

**MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF
LUFKIN, TEXAS HELD ON THE 17th DAY OF JULY, 2012.**

On the 17th day of July, 2012, 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:

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
Rodney Ivy	Human Resources Director
Scott Marcotte	Police Chief
Ted Lovett	Fire Chief
Belinda Southern	Finance Director
Steve Floyd	Public Works Director
Chuck Walker	City Engineer/Public Utilities Director
Duane Freeman	Assistant Fire Chief
April Earley	Municipal Court Judge
Steve Poskey	Street Department Director
Ramon Johnson	Water & Sewer Director
Michael Akridge	Parks & Recreation Director
Dorothy Wilson	Planning & Zoning Director
Jim Wehmeier	Economic Development Director
Dale Allred	Inspection Services Director
Barbara Thompson	Main Street Director
Drew Squyres	Utility Collections Director
Lance Moore	Civic Center Director
Gorden Henley	Ellen Trout Zoo Director
Debra Cassidy	Wastewater Treatment Plant Director
Rhonda McLendon	Animal Control Director
Sid Munlin	Information Technology Director
Lorraine Simoneau	Kurth Memorial Library Director
Steve McCool	Fire Marshal

being present when the following business was transacted.

1. The meeting was opened with prayer by Pastor Kim Bartel, Herty Baptist Church.
2. Mayor Bob Brown welcomed visitors present.

APPROVAL OF MINUTES

3. Minutes of the Regular Meeting of July 3, 2012 were approved on a motion by Councilmember Lynn Torres and seconded by Councilmember Sarah Murray. A unanimous affirmative vote was recorded to approve the minutes as presented.
4. **PRESENTATION OF AWARDS TO THE CITY OF LUFKIN BY ANGELINA BEAUTIFUL CLEAN.**

Mayor Bob Brown stated that the next item for business was the presentation of an award to the City of Lufkin by Angelina Beautiful Clean. Amanda Anderson with Angelina Beautiful Clean presented the City of Lufkin with the Keep Lufkin Beautiful Award and thanked the Mayor, City Council and City Staff for their efforts in making Lufkin a clean and beautiful city.

OLD BUSINESS:

5. PUBLIC HEARING AND SECOND READING OF AN ORDINANCE OF THE CITY OF LUFKIN, TEXAS, REPEALING PENAL ORDINANCE 15 (CODIFIED AS § 93.02 IN CODE OF ORDINANCES, “BURNING IN FIRE LIMITS RESTRICTED”) IN ITS ENTIRETY AND ESTABLISHING A NEW ORDINANCE, “OUTDOOR BURNING”, RELATIVE TO ADOPTING STATE REGULATORY REQUIREMENTS FOR OUTDOOR BURNING, ESTABLISHING GENERAL PROHIBITIONS; PROVIDING CONDITIONS FOR PERMITTED ENUMERATED FIRES; REQUIRING A PERMIT; PROVIDING GENERAL REQUIREMENTS FOR BURNING; PROVIDING FOR VIOLATIONS AND PENALTIES; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE – APPROVED WITH ADDITION OF SECTION 7.6 TITLED DISPOSAL FIRES AND NOTATION IN SECTION 6.

Mayor Bob Brown stated that the next item on the agenda was to conduct a Public Hearing and consider on Second Reading an Ordinance of the City of Lufkin, Texas, repealing Penal Ordinance 15 (Codified as § 93.02 in Code of Ordinances, “Burning in Fire Limits Restricted”) in its entirety and establishing a new Ordinance, “Outdoor Burning”, relative to adopting State regulatory requirements for Outdoor Burning, establishing general prohibitions; providing conditions for permitted enumerated fires; requiring a permit; providing general requirements for burning; providing for violations and penalties; providing a severability clause; and providing an effective date.

