

**MINUTES OF THE BUDGET RETREAT OF THE CITY COUNCIL OF THE CITY OF
LUFKIN, TEXAS HELD ON THE 28TH DAY OF JULY 2015.**

On the 28th day of July 2015, the City Council of the City of Lufkin, Texas convened in a Budget Retreat at the Kurth Lake Lodge with the following members, thereof to wit:

Bob F. Brown	Mayor
Mark Hicks	Mayor Pro Tem
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 Resources Director
Gerald Williamson	Police Chief
David Thomas	Assistant Police Chief
Belinda Southern	Finance Director
Gordon Henley	Ellen Trout Zoo Director
Brant Lee	Lufkin Convention Center Director

being present when the following business was transacted,
and;

Victor Travis	Councilmember, Ward No. 1
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being absent.

1. The meeting was opened with prayer by City Manager Keith Wright.
2. Welcome of visitors by Mayor.
3. **RESOLUTION AUTHORIZING AN AMENDMENT TO THE 2014/2015 OPERATING BUDGET (BUDGET AMENDMENT NO. 18), PROVIDING FOR THE SUPPLEMENTAL APPROPRIATION OF FUNDS IN THE GENERAL FUND 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, 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.**

City Manager Keith Wright provided a brief overview of the budget process for City Departments. City Manager Wright stated that the complete analysis of where the City currently stands is in the Revised Budget.

City Manager Wright explained that the Convention Center (Hotel/Motel Tax Fund) continues to be negative each year, and that Convention Center Director Brant Lee was proposing an increase in usage fees. City Manager Wright furthered that the increase in usage fees may not be sufficient, and City Council may have to infuse the Hotel/Motel Tax Fund with money from the General Fund next year.

City Manager Wright continued and highlighted trends and adjustments in the funds in the Revised Budget.

City Manager Wright noted that it was important to be cautious about implementing recurring costs, especially in light of the current economy. City Manager Wright furthered that Sales Tax cannot be adjusted by the City, and this was the biggest part of the City's revenue.

City Manager Wright explained the supplemental requests for various City Departments and explained that supplemental requests were included in the 2014/2015 Revised Budget due to the availability of funding. City Manager Wright discussed the supplemental requests for various City Departments and the proposed longevity pay increase for employees.

Councilmember Sarah Murray questioned the amount budgeted for Emergency Management. City Manager Wright explained that the Everbridge Alert System was an emergency communication system that was frequently used by law enforcement and was available to the public for text and call updates.

Councilmember Mark Hicks asked about the Longevity Pay increase. City Manager Wright stated that the Longevity Pay increase would be a one-time payment at the end of September for City employees who had been employed for at least a year. City Manager Wright furthered the payment would be five percent (5%) or more of one paycheck, depending on the employee's number of years with the City.

In response to a question from Councilmember Mark Hicks, City Manager Wright detailed the Water/Wastewater Fund and the revenue projections.

Councilmember Lynn Torres moved to approve the Resolution authorizing Budget Amendment No. 18. Councilmember Robert Shankle seconded the motion and a unanimous vote to approve was recorded.

4. **PRESENTATION AND DISCUSSION REGARDING 2015/2016 CITY OF LUFKIN WATER AND SEWER RATES.**

Assistant City Manager Steve Floyd discussed the history of the Water & Sewer revenues from 2011 to present. Assistant City Manager Floyd stated Residential Water revenues were positive in 2011, but from then on the trend has been negative. Councilmember Robert Shankle questioned if the decrease in revenues was due to businesses leaving the area. City Manager Keith Wright responded that some of the decline was due to businesses leaving, but weather was the main culprit for positive revenue in the 2011 drought, versus negative revenue in 2012 to present. Assistant City Manager Floyd stated that Commercial Water revenues were more stable than Residential, but there was decline in water usage in the past two (2) years.

