MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF LUFKIN, TEXAS HELD ON THE 19th DAY OF AUGUST, 2008.

On the 19th day of August, 2008, 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:

Jack Gorden, Jr.	Mayor
Rose Faine Boyd	Mayor Pro Tem
R. L. Kuykendall	Councilmember, Ward No. 1
Lynn Torres	Councilmember, Ward No. 3
Don Langston	Councilmember, Ward No. 4
Phil Medford	Councilmember, Ward No. 6
Paul L. Parker	City Manager
Keith Wright	Assistant City Manager
Bob Flournoy	City Attorney
Renee Thompson	City Secretary
Larry Brazil	Police Chief
Scott Marcotte	Asst. Police Chief
Pete Prewitt	Fire Chief
Doug Wood	Finance Director
Steve Floyd	Public Works Director
Chuck Walker	Public Utilities Director
Barbara Thompson	Main Street Director
Sue Randleman	Library Director
Belinda Southern	Finance Manager
Bill Cameron	City Webmaster
Jerry Huffman	Angelina County Chamber of Commerce
Linda Parker	Agriculture Commissioner Todd Staples Office
Trent Ashby	

being present, and

Rufus Duncan	Councilmember, Ward No. 5

being absent, when the following business was transacted:

1. The meeting was opened with prayer by Pastor Ty Phillips, Redland Baptist Church.

2. Mayor Jack Gorden welcomed visitors present.

3. **APPROVAL OF MINUTES**

Minutes of the Regular Meeting of August 5, 2008, were approved on a motion by Councilmember Rose Faine Boyd, and seconded by Councilmember Lynn Torres. A unanimous affirmative vote was recorded.

NEW BUSINESS:

4. **PRESENTATION ON THE FUTURE OF TOURISM BY MR. JERRY HUFFMAN, CHAMBER OF COMMERCE**

Mayor Jack Gorden stated that the next item for consideration was a presentation on the Future of Tourism by Mr. Jerry Huffman, Chamber of Commerce.

Jerry Huffman, President and CEO of the Lufkin/Angelina County Chamber of Commerce approached the podium. Mr. Huffman thanked the Council for the opportunity to make the presentation summarizing where the Chamber of Commerce was with the tourism effort and to be able to talk to the Council about the proposal that he made to the Council several weeks earlier at a Council Workshop. Mr. Huffman stated that he brought guests to the Council Meeting that he wanted to recognize. Mr. Huffman then introduced Todd Kassaw, Chairman Elect for the Chamber Board, Victor Patel, and Tony Moline, with Angelina Beautiful Clean.

Mr. Huffman stated that the Council had copies of the PowerPoint that could be referred to, in their packets and also at their desks. Mr. Huffman stated that the importance of tourism, particularly in Angelina County, was discussed at an earlier workshop with the City Council. Mr. Huffman added that tourism was a one hundred seventeen million dollar ($17,000,000) industry in the county that continued to grow. Mr. Huffman added that the Council that had seen the hotel/motel receipts in the last few years and had observed increases in that fund. Mr. Huffman stated that the increase said a lot about the growth in the Lufkin/Angelina County area. Mr. Huffman stated that at the same time there was the seventeen million dollar ($17,000,000) industry in the Lufkin/Angelina County area, the neighbors to the north of Lufkin, which was Nacogdoches, had a seventy million dollar ($70,000) tourist industry. Mr. Huffman explained that Nacogdoches was renting more rooms than Lufkin. Mr. Huffman stated that this was the time for Lufkin to move forward and step up to improve the marketing efforts and to do a better job in promoting all of the assets that Lufkin had. Mr. Huffman stated that during the recent workshop he discussed with the Council what other tourist bureaus and communities, that were the approximate size of Lufkin, were doing. Mr. Huffman explained that those communities' budgets ranged from approximately fifty thousand dollars ($50,000) to one hundred ninety-nine thousand dollars ($199,000). Mr. Huffman added that Henderson, Marshall, Kilgore, and Mount Pleasant were in that area. Mr. Huffman explained that the Lufkin/Angelina County Chamber of Commerce was also in that area in their budget. Mr. Huffman stated that Category Three (3) was two hundred thousand dollar ($200,000) to three hundred forty-nine thousand dollar ($349,000) budgets that cities such as Conroe and Huntsville had. Mr. Huffman stated that Category Four (4) was three hundred fifty thousand dollar ($350,000) to four hundred ninety-nine thousand dollar ($499,000) budgets that cities such as the Woodlands, Longview, Palestine, and Nacogdoches had. Mr. Huffman added that one of the goals of the Lufkin/Angelina County Chamber was to get up to the level where the Chamber could compete more strongly in the process. Mr. Huffman stated that over the history of the Hotel/Motel Tax Fund, the Chamber had received a budget of approximately thirty percent (30%) of the Hotel/Motel Tax. Mr. Huffman added that the leadership of the Chamber believed that it would take more than that, to do the job that needed to be done, to promote Lufkin in the best possible way. Mr. Huffman stated that also discussed at the workshop was what the leadership of the Chamber felt was the primary markets for Lufkin. Mr. Huffman stated that Lufkin did get a lot of friends and relatives who came to Lufkin to see family, had a lot of meetings and sports events, had a great business with business travelers, and also the independent traveler that stops in Lufkin for whatever reason. Mr. Huffman explained that Lufkin could have a lot more meetings if Lufkin had a larger facility, which he hoped was on the horizon for Lufkin. Mr. Huffman added that Lufkin had a lot of corporate business in town, particularly from Mondays through Thursdays. Mr. Huffman stated that those were the areas that Lufkin needed to work on and try to improve. Mr. Huffman stated that he went through a variety of areas when he presented the budget to the Council. Mr. Huffman added that one (1) of the things that he wanted to spend a little time on was "special new projects", or areas that were new to the community. Mr. Huffman stated that one (1) was enticing film makers to the Lufkin area. Mr. Huffman explained that the Chamber had been part of the Texas Film Commission Training and was very close to getting the Lufkin community in a position to be certified by the Texas Film Commission. Mr. Huffman explained that this was done so that the Lufkin area would be on their radar. Mr. Huffman added that the City and the Chamber needed to work on that because that industry had become a huge business in the state of Texas, and other nearby states as well. Mr. Huffman stated that the City and Chamber needed to continue to develop the biking opportunities, and added that Lufkin was fortunate to have the trail at Kit McConnico Park. Mr. Huffman stated that Lufkin and the Chamber needed to seize other opportunities such as that. Mr. Huffman added that this was something that fit very well with promoting tourism, and doing what the City and Chamber could in emphasizing the Lufkin community as a "Certified Retirement Community". Mr. Huffman stated that the Chamber wanted to do a better job in promoting public arts in the area and were very fortunate to have some very unique attractions in Lufkin such as the museums, the Ellen Trout Zoo, the Exposition Center, and the First Street Arts Center. Mr. Huffman added that the City and Chamber needed to do a better job in promoting those venues and trying to get more people to Lufkin to see those facilities as well. Mr. Huffman stated that birding was a huge pastime all over the country and the Chamber and the City had not even touched the surface of what could be done in that area. Mr. Huffman stated that golf packages to Crown Colony had been done to some degree, but had never been packaged and promoted as a marketing tool. Mr. Huffman stated that the Chamber and the City needed to continue to promote getting travel writers to the area. Mr. Huffman added that there was a great opportunity to get travel writers from around the state, such as the Dallas Morning News, the Houston Chronicle, or others to come to Lufkin and take a look at the community and help the City and Chamber promote what the area already had. Mr. Huffman stated that the