City Manager Paul Parker stated that as Council would recall from the previous meeting, the City of Lufkin has allowed outdoor burning in the past and the policy has been that residents were allowed to burn leaves and debris as long as the fire did not infringe on the rights of their neighbor or create a fire hazard. City Manager Parker stated that currently if a complaint was received on outdoor burning, the resident would be required to extinguish the fire, or the Fire Department would be called to extinguish the fire. City Manager Parker stated that the Police Department has not routinely issued tickets for outdoor burning due to the violation being adjudicated in a County Court of Law. City Manager Parker stated that the proposed Ordinance would allow for the violation to be adjudicated in Municipal Court in lieu of County Court at Law. City Manager Parker continued that the proposed Ordinance originally prohibited the burning of vegetation generated on a resident’s property such as limbs, leaves, trees, etc. City Manager Parker continued that after considerable discussion with citizens, City Council modified the Ordinance to allow for burning of vegetation that originated on one’s property without any regard to the size of the lot. City Manager Parker stated that the Ordinance still included the provision to extinguish the fire and issue a citation if necessary should the fire infringe on the rights of neighbors.

Mayor Brown opened the Public Hearing at 5:04 p.m. and requested that anyone who wished to speak on the item to please step forward. Mrs. Donna Farmer, Mrs. Len Medford and Mr. David Collins spoke in opposition of the Ordinance and cited health concerns regarding the smoke, toxic fumes and smells from outdoor fires. Mr. Michael Parker and Mr. Bobby Mott spoke in favor of the Ordinance. Angelina County Commissioner Kenneth Timmons commented on the enforcement of this Ordinance being adjudicated in the City Municipal Court.

Councilmember Don Langston stated that he appreciated the turnout from the Public regarding the Ordinance. Councilmember Langston continued that the primary intent of the Ordinance was to add reasonable enforcement without violations being adjudicated in County Court of Law. Councilmember Langston stated that he felt the Ordinance followed State Law without being too onerous and was the best compromise for the issue. Councilmember Langston moved to approve the Ordinance if there was no further discussion. Councilmember Robert Shankle questioned Section 6.1 of the proposed Ordinance and asked City Attorney Bruce Green for clarification. City Attorney Green stated that Section 6.1 under Section A. of the Ordinance makes it unlawful to cause or permit the outdoor burning of domestic waste, household garbage, trash or rubbish, including yard trimmings, leaves, and similar materials, in any form. City Attorney Green stated that this mimicked State Law; however, Council asked to include the provision of disposal fires, which allowed the burning of vegetation that originated from a residents property. City Attorney Green stated that should Council wish, the clause could be added to Section 6.1 that referred to Section 7.6, in order to clarify what is allowed. Councilmember Rufus Duncan stated that there should be a provision in the Ordinance to allow for a citation to be written after the first notice or warning to extinguish a fire. City Attorney Green stated that the Ordinance allowed for citation on the first notice and that method of issuing a citation would be a matter of policy. Councilmember Duncan stated that he would not

have a problem with approving the Ordinance if there was a provision that the second time a complaint was made a citation would be issued. City Attorney Green stated that a citation could be written upon the first violation per the Ordinance, but the Ordinance could be drafted for more enforcement. Councilmember Duncan stated that the complaints needed to be routed through the Police Department for enforcement, and then to the Fire Department if necessary. Councilmember Langston stated that the Ordinance as proposed gives the authority for the citation to be issued for the first offense and it is really a matter of policy change. City Manager Parker stated that procedures could be altered to address the concerns and the calls would be first routed to the Police Department to ensure correct enforcement. Police Chief Scott Marcotte stated that historically, if the Fire Marshal is on duty when the complaint is received, Dispatch routes the complaint to the Fire Marshal. Chief Marcotte stated that the Fire Marshal, the Police Department and Code Enforcement had the authority to issue citations. Councilmember Duncan stated that it was critical that the Ordinance be enforced upon the second violation. Councilmember Lynn Torres asked if the Ordinance allowed burning based on lot size due to a number of smaller lots being in the City. City Manager Parker stated that the Texas Commission on Environmental Quality policy provides for distance requirements for burning near structures, so smaller lots would have a bigger issue, but that was the only limitation in the Ordinance.

Mayor Brown stated that Councilmember Don Langston had moved to approve on Second Reading an Ordinance of the City of Lufkin, Texas, repealing Penal Ordinance 15 (Codified as § 93.02 in Code of Ordinances, "Burning in Fire Limits Restricted") in its entirety and establishing a new Ordinance, "Outdoor Burning", relative to adopting State regulatory requirements for Outdoor Burning, establishing general prohibitions; providing conditions for permitted enumerated fires; requiring a permit; providing general requirements for burning; providing for violations and penalties; providing a severability clause; and providing an effective date with the addition of the Section 7.6 titled Disposal Fires and the notation in Section 6 referring to said addition. Councilmember Robert Shankle seconded the motion and a unanimous vote to approve was recorded.

