

**MINUTES OF BUDGET DRAFT PRESENTATION MEETING OF THE CITY
COUNCIL OF THE CITY OF LUFKIN, TEXAS, HELD ON THE
27TH DAY OF JULY, 1999 AT 2:00 P. M.**

On the 27th day of July, 1999 the City Council of the City of Lufkin, Texas, convened in a Budget Workshop meeting in the Council Chambers of City Hall with the following members thereof, to wit:

Louis A. 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
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
Jack Gorden, Jr.	Councilmember, Ward No. 5

being absent when the following business was transacted.

1. Meeting was opened by Mayor Louis Bronaugh.

2. BUDGET DRAFT PRESENTATION - C. G. MACLIN

City Manager Maclin stated that he would address a couple of issues as a preface. Mr. Maclin stated that on the Council table is a ranking tabulation sheet and a budget draft booklet to use as a guide for the proposed 1999-2000 budget. Mr. Maclin stated that the information under the Introduction section of the booklet is basically what he will be using as a guideline for today's presentation. Mr. Maclin stated that the introduction basically is a summary of the highlights of the budget and gives all the pertinent related information for each of the four funds. Mr. Maclin stated that the introduction gives Council all the items that effect all departments and gives specific new items in terms of personnel or new equipment.

Mr. Maclin stated that after the power point presentation is completed he would seek Council's input, questions and direction.

Mr. Maclin stated that on the priority ranking sheet, the items highlighted in blue are those items that staff is trying to make fit in this budget draft. Mr. Maclin stated that taking the dollars that were available, there wasn't enough money to fund item #1. Mr. Maclin stated that there was \$180,000 available and item #1 as ranked by the Council was \$250,000. Mr. Maclin stated that Council had directed staff to transfer approximately \$350,000 from the General Fund street department budget and to use it for reconstruction that will buy about \$4 million worth of reconstructed streets. Mr. Maclin stated that staff will be presenting a list of those streets in the not too distant future. Mr. Maclin stated that in light of that move, since we made a substantial commitment to do a \$4 million street improvement program issuing the debt from existing funds, then we skipped that item on the ranking sheet and began to try and pick up as many of the other items as we could. Mr. Maclin stated that in the case of item #2, the comprehensive plan, staff is proposing to finance that over three years. Mr. Maclin stated that item #3 is actually an upgrade in the computer network. Mr. Maclin stated that item #4 is the creek drainage maintenance. The original request for this item was for six employees and staff is proposing to fund three employees this year and three next

year. Mr. Maclin stated that equipment is being taken from the Utility Fund replacement and it will be used in the creek drainage maintenance crew. Mr. Maclin stated that the desktop specialist is the additional staff person for the Information Technology Department. Mr. Maclin stated that the Parks Grant, which is the \$10,000 that Council would put up to encourage local groups to adopt a project in a park and then have matching funds; if the group raises \$1,000 then the City can match it with \$1,000 on a 50/50 matching basis as an incentive or encouragement to service clubs and groups in the community to help improve our parks through a partnership approach. Mr. Maclin stated that the next item is the data processing, deducting \$6,000 from \$16,000, based on feedback from Council; \$10,000 of that was for Internet commerce - the ability to pay bills over the Internet. Mr. Maclin stated that the consensus of Council was that the City is not ready for that yet if it is going to cost any money. Mr. Maclin stated that under softball listed under Parks was the girl's softball complex and what staff is proposing is to include that \$66,000 in the CIP Program. Mr. Maclin stated that this can be done without any increase in taxes because \$375,000 has already been deducted to replace the mechanical walls at the Civic Center, because this item would be paid for out of Hotel/Motel tax. Mr. Maclin stated that he wanted to look at this as an opportunity because he knew that if Council did not address this, the Girl's Softball Assn. will be coming back to ask. Mr. Maclin stated that they have already made their presentation to the Parks Board and the Parks Board made their recommendation to the Council. Mr. Maclin stated that they have matching dollars that they have raised and the fact that staff can go ahead and do this project as a part of the CIP Program without a tax increase is the staff's motivation for asking Council to consider it at this time.