Chamber and City needed to continue to promote Downtown by working more closely with Main Street to try to emphasize all of the great things in the Downtown area to continue to assist in making it grow. Mr. Huffman stated that the City and Chamber needed to continue to coordinate and promote not only the events and festivals that were already taking place, but to perhaps look at some new festivals or events that could be put together to help bring people to Lufkin's market. Mr. Huffman stated that the Chamber also wanted to do a better job in promoting Lufkin as a sports event destination and were fortunate to have great facilities. Mr. Huffman explained that there were things that could be done to bring soccer and softball tournaments to Lufkin. Mr. Huffman added that the Chamber and the City could do a better job at marketing the things that Lufkin had, by being much more specific about the types of events that could be brought to the area. Mr. Huffman stated that the total budget that was presented to the Council at the workshop was approximately three hundred forty-nine thousand seven hundred dollars ($349,700). Mr. Huffman stated that was a substantial increase from where the Chamber was currently. Mr. Huffman stated that the Lufkin Convention and Visitors Bureau budget for the upcoming year was between one hundred eighty thousand to one hundred ninety thousand dollars ($180,000 - $190,000) from the sales tax receipts. Mr. Huffman asked the question, "Where do we go from this point to get there?" Mr. Huffman stated that this was the question that the Chamber wanted to present to the Council. Mr. Huffman stated that the Chamber wanted to offer to sit down with the Council; and that from the Chamber's standpoint, put together a strategy team representing both the City and the Chamber to work out the details. Mr. Huffman stated that one (1) of the first things that the Chamber felt like both groups needed to look at was stepping up what was being done at the Tourist Bureau, by finding an experienced, qualified tourist person to take the Tourist Bureau to the next level. Mr. Huffman stated that over the past number of years the City/Chamber had a lot of good managers. Mr. Huffman added that Alisha Burrow, the current manager, was doing a good job. Mr. Huffman explained that Ms. Burrow was fresh out of college and was learning as she went. Mr. Huffman stated that the Chamber was at a point where they needed a first class, experienced, qualified person to be at the helm of the Tourist Bureau to promote Lufkin. Mr. Huffman added that the Chamber and City could work out how to handle that, as they go forward. Mr. Huffman stated that he would like the Council to proceed with a plan, put together a group that could make decisions about the necessary funding, and particularly move forward with trying to find someone to fill the key position. Mr. Huffman stated that the Chamber needed to immediately look at creating a separate organization, with an independent board of directors, called the "Lufkin Convention and Visitors Bureau", which would be a separate, non-profit entity that would have the authority and ability to guide the program in the future. Mr. Huffman added that Lufkin was fortunate to have a lot of good folks in the community, who had tourism as a specialty, and wanted to do things to help improve the community. Mr. Huffman added that Victor Patel was one of those people that the Chamber would like to put on a board, to move forward and promote tourism, as a whole. Mr. Huffman then asked the Council for questions, comments or suggestions to assist the Chamber in marketing Lufkin.

Councilmember Rose Faine Boyd asked Mr. Huffman if Angelina County contributed to the Tourist Bureau. Mr. Huffman stated that they did not. Councilmember Boyd inquired why the Council did not contribute. Councilmember Boyd stated that the Tourist Bureau served the entire County. Mr. Huffman stated that the trend across the State of Texas was that very few counties put funds into promoting tourism. Mr. Huffman added that occasionally, in the larger cities such as Houston, which was in Harris County, the county got involved in arenas and matters such as that, but not tourism specifically. Mr. Huffman stated that the counties did not collect taxes for that purpose, as the cities did. Councilmember Boyd asked if it was possible to use money from Economic Development to increase the Tourist Bureau's money. Mr. Huffman stated that he did not know if the Tourist Bureau could use Economic Development money specifically to promote tourism, but that there were probably things that the Chamber could do to brand the community in a certain way, where Economic Development and Tourism were presenting the same look. City Manager Paul Parker stated that Mr. Huffman was correct. City Manager Parker added that as far as staffing was concerned, he did not think that Economic Development funds could be used in that manner. City Manager Parker explained that promotions and attractions could be jointly funded. City Manager Parker added that part of the funds could be supplemented, but not for staffing. Mr. Huffman stated that there was a fine line between promoting tourism and the retirement initiative, because so often the goal in getting retirees to relocate to Lufkin would be to get them to first visit the area. Mr. Huffman added that there was a blend that could happen with that program, as well.

Mayor Jack Gorden stated that a point that stuck in his mind was that normally people would visit a community seven (7) times, before making the decision to relocate there. Mr. Huffman agreed that people needed a reason to visit the area.

Councilmember Don Langston stated that he was aware that the income projected from tourism was approximately one hundred seventeen million dollars ($117,000,000) for Lufkin and Angelina County, and somewhat less in Nacogdoches County; however Nacogdoches County had more stays than Lufkin. Councilmember Langston then asked for the explanation. Mr. Huffman stated that he could not give an explanation, but thought it had a lot to do with the activity at Stephen F. Austin University. Mr. Huffman added that Nacogdoches had a budget of three hundred eighty-six thousand dollars ($386,000) for their Tourist Bureau and six (6) employees. Mr. Huffman explained that certainly added something to the mix, as they were able to promote their attractions and events a lot better than Lufkin could. Mr. Huffman added that Mr. Victor Patel could comment on the situation, because he had properties in both Lufkin and Nacogdoches. Councilmember Langston inquired if there was any difference in weekend business between Lufkin and Nacogdoches. Councilmember Langston added that if Lufkin was spending one hundred seventeen million dollars ($117,000,000), then many people were coming to Lufkin to shop and then going home at night. Councilmember Langston added that evidently the same was occurring in the medical community. Mr. Victor Patel, US Hospitality, stated that he had a Holiday Inn, Hampton Inn, Comfort Inn, and the new Holiday Inn Express on the south side of Lufkin. Mr. Patel stated that also he had hotels in Nacogdoches. Mr. Patel explained that he thought there was a twofold answer to the question, and that the answer was somewhat complicated. Mr. Patel added that there had been a couple of meetings to try to figure out why Nacogdoches had more overnight stays. Mr. Patel stated that one of the largest reasons was the meeting facilities. Mr. Patel explained that the Fredonia Inn was bringing in meetings that Lufkin did not get. Mr. Patel stated that Lufkin was doing quite well on the weekdays, and that was holding fairly steady. Mr. Patel added that Lufkin was getting to a critical mass with the new Holiday Inn Express and the new Courtyard coming to Lufkin. Mr. Patel stated that there was a potential to see a new regression in hotel room tax revenue, because currently they were maximizing their rate structure for the weekdays. Mr. Patel added that would not happen later on. Mr. Patel stated that any time there was a softball event; it was a City wide event and filled up every hotel. Mr. Patel added that there were multiple brand opportunities and multiple price point opportunities, and that Nacogdoches was doing a better job with event scenarios. Mr. Patel stated that there was also an oil and gas "X" factor. Mr. Patel stated that factor was in Lufkin and Nacogdoches. Mr. Patel added that currently, Nacogdoches might be getting hit a little harder, but were reserving more rooms under development or re-development, because their total market was stronger than Lufkin's. Councilmember Langston asked if he was referring to the "meeting market". Mr. Patel stated that it was a combination. Mr. Patel explained that there was a meeting market, and with Stephen F. Austin University and the sports market, Nacogdoches got overflow business. Mr. Patel added that also Nacogdoches had not had so much new development, and that when comparing Lufkin to Nacogdoches in the same number of years, Lufkin had more new properties than Nacogdoches. Mr. Patel explained that Nacogdoches had the Comfort Inn, Hampton Inn, and Holiday Inn Express in the last ten (10) years. Mr. Patel added that there was no other new construction property in the last ten (10) years in Nacogdoches. Mr. Patel stated that in the last ten (10) years Lufkin had the Super 8, Hampton Inn, Comfort Inn, Holiday Inn Express, and a regression of older rooms. Mr. Patel explained that when there was a regression of older rooms, a higher premium could be charged for existing rooms, and even the revenue looked better, but was somewhat deceptive. Mr. Patel stated that at the Holiday Inn Express, they would rent rooms for one hundred thirty-nine dollars ($139). Mr. Patel explained that if one hundred (100) rooms were rented at one hundred thirty-nine dollars ($139), it would bring in thirteen thousand nine hundred dollars ($13,900). Mr. Patel stated that at the old Days Inn, the rooms would have been rented for thirty-nine dollars ($39).