6. SECOND READING OF AN ORDINANCE PROVIDING FOR THE TERMS AND CONDITIONS OF ABANDONMENT, VACATION, AND CLOSURE OF A CERTAIN TRACT OR PARCEL OF LAND BEING AN UNDEVELOPED ALLEY, BEING 0.143 ACRE, OR 6,226 SQUARE FEET, MORE OR LESS, HERTY BLOCK 3, LOTS 6 – 11, AND HERTY BLOCK 4, LOTS 1 – 16, ANGELINA COUNTY; AND PROVIDING FOR THE CITY MANAGER TO CONVEY BY QUIT CLAIM ALL OF THE CITY'S INTEREST IN SAID ALLEY TO THE ABUTTING PROPERTY OWNER, UPON PAYMENT OF FAIR MARKET VALUE – APPROVED.

Mayor Bob Brown stated that the next item was the Second Reading of an Ordinance providing for the terms and conditions of abandonment, vacation, and closure of a certain tract or parcel of land being an undeveloped alley, being 0.143 acre, or 6,226 square feet, more or less, Herty Block 3, Lots 6 – 11, and Herty Block 4, Lots 1 – 16, Angelina County; and providing for the City Manager to convey by quit claim all of the City's interest in said alley to the abutting property owner, upon payment of fair market value.

City Manager Paul Parker stated that as Council was aware, this was the Second Reading of the Ordinance authorizing the sale of the stated alley to Brookshire Brothers for the fair market value of three thousand eight hundred ninety-four dollars (\$3,894). City Manager Parker concluded that Staff recommended approval of the Ordinance and the sale of the alley to Brookshire Brothers.

Councilmember Lynn Torres moved to approve the Second Reading of an Ordinance providing for the terms and conditions of abandonment, vacation, and closure of a certain tract or parcel of land being an undeveloped alley, being 0.143 acre, or 6,226 square feet, more or less, Herty Block 3, Lots 6 – 11, and Herty Block 4, Lots 1 – 16, Angelina County; and providing for the City Manager to convey by quit claim all of the City's interest in said alley to the abutting property owner, upon payment of fair market value. Councilmember Robert Shankle seconded the motion and a unanimous vote was recorded.

NEW BUSINESS:

7. PUBLIC HEARING AND FIRST READING OF AN ORDINANCE AMENDING THE ZONING ORDINANCE OF THE CITY OF LUFKIN, TEXAS BY WITHDRAWING THE SPECIAL USE PERMIT, ORDINANCE NO. 3736 AND CHANGING THE ZONING

DESIGNATION OF A TRACT OF LAND DESCRIBED AS LOT 3, BLOCK 1 OF THE 4841 LONG BELL LUMBER CO. ADDITION NO. 2, PART OF ALLEY, EXEMPT, AND MORE COMMONLY KNOWN AS 1302 LUFKIN AVENUE, FROM “RESIDENTIAL SMALL SINGLE FAMILY DWELLING” TO “COMMERCIAL” AND CHANGING THE 2001 COMPREHENSIVE PLAN FUTURE LAND USE MAP TO “RETAIL” – APPROVED.

Mayor Bob Brown stated that the next item on the agenda was to conduct a Public Hearing and consider on First Reading an Ordinance amending the Zoning Ordinance of the City of Lufkin, Texas by withdrawing the Special Use Permit, Ordinance No. 3736 and changing the Zoning Designation of a tract of land described as Lot 3, Block 1 of the 4841 Long Bell Lumber Co. Addition No. 2, part of alley, exempt, and more commonly known as 1302 Lufkin Avenue, from “Residential Small Single Family Dwelling” to “Commercial” and changing the 2001 Comprehensive Plan Future Land Use Map to “Retail”.

City Manager Paul Parker stated that this was a request by Donna Busler on behalf of the Mosaic Center to change the zoning of the property located at 1302 Lufkin Avenue from "Residential Small Single Family Dwelling" to “Commercial” and to withdraw the Special Use Permit. City Manager Parker stated this was being requested to make the property more attractive to potential buyers. City Manager Parker concluded that both the Planning & Zoning Commission and Staff recommended approval of the request.