Mr. Maclin stated that he would now go through the introduction letter that is in the front of the packet. Mr. Maclin stated that the first item would be an overview of the General Fund, Utility Fund, Solid Waste Fund and the Civic Center Fund. Mr. Maclin stated that this budget includes and begins a major five year Capitol Improvement Program, which is a proactive move on the part of the City Council. Mr. Maclin stated that this is something that will in the long term save the citizens of Lufkin a lot of money as well as improve the quality of service to our citizens. Mr. Maclin stated that this budget also continues the emphasis on the drainage improvement program and projects, and completes the Hurricane Creek drainage study and it proposes in the CIP the construction of three detention ponds. Mr. Maclin stated that this budget also provides for State mandated personnel to enforce back flow prevention and monitoring laws. Mr. Maclin stated that in the CIP Program there are three detention ponds that will impact the east side of Lufkin, much the same as the two large detention ponds on the west side. These three detention ponds will provide drainage relief to residents on the east side and will be three smaller ponds than the larger ponds on the west side. Mr. Maclin stated that this also includes a new communications radio system for all City departments that will allow the City to meet the new Federal guidelines in the not too distant future that will require the City to have emergency communication access. Mr. Maclin stated that will also give the Police Department the ability to use their lap tops for data transmissions to send in reports from the field as well as run their own license checks from their vehicles thereby freeing up some time for the dispatcher. Mr. Maclin stated that this CIP Program also includes a replacement for a Fire Department pumper and a routine replacement of ambulances in the City's hot service. Mr. Maclin stated that this also provides development for Kit McConnico Park as recommended by the Parks Master Plan and the Parks Board. Mr. Maclin stated that a little over two years ago the City Council appointed a citizens committee to study our parks and develop a master plan and from that Council then appointed a parks board. Mr. Maclin stated that both of these groups, through the Master Plan, have recommended that we take advantage of the 289 acre resource we've had since the early '70s and develop it to its potential to meet the needs of our citizens through our youth and adult soccer programs and adult softball programs, create a regional park and also create economic and tourism opportunities through new tournaments with a quality soccer complex and quality adult softball complex. Mr. Maclin stated that we also have Civic Center repair projects funded primarily

through the Hotel/Motel Fund. Mr. Maclin stated that next is a new Public Works facility to replace our facility that was started in the early '50s and has long since depreciated beyond useful life. Mr. Maclin stated that a new facility will enhance the operations of the City and provide us with the appropriate cover that we need to adequately maintain our equipment and to centralize our Public Works Department and our Fleet Maintenance, which will expedite the maintenance of City vehicles. Mr. Maclin stated that this is a five year program for the CIP Program.

Mr. Maclin stated that in the General Fund some of the items included in this budget proposal, is the drainage swat creek maintenance crew, and this crew will be responsible to help maintain a higher level, quantity and quality, in our creek maintenance through removal of debris, brush and trash in the creek as well as some maintenance using equipment to clean out areas that have accumulated debris that is blocking the flow of the creek. Mr. Maclin stated that the Street reconstruction program will take \$350,000 of the Street Department budget to be used as amortization for debt to do a \$4 million street reconstruction project. Mr. Maclin stated that the real value of this program is longevity of City streets. Mr. Maclin stated that for the last seven years the City has made progress in terms of use of overlays to improve the quality of streets and overlays can only last as long as the base material that they are placed upon. Mr. Maclin stated that through the reconstruction program the Street Department will actually be able to reconstruct the street literally from the subgrade up and when it is completed the longevity will be significantly enhanced thereby better serving our citizens.

Mr. Maclin stated that in the Information Technology Department a data specialist has been included and a network upgrade that includes an additional server for data.

Mr. Maclin stated that also in the General Fund, Parks and Leisure Services Department includes the matching grant incentive program of \$10,000 to encourage service clubs and groups to partner with the City in park development as well as placing the Girl's Softball matching program into the CIP Program as a method of helping them through matching dollars construct three new softball fields.

Mr. Maclin stated that in the Police Department the conversion of the GEO base clerk, which was included in last year's budget as a grant to make that an ongoing position in the Police Department because of its value. Mr. Maclin stated that the Chief related to Council in his presentation that this position is pretty much paying for itself through the fines collected on the false alarm billing. Mr. Maclin stated that as was discussed back in the spring, where the City was given the opportunity for two more officers through Community Policing, this will likewise begin in October.

Mr. Maclin stated that in the Inspections Services Department we have an additional Code Enforcement Officer necessary to meet the State mandates for back flow inspection. Mr. Maclin stated that the asterisk denotes a reminder that this is a TNRCC mandate.

Mr. Maclin stated that as mentioned earlier the next item is an update of the Comprehensive Plan with three year financing of the project.