Mr. Patel stated that he would leave the corporate events up to City Manager Paul Parker. Mr. Patel added that he thought that Lufkin had a good corporate base. Mr. Patel stated that he felt very comfortable with the corporate base. Mr. Patel added that one of the things that could be controlled from the Tourist Bureau or Chamber was sports events. Mr. Patel explained that the events really filled rooms. Mr. Patel stated if people were polled, they would say that the number one (1) thing that drew people to hotels in Lufkin was the United Pentecostal Church. Mr. Patel explained that this was not a true statement. Mr. Patel stated that the hotels had only four (4) to five (5) days of filled rooms from the event. Mr. Patel stated that more rooms were filled from baseball events. Mr. Patel added that sports events were really good and if Lufkin worked on some type of conference facility, it would drive hotel revenue. Mayor Gorden stated that it went without saying that obviously if people stayed in Lufkin's hotels they would do other things in Lufkin that would affect sales tax revenue. Councilmember Langston stated that the plight of the hotel industry was weekend business, and that was directly related to tourism and events that took place on the weekends. Mr. Patel stated that he could create a spreadsheet for the Council that would reflect the hotel's occupancy, and that the Council would see that weekends were down, except when Lufkin had an event. Mr. Patel explained that whenever Lufkin had an event, the occupancy level was up. Mr. Patel added that some of the events in Lufkin did not create revenue for the hotels, such as the Downtown Hoedown. Mr. Patel stated that even though it was an excellent event, people did not come from outside of Lufkin to the event. Mr. Patel added that the events that did create revenue on the weekends were baseball and softball tournaments.

Mr. Huffman stated that the Chamber was very close to going to bid for the Cassels Boykin expansion. Mr. Huffman added that the goal was to have Cassels Boykin Project, phases one (1) and two (2), which was the boat ramps, the parking and pavilion done by May 2009. Mr. Huffman stated that the plan would be to host the first event, which would be the Bill Shelton Awesome Fishing Tournament. Mr. Huffman added that the Chamber was already receiving phone calls about fishing tournaments being held at Cassels Boykin Park. Mr. Huffman stated that some of the major fishing tournaments, particularly the ones that brought in the top bass fisherman in the country and were televised on ESPN, would cost between fifteen thousand dollars to twenty-five thousand dollars ($15,000 - $25,000) upfront, to get them to East Texas. Mr. Huffman added that this would be what the Chamber had to look forward to. Mr. Huffman added that some tournaments brought a lot of fisherman and other tournaments didn't, but the promotion for the community outweighed those times a tournament didn't bring in as many fisherman.

Mayor Gorden thanked Mr. Huffman and stated that the Council appreciated his work with the Lufkin/Angelina County Chamber of Commerce.

5. **PUBLIC HEARING ON PROPOSED TAX RATE**

Mayor Jack Gorden stated that the next item for consideration was a Public Hearing on proposed Tax Rate.

City Manager Paul Parker stated that this would be the first of two (2) Public Hearings that were required by the State of Texas on the budget process. City Manager Parker added that the City of Lufkin proposed the fiscal year 2009 Budget to maintain the same tax rate that the City had for the last several years. City Manager Parker stated that the tax rate was $.5554 per one hundred dollar ($100) valuation. City Manager Parker explained that unless an individual's property had been reappraised, or additions or improvements to home or business had taken place, their taxes would remain the same in the City. City Manager Parker stated that the overall effective tax rate was $.545957 per one hundred dollar ($100) valuation. City Manager Parker added that in dollar amounts, the new tax rate would generate approximately four hundred twenty-three thousand one hundred dollars ($423,100) more revenue. City Manager Parker explained that out of that revenue, three hundred ten thousand three hundred sixty-four dollars ($310,364) was for new additions or improvements. City Manager Parker added that the difference in the effective tax rate and the generation was approximately one hundred thirteen thousand dollars ($113,000). City Manager Parker stated that Staff recommended that the City hold the required Public Hearing and that the City of Lufkin City Council would conduct a Special Called Meeting on Tuesday, August 26, 2008, at 12:00 p.m. for the second Public Hearing.

Mayor Gorden then opened the Public Hearing at 5:30 p.m. concerning the proposed Tax Rate. Mayor Gorden asked if there was anyone who wished to speak at the Public Hearing. There being none, Mayor Gorden closed the Public Hearing at 5:31p.m.

Mayor Gorden then asked for questions or comments from the Council. There were none.

6. **PUBLIC HEARING AND FIRST READING OF AN APPROPRIATIONS ORDINANCE – APPROVED - ADOPTING A BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2008, AND ENDING SEPTEMBER 30, 2009**

Mayor Jack Gorden stated that the next item for consideration was a Public Hearing and First Reading of an Appropriations Ordinance adopting a Budget for the Fiscal Year beginning October 1, 2008, and ending September 30, 2009.

City Manager Paul Parker stated that the Council had numerous work sessions and detailed information on the Budget; therefore he would highlight some of the major segments of the budget and then be ready to answer any questions the Council had concerning the budget. City Manager Parker stated that the budget proposal maintained the same tax rate as was previously mentioned. City Manager Parker added that the tax rate was $.5554 per one hundred dollar ($100) valuation. City Manager Parker added that the budget also proposed no increases in water, sewer, or solid waste rates. City Manager Parker stated that the Council had been able to achieve that, even though in the last one and one half (1 ½) years, the fuel bill alone had gone up over five hundred thousand dollars ($500,000). City Manager Parker stated that the City was able to accomplish this bbeing very frugal with City funds, having good department heads watching over their areas, and tightening of the belt. City Manager Parker stated that Staff had started the process and then the Council gave Staff the "go" to not increase taxes or rates on the public. City Manager Parker added that the budget that was before the Council, honored that request, and at the same time included a three percent (3%) cost of living raise for employees making above thirty-one thousand dollars ($31,000) annual salary and a five percent (5%) cost of living raise for those employees making less than thirty-one thousand dollars ($31,000) annually. City Manager Parker added that this was the first time that the cost of living raises had been split, but the Council and Department Heads' concern was that lower paid employees were feeling a higher pinch from fuel and food costs. City Manager Parker stated that for one (1) year Staff felt that it was necessary to split the cost of living increases. City Manager Parker stated that also included in the budget was additional information on the City's capital improvements through the Amortization Fund. City Manager Parker stated that other positions and changes within the budget would not be highlighted at that time, because the Council had gone through them with great detail at earlier meetings. City Manager Parker added that he would be ready to answer any questions from the Council at the conclusion of the Public Hearing.

Mayor Gorden then opened the Public Hearing at 5:35 p.m. concerning the Appropriations Ordinance. Mayor Gorden then asked if there was anyone who wished to speak in the Public Hearing. There being none, Mayor Gorden closed the Public Hearing at 5:36 p.m.

Councilmember Don Langston asked for the difference in total dollars between the current year's budget and the proposed year's budget. City Manager Paul Parker stated he would have to give the total by funds. City Manager Parker stated that the net budget revenue for the coming year was fifty-six million eight hundred seven thousand one hundred five dollars ($56,807,105). City Manager Parker stated that the current year's revised revenue, along with budget transfers, was fifty-five million two hundred fifty-seven thousand fifty-five dollars ($55,257,055). City Manager Parker stated that there was an approximate 1.6 million dollar increase in overall revenue. City Manager Parker explained that a large portion of the budget was in grants or specific funds. City Manager Parker stated that the General Fund showed a decrease, but there were transfers in, throughout the year. City Manager Parker added that overall the City was a major business, considering the City's approximate fifty-six million dollar ($56,000,000) budget. City Manager Parker stated that the budget's expenditures slightly exceeded the City's operations, in the overall proposed budget. City Manager Parker stated that Staff was hopeful that sales tax would pick up because it had been relatively flat for the last four (4) months. City Manager Parker explained that there was a 2.5% increase budgeted in the upcoming year. City Manager Parker added that approximately forty percent (40%) of the City's budget was sales tax related.