Mayor Bob Brown opened the Public Hearing at 5:41 p.m. There being no one who wished to speak on the item; Mayor Brown closed the Public Hearing at 5:42 p.m.

Councilmember Rufus Duncan moved to approve the First Reading of an Ordinance amending the Zoning Ordinance of the City of Lufkin, Texas by withdrawing the Special Use Permit, Ordinance No. 3736 and changing the Zoning Designation of a tract of land described as Lot 3, Block 1 of the 4841 Long Bell Lumber Co. Addition No. 2, part of alley, exempt, and more commonly known as 1302 Lufkin Avenue, from “Residential Small Single Family Dwelling” to “Commercial” and changing the 2001 Comprehensive Plan Future Land Use Map to “Retail”. Councilmember Lynn Torres seconded the motion and a unanimous vote to approve was recorded.

8. PUBLIC HEARING AND APPROVAL OF A PERMIT TO CLS ENERGY, INC. TO DRILL AND OPERATE A WELL SITE ON PROPERTY LOCATED AT KIT MCCONNICO PARK – APPROVED.

Mayor Bob Brown stated that the next item on the agenda was to conduct a Public Hearing and consider approval of a permit to CLS Energy, Inc. to drill and operate a well site on property located at Kit McConnico Park.

City Manager Paul Parker stated that as Council was aware, the City had recently leased the mineral rights for Kit McConnico Park to CLS Energy, Inc. City Manager Parker continued that CLS Energy had requested a permit to drill on this property and had met all publication requirements. City Manager Parker furthered that the exact well site would be determined once the permit was approved, but would not affect any playing fields or parks activities and would be required to meet all distance requirements. City Manager Parker stated Staff recommended Council conduct the Public Hearing and consider approval of the request.

Mayor Brown opened the Public Hearing at 5:44 p.m. and asked anyone who wished to speak on the item to please step forward. Mr. Michael Parker voiced his concerns regarding drilling in City Parks. Mr. Parker also questioned whether the documents that conveyed Kit McConnico Park to the City had been researched to ascertain whether drilling was prohibited. City Manager Parker stated the documents had been reviewed and there was no restriction on drilling. There being no one further who wished to speak, Mayor Brown closed the Public Hearing at 5:46 p.m.

Mayor Brown then asked for questions or comments from the Council.

Councilmember Victor Travis questioned whether this would be a direct drill well or if fracking would be used. Councilmember Travis also asked whether this would have any effect on the aquifer that provides groundwater. City Manager Parker stated that it would be a direct drill well and no fracking would be utilized. Deputy City Manager Keith Wright stated that several wells had been drilled in Nacogdoches County with no effects to the aquifer. Deputy City Manager Wright continued that drilling companies were required by State Law to employ certain protection

techniques and testing to prevent any effect on the aquifer. Councilmember Travis asked whether there was any chance of gas leaking into the aquifer. Deputy City Manager Wright stated that it would not and that the State specified a number of protection requirements regarding drilling. Councilmember Don Langston stated that a number of fracking issues and drilling incidents had been in the news frequently and that most incidents were due to poor drilling practices and had occurred some time ago. Councilmember Langston stated that he felt there were adequate policies and procedures in place to insure that aquifers and water sources were protected during drilling. Deputy City Manager Keith Wright stated that the Pineywoods Groundwater Conservation District required permits for these wells and monitored them. Councilmember Sarah Murray questioned whether there would be more than one (1) well drilled. City Manager Parker stated that the permit was for one (1) well only, and should the company wish to drill another well, they would have to obtain an additional permit.

Councilmember Don Langston moved to approve the issuance of a permit to CLS Energy, Inc. to drill and operate a well site on property located at Kit McConnico Park. Councilmember Rufus Duncan seconded the motion and a unanimous vote was recorded to approve the motion.

9. RESOLUTION BY THE CITY OF LUFKIN, TEXAS, SUSPENDING THE EFFECTIVE DATE FOR NINETY DAYS IN CONNECTION WITH THE RATE INCREASE FILING OF CENTERPOINT ENERGY – BEAUMONT/EAST TEXAS DIVISION MADE ON OR ABOUT JULY 2, 2012; REQUIRING THE REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES; AUTHORIZING PARTICIPATION IN A COALITION OF SIMILARLY SITUATED CITIES; AUTHORIZING PARTICIPATION IN RELATED RATE PROCEEDS; AUTHORIZING THE RETENTION OF SPECIAL COUNSEL; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE – APPROVED.

