

**MINUTES OF JOINT MEETING OF THE CITY COUNCIL AND THE LUFKIN BOARD  
OF DEVELOPMENT, HELD ON THE  
8th DAY OF NOVEMBER 2001 AT 5:00 P. M.**

On the 8th day of November 2001 the City Council of the City of Lufkin, Texas, convened in a Joint Meeting with the Lufkin Board of Development in Room 202 of City Hall with the following members thereof, to wit:

|                    |                                      |
|--------------------|--------------------------------------|
| Louis Bronaugh     | Mayor                                |
| R. L. Kuykendall   | Councilmember, Ward No. 1            |
| Don Boyd           | Councilmember, Ward No. 2            |
| Bob Bowman         | Councilmember, Ward No. 4            |
| C. G. Maclin       | City Manager                         |
| James Hager        | Asst. City Manager/Finance           |
| Atha Stokes Martin | City Secretary                       |
| Don Hannabas       | Director of Parks & Leisure Services |

Being present, and

|                  |                           |
|------------------|---------------------------|
| Dennis Robertson | Mayor pro tem             |
| Jack Gorden, Jr. | Councilmember, Ward No. 5 |
| Lynn Torres      | Councilmember, Ward No. 3 |

Being absent when the following business was transacted.

Lufkin Board of Development Members present were:

Jim Haley – Chairman  
Jim West  
Sal Soto  
Tom Brewer  
Debbie Johnston

1. City Manager C. G. Maclin opened meeting with prayer.

**2. FUTURE PLANS AND PROGRAM AND FACILITY FUNDING FOR THE BOARD OF DEVELOPMENT**

Mayor Bronaugh stated that this is an item that was discussed at the City Council Retreat earlier this year. Mayor Bronaugh stated that Councilmembers had expressed a desire to invite members of the Lufkin Board of Development to a joint meeting to open the lines of communication and talk about the needs of the City of Lufkin.

City Manager C. G. Maclin stated that included in the meeting packet is a letter from Councilmember Jack Gorden, who was unable to be present today, but wanted to express some of his ideas regarding today's joint meeting. Mr. Maclin stated that the idea of joint meetings was discussed this May at the annual Council planning retreat. Mr. Maclin stated that Council thought it would be a good idea to meet in joint meetings with the various City boards to re-establish goals, ideas, directions, etc. for each of the boards. Mr. Maclin stated that Council has already met with the Comprehensive Plan Update Steering Committee and the Parks Advisory Board.

Mr. Maclin stated that one of the things that prompted Council to want to have a meeting with the Lufkin Board of Development is the history of expenditures in the hotel/motel fund, also known as the Civic Center Fund. Mr. Maclin stated that a packet has been provided for those present giving a five year history of that operating fund budget going back to 1997 showing what was budgeted and what was actually received in the way of receipts, and what was budgeted and what was actually spent in the way of expenditures for those years. Mr. Maclin stated that following that is a graphic portrayal of most of that data. Mr. Maclin stated that the first two pages are the Civic Center Fund or the Hotel/Motel Tax collections, specifically, and does not include revenues for rentals for the Civic Center.

Mr. Maclin stated that he wanted to point out the difference in the first two pages – the second page that has the next to the last green bar (\$656,108), that is the actual number and is an accrual number and has to do with some accounting issues carried over from one fiscal year to another. Mr. Maclin stated that he took the accrual out for ease of review on a trending basis so you can see that the trend would have been \$519,00 that year without the accrual, but with the accrual there was a little extra blip there. City Manager Maclin stated that the accrual number was actually the correct number but reflects some previous years revenue included in that particular bar. Mr. Maclin stated that rather than create an incorrect referencing point he felt like he should include both graphs to show what it would be like without the accrual and with the accrual as the official audited number. Mr. Maclin stated that the next page is the Civic Center Fund total expenditures. The next page is the Civic Center portion of expenditures. Mr. Maclin stated that the next pages are the Museum of East Texas expenditures; Tourism & Convention enter expenditures, and Exposition Center expenditures. Mr. Maclin stated that the Expo Center fund is an actual percent and represents 12% of the total receipts or 1/8<sup>th</sup> of the total receipts. It is the only entity that receives funding that is an actual percentage; all the other numbers are approved through the budget process, first as a recommendation from the Board of Development down to the City Council and ultimately finalized by the City Council through the adoption of budget for that fiscal year. Mr. Maclin stated that as a brief history of the Expo Center, that expenditure of being tied to a percentage is because historically the Expo Center has been the largest generator, year in-year out, of hotel/motel tax. Mr. Maclin stated that based on that premise it was given this special priority to be tied into a percent of the total income. Mr. Maclin stated that the “blip” year represents that accrual. Mr. Maclin stated that this is the first year for the Arts Alliance to receive funding so it did not have a history. Mr. Maclin stated that he has provided this information so that the Board could get a picture of the history of the fund and what activity has taken place both on the revenue and the expenditure side.