Mr. Maclin stated that looking at the revenues it is significant to note that 43%, the biggest share of the revenues for the General Fund, are from sales tax compared to only 22% from property taxes. Mr. Maclin stated that there are a lot of cities that would like to have this position, and it has both positives and negatives. Mr. Maclin stated that the positive, sales tax which are historically considered by the general public as the most fair, uniform tax, as evidenced by the passage of the 1/2 cents sales tax by the citizens of Lufkin overwhelmingly in 1988 to add 1/2 to our sales tax for the purpose of reduction of ad valorem tax. Mr. Maclin stated that the fact that it is nearly 2 to 1 now, 43 to 22, in terms of the revenue source from sales tax versus property tax is significant. Mr. Maclin stated that the only down

side to that is when there is a down turn in the economy and sales decline it makes it a lot tougher to balance the budget, whereas if ad valorem or property taxes are the major portion of your budget, when you get into an economic down turn it is historically not as devastating to a city budget. Mr. Maclin stated that when times are good we are able to make very positive progress, when we've seen development and growth as we have over the last several years. Mr. Maclin stated that as has been the case for the last several years, the majority or about 50 cents of each dollar goes to public safety - the majority of the tax dollar in General Fund is going to public safety and about 24 to 25 cents out of a dollar goes to public works projects.

Mr. Maclin stated that it is also important to note that the City's Workers Comp premiums have continued to show a positive trend in terms of expense to the taxpayer going back to 1991 when the City was paying \$753,000 a year in premiums where this year, for the third consecutive year, under \$200,000. Mr. Maclin stated that this is a tribute to the department heads and their efforts in our safety and risk management programs.

Mr. Maclin stated that the next topic is sales tax. Mr. Maclin stated that this is an indicator of our positive economy in the last seven or eight years. Mr. Maclin stated that in 1991 the City took in approximately \$5 million, and are expected to take in approximately \$8.2 million this year and \$8.4 million for fiscal 2000. Mr. Maclin stated that there has been a steady increase in ad valorem tax revenue in interest and sinking and maintenance and operation of the City budget in terms of dollars through ad valorem tax. Mr. Maclin stated that that is due to property value increases. Mr. Maclin stated that in 1994 the value of total net taxable property in the City of Lufkin was about \$890 million. Mr. Maclin stated that in 1997 the City surpassed the \$1 billion mark for the first time in the history of the City, and \$1.4 billion in the current fiscal year, and for next year the certified tax roll is \$1.23 billion.

Mr. Maclin stated that the next graph is probably the most significant graph of the presentation particularly in light of recent Sound-Off potshots regarding Kit McConnico and a host of other things. Mr. Maclin stated that looking at the City's tax rate, this is what our tax rate per \$100 valuation is. Mr. Maclin stated that in 1992 it was the same for three years in a row, and then in May of 1994 the citizens of Lufkin voted themselves a five cent tax increase for the purpose of street improvements. Mr. Maclin stated that the 1994 stret bond issue cost a nickel and produced between \$8 and \$9 million worth of street improvements. Mr. Maclin stated that that nickel was spread over two years, raising the rate three cents in 1995 and two cents in 1996 as a method of easing the burden to the taxpayer and taking a five cents tax hike approved by the citizens and spreading it over two fiscal years. Mr. Maclin stated that in 1997, '98 and '99, we are the only taxing entity, as recognized last year by the Taxpayers Association, in Angelina County, that has not raised its rate other than that that was approved by the voters during that seven year period. Mr. Maclin stated that the graph shows a slight increase where staff is proposing a 3/4's of a cent property rate increase for the purpose of the \$13 million worth of capital improvements. Mr. Maclin stated that Councilmembers should remember that we are shifting an additional penny, an existing penny from maintenance and operation tax, and moving it to I & S, and only have a 3/4's of a cent tax hike that will produce \$13 million worth of improvements to the citizens of Lufkin. Mr. Maclin stated that in 1994 the citizens voted a five cent tax increase to produce \$8.4 million worth of improvements. Mr. Maclin stated that for 3/4's of a cent, an average of \$5.07 a year to the homeowner in Angelina County, we will get \$13 million worth of improvements.

Mr. Maclin stated that for General Fund support, we shift the one cent from maintenance and operation to interest and sinking, and it will save the taxpayers money. Mr. Maclin stated that the way we will save money is if we do 3/4's of a cent now that is what will fund the \$13 million along with the one cent transfer. Mr. Maclin stated that if we waited until the year 2004 the increase would be two cents plus.

Mr. Maclin stated that in the Utility Fund we begin the asbestos cement pipe replacement program, which is utilizing the Texas Water Development Board low interest loan program for funding, and it likewise is a five year plan that over a period of five years will cost approximately \$16 million to replace 25% of the City's distribution system. Mr. Maclin stated that highlights of the Utility Fund include the addition of a back flow prevention customer service inspector as required by law, the addition of an assistant PLC technician, a skilled labor position for sewer rehabilitation to continue efforts in the City's infiltration and inflow, to purchase some property to use as a dirt pit.