Mayor Bob Brown stated that the next item on the agenda was to consider a Resolution by the City of Lufkin, Texas, suspending the effective date for ninety days in connection with the rate increase filing of Centerpoint Energy – Beaumont/East Texas Division made on or about July 2, 2012; requiring the reimbursement of municipal rate case expenses; authorizing participation in a coalition of similarly situated cities; authorizing participation in related rate proceeds; authorizing the retention of special counsel; finding that the meeting complies with the open meetings act; making other findings and provisions related to the subject; and declaring an effective date.

City Manager Paul Parker stated that over the past several years, it has been the City's practice that when utility rate increases are filed, to hire outside consultants to review the rate increase case. City Manager Parker stated these are filings that would affect each resident of the City; therefore the City must review and make sure the increases are just and necessary. City Manager Parker stated that in the past the City has been able to reduce the increases in rates by working with the Coalition. City Manager Parker stated that the City had an excellent working relationship with CenterPoint Energy and was in no way a reflection of the local CenterPoint representatives. City Manager Parker continued that there was an abundance of documents to be reviewed and the Coalition allowed cities to pool resources to achieve this. City Manager Parker stated that this Resolution would also allow cities to recoup any funds spent in the review of this rate case. City Manager Parker continued that Council could approve the rate increase, deny the rate increase or suspend the rate increase for ninety (90) days and that Staff recommended Council suspend the rate increase. City Manager Parker stated this would allow ample time for the review of the rate increase.

Councilmember Rufus Duncan moved to approve a Resolution by the City of Lufkin, Texas, suspending the effective date for ninety days in connection with the rate increase filing of Centerpoint Energy – Beaumont/East Texas Division made on or about July 2, 2012; requiring the reimbursement of municipal rate case expenses; authorizing participation in a coalition of similarly situated cities; authorizing participation in related rate proceeds; authorizing the retention of special counsel; finding that the meeting complies with the open meetings act; making other findings and provisions related to the subject; and declaring an effective date. Councilmember Robert Shankle seconded the motion and a unanimous vote was recorded.

Mayor Bob Brown recessed the Regular Session at 5:54 p.m. to enter into Executive Session.

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 real estate, demolition of buildings, or appointments to boards and personnel may be discussed.

Mayor Bob Brown reconvened the Regular Session at 6:13 p.m.

11. APPROVAL OF INCENTIVES TO PROJECT 800 – APPROVED.

Mayor Bob Brown stated that the next item on the agenda was the consideration of the approval of incentives to Project 800 as discussed in Executive Session.

Councilmember Lynn Torres moved to approve the incentives for Project 800. Councilmember Don Langston seconded the motion and a unanimous vote was recorded.

RECESS REGULAR SESSION

Mayor Bob Brown recessed the Regular Session at 6:14 p.m.

RECONVENE REGULAR SESSION

Mayor Bob Brown reconvened the Regular Session at 6:48 p.m.

12. CITY MANAGER REPORT

City Manager Paul Parker stated that he would be glad to answer any questions Council might have regarding the report. There being none, Mayor Brown moved to the next item.

13. PRESENTATION AND DISCUSSION OF FISCAL YEAR 2012/2013 ANNUAL BUDGET.

City Manager Paul Parker stated that he would give an overview of the budget for the upcoming year and would be glad to detail any department or fund that Council desired. City Manager Parker highlighted the proposed budget and the budget overview from previous years. City Manager Parker stated that the total budget request for the General Fund for the upcoming year was thirty million two hundred thirty thousand nine hundred seventy-eight dollars (\$30,230,978), which is six hundred forty-one thousand seventy-one dollars (\$641,071) over the projected revenue. City Manager Parker stated that most budget years usually finish higher than the initial projections. City Manager Parker highlighted sales tax revenue over the last few years and stated that the proposed budget was built on year to date actual revenue received through sales tax with three percent (3%) growth through the end of the year and flat growth for the next year. City Manager Parker highlighted the budget deficit projections for the next year. City Manager Parker continued that this budget projection assumed that every penny would be spent from each budget. City Manager Parker stated that the water and wastewater fund would end on a positive balance; however, due to the recent rains; it would probably balance out the increases. City Manager Parker stated that the solid waste fund should end on a positive note. City Manager Parker stated that hotel motel tax was currently in deficit due to the equipment purchases for the civic center; City Manager Parker furthered that when the Pines Theater and Convention Center were put into operation, the budgets would expand for maintenance and operations. City Manager Parker continued that all reserves were in good shape for the upcoming fiscal 2013 year and that the City was way above the required reserve. City Manager Parker highlighted the remaining funds and stated that this was a very conservative budget. City Manager Parker also reviewed the reserve funds in the proposed balance.