Mr. Maclin stated that Mr. Gorden's letter reflects some of the discussion that was one of the reasons why the Council wanted to meet with the Board of Development and let them know what was on their mind and likewise, give the Board of Development an opportunity to seek any further discussion, any ideas, any suggestions that they have for Council. Mr. Maclin stated that obviously the Board of Development has been dealing with these four or five entities, plus the Arts Alliance in the last two years, fairly consistently over the past 11 years. Mr. Maclin stated that during that 11 year period was when the Forestry Museum was added in the early '90's as a recipient. The Museum of East Texas was added before that, as was the Exposition Center. Mr. Maclin stated that the Tourism & Convention Bureau began as a contract with the Chamber of Commerce about 1990-'91.

Mr. Maclin stated that what the Council discussed specifically at the retreat is reflected to some extent in Mr. Gorden's letter. Mr. Maclin stated that when the Civic Center was built in 1976, the intent of the Council at the time was to use revenues generated by the Civic Center fees as well as the Hotel/Motel tax as the primary resource to fund the operation of the facility. Mr. Maclin stated that it was their desire to have enough revenues to support it with this fund without having to dip into the tax funds – the City's General Fund.

Mr. Maclin stated that since building the Civic Center over 25 years ago, now it has depreciated and there are some big-ticket items (carpet replacement, bleacher replacement, mechanical wall replacement, etc.). Mr. Maclin stated that the Director of the Civic Center has provided a multi-year list of things that need to be done over the next few years. Mr. Maclin stated that in light of that history, and in light of these new expenses, Mr. Gorden is suggesting that we perhaps cap out the existing entities that are receiving funds so that all the new revenues could be dedicated back to the Civic Center to help offset some of these depreciation costs. Mr. Maclin stated that Mr. Gorden was also saying in #2 that any new program probably needs to be bounced off of Council as a referencing point. Mr. Maclin stated that the only new one that has been done recently is the Angelina Arts Alliance and the way that was presented to the City was that they needed some startup money as a short-term request and would not be needed once they got fully established. Mr. Maclin stated that it was a little too early to tell but if you go based on the first four events they had, they have done very well in terms of attendance and it might become a true prediction.

Mr. Maclin stated that basically the comment here is let's bounce it off of Council if we have any new requests and in reality we don't want any new requests.

Mr. Maclin stated that in #3 of Mr. Gorden's letter, if the current beneficiaries should coincide with how much generation of local tax, particularly in the way of hotel/motel visits this certainly is something this Board has consistently told the Tourism and Convention Bureau specially that we want to put our highest priority and biggest dollar expenditure in programs or ideas that create additional hotel/motel nights. Mr. Maclin stated that that has been the focus of the Board of Development since 1991 because that is how long he has been here and knows that for a fact.

Mr. Maclin stated that in #4 he says he would like to see any revenues reserved for the eventual construction of a new convention/civic center on the south side of town near the hotels. Mr. Maclin stated that this reflects an idea that has been discussed for the past six months as part of the Comprehensive Plan update. Mr. Maclin stated that the Comprehensive Plan update is something that has not been done in the last 12 years and that the process is nearing completion. Mr. Maclin stated that there would be a Public Hearing coming up pretty quickly and once it goes to Council, if Council adopts it, it will become the new Comprehensive Plan for serving as our guideline for the next 10 years, approximately.

Mr. Maclin stated that within 10 years was recommended and agreed upon by the Steering Committee that we consider a Convention Center next to the hotels on the south side of town and/or near Interstate 69, which is probably more in the 15 year realm before it becomes a reality.

Mr. Maclin stated that Dan Sefko, the Comprehensive Plan consultant, says this is something based on his experience and purview from other communities that would be a very positive thing for our City to consider as part of our Comprehensive Plan in the future.