Mr. Maclin stated that in the Depreciation Fund in the Utility Fund, Utility Collections has a truck replacement and some office furniture replacement, the Wastewater Treatment Plant includes a replacement of a unloader and replacement of a dump truck, the Sewer Utilities includes the replacement of a trackhoe dozer, loader with a boom, a half ton pickup and a one ton truck with utility bed. Mr. Maclin stated that the current vehicles will be transferred to the creek drainage maintenance crew, and once the new vehicles are purchased these vehicles will be transferred to the Street Department.

Mr. Maclin stated that for Utility Fund support, it will require a 2% increase in the water and sewer rates. Mr. Maclin stated the picture on the screen is a piece of an asbestos cement pipe, and the 2% increase as mentioned a year ago when the City applied for a Texas Water Development Board low interest loans would necessitate a 10% rate increase over five years, and this will be 2% per year for five years as a method of financing the amortization of the replacement of the A/C pipe.

Mr. Maclin stated that in the Solid Waste Fund, staff is proposing the addition of a rolloff container equipment operator to meet current needs. Mr. Maclin stated that this is an area the City continues to grow with construction and large service industries and the rolloff container service is not quite able to keep up with demand right now. Mr. Maclin stated that also from the Solid Waste Depreciation Fund we propose to purchase an updated tub grinder to better meet our needs with a larger capacity to handle some of the stumps that are received at the facility and we are currently unable to deal with without sending them to the landfill. Mr. Maclin stated that also included in this budget is to upgrade some computers. Mr. Maclin stated that also in the Solid Waste Fund we are proposing a 4% rate increase to meet the City's fund balance policy as determined last year. Mr. Maclin stated that last year staff told Council that in order to meet the policies that Council had established for fund balance, we needed a 10% rate hike. Mr. Maclin stated that it was agreed that 10% was a big increase all at one time, and the direction from Council was to divide it up with a 6% rate increase last year and a 4% rate increase this year in order to get our fund balance in the Solid Waste Fund up to the desired levels as established by Council policy.

Mr. Maclin stated that in the Civic Center Fund staff is proposing the replacement of the mechanical walls through lease purchase financing with funding coming from the Hotel/Motel tax in the Civic Center Fund.

Mr. Maclin stated that as we count down to the new millennium, staff believes that this budget will provide the City with the proactive infrastructure to meet the needs of our community, and will prepare us to go into the 21st century in a positive manner that provides quality City service at a cost effective price.

Mr. Maclin stated that staff is proposing the following budget schedule: The Public Hearing will be held on August 3rd, the First Reading of the Budget Ordinances on August 17th and the Second Reading on September 7th.

Mr. Maclin thanked Council for their input and direction thus far, and thanked James Hager and the Accounting Department for the countless hours they put in preparing the budget documents, and Geoffrey Leach for his assistance as the intern.

Mr. Maclin asked for Council input and any changes they would like to direct staff to make prior to next Tuesday's Public Hearing.

3. COMMENTS

Mayor Bronaugh stated that Mr. Maclin and the staff had worked many hours in the evening preparing the budget documents and the presentation was good.

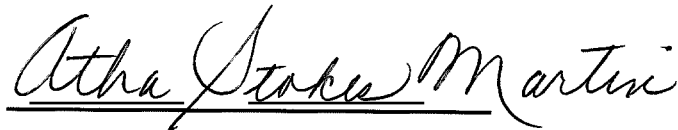
Mr. Maclin stated that he had mentioned earlier that \$10,000 had been deducted from the Data Processing line item for upgrade of the Internet and the Ecommers, and staff has been approached by Ecourt that is a relatively new company that has offered to allow the City to put on the Internet the payment of Municipal Court fines at no expense to the City and at no risk to the City. Mr. Maclin stated that this allows the citizen to input their name, drivers license number and social security number and access a ticket they may have a fine for and be able to pay it over the Internet using a Visa or Mastercard. Mr. Maclin stated that Ecourt takes all responsibility, the City will get paid whether they get paid or not. Mr. Maclin stated that basically this is a revenue neutral convenience the City can add for our citizens as a test to see if the citizens of Lufkin desire the utilization of Ecourt to pay for City services. Mr. Maclin stated that if there is not any objections, staff will move forward with a contract after review by the City Attorney. Mr. Maclin stated that this test is for one year. Mr. Maclin stated that the City will start utilizing this system as soon as September 1, but no later than October 1.

4. There being no further business for consideration, meeting adjourned at 2:40 p.m.



Louis A. Bronaugh
Mayor

ATTEST:



Atha Stokes Martin - City Secretary