

MINUTES OF CALLED MEETING OF THE CITY COUNCIL OF THE CITY OF
LUFKIN, TEXAS, HELD ON THE
21ST DAY OF JUNE, 1999 AT 12:00 NOON

On the 21st day of June, 1999 the City Council of the City of Lufkin, Texas, convened in a called meeting in the Council Chambers of City Hall with the following members thereof, to wit:

Louis Bronaugh	Mayor
Bob Bowman	Mayor pro tem
Don Boyd	Councilmember, Ward No. 2
Betty Jones	Councilmember, Ward No. 3
Dennis Robertson	Councilmember, Ward No. 6
C. G. Maclin	City Manager
James Hager	Asst. City Manager/Finance
Bob Flournoy	City Attorney
Atha Stokes Martin	City Secretary
Keith Wright	City Engineer
Kenneth Williams	Director of Public Works

being present, and

R. L. Kuykendall	Councilmember, Ward No. 1
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being absent when the following business was transacted.

1. Meeting was opened by Mayor Bronaugh.

2. CONSIDERATION OF CAPITAL IMPROVEMENT PLAN

Mayor Bronaugh stated that the meeting today was for further discussion of the Capital Improvement Plan.

City Manager Maclin stated that Councilmembers have a hard copy of a power point presentation that Mr. Hager will be presenting, which represents a brief review of some of the things that were discussed at the Council Retreat. Mr. Hager will try to categorize recommendations from staff as far as where do we go from here in terms of which items could be funded through the budget process and how we will go about that, and which items staff would recommend that Council consider the idea of appointing a Bond Election Committee like we did in 1994, and that next May, we take another bond election to the citizens for their consideration.

Mr. Maclin stated that immediately following this session Councilmembers will be asked to go upstairs to the Data Processing Center for an update on Y2K, and an update on the computer software/hardware that staff has been purchasing over the last several months to be Y2K compliant and raise the level of productivity of the City and efficiency to a new level. Mr. Maclin stated that this will take approximately 30 minutes.

Mr. Maclin stated that the dates for the budget workshop to complete the budget preliminary decision package ranking are July 7 from 8:00 a.m. (starting with breakfast) until 2:00 p.m., and July 8 from 10:00 a.m. to 3:00 p.m. Mr. Maclin stated that the backup date if there are problems will be July 9.

Mayor Bronaugh asked that as Mr. Hager is going through this presentation that he stop and give an update on some of the ongoing projects that will effect this year's budget. Mr. Maclin stated that one of the ongoing projects will be the detention ponds. Mr. Maclin stated that Council had their Phase II presentation by Dodson &

Associates last February or March.

Mrs. Jones stated that her concern was that in looking through the list of projects that was provided earlier, some of these things are ongoing type projects that Council has already taken some action on or have indicated their agreement to move forward on, and now some new projects have been added. Mrs. Jones stated that she would like to see some separation at least in the presentation about the projects that have already been started.

Mr. Hager stated that he would like to start out by reviewing some of the information that was provided at Pine Island. Mr. Hager stated that he would like to review the tax supported projects that were discussed and break them down in the total requirement of the capital improvements program, the debt requirement (those items that bonds would have to be sold for or other debt financing to accomplish), and then what the staff would recommend to the Council as being Council approved.

Mr. Hager stated that in General Government the \$3.12 million is the service center for Public Works, and staff would propose that would be financed through debt and would recommend Council approval for that debt. Mr. Hager stated that in the Public Safety area that includes fire and police, the largest area included of that \$1.5 million in debt requirements is \$1 million for the police communications system and \$500,000 of fire equipment spread out over several years, and staff would recommend that as Council approval as well. Mr. Hager stated that there is a total of \$14 million in projects for culture and recreation, \$8 million of which would require debt funding and staff recommendation is \$6.038 million. Mr. Hager stated that a good part of the culture and recreation is the zoo capital projects and none of that is included as debt funding. Mr. Hager stated that all of that would be supported through the zoo fund, the admissions as well as donations. In response to question by Mayor Bronaugh as to where the Temple grant money was, Mr. Hager stated that it was included in the \$6 million. Mr. Hager stated that a large part of that money would be donations and some of it would be from fundraisers.

