructed would be good for the employees.

Councilmember Langston stated that he did not like see anything that required fuel to operate be purchased with bond money. Councilmember Langston continued that equipment needed to be bought without long term financing and would like to see alternatives for funding this equipment. Councilmember Langston stated that this equipment should have been included in the amortization schedule; however there may have been a legitimate reason for the purchase of fire engines. Councilmember Langston stated that it would have been helpful to know how many Engines were to be purchased. City Manager Parker stated that Fire Engines did generally exceed the twenty (20) year life span.

9. **GENERAL DISCUSSION REGARDING PROJECTED TAX RATE, WATER/SEWER RATES AND SOLID WASTE RATES FOR FISCAL YEAR 2012/2013.**

Mayor Brown stated that the next item for consideration was to conduct a general discussion regarding the projected tax rate, water and sewer and solid waste rates for Fiscal Year 2012/2013.

Councilmember Langston stated that Council needed to take a serious look at whether our planned water and sewer rate increase is necessary. City Manager Parker stated the City would not need to issue bonds for projects, therefore Staff recommended a three percent (3%) rate increase be implemented, not the planned six percent (6%) rate increase. City Manager Parker continued that should the current industrial projects actually come to fruition, the additional three percent (3%) increase should not be needed. City Manager Parker continued that even if the industrial prospect does not pan out, the City should still be okay financially with just the three percent (3%) increase. City Manager Parker furthered that Staff recommended that only the three percent (3%) increase be implemented this year. Councilmember Torres asked if this included the water usage from the City of Diboll. City Manager Parker stated that it did not, the City of Diboll currently had its own well and Lufkin water would be a backup. City Manager Parker stated that the water line is active all the way to Diboll, and the City of Diboll was currently constructing the water plant, storage facility and chlorinator booster. Council directed Staff to build the fiscal year budget around a three percent (3%) water and sewer rate increase.

City Manager Parker then asked to revisit Agenda Item No.5 to receive direction on several items.

5. **PRESENTATION AND APPROVAL OF THE PROPOSED 2012/2013 GENERAL FUND CAPITAL IMPROVEMENT PROGRAM AND THE PURCHASE OF EQUIPMENT THROUGH THE GENERAL FUND UNOBLIGATED FUND BALANCE.**

City Manager Parker stated that Staff requested that Council approve the removal of the purchase of several pieces of equipment from the Capital Improvement Program and fund these items out of the General Fund Unobligated Fund Balance. City Manager Parker stated that should Council agree, a Budget Amendment would be submitted for Council approval.

Councilmember Langston asked if the milling machine would be included in the Amortization schedule from now on. City Manager Parker stated it could be included in the schedule. City Manager Parker stated that Councilmember Langston had previously asked about renting this type of equipment, however, it just wasn't practical to rent this equipment for milling and laydown due to the timing of our work. Councilmember Langston agreed

that it would not be cost effective. City Manager Parker stated that should Council approve this purchase, the equipment could be added into the amortization schedule. Councilmember Langston questioned the life of the paving machine and stated that the paver should last longer. Councilmember Langston then asked how old the existing paver was. Street Department Director Steve Poskey stated that the paver was twelve (12) years old and the Milling Machine was fifteen (15) years old. Councilmember Torres moved to approve these purchase of the Milling Machine, the Asphalt Paving Machine, a Tymco Street Sweeper, the Radio Upgrade Mandate and the Monopole replacement from the Unobligated General Fund Balance. Councilmember Travis seconded the motion. Mayor Brown, Councilmembers Shankle, Torres, Travis, Duncan and Murray approved the motion; Councilmember Langston opposed due to not having enough information or answers to his questions. The motion carried with a six (6) to one (1) vote. City Manager Parker stated that more information would be provided when this item was brought before Council for approval as a Budget Amendment. Deputy City Manager Wright stated that equipment information, including maintenance records would be provided. Mayor Brown asked how long it would take to receive the equipment. Street Department Director Poskey stated the equipment could be received in around six (6) months.

City Manager Parker stated that the only viable option of the Capital Improvement Program that remained was Option No. 2 due to the Council not moving forward with the Whitehouse Drive Extension and asked direction on how Council wished to proceed. Councilmember Torres stated that the Construction Committee needed to meet and review projects prior to making a decision. City Manager Parker stated that Staff would schedule a Construction Committee meeting, then schedule an additional work session whenever Council desired. City Manager Parker asked if Council had any of the recommended projects that they wished to see completed. Councilmember Duncan stated that he would support the Richardson Adult Soccer Fields and Councilmember Torres concurred. Councilmember Langston stated he could only support infrastructure projects; however, he would love to see the parks projects completed. Councilmember Langston continued that currently his ward was the only one without a park; but he felt that the Capital Improvement Program should be about water, sewer and road infrastructure. Councilmember Langston stated that roads should be considered first and culvert replacements should be included in the annual budget. Councilmember Langston furthered that the reconstruction of Joyce Lane was a good project, but questioned the validity of the numbers. Councilmember Langston stated he was unprepared to make a decision with the information on hand. City Manager Parker stated that Staff would prepare new options without the Whitehouse project and after the Construction Committee meeting. City Manager Parker asked Council to hold onto their books and they would be used in another work session. City Manager Parker stated that should the Council agree on Water and Sewer projects, Staff would move forward with the projects under the bond for next fiscal year, and come back for approval of using the remainder of existing bond money for the twenty-four (24") water line project.

Councilmember Duncan questioned whether the tax rate needed to be decided prior to the Capital Improvement Program or the Capital Improvement Program determined prior to the tax rate. City Manager Parker stated that Staff needed direction from Council regarding whether to build the budget under the effective tax rate. City Manager Parker stated that preliminary numbers show a two hundred forty thousand dollar (\$240,000) increase; however, this was subject to change, but this projection could be an indication of an increase. Councilmember Langston stated that should projects be able to be completed and budget met, he was in agreement of returning money held over reserve to the taxpayers. Councilmember Langston continued that if the money was needed for projects then it should be spent on projects.

City Manager Parker stated that a consensus was needed from the Council regarding the tax rate. Per Council Staff will build the budget not to exceed the effective tax rate. City Manager Parker stated that Staff would build under the assumption that the tax rate will not increase.

City Manager Parker then summarized the direction from Council which included:

- Move forward with water /sewer projects next year and resubmit the 24" water line project.

- Submit a Budget Amendment for Council approval regarding the purchase of equipment, the radio upgrade and monopole from the General Fund Unobligated Fund Balance.
- Schedule an additional work session after a regular Council meeting once the Construction Committee has met to review projects and Council has the opportunity to study the Capital Improvement Program books in greater detail.
- Build the budget on a three percent (3%) increase in water and sewer rates and a tax rate no higher than the effective tax rate.


Councilmember Rufus Duncan asked that finance run several different scenarios regarding tax rates and bond amounts including a drop in the tax rate to seventeen (17) cents and a six (6) million dollar bond issue; and a drop to sixteen (16) cents the following year and six (6) million bond issue.


Mayor recessed the meeting into executive session at 1:45 p.m.

10. **EXECUTIVE SESSION:** In accordance with the Texas Government Code Section 551.071 (2) Consultation with City Attorney on any Regular Session Agenda item requiring confidential, attorney/client advices necessitated by the deliberation or discussion of said items (as needed), and personnel may be discussed.

Mayor reconvened the meeting at 2:00 p.m.

11. There being nothing further, the meeting adjourned.

  
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 Bob F. Brown, Mayor

  
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 Kara Atwood, City Secretary