

MINUTES OF THE SPECIAL CALLED BUDGET RETREAT MEETING OF THE CITY COUNCIL OF THE CITY OF LUFKIN, TEXAS HELD ON 26TH OF JULY, 2016.

On the 26TH day of July, 2016 the City Council of the City of Lufkin, Texas convened in a Special Called Budget Retreat at Kurth Lake Lodge with the following members, thereof to wit:

Bob F. Brown	Mayor
Mark Hicks	Mayor Pro Tem
Guessippina Bonner	Councilmember, Ward No. 1
Robert Shankle	Councilmember, Ward No. 2
Lynn Torres	Councilmember, Ward No. 3
Rocky Thigpen	Councilmember, Ward No. 5
Sarah Murray	Councilmember, Ward No. 6
Keith Wright	City Manager
Steve Floyd	Assistant City Manager
Bruce Green	City Attorney
Kara Atwood	City Secretary
Rodney Ivy	Human Resource Director
Gerald Williamson	Police Chief
Ted Lovett	Fire Chief
Belinda Southern	Finance Director
Sid Munlin	IT Director
Chuck Walker	Public Works Director

being present when the following business was transacted.

1. The meeting was opened with prayer by City Manager Keith Wright
2. Mayor Bob F. Brown welcomed Staff and the City Council.
3. **EXECUTIVE SESSION: SECTION 551.074 – DISCUSSION REGARDING ECONOMIC DEVELOPMENT POSITIONS**

Mayor Brown recessed the Regular Session to convene into Executive Session at 8:30 a.m.

Mayor Brown reconvened Regular Session at 8:48 a.m. No action was taken.

4. **PRESENTATION AND DISCUSSION OF THE 2016-2017 ANNUAL BUDGET**

City Manager Keith Wright reviewed both draft budget books and how each was compiled. City Manager Wright highlighted the Chart of Accounts and how each fund was utilized for purchases as well as reviewed the revenue and expenditure accounts in the General Fund. City Manager Wright explained the General Fund Summary and stated that figures were based on the original 2015-2016 budget instead of the revised in order to provide a better comparison. City Manager Wright reviewed ad valorem tax figures and stated that actual revenue was within ten thousand dollars (\$10,000) of the proposed revenue and that the projected ad valorem tax was one hundred seventy thousand dollars (\$170,000) less than last year. City Manager Wright furthered that sales tax was doing well, but did not expect that trend to continue, therefore the 2016-2017 Budget had been prepared assuming a one percent (1%) decrease in sales tax. City Manager Wright questioned whether the decrease in ad valorem taxes was due to the closing of Lufkin Industries. City Manager Wright stated that he was not sure but would find out the reason(s) for the decrease. City Manager Wright continued that franchise tax payments along with fines and forfeiture payments had decreased and that permit and license fees had increased. City Manager Wright furthered that Staff was researching to determine a realistic projection for fines and forfeiture revenue. City Attorney Bruce Green added that it was the consensus across the State that this revenue would continue to decrease due to unrest and events such as the Ferguson incident. City Manager Wright stated that Emergency Medical Service (EMS) collections was still increasing due to the efforts of the Finance Department. City Manager Wright concluded that proposed

revenues had increased by \$416,450. City Manager Wright then reviewed the proposed changes to the Fiscal Year 2017 revenue accounts and stated that he expected revenues to increase by approximately \$202,000 for next year. City Manager Wright highlighted the budgets for each department and stated that the comparison in expenditures and revenues should be made between the 2016 original budget and the 2017 proposed budget because 2016 revised numbers did provide an accurate comparison. City Manager Wright then reviewed the ad valorem tax rates for previous years and provided information that showed that should the tax rate have not been decreased, an additional compounded revenue in the amount of \$685,293 would have been available. City Manager Wright also compared the City of Lufkin tax rate with comparable cities and reiterated how lean of a budget the City operated on. City Manager Wright also provided information on how the tax rate and levy was determined in the past years. City Manager Wright stated that Staff had considered options for employee raises that included a 1.5% increase or the option of a one-time longevity payment as done previously. Councilmember Lynn Torres questioned how the longevity payment was received by employees; City Manager Wright and Staff concurred that it was very much appreciated by employees.

City Manager Wright then reviewed 2016-2017 Fiscal Budget options that Staff prepared for City Council consideration. City Manager Wright explained that Option No. 1 included the required purchase of Personal Protection Equipment (PPE) for the Fire Department and the additional funding contributions need for the Texas Municipal Retirement System (TMRS) and the Firemen's Pension Fund along with a Sales Tax Revenue projection that was one percent (1%) below the current year projection. City Manager Wright stated this Option also included the 2nd year of a savings transfer from the recent bond refunding, which would not be available in Fiscal Year 2018, which would cause an approximate \$800,000 deficit in 2018. City Manager Wright then explained Option No. 2, which added a one cent (.01) tax increase which lower the estimated deficit to \$622,000. City Manager Wright furthered that Option No. 3 would include a 1.5% COLA increase for employees along with transfers from the Solid Waste and Water and Wastewater Fund to the Street Overlay Program in the amount of \$200,000 each; which would increase the Overlay Program to \$800,000 while reducing the amount from the General Fund by \$400,000. City Manager Wright continued that Option No. 4 included transfers in the amount of \$50,000 from the Contingency Fund and the Solid Waste Fund in order to make the Hotel Motel Tax Fund solvent. Councilmember Guessippina Bonner questioned whether or not the Lufkin Convention and Visitors Bureau was in a deficit. City Manager Wright stated these transfers would aid the balance in the Fund; however additional steps would need to be taken in the future to keep the Fund solvent. City Manager Wright stated that Option No. 4 was included in the proposed 2016-2017 Fiscal Year Budget. City Manager Wright furthered that Option No. 5 was a completely different scenario which included the purchase of the PPE, the TMRS and Firemen's Pension Board funding, the projection of flat Sales Tax Revenue, transfers to the Street Department and the Hotel/Motel Tax Fund and the one-time longevity payment for employees. City Manager Wright stated that the issue with this Option was that the base pay for employees, especially Police and Fire would not continue to increase as needed.