Assistant City Manager Floyd stated that based on historical Water & Sewer revenues and on projections from the Water Utilities Director Drew Squyres, the delaying of the planned rate increase would result in a six hundred forty five thousand dollars (\$645,000) revenue deficit. Assistant City Manager Floyd continued that if Water & Sewer rates were increased by four percent (4%) the deficit would be reduced to twenty seven thousand dollars (\$27,000); however, if Water & Sewer rates were increased by six percent (6%) revenues would be ahead by two hundred eighty one thousand dollars (\$281,000).

Assistant City Manager Floyd continued the Water & Sewer rate presentation and demonstrated that nearly every other year from 1987 to 2011 there had been a Water & Sewer rate increase. Assistant City Manager Floyd noted that in 2009 when the Abitibi Water Well was purchased, City Council agreed to increase Water & Sewer rates for the following four (4) years by six percent (6%) each year to pay for the purchase of the Water Well and general operating costs for the Water Utilities Department. Assistant City Manager Floyd stated that the drought in 2011 gave way to high water usage and the Water & Sewer rate increase was not necessitated that year. Assistant City Manager Floyd noted that there had not been a Water & Sewer rate increase in four (4) years. No action was required on this item.

5. **PRESENTATION AND DISCUSSION REGARDING 2015/2016 CITY OF LUFKIN SOLID WASTE RATES AND PROPOSED RATE SURVEY.**

City Manager Keith Wright stated that the Solid Waste Fund was not in the negative such as the Water/Wastewater Fund, but there was a need for a Solid Waste rate increase to prevent a negative revenue cycle for the Solid Waste Fund. City Manager Wright added

that developments in the Solid Waste Department over the past few years had prevented the need for a rate increase until now.

Assistant City Manager Steve Floyd highlighted various changes to the Solid Waste Department from 2008 to present that had resulted in significant savings for the Solid Waste Department.

Assistant City Manager Floyd stated that there had not been a rate increase for Solid Waste since 1999. Assistant City Manager Floyd noted that the Special Pickup program and the Recycling program were expensive for the City to operate, but they were not charged to customers. Assistant City Manager Floyd stated that Staff desired to hire a consultant for a rate study for forty four thousand dollars (\$44,000) to determine what changes in fees may be necessary.

Discussion ensued among Staff and Councilmembers regarding the Recycling program.

Discussion ensued among Staff and Councilmembers regarding the weight of Solid Waste vehicles and the impact on recent street overlays.

Councilmember Rocky Thigpen and Councilmember Mark Hicks questioned the necessity for a rate study consultant, considering that cutting the Recycling program could result in a savings of five hundred thousand dollars (\$500,000). City Manager Wright responded that a consultant could look at the Solid Waste operation and tell where the Fund stood financially. City Manager Wright added that sometimes a City can be challenged on its rates, and a consultant's rate study would be valuable in that circumstance. City Manager Wright stated that the proposed budget included forty-four thousand (\$44,000) There was no action required on this item.

6. PRESENTATION AND DISCUSSION REGARDING LUFKIN CONVENTION CENTER RATES.

City Manager Keith Wright stated that the proposed increased fee schedule for the Lufkin Convention Center was due to a continuing decline in revenue. City Manager Wright furthered that all funding for the Lufkin Convention Center came mainly from the Hotel/Motel Tax fund which is divided among other entities as well.

Convention Center Director Brant Lee gave a presentation regarding the proposed increased fees for room rental. Director Lee noted that the last rental rate increase was in 2008 and in 2012 there was a modest adjustment to rates due to the newly expanded Convention Center. Director Lee furthered that Staff was proposing a two tier market rental pricing which would include two rental periods, Monday-Thursday pricing, and Friday-Sunday pricing. Director Lee added that additional service fees were also being proposed, as the Convention Center is the only local venue that does not charge for these services. Director Lee concluded that the projected revenue increase for additional service fees was fifty two thousand four hundred forty five dollars (\$52,445) and additional rental revenue was thirty seven thousand eight hundred twenty five dollars (\$37,825).

