

MINUTES

Regular Meeting
City Hall Council Chamber

December 21, 2015
Monday, 6:00 p.m.

Present: Mayor O. Stanhope Anthony III, presiding; Council Members Eric B. Hendrick, David W. White, David Causby, Dennis C. Bailey, Ben Kittrell, Dicky Amaya; City Manager Rick Howell, City Clerk Bernadette A. Parduski, NCCMC, MMC, City Attorney Robert W. (Bob) Yelton, Director of Finance Justin S. Merritt, MPA, Assistant Director of Finance Elizabeth B. (Beth) Beam, CPA, Director of Human Resources Deborah C. (Deb) Jolly, Director of Energy Services Julie R. McMurry, Police Chief Jeffrey H. (Jeff) Ledford, Fire Chief William P. Hunt, MPA, EFO, Director of Parks and Recreation Charlie Holtzclaw, Director of Planning and Development Services Walter (Walt) Scharer, AICP; and Reporter Joyce Orlando of The Shelby Star

Mayor Anthony called the meeting to order at 6:00 p.m. and welcomed all who were in attendance. The Mayor gave the invocation and Mr. Amaya led the *Pledge of Allegiance*.

A. Approval of agenda:

- 1) Motion to adopt the proposed agenda

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously to approve the agenda as presented.

B. Special Presentation:

- 1) Annual Audit Report and Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) ended June 30, 2015 – Meg Carter Blue, CPA, Senior Audit Accountant, Martin Starnes & Associates, CPAs, P. A.

Mr. Merritt introduced Meg Blue with Martin Starnes & Associates to present the fiscal year 2015 audit. He added the City's audit has been submitted to the North Carolina Local Government Commission as required by law and positive acceptance has been communicated. Mr. Merritt encouraged Council to ask questions about the audit and financial statements of staff and/or Mrs. Blue.

Mrs. Blue began her presentation of the City's 2015 audited financial statements by stating the Martin Starnes' report yielded an unmodified opinion. This parallels the unqualified opinion of previous years on the fair presentation of the basic financial statements in all material respects in conformity with accounting principles generally accepted in the United States. Martin Starnes has issued its report in which no questioned costs or findings were noted. Mrs. Blue also acknowledged the full cooperation of the Finance Department during the audit process. She mentioned the City of Shelby implemented Statement of Governmental Accounting Standards (GASB Statement) No. 68, Accounting and Financial Reports for Pensions, during fiscal year 2015.

Mrs. Blue described the audit process, which continues year round, and includes planning and risk assessment, interim procedures, as well as final procedures.

Mrs. Blue detailed the audit highlights which include maintaining property tax revenues and the collection of property taxes at a high collection percentage rate when comparing 2014 and 2015. There was a 3.6 percent increase in property tax revenues in 2015.

Next, Mrs. Blue summarized and compared General Fund revenues and expenditures (operating) for 2014 and 2015. In 2015, revenues increased by 3 percent and expenditures increased by 8.8 percent. She stated fund balance includes these five categories: Non-spendable, restricted, committed, assigned, and unassigned classifications, and serves as a measure of the City's available financial resources. Available fund balance as defined by the Local Government Commission (LGC) is calculated as Total Fund Balance less Non-spendable, less Stabilization by State Statute (restricted) which then equals Available Fund Balance. This calculation is utilized as the basis for comparing Shelby to other units of similar size as well as calculating fund balance percentages.

At the end of the current fiscal year, fund balance available in the General Fund was \$5,589,189, while total fund balance reached \$8,923,797. There was an increase of approximately \$1 million in available fund balance in 2015. Available fund balance represents 26.69 percent of total General Fund expenditures and transfers out to other funds, representing three months of reserve.

The audit revealed the top three sources of revenue as property taxes, other (restricted) revenues, and other taxes and licenses with all revenues totaling \$16,528,930.

Mrs. Blue noted the City's top three expenditures by function of government were public safety, other expenditures, and general government, all totaling \$20,676,398.

Lastly, Mrs. Blue stated the City of Shelby uses enterprise funds to account for its water, sewer, electric, and natural gas operations, as well as its housing assistance program, which the US Department of Housing and Urban Development requires to be accounted for in an enterprise fund. She reviewed the unrestricted net position, cash flow from operations, and change in net position at the fiscal year-end for each enterprise fund.