Mr. Hager stated that the total requirement for streets and drainage was \$19.3 million with a debt requirement of \$16 million. Mr. Hager stated that the largest part of the street and drainage difference between the \$19 million and \$16 million is Tulane, which the Council has already approved. Mr. Hager stated that a good portion of the streets and drainage is going to be made up of the detention ponds. Mr. Hager stated that the \$2.3 million in streets and drainage would be for the three detention ponds that Council has nodded for approval. Mr. Hager stated that he is defining between Council approved and voter approved as staff would come back to Council each year. Mr. Hager stated that as he goes through the presentation he will show Council staff's plan as to how they want to approach funding the \$13.3 million in tax supported projects, knowing that one Council cannot encumber another Council, staff would bring this back each year to the Council. Mr. Hager stated that staff believes that the projects they have recommended to Council to consider for approval are items that are very necessary, that in a lot of cases are public health and safety issues that staff doesn't want to run the risk of not being able to do.

Mrs. Jones stated that the detention ponds that Mr. Wright mentioned are on Hurricane Creek to address the flooding concerns on the north and east side of the City.

Mr. Hager stated that the next list is the revenue supported projects, and the total requirement is \$23.458 million. Mr. Hager stated that water is at \$17 million, which includes the replacement of the asbestos pipe. Mr. Hager stated that Council has given approval for this project and staff is in the process of seeking low interest loan funds and beginning to gear up to get this project under construction this summer or this fall.

Mr. Hager stated that wastewater is \$4.4 million, solid waste is \$165 million, and recycling is \$990 million. Mr. Hager stated that of that \$23 million, \$19 million would be required by debt. Mr. Hager stated that he had a misunderstanding from what Mr. Wright was telling him at the Pine Island retreat and the Council approved recommendation by staff was \$16 million, but in fact, Mr. Wright caught the error, and what staff is recommending to Council is to approve all of the \$19.6 million. Mr. Hager stated that the City has very little choice in regard to the \$15 because TNRCC is requiring the asbestos pipe replacement. Mr. Hager stated that the wastewater treatment is a public health issue, and the primary items included in the \$3 million are replacement and upgrade of equipment where needed. Mr. Hager stated that the \$990,000 for recycling is for composting facilities.

Mr. Hager stated that Councilmembers may remember a discussion several months ago in regard to a treatment plant and transmission distribution lines from the lake to Lufkin. Mr. Hager stated that while that project does not show up on this year's CIP, next year's CIP will reflect that planning process. Mr. Hager stated that the City has a ten year time frame in which to begin taking water. Mr. Gorden stated that in the last discussion between Council and staff, the time was a lot quicker than that. Mr. Wright stated that there was some discussion about the time frame being a lot quicker, and if Council wants to move forward sooner, staff can do that. Mr. Wright stated that the engineering report showed that for the next four to five years, as long as the City continues to drill new wells, the City of Lufkin will meet its demand as projected. Mr. Wright stated that the engineer report showed that the City needs to be moving forward now in the planning process, which staff is currently doing. Mr. Wright stated that staff is hiring engineers (five firms), doing water testing on the ground water and surface water, and will do everything necessary to be prepared to move forward. Mr. Wright stated that in next year's CIP it will show the first year's phasing of funding for the proposed projects as far as construction, which will be at the end of this five year period. Mr. Wright stated that there are a lot of things that go into this prior to construction which are all the engineering, the permitting through the Army Corps of Engineers, U. S. Parks & Wildlife, TNRCC, physical location of the plant and the intake structure. Mr. Wright stated that staff is in the process of conducting these studies at this time. Mr. Wright stated that in the meantime we are drilling water wells. Mr. Wright stated that part of the CIP is another water well versus the one that is being drilled now. Mr. Wright stated that we have drilled a hole, found good water, and are proceeding on with the construction of water well #14.

Mr. Gorden stated that this was not the way he remembered leaving this at the last meeting. Mr. Wright stated that the schedule can be changed at Council's discretion.

