

MINUTES OF REGULAR MEETING OF THE CITY COMMISSION OF THE CITY OF LUFKIN, TEXAS, HELD ON THE 16TH DAY OF DECEMBER, 1986, AT 5:00 P.M.

On the 16th day of December, 1986, the City Commission of the City of Lufkin, Texas, convened in regular meeting in the Council Chambers of City Hall with the following members thereof, to wit:

Pitser H. Garrison	Mayor
Percy Simond, Jr.	Commissioner, Ward No. 1
Don Boyd	Commissioner, Ward No. 2
Danny Roper	Commissioner, Ward No. 3
Pat Foley	Commissioner, Ward No. 4
Jack Gorden	Commissioner, Ward No. 5
Harvey Westerholm	City Manager
Brian Boudreaux	Assistant City Manager
Ron Wesch	Public Works Director
Nick Finan	City Planner
Rita Jinkins	Finance Director
Bob Flournoy	City Attorney
Atha Stokes	City Secretary

being present, and

Louis Bronaugh Commissioner, Ward No. 6

being absent when the following business was transacted.

1. Meeting was opened with prayer by Rev. Dale McClafin, Minister, Bethel Church of the Nazarene, Lufkin, Texas.

2. Mayor Garrison welcomed visitors present.

3. APPROVAL OF MINUTES

Minutes of regular meeting of December 2, 1986, were approved on a motion by Commissioner Pat Foley and seconded by Commissioner Danny Roper. A unanimous affirmative vote was recorded.

4. ORDINANCE - APPROVED - SECOND READING - ZONE CHANGE REQUEST - LARELCO, INC. - 1203 S. CHESTNUT - LB, C, SU TO C, SU (CONVENIENCE STORE - PER BUILDING AND LAYOUT IN ACCORDANCE WITH PLOT PLAN AS SUBMITTED)

Mayor Garrison stated that the Commission now had for consideration Second and Final Reading of Ordinance for Zone Change Request by Larelco, Inc. covering property located at 1203 S. Chestnut from LB, C, Su to C, Su (Convenience Store - Per Building and Layout in Accordance with Plot Plan as Submitted).

Motion was made by Commissioner Danny Roper and seconded by Commissioner Pat Foley that Ordinance for Zone Change Request be approved on Second and Final Reading as presented. A unanimous affirmative vote was recorded.

5. ORDINANCE - APPROVED - SECOND READING - ZONE CHANGE REQUEST - RAY BALDWIN - NORTH JOHN REDDITT DRIVE AND FARM ROAD 1194 - RL TO C

Mayor Garrison stated that the next item for consideration was Second and Final Reading of Ordinance for Zone Change Request by Ray Baldwin covering property located at the intersection of North John Redditt Drive and Farm Road 1194.

Motion was made by Commissioner Pat Foley and seconded by Commissioner Jack Gorden that Ordinance for Zone Change Request be approved on

Second and Final Reading as presented. A unanimous affirmative vote was recorded.

6. ORDINANCE - APPROVED - SECOND READING - ZONE CHANGE REQUEST - JESSIE LEE BAKER - 2004 WOOD STREET - RL TO RS

Mayor Garrison stated that the Commission now had for consideration Second and Final Reading of Ordinance for Zone Change Request by Jessie Lee Baker covering property located at 2004 Wood Street from RL to RS.

Motion was made by Commissioner Pat Foley and seconded by Commissioner Don Boyd that Ordinance be approved on Second and Final Reading as presented. A unanimous affirmative vote was recorded.

7. AUDIT REPORT - APPROVED - FISCAL YEAR ENDING SEPTEMBER 30, 1986

Mayor Garrison stated that the Commission now had for consideration acceptance of the audit report for the fiscal year ending September 30, 1986.

Mayor Garrison recognized Gary Johnson of Alexander and Rogers who stated that his firm appreciated the opportunity to perform audit services for the City. Mr. Johnson stated that he would not go over the entire report but would like to point out a few highlights. Mr. Johnson stated that page two of the report was an unqualified opinion which was the best opinion that an entity could receive in an audit. Mr. Johnson stated that, in his opinion, these financial statements present fairly the financial position of the City as of September 30th.

Mr. Johnson stated that page 3 of the report was the asset side of the balance sheet and was in a governmental format. Mr. Johnson stated that total assets for the year were \$42,431,384, and was substantially higher than last year's total of \$33,500,00. Mr. Johnson stated that this had been a big year financially for the City. Mr. Johnson stated that the new City Hall and sewer plant had added approximately \$9,000,000 to the City's total assets.

Mr. Johnson stated that on page 4 he would like to point out that in the General Fund there was a \$45,000 deficit which had been at \$400,000, and that the City's financial picture had improved to where it's almost out of a deficit on that particular fund.