Councilmember Phil Medford moved to approve the Appropriations Ordinance adopting a Budget for the Fiscal Year beginning October 1, 2008, and ending September 30, 2009. Councilmember Rose Faine Boyd seconded the motion. A unanimous affirmative vote was recorded.

7. <u>INCREASE FROM $50,000 TO $500,000 - APPROVED - IN THE ADVANCE AUTHORIZATION FOR THE WHITEHOUSE EXTENSION PROJECT FEDERAL GRANT</u>

Mayor Jack Gorden stated that the next item for consideration was an increase from $50,000 to $500,000 in the advance authorization for the Whitehouse Extension Project Federal Grant.

City Manager Paul Parker stated that Staff was doing an internal budget transfer. City Manager Parker explained that the Whitehouse Project's total budget was four million five hundred thirty-seven thousand dollars ($4,537,000). City Manager Parker added, that of that budget, the State of Texas was contributing two million two hundred thousand dollars ($2,200,000). City Manager Parker explained that this meant that the City of Lufkin had to contribute two million three hundred thirty-seven thousand dollars ($2,337,000). City Manager Parker stated that the City was well ahead of schedule on the project, and that the City had obligated the two million three hundred thirty-seven thousand dollars ($2,337,000) to date. City Manager Parker stated that the City had a request in to TxDOT, in excess of one million dollars ($1,000,000), to be refunded, but had not received the money yet. City Manager Parker stated that Staff was requesting that Council approve to internally transfer money, up to five hundred thousand dollars ($500,000), to pay the contractor and the bills until the City received the check from TxDOT. City Manager Parker explained that the City was not over budget, but felt that five hundred thousand dollars ($500,000) would do a "bridge loan", until the money was received from TxDOT. Mayor Gorden pointed out that the funding was part of a request that Congressman Gohmert put in for the City of Lufkin. City Manager Parker stated that under the State's program, the City had to first spend the money, and then TxDOT reimbursed the City after the money was allocated. City Manager Parker added that the City was being reimbursed for part of the two million three hundred thirty-seven thousand dollars ($2,337,000) and would subsequently make additional requests, as was necessary.

Councilmember Don Langston moved to increase from $50,000 to $500,000 the advanced authorization for the Whitehouse Extension Project Federal Grant. Councilmember Lynn Torres seconded the motion. A unanimous affirmative vote was recorded.

8. **RESOLUTION AUTHORIZING AN AMENDMENT TO THE 2007/2008 OPERATING BUDGET (BUDGET AMENDMENT NO. 35), - APPROVED - PROVIDING FOR THE SUPPLEMENTAL APPROPRIATION OF FUNDS IN THE GENERAL, GENERAL CONSTRUCTION, 1999 CAPITAL IMPROVEMENT PROGRAM, 2001 STREET BOND PROGRAM, SOLID WASTE/RECYCLING RENEWAL AND REPLACEMENT, ASBESTOS PIPE REPLACEMENT, AND THE WATER/WASTEWATER RENEWAL AND REPLACEMENT FUNDS; AND PROVIDING AN EFFECTIVE DATE**

Mayor Jack Gorden stated that the next item for consideration was a Resolution authorizing an amendment to the 2007/2008 Operating Budget (Budget Amendment No. 35), providing for the supplemental appropriation of funds in the General, General Construction, 1999 Capital Improvement Program, 2001 Street Bond Program, Solid Waste/Recycling Renewal and Replacement, Asbestos Pipe Replacement, and the Water/Wastewater Renewal and Replacement Funds; and providing an effective date.

City Manager Paul Parker stated that in preparation for the presentation later in the meeting in regard to the Capital Improvements Program, Staff was working to determine all funds available for the Council to consider for projects. City Manager Parker explained that this required Staff to look at all existing projects that were outstanding, and do budget adjustments on projects where there was still money in the accounts. City Manager Parker added that some were projects that had been cancelled, but the funds had never been moved out of the account. City Manager Parker explained that it was basically a balancing act of all of the different projects, and that to his knowledge was where the City stood on all outstanding projects that had any funding effects. City Manager Parker stated that if the Council approved the Resolution, it would give Staff a better idea of how much money was available, other than bonds. City Manager Parker stated that he would go through each project one (1) by one (1).

City Manager Parker stated that Fund 300 was where the City had General Fund dollars set aside in street and drainage projects. City Manager Parker added that Fund 300 was decreasing expenditures by one hundred twenty-three thousand eighty dollars ($123,080). City Manager Parker stated that the money would go back to the General Fund, because when the City redesigned Humason and Ellis Streets, the projects were completed below the estimated budget. City Manager Parker added that the projects were completed, but the money had never rolled out of the budget back into the General Fund.

City Manager Parker stated that Fund 305 was the 1999 Certificate of Obligation Bond Construction Fund. City Manager Parker added that the Fund included approximately five (5) projects and were for the Bond Issue. City Manager Parker stated that the first item was to reconcile Fire Station No. 4's budget. City Manager Parker explained that the net effect was to decrease the project expenditure by sixteen thousand one hundred thirty-one dollars ($16,131) that was left in the account.

City Manager Parker stated that approximately five (5) years earlier, the City set up, in conjunction with an Orca grant, to do drainage improvements around Church Street. City Manager Parker explained that the funding was never adequate to accomplish the project. City Manager Parker added that there was no real need for the project. City Manager Parker stated that the overall cost for the project would have been about four (4) times the amount that was budgeted. City Manager Parker stated that Staff recommended the project be deleted, and the money returned to the Fund Balance.

City Manager Parker stated that in Fund 305 the City estimated to pay approximately ten percent (10%) of the right-of-way cost in the U.S. Highway 59 Project. City Manager Parker explained that the City had no control over how much was spent, or what it was spent for. City Manager Parker stated that the City only had the pleasure of paying ten percent (10%) of the cost of the project. City Manager Parker stated that there were three (3) properties still under condemnation. City Manager Parker added that the money had been set aside for the initial appraised value, but if the case went to court, the City could possibly pay a higher amount. City Manager Parker stated that an increase was required in the amount of two hundred seventy-seven thousand eight hundred seventy-five dollars ($277,875) to meet the current requirements in the right-of-way acquisition. City Manager Parker added that two (2) years ago, TxDOT estimated the acquisition at about two million dollars ($2,000,000), and it was now at three million two hundred thousand dollars ($3,200,000).

City Manager Parker stated that in the next Fund 305 was the Whitehouse extension. City Manager Parker explained that this was an adjustment because the price of asphalt increased.` City Manager Parker stated that the Council would recall that the City budgeted asphalt separate from the contract, because the City laid the asphalt. City Manager Parker added that this project had required a larger quantity of asphalt than was budgeted.

Councilmember Don Langston stated that he was confused. Councilmember Langston stated that the project was listed as a Fund 305 project. Councilmember Langston inquired if the project was for the road going back to FM 819. City Manager Parker stated that it was the road going back to FM 819. Assistant City Manager Wright stated that this portion was added to the original 1999 CIP. Assistant City Manager Wright added that TxDOT did a portion, and that the other portion of Whitehouse was under the street bonds that were voted and approved by the citizens of Lufkin. Assistant City Manager Wright stated that this portion was Phase III of the Whitehouse Project. Councilmember Langston asked for the amount of the total budget. City Manager Parker stated that it was four million five hundred thirty-seven thousand dollars ($4,537,000). City Manager Parker explained that the total included the purchase of land and construction for the entire project. Assistant City Manager Wright added that this included the sidewalks, pedestrian bridge, signal, and curb and gutter in areas that were not originally planned.