Mr. Maclin stated that we know that over the last 10 years one of the issues that have prevented us from garnering more conventions than we have is close proximity to hotels. Mr. Maclin stated that we also know by design that our Civic Center is more of a community Civic Center than it is as a Convention Center and that we could actually attract a different clientele and an expanded market with a convention center facility as opposed to a civic center facility. Mr. Maclin stated that in his opinion Mr. Gorden is saying that we need to hold the line at what the current levels of spending are and to be fair about it, let these entities who are receiving hotel/motel funds know that we are thinking about making some redirection and they need to be prepared to find other alternatives. Mr. Maclin stated that the City can - #1, make sure that our current 25 year old Civic Center facility is in first class condition and is maintained properly, and #2 - hope that we build up a nest egg of funds that could be used as a startup towards a new convention center several years down the road.

In response to question by Debbie Johnston, Mr. Maclin stated that the old Civic Center facility would be aimed at local functions and the new facility will be aimed at targeting outside functions. Mr. Maclin stated that a City our size, based on current growth projected for the next 10 years, we probably would need and could support both types of facilities. Mr. Maclin stated that this would necessitate a study committee made up members of the City Council and Board of Development to see what the consensus of opinion is of the best needs of the community.

Councilmember Bob Bowman stated that the City never has been successful in bringing in big conventions. Mr. Bowman stated that Nacogdoches has done a better job than Lufkin has. Mr. Bowman stated that another dimension to this is that we need a stand-alone Visitors Center on the south side of town.

Councilmember Boyd stated that Mr. Patel, who owns one of the hotels on the south side of town, has stated that he is willing to help the City in building a convention center. Mr. Boyd stated that a bond issue was voted on and passed for the construction of the Civic Center but it was 8 or 9 years before it was actually built and by that time the cost

to build the facility had gone up and they had to cut down on the size and it was too small.

Mr. Maclin stated that if you could find a way to reserve some of the hotel/motel funds for debt retirement you could find a way to finance a \$10 million convention center.

Mr. Bowman asked if, in addition to pure money that goes to these groups, do we provide any other City assistance to them. Mr. Maclin stated that the Museum of East Texas has a contract with the City to provide utilities basically for perpetuity. Mr. Maclin stated that because it is on City property the City does water repairs and maintenance issues as it relates to outdoors. Mr. Maclin stated that the City has made the arborist available to them, along with the Parks Department and Street Department, and it has been an in-kind thing because it is on City property. Mr. Maclin stated that the utilities represent \$28-30,000 of their \$50,000 budget. Mr. Maclin stated that between \$25-30,000 is mandated by contractual agreement with the Museum.

Mr. Maclin stated that the Expo Center provides storage for our bleachers and portable stage, which is for the whole community and not just the City, although we were the recipients of a grant that created that facility that is used for Special Olympics, etc.

Mr. Maclin stated that most of their increase over the last 4 or 5 years has been to get personnel for a visitor greeting – going back to the '97 budget it was primarily marketing cost and they came to the Board with a request for a visitor greeting secretary/clerk person who would be a host to greet folks. Mr. Maclin stated that that was the kind of thing that bumped them to the next level and then most of the increases after that were fully funded in FY1999.

Mr. Haley stated that he is not sure there is enough money to do all these things and if they try to pick up all the Civic Center capital expenditures there won't be enough money.

In response to question by Jim West, Mr. Maclin stated that there are currently no plans underway for a Convention Center and it has just now been talked about during the Comprehensive Plan Update meetings. Mr. Maclin stated that it has been a fleeting idea at a couple of the Council retreats the last few years, but there has been more recent discussion during the Comprehensive Plan update and it comes as a recommendation to be included in the plan within the next 10 years. Mr. Maclin stated that the Plan does not specify which year in the 10-year plan it will be constructed. Mr. Maclin stated that the financing of it would be a key question that will have to be answered to determine that timing. Mr. Maclin stated that it has been mentioned at least three times in the Comprehensive Plan Update committee meetings.

Mr. Haley asked if the proposed Convention Center would be self-funding through its revenues or would it be like the Civic Center. Mr. Maclin stated that he was certain that it would be like the Civic Center. Mr. Maclin stated that if you charged fees high enough to cover operating expenses then nobody could afford to utilize the facility. Mr. Maclin stated that the strategy that most cities have is that we will have to supplement it with other revenue but it will be offset by the positive impact that comes from the visitation and tourism and the sales tax that is generated and the new hotels that are built. Mr. Maclin stated that as we get closer to this getting to be an implementable idea we will investigate the marketing out there and get with the hotel/motel folks and get some referencing from their chains in cities with 30-60,000 population. Mr. Maclin stated that our daytime population in Lufkin is over 100,000 because of the visitation to the medical facilities and other services we provide, plus the people who are driving here to work.