City Manager Parker stated that this budget was built on the existing tax rate of 0.5138 and that the effective tax rate would not be known until the first of August. City Manager Parker stated this rate should generate an approximate one hundred fifty-eight thousand dollars (\$158,000) in tax revenue. City Manager Parker stated that historically Council has considered the effective tax rate; but this budget assumes the existing rate. City Manager Parker stated that sales tax revenue would be flat and EMS revenue was projected to have an approximate six hundred seventy thousand dollar (\$670,000) revenue shortfall. Councilmember Rufus Duncan clarified the amount of the EMS revenue projections. City Manager Parker stated that the EMS contract fee had been reduced by three percent (3%) due to the billing company not meeting their projections. Councilmember Duncan questioned what the City collected last year. City Manager Parker stated that 2.1 million dollars was collected by the City; and projected revenue for next year had been increased to 2.3 million dollars. City Manager Parker continued that several factors had contributed to this decrease which included a reduction in run volume, Medicare changes and over sight in the projections by Emergidata. City Manager Parker stated that billing was now more accurate with this company and that even though

the company had not provided the care it should have with our accounts; they have assured us that they would rectify the situation. City Manager Parker stated that the average collection rate was forty-eight percent (48%) for EMS service and that Staff would monitor the company and accounts very closely. City Manager Parker stated that staff was currently formulating a secondary plan to move billing in house and dissolve the contract if necessary. City Manager Parker stated that court fines and building permits were down as well due to the economy. City Manager Parker stated that the budget proposed that water rates only be raised three percent (3%) this year due to the financial condition of the fund. Councilmember Don Langston stated that the City could also go flat with no water increase. City Manager Parker stated that the only concern with eliminating the increase would be to have to come back next year for the full increase. Finance Director Belinda Southern stated that the City would begin making principle payments next year on the Abitibi purchase and the amount of the payments would increase. Councilmember Don Langston stated that the City has worked very hard to reduce tax rates and was in the fourth (4th) year of general income decline for families and would like to see the increase postponed until the next year. City Manager Parker stated that the rate increase could be postponed; however would be a calculated guess as to the revenue that would be received. City Manager Parker stated there would be no increase in solid waste rates due to increased efficiency and improvements in the department. Councilmember Rufus Duncan questioned why there was such a large Solid Waste reserve fund. City Manager Parker stated the reserve had been there for numerous years and the City has used this fund to make improvements and complete projects when needed. City Manager Parker stated that numerous personnel were requested for the upcoming budget; however, only four (4) were approved; an employee for the Pines Theater and an employee for the Convention Center, as well as a fleet services writer position and a position in the Solid Waste Department. City Manager Parker stated that the budget for the Pines was included in the Convention Center fund. City Manager Parker continued that the booking, maintenance, cleaning, etc. would be handled through the Convention Center as well. City Manager Parker stated that the Lufkin Convention & Visitors Bureau would be handling the booking of an event series for the upcoming year with an agenda of eight (8) to nine (9) shows. City Manager Parker stated that a fleet services writer position was included in the Fleet Maintenance department to help ensure that fleet vehicles are serviced on a timely manner. City Manager Parker continued that the City was in the second year of a five (5) year lease purchase for bunker gear for the Fire Department and that an additional ten thousand dollars (\$10,000) was included for the purchase of new gear for employees. City Manager Parker continued to highlight the rest of the significant changes to the 2012/2013 budget and then explained the increases for the Convention Center and the Pines Theater. City Manager Parker stated that Lufkin Convention & Visitors Bureau would be hosting a show series at the Pines Theater; whereas the Convention Center would be responsible for the daily operation of the Theater, including private rentals. City Manager Parker stated that one hundred thousand dollars (\$100,000) was included this year in the General Fund Contingency fund, one hundred fifty thousand dollars (\$150,000) in the Water Wastewater Contingency fund and one hundred thousand dollars (\$100,000) in the Lufkin Convention & Visitors Bureau Contingency fund. City Manager Parker reviewed the projected Hotel Motel Tax revenue and distributions for the next fiscal year. City Manager Parker stated that the Special Recreation Fund was in good shape currently and expected to do well next fiscal year. City Manager Parker stated that Staff requested that Council approve the use of eighty-five thousand dollars (\$85,000) in the current budget for the booking of events for the Pines Theater. City Manager Parker explained that even though the events would occur in the next fiscal year, half of the booking fee would be required to be paid up front, thus the need for the funding in this fiscal year. City Manager Parker continued that a portion of this funding would be used for the grand opening, which was tentatively scheduled for December 1, 2012. City Manager Parker stated that the projected budget for the operation of the Pines next fiscal year was estimated at one hundred seventeen thousand dollars (\$117,000). City Manager Parker stated that the City was previously considering working with the Angelina Arts Alliance on events for the Pines; however, Staff received a letter from the Alliance that stated they did not feel they could undertake both the Pines and the Alliance at the same time. City Manager Parker highlighted the Zoo Building Fund, Animal Attic and Kurth Animal Grant fund. City Manager Parker stated that one million nine hundred sixty-nine one hundred twenty-six dollars (\$1,969,126) would be transferred from the General Fund to Fund 380; however that per city policy, twenty-five percent (25%) of this amount would be held in reserve. City Manager Parker stated that the remaining balance could be used to fund a number of proposed projects. Deputy City Manager Keith Wright explained the Fund 380 proposed projects listed. Deputy City Manager Wright stated that the project to lift the water wells was due to a requirement by the Texas Commission on Environmental Quality (TCEQ). Deputy City Manager Wright reviewed the remainder of the projects including the replacement of the tapping gun, repairs to the Wastewater Treatment Plant lagoon, replacement of the raw sewage pump and the digital meter radio replacement. Councilmember Langston questioned the expenses for the radio replacement. Finance Director Southern explained the need for the replacement. Deputy City