City Manager Parker stated that the next portion of the budget amendment was a combination of Fund 305 and 306. City Manager Parker stated that Fund 306 was the 2001 Street Bond Program. City Manager Parker explained that Staff proposed to transfer three hundred eighty thousand dollars ($380,000) from Fund 305 to Fund 306 for the overruns on Lotus Lane.

Councilmember Langston inquired if the money was for the cut/fill requirements. Assistant City Manager Wright stated that this was for the cut/fill requirements, as well as for the asphalt condition.

City Manager Parker stated that the next item on the budget amendment was for Fund 348, which was the Solid Waste Renewal and Replacement Fund. City Manager Parker explained that the Service Center Project was completed from the fund. City Manager Parker added that there was thirty-nine thousand seven hundred fifty dollars ($39,750) left in the budget to return to the fund balance.

City Manager Parker stated that the next item was also from Fund 348. City Manager Parker explained that the item was an increase of forty thousand dollars ($40,000), to cover additional concrete cost for the Fleet Maintenance facility.

City Manager Parker stated that Fund 353 would require an increase in the project expenditure in the amount of one hundred ten thousand dollars ($110,000). City Manager Parker explained that Fund 353 was the Texas Water Development Bond Project, or what was usually referred to as the Asbestos Waterline Replacement Project. City Manager Parker added that the increase was for repairs to the two million (2,000,000) gallon ground storage tank at Water Plant No. 2. City Manager Parker stated that the repair and painting of the water tanks would be completed with the additional funds.

City Manager Parker stated that the next project was also in Fund 353, and was to increase expenditures by ninety-two thousand six hundred thirty-nine dollars ($92,639) for additional bore lengths, added valves, added tie-ins, additional services and upgrade of highway crossings on the Burke Water Program.

City Manager Parker stated that the last item on the budget amendment was in Fund 380, which was the Water and Sewer Replacement Fund. City Manager Parker explained that the adjustment included several projects that were below budget. City Manager Parker stated that the Kiln Street Project was below budget and the belt press was eliminated. City Manager Parker added that the increases for Sam Rayburn Water Project and roof repair projects were in the adjustment. City Manager Parker stated that the net savings were in the amount of four hundred twenty-eight thousand nine hundred forty-eight dollars ($428,948).

City Manager Parker explained that Budget Amendment No. 35 would get every project current with existing project proposed costs, close out funds that were left in projects, or add funds to projects that had been closed out. Councilmember Langston asked what the net effect would be for overruns versus added projects. City Manager Parker explained that all of the funds, with the exception of Fund 306, was a savings. City Manager Parker added that Fund 306, which was the Lotus Lane Project, was an overage of approximately three hundred eighty thousand dollars ($380,000). City Manager Parker stated that the amount was made up through Fund 305. City Manager Parker stated that behind tab eleven (11) in the Council packet was an analysis of the available funds for capital projects. City Manager Parker added that the third page behind tab eleven (11) gave the total fund balances in each fund, if Budget Amendment No. 35 was approved.

Councilmember Lynn Torres moved to approve the Resolution authorizing an amendment to the 2007/2008 Operating Budget (Budget Amendment No. 35), providing for the supplemental appropriation of funds in the General, General Construction, 1999 Capital Improvement Program, 2001 Street Bond Program, Solid Waste/Recycling Renewal and Replacement, Asbestos Pipe Replacement, and the Water/Wastewater Renewal and Replacement Funds; and providing an effective date. Councilmember R. L. Kuykendall seconded the motion. A unanimous affirmative vote was recorded.

9. BIDS FOR THE REPLACEMENT OF ROOFING – APPROVED - AT THE WASTEWATER TREATMENT PLANT

Mayor Jack Gorden stated that the next item for consideration was the bids for the replacement of roofing at the Wastewater Treatment Plant.

City Manager Paul Parker stated that the Solid Handling Building's roof was in very poor shape. City Manager Parker added that the bladder had been repaired several times and was now pulling away from the edge of the roof. City Manager Parker stated that the apparent low qualified bidder was Carney Roofing Company in the amount of thirty-nine thousand two hundred ninety-three dollars (39,293). City Manager Parker added that the proposal was for a complete roof replacement. City Manager Parker stated that the new roof would be a TPO reinforced membrane adhered roofing system, which was the same roofing system that was currently in place on City Hall and two (2) other buildings at the Wastewater Treatment Plant. City Manager Parker added that Staff recommended the approval of the bid from Carney Roofing Company in the amount of thirty-nine thousand two hundred ninety-three dollars ($39,293) for the replacement of the roof at the Solid Handling Building at the Wastewater Treatment Plant.

Councilmember Langston asked about the warranty of the materials. Public Utilities Director Chuck Walker stated that the warranty was for fifteen (15) years. Councilmember Langston asked Mr. Walker to explain the alternate request. Mr. Walker stated that there were actually two (2) different roofs in the bid. Mr. Walker added that there was only enough funding available to have one (1) roof replaced. City Manager Parker stated that there would be enough money in the upcoming budget to replace the other roof. Councilmember Langston commented that the memo in the back up information stated that the current budget for the project was sixty-one thousand dollars ($61,000), and that the total amount for the base bid and the alternate bid was approximately fifty thousand dollars ($50,000), so it appeared there was enough money to do both. After much discussion it was determined that one (1) roof had already been replaced out of the sixty-one thousand dollar ($61,000) budget, leaving only enough money to replace one (1) additional roof. Councilmember Langston then suggested that the Council go ahead and approve the transfer of money to replace the second roof, which was the alternate bid. Councilmember Langston added that it was cheaper to replace both roofs, than to wait and go out for another bid at a later time. There was further discussion among the Council and City Staff concerning the replacement of both roofs.

Councilmember Lynn Torres then amended her previous motion to increase the roof repairs at the Water/Wastewater Treatment Plant (Fund 380) from sixty-two thousand dollars ($62,000) to eighty-one thousand five hundred sixty-two dollars ($81,562) to allow for reconstruction of two (2) roofs at the Water/Wastewater Treatment Plant instead of one (1) roof. Councilmember R. L. Kuykendall seconded the motion. A unanimous affirmative vote was recorded.

City Manager Paul Parker directed the Council back to agenda item number nine (9), which now was to consider the bids for the replacement of the two (2) roofs at the Water/Wastewater Treatment Plant in the amount of forty-nine thousand eight hundred dollars ($49,800).

Councilmember Don Langston moved to approve bids for the replacement of the two (2) roofs at the Water/Wastewater Treatment Plant in the amount of forty-nine thousand eight hundred dollars ($49,800). Councilmember Rose Faine Boyd seconded the motion. A unanimous affirmative vote was recorded.

10. CITY MANAGER'S REPORT

Mayor Jack Gorden stated that the next item for consideration was the City Manager's Report.

City Manager Paul Parker stated that the Council had already gone over much of the report during the regular meeting. City Manager Parker stated that the City was in very good shape in the General Fund's Revenues. City Manager Parker added that sales and use tax was still meeting budget. City Manager Parker reminded the Council that the City booked one (1) month late on Sales Tax, and should make total budget and be ahead by the end of the fiscal year. City Manager Parker explained that there was some concern about the water and sewer sales not meeting budget. City Manager Parker added that the month of August started off good, but then it had begun raining and had affected the sales. City Manager Parker stated that the City would more than likely have a shortfall by the end of the year in the Water/Wastewater areas. City Manager Parker explained that the sales would depend on how hot the month of September would be. City Manager Parker added that part of the shortfall was due to Con Agra closing earlier in the year. City Manager Parker stated that when the facility was reopened as Loggins Culinary, the City should see an increase in the Water/Wastewater areas again. City Manager Parker added that Pilgrim's Pride had cut one (1) line of production, and the City had now been told were advertising for employees to become fully operational and that this could also assist in increasing water and sewer sales. City Manager Parker stated that Pilgrim's had also made improvements to their wastewater treatment that could also affect the revenue somewhat. City Manager Parker stated that the City did however, have a sufficient fund balance to manage the programs. City Manager Parker stated that the remainder of the funds was right on target. City Manager Parker added that the Hotel/Motel Tax Fund was actually running ahead of expectations. City Manager Parker stated that was all there was to highlight, unless the Council had questions concerning the revenue portion of the budget.