Mr. Maclin stated that going back to the original question, the Convention Center will help pay for itself with increased sales tax and increased property tax by the additional folks who come and visit the community.

In response to question by Mayor Bronaugh, Mr. Maclin stated that the new hotel on the south end of town submitted a building plan to the City that included a small meeting facility that was 10,000 SF and it was going to be targeted at the service clubs to have a place to meet and have a meal and also utilized as a supplement for people staying in the hotel to have a meeting place. Mr. Maclin stated that this was before the Hampton

Inn was built and now there is not adequate room to put in a 10,000 SF facility because of the parking requirements. Mr. Maclin stated that Mr. Patel did tell the City that he is interested in working with the City and the community in getting a Convention Center. Mr. Maclin stated that Dan Sefko stated that it was logical to have a facility of this type closer to the hotels that are located on the south side of town.

In response to question by Tom Brewer, Mr. Maclin stated that one of the ideas that some folks have discussed with him is the consolidation of the Tourism Convention Center and the Civic Center. Mr. Maclin stated that part of what is funded out of the \$200,000 for the Tourism & Convention Center is personnel costs. Mr. Maclin stated that on the down side is if a new Convention Center is built part of what will be required is more personnel for staffing. Mr. Maclin stated that if we tried to do a cost efficiency of consolidation, we would have to spend some capital cost up front to add onto the Civic Center to come out onto the plaza for a directors office or a location where it would be accessible by the public whether the Civic Center was open or not, and would have its own independent heating and cooling, etc. Mr. Maclin stated that we would have to look at that if that is something the City Council and Lufkin Board of Development mutually felt like it might be beneficial then he would say we would want staff to come back with some numbers for that consolidation.

In response to question by Mr. Brewer, Mr. Maclin stated that what he was accurately portraying was the need to go back to what Mr. Gorden put in item #3 of his letter and that is if you ask for and receive more money you need to show measurably the cost benefit analysis of that extra money in terms of generation of new tourism dollars. Mr. Maclin stated that whoever we contract with to provide that service we would ask them to do a better job of documentation than has been done in the past.

In response to question by Councilmember Bowman as to whether the Chamber contributes anything to that program, Mr. Maclin stated that the Chamber does charge all their utility costs, like phone, Internet and a portion of the utility for the office (square footage), and the Chamber uses that receptionist person as their receptionist. Mr. Maclin stated that the person that the Tourism dollars pays for is that person who sits at the front desk at the Chamber. Mr. Maclin stated that there is a duplicity or an overlap of function between the Tourism receptionist and the Chamber receptionist. Mr. Maclin stated that after visiting with several past Tourism Directors everyone of them without exception during or after they left the Chamber Tourism Bureau each one of them told him that they did not get the utilization of that person that they felt like they needed. Mr. Maclin stated that the salary is paid 75% by the Tourism Convention Bureau and 25% by the Chamber.

In response to question by Councilmember Bowman, Mr. Maclin stated that having the Tourism Convention Bureau in City Hall has some advantages and disadvantages – the disadvantage being that of access. There is no question that the Chamber right off the Loop is more accessible than City Hall. Mr. Maclin stated that there is no question that there are some economies of scale that you could take advantage of in terms of computer cost, Xerox costs, networking, etc. that would be much cheaper net per unit than the free standing costs that we have at the Chamber. Mr. Maclin stated that in the Comprehensive Plan it talks about the expansion of City Hall, which has almost been maxed out since being built in 1986.

Jim West asked if the letter from Councilmember Gorden represents the feelings of the whole City Council. Councilmembers Bowman and Boyd stated that it represented their feelings. Mayor Bronaugh stated that nobody on the Council objected.

Mr. Brewer asked that when the next Board of Development budget is drafted should "X" percent be designed for the Civic Center and what is left will go to the other entities. Mr. Maclin stated that a good way to answer that is if you look at the 5-year average and you take 7% of that number that is all the revenue you will have.