Councilmember Rocky Thigpen stated that he did not agree with the proposed 1.5% COLA increase for employees; that it should be more. Discussion ensued regarding what other entities were providing for their employees, the effect of the longevity payment and current turnover in the Police and Fire Department. Councilmember Mark Hicks questioned what was preferable to the Police and Fire Department. Police Chief Gerald Williamson stated that he preferred the COLA raise over the longevity payment due to it being a continued increase, not a one-time payment. Fire Chief Ted Lovett asked the cost of both a two percent (2%) COLA increase along with a three percent (3%) longevity payment. Councilmember Hicks stated he would not vote in favor of a tax increase this year and that if taxes did have to be raised in the future he would rather a significant increase rather than a one cent (.01) at a time. Councilmember Robert Shankle stated that the tax rate had either stayed the same or been lowered since he had been on City Council and that at some point it would have to be increased if needed. Councilmember Hicks stated that he felt that Sales Tax Revenue would continue to increase.

City Manager Wright stated that in order to cover the suggested COLA increase, the longevity payment and all other options previously discussed in Fiscal Year 2018, the tax rate would have to be increased by three cents (.03) in order to avoid a significant deficit. Councilmember Hicks stated that the worst case scenario deficit was \$1 million; however he felt that expenditures would decrease and revenue would increase and City Council would also raise the tax rate if necessary. City Manager Wright confirmed that the 2016-2017 Budget would be prepared to include the purchase of ½ of the required PPE for the Fire Department; the fund transfers to the Street Department Overlay Program and the Hotel/Motel Tax Fund; the increased contributions to both TMRS and the Firemen's Pension Fund; a one-time three percent (3%) longevity payment for employees in the 2016 Revised Budget and a two percent (2%) COLA increase for all employees in 2017.

The meeting was recessed for a short break.

Upon reconvene, City Manager Wright detailed the issues with the Hotel/Motel Tax Fund and projected deficits for the Fund along with how the funds were disbursed to different entities. Councilmember Torres asked when rates at the Convention Center were last adjusted; City Manager Wright stated that additional fees for equipment and services were added two (2) years ago and rates were adjusted when renovations were completed. Discussion ensued regarding the Convention Center, its usage and what could be done to increase patronage. Different options were proposed including partnering with the Angelina Arts Alliance and reviewing what expenses could be reduced.

Councilmember Bonner then asked that the discussion return to the tax rate. Councilmember Bonner stated that she would not want to raise the tax rate all at once, but would prefer a one cent (.01) increase each year in order to lessen the impact on the citizens of her Ward. Councilmember Hicks stated that he felt a one-time increase would be preferable to a gradual increase.

City Manager Wright then addressed contributions to other entities such as The Brazos Transit District and the Boys and Girls Club. Discussion ensued regarding options for route changes for The District as well as the contribution and benefits received from the Boys and Girls club donation. City Council requested that Staff research options for both entities. City Manager Wright also highlighted contributions to other organizations within the City.

Assistant City Manager Steve Floyd then provided a presentation on Solid Waste Rates. Assistant City Manager Floyd explained all divisions and services provided and the rates currently charged by the City of Lufkin. He then compared rates to other cities with comparable services and stated that rates had not been raised in eighteen (18) years. He stated that Staff had reviewed two rate increase scenarios; a two (2) percent increase across all divisions in 2017, followed by 1.5% for residential service only through 2020 or a one dollar (\$1.00) increase to the base rate for residential service. Assistant City Manager Floyd furthered that the Recycling division operated at a huge deficit. Discussion ensued regarding options for the recycling program and the consensus was for Staff to provide a presentation at the next City Council meeting to address the program. Councilmember Mark Hicks stated that whatever the action, that no employee should be affected by the changes.

City Manager Wright then detailed the Water and Wastewater Funds including a new program that provided online access to citizen water and sewer usage information along with the installation of new water meters. City Manager Wright furthered this system would also provide a mobile work order system. City Manager Wright highlighted additional projects at the Wastewater Treatment Plant and purchase of new equipment. City Manager Wright stated he would be glad to answer any questions regarding the projects. The repair of Kurth Lake Road and the installation of additional signage was also discussed.

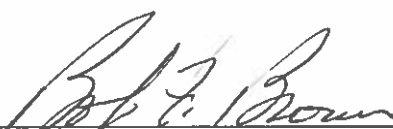
Discussion then moved to Meet and Confer issues with the Lufkin Police Department. City Manager Wright stated that the Association had made several requests of Administration that included a salary survey, the observance of Veteran's Day as a City Holiday and pay increases. City Manager Wright stated that the salary survey would be

conducted next year and he agreed with reinstating Veteran's Day as a Holiday for the City as a whole. Discussion ensued regarding pay scales and the requests. City Manager Wright stated he would be glad to answer any questions regarding the requests.

City Manager Wright concluded the Retreat by thanking City Council for their input and Staff for their work in preparing for the Retreat.

5. There being no more business to address the meeting was adjourned at 12:48 p.m.




Bob F. Brown, Mayor

ATTEST:


Kara Atwood, City Secretary