City Manager Parker stated that Council had discussed the City's projects as they did the Budget Amendments. City Manager Parker explained that the Lotus Lane Project was in its final stages. City Manager Parker added that the Whitehouse Project was proceeding rapidly and was in fact, ahead of schedule. City Manager Parker stated that the City had planned to finish the project in November, and were optimistic at having the project completed sooner, but were not prepared to give an exact date. City Manager Parker added that the work on the bridge was going well and was the last major obstacle. City Manager Parker stated that when the bridge was completed, the City would put down the last layer of asphalt and get the traffic lights functioning.

City Manager Parker stated that there was one (1) additional street to bore and tie-ins to complete on Champions Drive at Crown Colony, and then that project should be concluded. City Manager Parker added that the City was in the closing stages of most of its major projects, which would lead the Council to further discussion on the upcoming Capital Improvements Program. City Manager Parker then asked the Council if Staff could provide any more information concerning any of the existing projects or the status of those projects.

City Manager Parker stated that the Administration/Education Building at the Ellen Trout Zoo was going exceptionally well, and that the Service Center was occupied and currently in use. City Manager Parker added that Staff would make arrangements with the Council to tour the facility, at the Council's convenience. City Manager Parker stated that some of the Council had already taken the opportunity to tour the center, and commented that Staff was proud of the facility. City Manager Parker added that the Solid Waste Facility would be ready to occupy in approximately six (6) weeks. City Manager Parker stated that whenever the old garage facility was vacated and the auction of City equipment took place, the building would be ready for the Parks and Recreation Maintenance Department to occupy. City Manager Parker explained that the old Parks and Recreation Maintenance Building would then be demolished. City Manager Parker added that everything was going very well with all of the City's construction projects. City Manager Parker reiterated that the Zoo Administration/Education Facility was on schedule to be completed in November 2008. City Manager Parker added that the Zoo Building was actually expected to be ahead of schedule, but the work on the slower internal portions of the facility was beginning.

11. CAPITAL IMPROVEMENT PROGRAM (CIP) WORK SESSION

Mayor Jack Gorden stated that the next item for consideration was the Capital Improvement Program (CIP) Work Session.

City Manager Paul Parker stated that as the City continued the process on the Capital Improvements Plan, it was important to reiterate that Staff was not looking for a quick bond program to put out to the public. City Manager Parker explained that the City was focusing on planning the projects, looking at the revenue sources, determining the projects to accomplish based on the revenue, and then look at the funding in the coming year after considering the economy as the Highway 59 construction was unveiled. City Manager Parker added that Staff was not looking to bring the plan to a fast conclusion. City Manager Parker stated that the conception was that the City would spend a lot of money in a hurry, and that was not the process. City Manager Parker added that even if the Council identified a Capital Improvements Program, the City would sell bonds only as the projects could be accomplished. City Manager Parker stated that if the City used the thirty million dollars ($30,000,000) that had been previously discussed, bonds would be sold over numerous years, in five to seven million dollar ($5,000,000 - $7,000,000) increments, as projects justified. City Manager Parker reiterated that it was not as if the City would go out and spend thirty million dollars ($30,000,000) in two (2) years for projects, and was not the intent of the program. City Manager Parker stated that the intent was to give the City a guide for the future as the existing projects were completed. City Manager Parker added that there was nothing that forced the City to rush into additional projects, without the ability to pay the dollars required to do the projects.

City Manager Parker stated that Council had in their packets, for reference points, the tentative ranking system that was agreed on. City Manager Parker added that Council also had in their packets, the projects divided into categories or departments. City Manager Parker stated that the first projects were the Parks and Recreation Department Projects, then Ellen Trout Zoo, Street Construction, Draining Improvements, and finally the Miscellaneous Projects. City Manager Parker stated that those projects were based on current dollars for the Council to use as guides during the process. City Manager Parker stated that Staff had redefined many of the projects, and looked at many different ways to do the construction and would continue to consider the project as was developed. City Manager Parker added that each project would be looked at in greater detail, at a later date. City Manager Parker explained that Staff was not attempting to have the Council determine their final list at that time. City Manager Parker added that Staff wanted to bring the list back to the Council for further study. City Manager Parker stated that Staff would explain the dollars available, and options to determine what projects the Council wished to issue debt for.

Councilmember Don Langston asked if the Morris Frank Park Baseball Expansion Project included street or parking reconstruction. City Manager Parker stated that the project included two (2) baseball fields. City Manager Parker agreed that the parking lot was in terrible shape. Assistant City Manager Keith Wright stated that Staff had talked about resurfacing the parking lot in the normal Street Department budget. City Manager Parker added that the Council had considered the parking lot at the Council Retreat, and had asked Staff to get a cost to incorporate the parking lot into the Street Department Overlay Budget. Assistant City Manager Wright stated that the City Staff could level, repair any base failures, and overlay and stripe the parking lot. City Manager Parker stated that Staff would bring a cost estimate back to the Council.

City Manager Parker stated that he did not want to concentrate on the list of projects, unless the Council had a particular question on them. City Manager Parker added that Staff would go over options for revenues and where the City stood, as it went about the development of the Capital Improvement Plan. City Manager Parker stated that in the support information was a revenue assumption sheet. City Manager Parker explained that based on the action that the Council took earlier in the meeting, it appeared that the General Fund had a fund availability to do projects by numerous options. City Manager Parker stated that there was two million nine hundred twenty-eight thousand six hundred twenty-two dollars ($2,928,622) of available funds for projects. City Manager Parker added that the figure was based on the budget estimates that included the assumption that all of the money allocated to each department would be spent, and that revenues would include only the amount previously budgeted. City Manager Parker stated that he estimated that the amount would be closer to three million five hundred thousand dollars ($3,500,000) when the upcoming budget year was concluded, because traditionally the City's revenues exceeded the budget and obviously departments did not spend all of the money allocated to them. City Manager Parker stated that three (3) months into the process, Staff should have a better figure to give to the Council. City Manager Parker stated that the remainder of the figures given to the Council was more solid. City Manager Parker explained that those figures showed the existing fund balances, after the action that the Council took earlier in the meeting. City Manager Parker stated that the 1999 CIP Program had three hundred thirty-two thousand four hundred sixty-two dollars ($332,462) available on "like projects". City Manager Parker stated that the 2001 Street Bond basically had zero, as there was only seven hundred seventy dollars ($770) remaining. City Manager Parker explained that the Solid Waste Renewal Fund had two hundred eighty thousand nine hundred sixty-eight dollars ($280,968) left in its account. City Manager Parker stated that the Water and Sewer AC Pipe Fund (Asbestos Waterline Replacement Fund) had seven hundred nine thousand nine hundred eighty-five dollars ($709,985) in unissued funds. City Manager Parker explained that the City had the availability under the loan to go up to that amount, but had not issued the debt. City Manager Parker stated that the Water and Sewer Revenue Bonds had one hundred eighty thousand seven hundred forty-two dollars ($180,742) and the Water and Sewer 1999 Bonds had twenty-two thousand seventy-four dollars ($22,074). City Manager Parker stated that the Water and Sewer Renewal and Replacement Fund had one million eight hundred eighty-five thousand nine hundred four dollars ($1,885,904), and had reserved in that fund, two million six hundred thousand two hundred sixty dollars ($2,600,260) for the Sam Rayburn Water Project. City Manager Parker added that in the entire Water and Sewer Renewal and Replacement Fund there was four million four hundred eighty-six thousand one hundred sixty-four dollars ($4,486,164). City Manager Parker stated that a lot of the fund was held back for Sam Rayburn Water or Water Enhancement Projects. City Manager Parker stated that there were numerous funds available with numerous options for the Council to use, other than issuance of debt strictly from bonds. City Manager Parker added that Staff wanted the Council to have all of the numbers available, as the development of a project or Capital Improvement Program was discussed. City Manager Parker stated that even if the Council and Staff came up with a figure of twenty-five to thirty million dollars ($25,000,000 - $30,000,000) in projects, the City would not have to sell the entire amount in bonds. City Manager Parker explained that those were the funds available to the Council at the present time for meeting all of the City's existing financial policies and reserve requirements. City Manager Parker stated that even though there was approximately three million dollars ($3,000,000) available in the General Fund, the required reserve of seven million seventy-two thousand one hundred forty-seven dollars ($7,072,147) was not affected. City Manager Parker asked Council for questions concerning the funds available for projects. City Manager Parker stated that the available dollars from the various funds totaled six million three hundred forty-one thousand five hundred twenty-seven dollars ($6,341,527) for Water and Sewer and General Obligation Projects. City Manager Parker then called on Finance Director Doug Wood to explain the remainder of the financials. Mr. Wood stated that the 1999 CIP Program was bond proceeds and the City would need to either do other projects with those funds, or transfer the money over to pay debt. Mr. Wood added that the Water and Sewer