Debbie Johnston stated that she agrees with the need for a new convention center but was wondering if there are opportunities to research other creative ways to fund a convention center. Mr. Maclin stated that there are public/private ventures. Mr. Maclin stated that the Nacogdoches Convention Center is a public/private venture. Mr. Maclin stated that to be realistic, the City would have to look at ways to amortize the debt

through other sources other than just hotel/motel tax funds. Mr. Maclin stated that you would be looking at the hotel/motel to augment some of the operating costs. Mr. Maclin stated that also you would have to find other alternatives through capital improvements or bond elections or something that would pay the construction capital outlay cost. Mr. Maclin stated that at our current rate unless we quadruple our number of motels over the next five years, you would never have the volume of dollars necessary to amortize that type of debt. Mr. Maclin stated that that might be something that Council would have to make the decision that they were willing to invest that amount of money amortized over a period of years or there is always the possibility of taking it to the voters and seeing if it is something the voters could support.

Mayor Bronaugh stated that over the last three or four years the Council has been seriously considering the Civic Center problems. Mayor Bronaugh stated that he did not look forward to a bond election for a Convention Center because these have been very difficult in the past in other East Texas cities. Mayor Bronaugh stated that Council and staff should continue to meet with the hotel/motel group here in the City to get in partnership with them.

Mr. Maclin stated that this is to some extent a vehicle that is used to help focus the tourism council and representatives from the hotel/motel on the Tourism Council and tries to come up with ideas and suggestions to get a consensus of opinion. Mr. Maclin stated that if the City could find a way that would consistently generate additional hotel/motel nights that gets our occupancy up to a significantly higher level that's the type of activity that will prompt the creation of additional hotel rooms. Mr. Maclin stated that the hardest part for him after reviewing this for 11 years is to identify the down months and try to find some activity that picks up the down months. Mr. Maclin stated that the Pentecostal meetings in June are probably the highest attendance months with the baseball playoffs following in the summer months.

Jim Haley asked what have we said here – have we said that we are going to lock in what we are contributing to these entities other than the Civic Center and are we going to start reducing those, and an additional question about the Expo Center – are we going to lock in the dollar amount or continue to pay a percent?

In response Mr. Maclin stated that, based on discussion with Council, yes, we are locking in at current levels of contribution or expenditures the entities that receive money. Mr. Maclin stated that the desire is to focus or rechannel to whatever degree we can monies toward entities that generate #3 in Mr. Gordon's letter – the ones that create the most revenue by virtue of hotel/motel night generation. Mr. Maclin stated that basically this is a ceiling or a cap for everybody that receives funds right now.

Mr. Maclin stated that there was discussion two budget years ago when Mr. Gordon made the suggestion to cap the Expo Center at its current level and take it off the percentage, but he changed his mind later and we went back to the percent, and in his opinion, that was due to the rethinking process of the fact that the reason they were at that tied in percentage was because they were the largest hotel/motel generator.

Mr. Maclin stated that we would have to ask Council if they have an opinion whether to cap or lock the Expo Center at its current maximum or retain its percent. Mr. Maclin stated that he thinks we are all at a consensus since we are capping everything else at current levels so that whatever growth we have can be applied to the Civic Center or future Convention Center at some point. Councilmember Bowman stated that that was accurate.

Mayor Bronaugh stated that Council is sending a message to these entities across the City that in the future they need to look for some more innovative financing for their purposes.

Mr. Maclin stated that we are looking at the potential of a long-range plan to reallocate a portion (one eighth of a cent) of our sales tax for ad valorem reduction if that can be done without a tax increase then to reallocate that as an eighth of a cent for Economic Development. Mr. Maclin stated that that was what has been discussed in August and September as the long-term solution for funding for the Economic Development Partnership. Mr. Maclin stated that if that were to happen, and the voters were to

approve that, then it would become the Lufkin Economic Development Corporation. Mr. Maclin stated that in the "4B" category there are opportunities for recreational type facilities that are eligible, but he is not certain if under the "4B" category Convention Centers would be eligible but he would check.

Mayor Bronaugh stated that the Council appreciated the efforts of the Lufkin Board of Development and are open to any suggestions they might have.

Councilmember Bowman stated that he, too, appreciated all of the hard work and dedication of the Board of Development and that they are doing a fine job.

3. There being no further business for discussion, meeting adjourned at 5:00 p.m.

  
Louis A. Bronaugh  
Mayor

  
Atha Martin  
City Secretary