Mr. Johnson stated that the rest of the balance sheet was the liability and equity, which showed the increase in the liabilities for the City Hall and the sewer project certificates.

Mr. Johnson stated that page 5 is the Income Statement for the Governmental Fund types and is basically the General Fund and special Revenue Funds designated by the City Commission. Mr. Johnson stated that total revenues were \$11,095,000 and total expenditures were \$13,838,000 but proceeds from Certificates of Obligation were \$2,723,258 which meant that the City had spent \$20,000 more than was collected, and the balance from that was transferred from Water and Sewer.

Mr. Johnson stated that page 6 compares the General Fund and Special Revenue Fund types with the budget, and the City had come out better than projected a year ago.

Mr. Johnson stated that page 7 was the Income Statement for the Water and Sewer Fund and shows that there was a net income of \$127,000 over the year and the retained earnings have increased from \$11,900,000 to \$13,900,000, most of which was from a governmental grant for construction of the sewer plant.

Mr. Johnson stated that page 8 was a statement of changes of financial position, which shows the increase or decrease in working capital.

Mr. Johnson stated that pages 9 thru 27 were footnotes which provided a text and summarizations behind some numbers and a number of income statements and balance sheets separated fund by fund.

Mr. Johnson stated that the Single Audit Compliance Report was A & R's opinion on how well the City complied with it's Federal and State grants and awards. Mr. Johnson stated that it was A & R's opinion that the City had complied with all of it's State and Federal grants to the full extent of the law with one exception, and that was a technical violation. Mr. Johnson stated that there had been a mistake made on one of the reports submitted to State agency where the engineering costs were miscalculated and that report has now been corrected.

Mr. Johnson stated that with every audit a study is made of evaluation of internal control. Mr. Johnson stated that it is his opinion that there are no material weaknesses in the internal control system of the City.

Mr. Johnson stated that itemized on page 2 of the management letter are items that he would like to bring to the City's attention.

Mr. Johnson stated that the first item was to reconcile fixed assets regularly. Mr. Johnson stated that the City had gone to extreme lengths to record fixed assets and to keep a tally of all fixed assets on hand. Mr. Johnson stated that it is his opinion that the total process could be enhanced by reconciling the sub-ledgers to the total amounts on a monthly basis and making adjustments as they are needed on a monthly basis. Mr. Johnson stated that currently adjustments are being made at the end of the year. Mr. Johnson stated that the next suggested change was to improve accounting for garage inventory. Mr. Johnson stated that the account balance had nearly doubled from the previous year and had to be adjusted by \$8,000. Mr. Johnson stated that it is his opinion that the adjustment is too high to be explained by miscalculations. Mr. Johnson stated that possibly the paperwork being handled from start to finish is not complete when it comes to inventory. Mr. Johnson stated that the new garage has the inventory segregated physically but that the paperwork was important too.

Mr. Johnson stated that the last item was to reduce cash overages and shortages. Mr. Johnson stated that the Water Department Supervisor had expressed some concern over this problem. Mr. Johnson stated that he would suggest that each clerk have his or her own cash drawer from which to work. Mr. Johnson stated that he would also suggest conducting surprise cash counts. Mr. Johnson stated that when one clerk replaces another and must use the same drawer, he suggests that both clerks count and verify the cash in the drawer at the time that the cash changes possession.

Mr. Johnson stated that he would like to point out one other suggestion that's not in the management letter and that was that the City has a lot of money in a local bank and the FDIC pledge is \$100,000, and the way the pledge works is that it is per custodian and not per account. Mr. Johnson stated that the City has \$100,000 of coverage from FDIC. Mr. Johnson stated that the bank will pledge securities to cover the balance the City has in the bank above the FDIC coverage should the bank go out of business. Mr. Johnson stated that there is some talk that in the future cities will be needing to require that those securities be in the name of the City and the City would have possession of the original document.

In response to question by Commissioner Simond, Mr. Johnson stated that the City could not determine where the problem exists on overages and shortages without the clerks having separate drawers. Mr. Johnson stated that the idea of the separate drawers is to isolate the problem.

City Manager Westerholm stated that each person in the Water Department now has their own drawer.

Mr. Johnson stated that the shortages amounted to \$300 this past year.

Mr. Johnson stated that all suggestions for improvements have been discussed with the City Manager and all suggestions are in process.

Commissioner Pat Foley stated that he would like for the City Manager to present a report to the Commission within 60 days on what has been done in implementing all of the recommendations.

Motion was made by Commissioner Percy Simond and seconded by Commissioner Don Boyd that audit report for fiscal year ending September 30, 1986 prepared by Alexander and Rogers be accepted as presented. A unanimous affirmative vote was recorded.