Manager Wright explained the three (3) projects proposed to be completed out of the Solid Waste Depreciation Fund including the addition of a paved area, removal of the conveyor system and the purchase of a skid steer. Deputy City Manager Wright stated that these purchases would assist with streamlining the handling of recyclables at the Solid Waste facility. City Manager Parker highlighted the Amortization Fund and stated that the estimated purchases were less than last year and that not all vehicles would be purchased; only those that were in need of being replaced. City Manager Parker continued that estimated revenue from the sale of salvage vehicles was approximately two hundred thousand dollars (\$200,000). City Manager Parker then reviewed the positions that were not approved for the next fiscal year budget. Councilmember Langston stated that the amortization fund was a good idea.

City Manager Parker directed Council's attention to the handout regarding the tax rate and debt service funds. City Manager Parker commended Staff on their efforts in compiling the budget for presentation. City Manager Parker stated that the handout showed different scenarios regarding the tax rate and the effects of a possible tax reduction. City Manager Parker stated that it would be difficult to determine until the City received the effective tax rate. City Manager Parker continued that the highlighted areas of the spreadsheet showed the results if City moved forward with the issuance of \$8.1 million dollars in bond funds and an additional \$9.1 million dollar issue in 2015 and kept the effective tax rate. City Manager Parker stated that the second sheet showed the effect of the same scenario with a one cent (.01) reduction in the tax rate. City Manager Parker continued that the tax rate could be reduced by one cent (.01) without affecting the proposed bond issues should Council desire to do so. Discussion continued regarding different bond proposal amounts and reduction of the tax rate and the short and long term effects of each scenario. Councilmember Langston stated that future annexations needed to be considered as well, and the City needed to be extremely careful when spending capital funds. City Manager Parker stated that was the complete overview of the proposed budget and requested direction from the Council on how to proceed. City Manager Parker stated he would answer any questions that Council may have.

Mayor Brown asked for questions or comments from the Council regarding the Budget presentation. Councilmember Langston stated that he would like to see more information on the scenarios regarding the tax rate and proposed bond issues. Councilmember Langston also stated he would prefer not to implement the three percent (3%) increase in water and sewer rates this year. Councilmember Torres stated she would need to see the effective tax rate prior to making decisions on the tax rate reduction or bond issue amounts. Councilmember Torres questioned whether it would be received prior to the next Council meeting so that Council could possibly discuss again at the next meeting. City Manager Parker stated that it might be received by then, but if not, it could be discussed at the second meeting in August. Council concurred to hold a short work session after either the first or second regular Council meeting in August to finalize the tax rate and budget.