Councilmember Robert Shankle clarified the proposed increase in rental and service fees. Assistant City Manager Steve Floyd stated that the more the facility is used, the more revenue the City loses at the current rates. Councilmember Shankle suggested that the rental and service fees be rolled into one price. Councilmember Mark Hicks stated that the additional service fees seemed fair.

City Manager Wright addressed the topic of the Hotel/Motel Tax obligations. City Manager Wright described the figures and percentages for each of the entities that receive Hotel/Motel Tax funds annually. Discussion ensued among Staff and Councilmembers regarding the obligations of the Hotel/Motel Tax.

Finance Director Belinda Southern presented the operating cost history for the Lufkin Convention Center, which showed the rising costs since 2010 in supplies, electrical, maintenance, and heating fuel.

Councilmember Lynn Torres and Councilmember Mark Hicks asked when the new fees would be implemented. City Manager Wright responded that all new contracts starting October 1, 2015 would be subject to the new fee schedule. No action was required.

7. **PRESENTATION AND DISCUSSION REGARDING ELLEN TROUT ZOO ENTRANCE FEES.**

Ellen Trout Zoo Director Gordon Henley gave a presentation regarding the proposed admission fee increases. Ellen Trout Zoo Director Henley reviewed the history of the Zoo's admission fees and compared the Ellen Trout Zoo's current rates to other area zoo's rates. Ellen Trout Zoo Director Henley noted that Lufkin's Zoo would still have lower admission fees than other comparable zoos, even with the proposed increases. Ellen Trout Zoo Director Henley stated that the last project for the current Master Plan was to build a Gorilla Exhibit for six million dollars (\$6,000,000).

City Manager Keith Wright stated that the purpose of the proposed admission fee increase was to create a new Master Plan and to start on the Gorilla Exhibit. City Manager Wright furthered that the Zoo was running out of space and that some of the playground area would be developed for the Zoo, once development across the Ellen Trout Lake was complete.

Ellen Trout Zoo Director Henley discussed the positive economic impact that Ellen Trout Zoo has on the local economy through zoo attendance.

8. **DISCUSSION REGARDING MEET AND CONFER AGREEMENTS.**

City Manager Keith Wright reviewed the proposals based on the Meet & Confer agreements. City Manager Wright stated that Option 1 was recommended for approval, because it was the scheme that the City could comfortably afford at this time. City Manager Wright highlighted the contents of the proposed Option 1. City Manager Wright discussed other requests that resulted from the Meet & Confer meetings, but noted that these requests, such as an increase in Step Pay were cost prohibitive in light of impending economic circumstances.

Discussion ensued among Staff and Councilmembers regarding a revamping of the Step Pay system and the subject of Assignment Pay for Special Response Teams and Traffic Reconstructionist. Councilmember Rocky Thigpen added that Field Training Officers were valuable and noted that they had not been included in the Assignment Pay for Option 1. City Manager Wright responded that his plan was to address the Assignment Pay for other specializations in steps in the future.

City Manager Wright detailed the Option 2 proposal, but suggested that this option was not feasible due to the uncertainty of future Sales Tax revenues. City Manager Wright concluded that Option 2 could require City Council to raise taxes in the future. City Council concurred that this could result in a tax increase for citizens.

Discussion ensued among Staff and Councilmembers regarding the specifics of Option 1 and Option 2. There was no action required on this item.

9. **PRESENTATION AND DISCUSSION OF THE PROPOSED 2015/2016 FISCAL YEAR BUDGET.**

City Manager Keith Wright reviewed all requests, revenues, and supplemental requests for the 2015/2016 Fiscal Year Budget.

Councilmember Mark Hicks and Finance Director Belinda Southern discussed the excessive credit card fees for Hotel/Motel Tax payments to the City.

Assistant City Manager Steve Floyd discussed the Amortization Schedule for City vehicles and equipment.

City Manager Wright discussed the Water/Wastewater Depreciation Fund Projects.

10. There being no further business to discuss the meeting was adjourned at 12:25 pm.


Bob F. Brown, Mayor


Kara Atwood, City Secretary