Revenue Bonds were also bond residuals from bond proceeds, and would also have to be transferred over to pay debt.

Mr. Wood stated that included in the Council packet was two (2) legal sets of sheets. Mr. Wood asked the Council to go to the second set of sheets, as it was all inclusive. Mr. Wood stated that the report took a cash flow into and out of the Debt Service Fund, by making certain assumptions. Mr. Wood stated that the City had a water study that included some rate increases and those rate increases was for the purpose of funding and issuing approximately ten million dollars ($10,000,000) worth of sewer debt to work on the sewer lines. Mr. Wood stated that the Council and Staff had been discussing the issuance of approximately thirty million dollars ($30,000,000) for projects. Mr. Wood stated that included in the report was a CIP issue of approximately four million seven hundred thousand dollars ($4,700,000) in the year 2009. Mr. Wood explained that the first payments would be due in the year 2010. Mr. Wood stated that also included in the report, was the second issue of CO's, which would be approximately six million two hundred twenty-five thousand dollars ($6,225,000), approximately two (2) years after the City issued the first, or in the year 2011. Mr. Wood stated that the next issue would be in the year 2013, then 2014, and then the final issue would be about 2016. Mr. Wood stated that the plan was almost identical to the 1999 CIP. Mr. Wood added that the plan would allow City Staff enough time to do the engineering and other work needed to begin the program.

City Manager Parker then went over some figures for the Council to keep in mind. City Manager Parker stated that the water and sewer study said that there would be a five percent (5%) increase in water and sewer in the 2009/2010 Budget. City Manager Parker added that in the 2010/2011 Budget there would be a five percent (5%) increase in sewer alone, and in the 2011/2012 Budget there would be a six percent (6%) increase in water, and a seven percent (7%) increase in sewer. City Manager Parker added that to issue the bonds, there would be increases in water for the next two (2) years, and increases in sewer, all three (3) years. City Manager Parker stated that the Council needed to keep that in mind, as there was a correlation between the ten million dollar ($10,000,000) issue and pay. City Manager Parker stated that the Council should also keep in mind that unless water and sewer revenues were enhanced by more than customers or usage, there might be increases related to operation expenses. City Manager Parker explained that some of the issues might be pushed further out to minimize the impact on the residents. City Manager Parker added that when the Staff gave the Council the numbers, it was important to remember that it was just a scenario that could be adjusted, however the Council wanted. City Manger Parker stated that the Council was not locked into the figures that were being presented by Staff during the current meeting. City Manager Parker explained that the figures were just one (1) option that could be used for funding. City Manager Parker added that Council might choose to issue five million dollars ($5,000,000) in 2009, and then wait another three (3) years to complete the process. City Manager Parker stated that the Staff just wanted to give the Council options, but added that the Council needed to keep in mind that there was a direct price that would be charged back, at some point. City Manager Parker stated that in the sewer aspect there was little choice, because of the condition of the lines and the Texas Commission on Environmental Quality mandates, which would force the City to complete many of the sewer projects. Mayor Gorden requested that City Manager Parker refresh the Council's memory on the mandate. City Manager Parker stated that Staff did not know at that time, because the City was still doing the Inflow and Infiltration Study that was required to identify all of the projects, in every quadrant of the City. City Manager Parker added that the process would probably be another two (2) years in the future, before the final figures would be reached. Mayor Gorden stated that the study was basically related to the storm water seeping into the sewer system. City Manager Parker stated that was a major part of the problem. City Manager Parker stated that one (1) of the things that the Council discussed at the last meeting, when looking at the projects, was the possibility of having the City do its own pipe bursting. City Manager Parker stated that Staff thought there would be a lot of savings by doing that. City Manager Parker added that there may not be a lot of savings by getting into heavy construction, because it required a lot more excavators and equipment. City Manager Parker stated that there could be some savings that could be examined, as the process continued to unfold. City Manager Parker added that there could be a long term effect on projects that weren't even identified, as there were numerous maintenance problems throughout the year. City Manager Parker stated that the bond issue could not be done without some type of rate increase. City Manager Parker added that the thirty million dollars ($30,000,000) in projects that had been discussed had been planned without any tax increase. City Manager Parker stated that he did not want to confuse the General Obligation and the Revenue Bonds with the Water and Sewer Fund, which would require some revenue increases.

Mr. Wood stated that he wanted to point out that the Ad Valorem tax base calculations looked unusual because Staff had gone back and restated them, to show the effect of the Over 65 tax freeze that had been adopted in the year 2006. Mr. Wood explained that the figures were the certified amounts, and that in 2004 and 2005, there had been a ten percent (10%) increase, and in the year 2006, the amount went down three percent (3%). Mr. Wood stated that the amount did not really go down 3.75%, but the affect of the freeze was shown below in the actual tax dollars. Mr. Wood added that the Appraisal District did not give the City of Lufkin the assessed value, because they were frozen, but gave the City the tax dollars on disabled persons and those over 65. Mr. Wood then explained his assessments for the Ad Valorem Tax for the future. City Manager Parker stated that if the City just went from two percent (2%) to four percent (4%) growth in one year, it basically went away. City Manager Parker explained that if it were done in two (2) years, it would be gone. City Manager Parker stated that obviously between now and the year 2018, the odds of the City having two percent (2%) growth every year was very slim. City Manager Parker stated that the chart showed that to accomplish thirty million dollars ($30,000,000) in projects, and with a modest growth of two percent (2%), the Council could do a thirty (30) year issue with the existing debt ratio, which was 20.22% of the total taxes, without raising taxes. City Manager Parker stated that the bottom line showed that the Council had that much option. City Manager Parker added that if the Council wanted to raise thirty-six million dollars ($36,000,000), with a 2.5% growth, it could still be accomplished. City Manager Parker stated that Staff was saying that the Council had options. City Manager Parker added that Staff had mentioned the thirty million dollars ($30,000,000) in projects to the Council, to say that it would take the City six (6) years to do a bond issue, and that probably the most that Staff could handle a year, with water and sewer going on at the same time, was about five million dollars ($5,000,000) in projects. City Manager Parker explained that was how the thirty million dollars ($30,000,000) in projects had originally come into play. City Manager Parker added that the Council might only find eighteen million dollars ($18,000,000) in projects worthy, when the ranking was completed. City Manager Parker stated that he envisioned that the City would have a process and list of projects, then would go back and revisit the list every year, before the City issued any more debt. City Manager Parker explained that circumstances changed over time. City Manager Parker stated that the Highway 59 Project had changed over the past three (3) years, and the Council and Staff had discussed the three million one hundred thousand to three million two hundred thousand dollars ($3,100,000 - $3,200,000) for right of way for Highway 59. City Manager Parker added that the money was not budgeted in bond proceeds, and whenever it came up, funds had to be adjusted to cover the money needed.