Mr. Bowman stated that he was not real comfortable passing a bond issue of these levels and turning right around and asking the public to approve a bond issue for Rayburn. Mr. Bowman stated that there needs to be a merging of those things in some form or fashion. Mr. Bowman stated that, in his opinion, it does not make good political strategy to try and have two back-to-back bond issues even if they are separated by three years. Mr. Wright stated that, in his mind, this would not be a voter-approved option, but rather something that Council would have to go on their own with the information they had. Mr. Wright stated that this is something that the City has to move forward on. Mr. Gorden stated that as he remembers it, the City's projected debt pay out reduction will fall off rather quickly, as far as creating more debt service. Mr. Hager stated that the utility debt will begin to build because of the \$15 million for the asbestos pipe replacement. Mr. Hager stated that another reason why we may want to consider the timing between the asbestos cement and the plant construction is the impact it will make on rates. Mr. Hager stated that it will drive rates up, and a \$15 million debt directly on the heel of a \$32 million plant construction will make some pretty high rates. Mr. Hager stated that staff was trying to find some middle ground in phasing these two projects without jeopardizing the water supply so that we can make the least amount of impact on the citizens and hopefully get some grant assistance. Mr. Hager stated

that that will also provide the City with additional years to contribute to the depreciation. Mr. Hager stated that we will have some money available in that fund to help offset the cost, and that is already paid for.

In response to question by Mr. Bowman, Mr. Maclin stated that funding the Rayburn Water Project by water revenues is the worst case scenario, and that there are opportunities that can be explored through grants, both public assistance grants and potential economic development grants. Mr. Maclin stated that the thing that had been discussed before he came here is if and when TNRCC/Texas Water Development Board says papermills can no longer operate on ground water, which most realists think that day will come, that papermills will have to go to surface water. Mr. Maclin stated that Donohue uses a lot of ground water and whenever that day comes there needs to be an opportunity for the City and Donohue for discussions in terms of cost sharing.

Mr. Wright stated that TNRCC is pushing the regional concept and is forcing a lot of smaller entities to get involved in regionalization. Mr. Wright stated that more than likely there will be some funding aid toward that concept, and possibly the City could receive this funding in the future. Mr. Wright stated that staff will be looking at this every year and once we receive the report back, we may need to revise our schedule and move forward. Mr. Wright stated that staff has not signed the contract yet because the details have not been worked out, but it should be signed next month and eight months from that time we should have the finished report. Mr. Maclin stated that, in his opinion, we need to wait until the study is finished before we can get a firm time frame on the Lake Project. Mr. Gorden stated that he agreed. Mr. Maclin stated that staff was trying to give the rate payers a little relief to get finished with the a/c pipe removal before we get into the lake project, otherwise we would be stacking double increases on the rates per year.

In response to question by Mr. Robertson, Mr. Wright stated that the number of water wells will be revised to add another water well if we can find the location. Mr. Wright stated that one of the problems is that we are running out of room as to where we can put a well. Mr. Wright stated that the initial report recommended three additional water wells. Mr. Wright stated that one well is being drilled this year, and one is being proposed for next year and one after that. Mr. Wright stated we would meet the time frame of the five year period for those three wells. Mr. Wright stated that this is dynamic, it is not static, it depends on City growth and what is happening at the aquifer. Mr. Wright stated that the study will include indepth population projections and an indepth look at the City's water usage since 1980.

Mr. Wright stated that Mr. Hager has had some experience in rate studies, and we might want to consider hiring an outside consultant to work with Mr. Hager on rates.

Mr. Wright stated that the City does sludge land application right now, which will not last too far into the future, and the new compost facility will be located in the Solid Waste Facility. Mr. Wright stated that he would like to be able to pump the sludge from the sewer plant just across the road and mix it with compost on site in a covered type shed where the runoff could be controlled. Mr. Wright stated that we are trying to utilize this sludge in a manner which is acceptable to TNRCC and will not cost us a lot of money. In response to question by Mr. Robertson, Mr. Wright stated that the City could provide the sludge as fuel. Mr. Wright stated that we would have to reach a Class A sludge quality, and at this time we are at a Class B.

Mr. Hager stated that to piggy back onto the rate studies, what we do have is a system that will begin to provide the information we need to look at the rates and revise our rates where needed. Mr. Hager stated that this is part of the plan and part of the financial forecasting and capital improvement program review that he would like for the City to do on an annual basis from now on.