8. RESOLUTION - APPROVED - INVOICE - HODGES BUSINESS INTERIORS - NEW CITY HALL FURNITURE AND FURNISHINGS

Mayor Garrison stated that the Commission now had for consideration a Resolution authorizing Certificates of Obligation for payment of invoice from Hodges Business Interiors, Inc. for interior furnishings and furniture for the new City Hall.

Motion was made by Commissioner Don Boyd and seconded by Jack Gorden that Resolution authorizing payment of invoice to Hodges Business Interiors, Inc. in the amount of \$617.60 be approved as presented. A unanimous affirmative vote was recorded.

City Manager Westerholm stated that Jerry Hill had informed him that drawers for the council table should be installed by next meeting of this Commission.

9. RESOLUTION - APPROVED - INVOICE - TRIBBLE & STEPHENS - NEW CITY HALL EXPANSION AND IMPROVEMENTS

Mayor Garrison stated that the Commission now had for consideration a Resolution authorizing Certificates of Obligation for payment of invoice for City Hall construction and expansion.

Motion was made by Commissioner Pat Foley and seconded by Commissioner Danny Roper that Resolution authorizing payment of invoice to Tribble & Stephens in the amount of \$83,185 be approved as presented. A unanimous affirmative vote was recorded.

In response to question by Commissioner Don Boyd, City Manager Westerholm stated that there were no plans to purchase new furniture for the newly renovated Police Department. City Manager Westerholm stated that furniture that had been used in the old City Hall and the annex building would be used in the Police Department.

In response to question by Commissioner Jack Gorden, City Manager Westerholm stated that the completion date for renovation of the old building was January 15th.

10. INVOICE - APPROVED - EVERETT GRIFFITH & ASSOCIATES - STEP 3 INTERCEPTOR AND SEWER PLANT

Mayor Garrison stated that the Commission now had for consideration an invoice from Everett Griffith and Associates for engineering work performed at the new Sewer Treatment plant ending November 15, 1986.

Motion was made by Commissioner Pat Foley and seconded by Commissioner Don Boyd that invoice from Everett Griffith and Associates in the amount of \$8,241.60 be approved as presented. A unanimous affirmative vote was recorded.

11. INVOICE - APPROVED - DEEP EAST TEXAS SELF-INSURANCE FUND - GENERAL LIABILITY COVERAGE - WATER PRODUCTION & DISTRIBUTION OPERATIONS

Mayor Garrison stated that the Commission now had for consideration an additional invoice from Deep East Texas Self-Insurance Fund to insure water production and distribution operations for general liability coverage.

City Manager Westerholm stated that when the policy was written in May, the insurance company failed to include the payroll of the water and sewer department on the cost of the insurance. City Manager Westerholm stated that the company found their error and the City is now being billed for the \$13,605.00 additional premium.

In response to question by Commissioner Gorden, City Attorney Flournoy stated that he had spent quite a bit of time talking with Frank Strother of the DETSI Fund trying to determine what the limits are. Mr. Flournoy stated that there is no aggregate limit on the City's automobile policy but on the general liability policy there is an aggregate limit of \$500,000 which means that any losses during the term of policy that would be greater than \$500,000 even though they might arise from a number of different incidents, coverage would only be to the extent of the total of \$500,000. Mr. Flournoy stated that obviously this is not enough and the insurance company was surprised that this was the situation.

City Attorney Flournoy stated that Mr. Strother indicated to him that the aggregate limits will be increased up to \$2,000,000 - \$1,000,000 per each occurrence and \$2,000,000 aggregate this next year.

In response to question by Commissioner Roper, Mr. Flournoy stated that all of the City's policies have deductibles in order to keep the overall cost down. Mr. Flournoy stated that the only other alternative would be to get an umbrella policy but Mr. Strother is not sure if that would be possible.

In response to question by Commissioner Gorden, Asst. City Manager Brian Boudreaux stated that the payroll is only part of the total in equating the premium for the water department coverage. Mr. Boudreaux stated that gallons pumped, gallons billed, inspections, whether the wells are fenced and number of gallons in ground storage are also considered in equating the premium.

Mr. Boudreaux stated that the total premium for general liability coverage is \$100,000. Commissioner Gorden stated that the premium for all the City's coverage is approximately \$800,000, which is about eight percent (8%) of the budget.

Mr. Boudreaux stated that he had been in contact with TML and requested that they provide the City with a list of insurance consultants who are not directly tied to an insurance company. Mr. Boudreaux stated that he would be writing a letter to each consultant requesting a list of services they provide as far as consulting to cities for self-insurance or self-administered plans. Mr. Boudreaux stated that he had discussed with Mr. Westerholm

the possibility of the City becoming self-insured and possibly buying insurance for catastrophic cases.