Councilmember Langston stated that he was encouraged to hear City Manager Parker say that the Council and Staff would revisit the list, because the worst thing that could be done as a Council, was lock themselves into a plan, and then circumstances change in the future. City Manager Parker stated that as the Strategic Planning Meeting occurred each year, the CIP Planning should be a constant item on the agenda, and that the Council and Staff should revisit it. City Manager Parker stated that the plan had to be flexible, and that obviously the City would have to plan ahead by approximately two (2) years, because there would need to be engineering done to have a project ready for the following year. City Manager Parker added that once the first two (2) year cycle was complete, the City could have a one (1) year add-on. City Manager Parker stated that was the way he envisioned the system to work. City Manager Parker stated that if the Council determined that the City had thirty-six million dollars ($36,000,000) worth of projects, the City would only issue approximately five million dollars ($5,000,000) the first year, because that would be all that the City could accomplish. Mayor Gorden stated that he would be shocked if all of the projects on the list were able to be done. Mayor Gorden added that the Council would revisit the list each year and would make changes and additions. Councilmember Langston stated that of course, costs would also change. City Manager Parker stated that there were so many variables that could alter the process. City Manager Parker stated that the summation was that in the report given to the Council, the fund balances were given in all of the funds, and that Staff believed that the City had the conservative capacity to do thirty million dollars ($30,000,000) in projects, if the Council determined the need, over a five (5) to seven (7) year period. City Manager Parker stated that the Council also had the capacity to go above that amount, if the Council chose to do so. City Manager Parker added that the thirty million dollars ($30,000,000) was just a target number to assist with the planning. City Manager Parker stated that Staff also wanted to point out that the Water and Sewer Projects had the built in rate increases. City Manager Parker added that Staff could minimize those, and that nothing was locked in concrete. City Manager Parker stated that Staff wanted to give the Council time to review the numbers. City Manager Parker added that at a later meeting, the Council could once again prioritize the projects. City Manager Parker stated that his recommendation to the Council was as the process was started, to keep in mind that

Staff was talking about beginning in the spring of 2009 before Staff would be ready to discuss seriously about beginning the bond process. City Manager Parker added that there would be several months and several reviews and ideas in the future. City Manager Parker stated that at the next meeting, Staff would bring back refined numbers to the Council, new relocation for the East/West corridor, and some other items. City Manager Parker stated that Staff wanted to have a very thorough planning process. City Manager Parker then asked the Council if there were any questions over the financials, or where the City stood on availability to fund projects.

Councilmember Langston stated that this was exactly what he hoped that Staff would find, and that the City was headed in the right direction, and that long term planning was good for everybody.

Councilmember Phil Medford asked that when the Inflow and Infiltration Study that the City was undergoing at the present was completed, did the City have any idea on what time requirements would be placed on the City to implement the findings. Assistant City Manager Keith Wright stated that the City was currently working on an agreement with TCEQ that would outline the projects that would be proposed. Assistant City Manager Wright added that in that initial agreement the City would identify the projects that would be completed on the first round, and would have to come back and address additional projects later, because the inflow and infiltration would not be totally solved. Assistant City Manager Wright stated that the agreement would then be renewed with TCEQ, at a later date. Assistant City Manager Wright added that he thought the first agreement was for a ten (10) year period. City Manager Parker stated that this was one (1) of those agreements that the City would voluntarily do to keep from being fined. Assistant City Manager Wright stated that at the end of the ten (10) year agreement, the City would still have sanitary sewer overflows occasionally that would have to be reported, and then TCEQ would want the City to do additional projects. Assistant City Manager Wright stated that those projects would be added at the finalization of the process. City Manager Parker stated that the City did not know the total dollar amount that would be identified, because the City was just now getting down to the sections closest to the plant, where the larger trunk lines and larger dollars were involved. City Manager Parker added that the City had done a lot of the improvements in the first phases, as they were identified, but the sewer in Lufkin was probably the number one (1) problem as far as what the City needed to address, overall. City Manager Parker stated that the City would be looking at significant dollars over the next few years.

Assistant City Manager Wright stated that there was one (1) item on the water and sewer list that he wanted to point out. Assistant City Manager Wright stated that Staff had met with the Infrastructure Committee for Vision 2020, and had talked to David Collmorgen about Highway 59 North and the Loop 287 Project. Assistant City Manager Wright stated that TxDOT had made some changes and had dedicated some funding for moving ahead. Assistant City Manager Wright explained that the City did not have that in the upper portion of the project, and that it may have to be adjusted. City Manager Parker stated that TxDOT told the City that this would be done in 2010. Assistant City Manager Wright added that the project had been broken up into three (3) sections, and that the frontage roads were being eliminated, and that this may not affect the City as bad. Assistant City Manager Wright stated that the City would have to go back and look at the project again. City Manager Parker added that this was a typical example of how projects quickly changed and were often out of the City's control.

Mayor Gorden stated that before the Council went into Executive Session he wanted to take a moment to commend the City Staff. Mayor Gorden explained that he had a letter from the Mayor of McAllen, Texas, thanking the City of Lufkin, the City Council and City Management for allowing staff to go and work with the City of McAllen, in relation to Hurricane Dolly Recovery Efforts. Mayor Gorden stated that it was nice to hear from McAllen, and that Council appreciated the Staff that helped in the effort.

12. Mayor Jack Gorden recessed the Regular Session at 6:50 p.m. to enter into Executive Session.

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 Jack Gorden reconvened the Regular Session at 7:45 p.m.

13. APPOINTMENTS TO BOARDS AND COMMISSIONS – APPROVED

Mayor Jack Gorden stated that the next item for consideration was the appointment to Boards and Commissions.

Councilmember Lynn Torres moved that Council approve the reappointment of Bennie Moye to the Civil Service and Commission Board, the appointment of Howard Griffin, Sr., Mike Hineman, and Trey Burton to the Construction Board of Adjustment and Appeals, the reappointment of Lynn Torres, Jack Gorden and Phil Medford to the 4B Economic Development Board, reappoint Victor Bruce and Sumner Osgood to the Parks and Recreation Advisory Board, reappoint Stephen Greak and Ronnie Robinson and newly appoint Guessippina Bonner to the Planning and Zoning Board, reappoint Bill Philmon to the Taxicab Committee, and reappoint Luther DeBerry, Al Meyer, Jerry Benson and alternates Lacy Chimney and Rotley Tankersley to the Zoning Board of Adjustments and Appeals. Councilmember Don Langston seconded the motion. A unanimous affirmative vote was recorded.

Councilmember Lynn Torres moved that the Council disapprove the slate of officers as presented, for the Kurth Memorial Library Board, and that the Council ask the Library Board to come again with other nominees. Councilmember Rose Faine Boyd seconded the motion. A unanimous affirmative vote was recorded.

19. CALENDAR NOTATIONS FROM MAYOR, COUNCIL MEMBERS, AND CITY MANAGER

Mayor Gorden stated that the next item for consideration was the Calendar Notations. Mayor Gorden stated that the DETCOG Meeting would be Thursday, August 21, 2008, in Trinity. City Manager Parker stated that the members of the Health Insurance Board would be contacted soon about a future meeting to consider benefits and contribution rates. City Secretary Renee Thompson stated that the TML Conference would be October 28 – 31, 2008 and that everyone had been registered. Ms. Thompson stated that if the Council found that they could not attend ,to please let her know so the reservation and registration could be cancelled.

20. There being no further business for consideration, the meeting adjourned at 8:07 p.m.

Jack Gorden

Jack Gorden, Mayor

Renee Thompson

Renee Thompson – City Secretary