14. RESOLUTION AUTHORIZING AN AMENDMENT TO THE 2011/2012 OPERATING BUDGET (BUDGET AMENDMENT NO. 27), PROVIDING FOR THE SUPPLEMENTAL APPROPRIATION OF FUNDS IN THE GENERAL, HOTEL/MOTEL TAX, SPECIAL RECREATION, PINES THEATER SPECIAL EVENT, ZOO BUILDING, COURT SECURITY/TECHNOLOGY, ANIMAL CONTROL – KURTH GRANT, ANIMAL CONTROL – ANIMAL ATTIC, ECONOMIC DEVELOPMENT, LUFKIN CONVENTION & VISITORS BUREAU, GENERAL FUND CONSTRUCTION, CONVENTION CENTER, WATER AND SEWER RENEWAL AND REPLACEMENT, GENERAL OBLIGATION DEBT SERVICE, WATER/WASTEWATER, SOLID WASTE & RECYCLING AND EQUIPMENT ACQUISITION & REPLACEMENT FUNDS; AND PROVIDING AN EFFECTIVE DATE - APPROVED.

Mayor Bob Brown stated that the next item for consideration was a Resolution authorizing an amendment to the 2011/2012 Operating Budget (Budget Amendment No. 27), providing for the supplemental appropriation of funds in the General, Hotel/Motel Tax, Special Recreation, Pines Theater Special Event, Zoo Building, Court Security/Technology, Animal Control – Kurth Grant, Animal Control – Animal Attic, Economic Development, Lufkin Convention & Visitors Bureau, General Fund Construction, Convention Center, Water and Sewer Renewal and Replacement, General Obligation Debt Service, Water/Wastewater, Solid Waste & Recycling and Equipment Acquisition & Replacement Funds; and providing an effective date.

City Manager Parker stated that this was the Mid-Year Budget Amendment that reflected adjustments in each departmental budget, which were outlined in the accompanying memo. City Manager Parker continued that unless Council had specific questions, Staff recommended approval.

Councilmember Lynn Torres moved to approve a Resolution authorizing an amendment to the 2011/2012 Operating Budget (Budget Amendment No. 27), providing for the supplemental appropriation of funds in the General, Hotel/Motel Tax, Special Recreation, Pines Theater Special Event, Zoo Building, Court Security/Technology, Animal Control – Kurth Grant, Animal Control – Animal Attic, Economic Development, Lufkin Convention & Visitors Bureau, General Fund Construction, Convention Center, Water and Sewer Renewal and Replacement, General Obligation Debt Service, Water/Wastewater, Solid Waste & Recycling and Equipment Acquisition & Replacement Funds; and providing an effective date. Councilmember Robert Shankle seconded the motion and a unanimous vote was recorded.

Mayor Bob Brown recessed into Executive Session at 8:20 p.m.

- 15. RECONVENE 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 real estate, demolition of buildings, or appointments to boards and personnel may be discussed.

Mayor Bob Brown reconvened Regular Session at 9:00 p.m.

Councilmember Don Langston moved to return to Item No. 13 on the agenda. Councilmember Lynn Torres seconded the motion. A unanimous vote to approve the motion was recorded.

13. PRESENTATION AND DISCUSSION OF FISCAL YEAR 2012/2013 ANNUAL BUDGET.

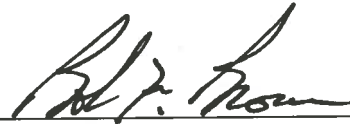
Mayor Bob Brown stated that Council would again address Item No. 13 on the Agenda.

Council concurred to lower the tax rate if possible from the debt portion of the tax rate as well as forgo the three percent (3%) increase in water and sewer rates. Councilmember Duncan stated he would like to see the City transfer reserve funds to be spent on needed projects.

- 16. 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 highlighted the upcoming events on the calendar.

- 17.** There being no further business for consideration, the meeting adjourned at 9:15 p.m.



Bob F. Brown, Mayor



Kara Atwood, City Secretary

SEAL