Mr. Hager stated that he would like to list the Tax Supported Project Schedule that staff would recommend Council approval of. (The items are listed by cost and timing.) Mr. Hager stated that the Public Works facility was started last fall and because of timing we would not be proposing to sell any debt in fiscal 1999, so actually this was moved one year (2000-2004). Mr. Hager stated that if the City does sell debt it will be in early fall after the new fiscal year has begun. Mr. Hager stated that also included in this schedule are the Police Department 800 MHz system, the ambulance replacement program and pumper truck for the Fire Department, the mechanical walls, bleachers and HVAC system for the Civic Center, the parks projects would include Phases I, II and III at Kit McConnico Park, and the Hurricane Creek Detention project.

Mr. Hager stated that he would now elaborate on the general fund or tax supported side of the Capital Improvements Program. Mr. Hager stated that he had visited with Keith Cramer of the Appraisal District several weeks ago and he had provided a preliminary tax roll. Mr. Hager stated that the new assessed preliminary roll is \$1,328,000,000, which is representative of about a 6% reappraised value for existing properties. Mr. Hager stated that our new property additions are actually higher than what we estimated in the previous presentation to Council. Mr. Hager stated that staff had estimated approximately \$25 million and it is actually closer to \$27 million. Mr. Hager stated that the total property value at this point is \$1,356,000,000. The estimated exemptions, which include the over 65 and the veteran's exemptions amount to \$143.3 million. The estimated tax roll is approximately \$1,212 billion. Estimated disputed values are at 1%. Mr. Hager stated that from the taxable value of \$1,200,000,000 our current tax rate of .486977 would produce a total revenue for this coming year of \$5.8 million. Mr. Hager stated that based upon previous collection rate, they seem to average 97.5%, which he would like to see get raised to 98 or 99%. Mr. Hager stated that this reduces our revenue down to \$5.7 million. Mr. Hager stated that 36 cents is dedicated to operations and maintenance costs, with 12 cents dedicated to debt service.

In response to question by Mr. Bowman, Mr. Hager stated that the estimated collections are \$300,000 higher than over the previous year. Mr. Hager stated that if the City were to sell in this fashion, \$3.3 million in the year 2000, \$4.8 in 2001, etc., then the fund balance in our debt service fund would go from a positive \$296,000 in 1999 to a negative \$1.8 million in 2004, and that could not be possible. Mr. Hager stated that to try to get the funds to finance the \$13.3 million capital improvement program (Council approved program) what staff looked at was trying to maintain as close to the current tax rate as we can, making it as easy on the voters and as sensitive politically for the Councilmembers and staff as possible. Mr. Hager stated that staff had looked at, because of the increase in existing values, taking one cent from the current O & M tax rate and adding it to the debt service tax rate. Mr. Hager stated that the O & M tax rate is .36 cents and we are taking one penny from that and reducing the O & M tax rate and increasing the debt service tax rate by one cent. Mr. Hager stated that the O & M revenue would be reduced by \$117,071 and the debt service revenue increased by \$117,071, which would give us \$1,529,740 into the debt service fund in fiscal 2000, and a like amount with growth every year thereafter. Mr. Hager stated that if the CIP projects were funded with that change in our tax structure (with interest earnings that amount accumulates, and as you sell more bonds and the full debt service impacts us we begin to draw it down and we would end up with a negative half million dollars in fund balance in the year 2004, and that is not acceptable either). Mr. Hager stated that if we look at 3/4's of a cent in tax rate increase (this would be an increase of .0075 cents) it would increase the tax rate to .494477 and it would produce for the City \$1,617 million rather than the \$1.5 million that was on the previous slide. Mr. Hager stated that that 3/4's of a cent represents on a \$40,000 house is a \$3.00 annual increase on a person's tax bill. Mr. Hager stated that on a \$100,000 house the tax increase would be \$7.50 annually. Mr. Hager stated that if you combine the .0075 cents with a proposed bond sale schedule of \$2.7 million per year in the fourth year it would be rounded out to \$13.3 million. Mr. Hager stated that we could afford the Council approved bond program and wind up with approximately \$13,000 million in fiscal 2004. Mr. Hager stated that he