Mr. Boudreaux stated that he anticipated receiving the requested information from the consultants within a month or six weeks and would like to come to a decision on same before April when the majority of the City's policies expire.

Motion was made by Commissioner Pat Foley and seconded by Commissioner Don Boyd that invoice from Deep East Texas Self-Insurance Fund in the amount of \$13,605.00 be approved as presented and that this invoice be paid out of the contingency fund. A unanimous affirmative vote was recorded.

Commissioner Jack Gorden requested that the balance in the contingency fund be available by the next meeting of this Commission.

City Manager Westerholm stated that the staff is getting proposals on being partially self-insured on hospitalization coverage.

12a. BID - APPROVED - WATER WELL #10 - EMERGENCY REPAIRS - ALSAY, INC.

Mayor Garrison stated that the next item for consideration was a bid for emergency repairs to water well #10.

City Manager Westerholm stated that water well #10 had to be shut down due to a fifty percent (50%) loss of production in the well within the last thirty (30) days. City Manager Westerholm stated that if the bowls do not have to be replaced, the total cost would be \$6,000. City Manager Westerholm stated that the extent of the problem can not be determined until the well is pulled.

In response to question by Commissioner Pat Foley, City Manager Westerholm stated some of the pumps have been in for 15 years. Public Works Director Ron Wesch stated that the pump in water well #10 had been a new pump and had not been rebuilt. Mr. Westerholm stated that it was Floyd Long's opinion that the rebuilt life of a pump is very short compared to a new pump and he would strongly recommend that a new pump be installed regardless of what the problem is when the pump is pulled.

Commissioner Foley stated that his recommendation would be to plan on replacing the pump.

In response to question by Commissioner Gorden, Mr. Wesch stated that maintenance repairs on wells is budgeted but major repairs are not.

In response to question by Commissioner Foley, Mr. Wesch stated that the City had not used the firm of Alsay, Inc. before but that the firm has a bigger operation than Layne-Texas or Layne-Western. Mr. Wesch stated that Alsay, Inc. is the number one company of its kind in the northern states and that they have only been in Texas the past five or six years.

Mr. Wesch stated that the only warranty on the equipment would be from the manufacturer of the pumping unit.

Motion was made by Commissioner Pat Foley and seconded by Commissioner Percy Simond that bid from Alsay, Inc. in the amount of \$12,392.55 be accepted as the lowest and best bid and that the invoice to be paid with funds from the Contingency Fund. A unanimous affirmative vote was recorded.

12b. BID - APPROVED - POSTER FRAMES - FORTNEY GALLERY - POSTERS FOR NEW CITY HALL

Mayor Garrison stated that bids had been received for frames for posters to be used in the new City Hall.

City Manager Westerholm stated that the posters would be hung in the work areas in the offices in the new City Hall and had been coordinated by the Art Committee.

In response to question by Commissioner Percy Simond, City Manager Westerholm stated that the collection of western pictures loaned to the City by Dr. Medford would be hung in the new City Hall in the very near future. City Manager Westerholm stated that at present there is a problem with the light reflectors in the light fixtures in the hallway and the problem would be taken care of soon.

In response to question by Commissioner Jack Gorden, City Manager Westerholm stated that the members of the Art Committee were Carol Moore, Diana Fears and Atha Stokes.

Commissioner Boyd stated that he would be interested in seeing the posters prior to hanging them in the offices. City Manager Westerholm stated that each employee had selected a poster for his individual work area.

In response to question by Commissioner Boyd, City Manager Westerholm stated that the poster frames would be paid for with Certificates of Obligation.

Mayor Garrison stated that this bid was based on work to be done and was not a lump sum bid. City Manager Westerholm stated that the bid was based on a cost per square inch.

Commissioner Foley stated that he would like to see the posters prior to any money being spent.

Motion was made by Commissioner Don Boyd and seconded by Commissioner Pat Foley that bid of Fortney Galleries be accepted as the lowest and best bid, subject to approval of the posters by the City Commission. A unanimous affirmative vote was recorded.

13. SEWER TREATMENT PLANT - CHRISTMAS GREETING - AUDIT REPORT

In response to question by Commissioner Don Boyd, City Manager Westerholm stated that the completion date for the sewer work was June of 1987.

Commissioner Pat Foley stated that this would be the last meeting before Christmas and he would like to wish each member of the Commission a Merry Christmas and that it had been a pleasure working with all of the members this year.

In response to question by Commissioner Danny Roper, Gary Johnson of Alexander and Rogers stated that he and his staff would be available for questions from the Commissioners as they review the audit report.

14. There being no further business for consideration, meeting adjourned at 6:10 P.M.


Pitser H. Garrison - Mayor

ATTEST:


Atha Stokes - City Secretary

DATE 12/16/86

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