Unrestricted net position for the major enterprise funds at the fiscal year-end:

- Water Fund – \$4,985,291
- Sewer Fund - \$202,770
- Electric Fund – \$5,704,645
- Gas Fund – \$8,146,684

For clarification purposes, Mr. Howell noted the following:

- The increase in property tax revenues is not a net number since it does not include the annual incentives awarded to industries.
- Regarding the overall increase in General Fund spending, over \$1 million was spent on various parks and recreation projects as well as improvements to the Police Department building.
- The General Fund Total Fund Balance increase of approximately \$1 million is mostly loan proceeds which had not been paid out in the last fiscal year.
- The sales tax base has been broadened to include more services and does not necessarily represent growth, thus impacting the City's receipts.
- The Water Fund is in a strong position, with both the Eastside Water Tank Project and the Grover-Morgan Waterline Project pending.
- The Sewer Fund is holding its own, noting the City has not been reimbursed from financing sources for the Wastewater Treatment Plant and Outfall projects.

- The Electric Fund's net position indicates that sales were down and there was an increase in operating costs.
- The Gas Fund's decrease in net position reflects appropriations for various projects in the Parks and Recreation Department, the Police Department, and the Foothills Commerce Center Mass Grading Project.

Council received the information and took no action.

C. Public Comment: None

D. Public Hearings:

- 1) Consideration of an ordinance to extend the corporate limits of the City of Shelby, North Carolina: Ordinance No. 65-2015

Utilizing a location map of the area, Mr. Scharer pointed to the subject property on Plato Lee Road acquired by the City as the site of the West Side Water Tank. This property is contiguous to the western satellite annexation area of PPG Industries and KSM Castings.

Mayor Anthony opened the public hearing at 6:22 p.m. and invited comments from the public.

The public offered no comments and Mayor Anthony closed the public hearing at 6:23 p.m.

ACTION TAKEN: Upon a motion made by Mr. Amaya, City Council voted unanimously to approve and adopt Ordinance No. 65-2015 entitled, "AN ORDINANCE TO EXTEND THE CORPORATE LIMITS OF THE CITY OF SHELBY, NORTH CAROLINA".

- 2) Consideration of an ordinance designating a local historic landmark – Moore-Willis House, 517 West Marion Street, Shelby, North Carolina: Ordinance No. 66-2015

Mr. Scharer introduced Ordinance No. 66-2015 for Council's consideration. He explained that since 2005 the Cleveland County Historic Preservation Commission (CCHPC) has served as the Historic Preservation Commission for the City of Shelby through an inter-local agreement. The CCHPC is solely responsible for reviewing and designating historic landmark properties. Mr. Scharer stated an application has been received for the Moore-Willis House at 517 West Marion Street from the property owners, Bill and Myra Willis. The CCHPC has communicated to the City the applicable state and local

ordinances governing local landmark designation have been complied with fully.

Mr. Scharer pointed out a landmark designation has two main consequences:

- An owner who wishes to make changes to a property designated as a historic landmark must first have the plans reviewed and approved by the commission and by applying for a certificate of appropriateness.
- The owner of a designated landmark property may apply for an annual 50 percent property tax deferral for as long as the property's important historic features are retained.

Mr. Scharer added when a property is designated as a historic landmark, the designation is filed with the title to the property. Future owners of the property are subject to the designation unless it is revoked. The Moore-Willis House is a contributing structure in the National Register-listed Central Shelby Historic District.

Lastly, Mr. Scharer stated City Council must hold a public hearing prior to adopting any ordinance designating a historic landmark property. He acknowledged Cleveland County Planning Director Bill McCarter was present representing the CCHPC.

Mayor Anthony opened the public hearing at 6:25 p.m. and invited comments from the public:

Bill McCarter, Cleveland County Planning Director, and on behalf of the Cleveland County Historic Preservation Commission, stated Architectural Historian Heather Fearnbach prepared the Landmark Designation Application. Miss Fearnbach noted the 1907 Neoclassical Revival-style house was one of the most architecturally sophisticated dwellings erected in Shelby during the twentieth century. The spacious residence designed by Charlotte architect, Richard C. Biberstein, expressed the wealth and status of its original owners, James and Mary Moore. Mr. McCarter commended the current owners for their care and attention to preserving this piece of Shelby's history.

Mr. McCarter further discussed the certificate of appropriateness process. Any substantial exterior design changes to a designated landmark are subject to the design review procedures of the Cleveland County Historic Preservation Commission.

Mr. McCarter confirmed the State Historic Preservation Office endorsed the application as presented.

Mayor Anthony closed the public hearing at 6:31 p.m.

ACTION TAKEN: Upon a motion made by Mr. Bailey, City Council voted unanimously to approve and adopt Ordinance No. 66-2015 entitled, “AN ORDINANCE DESIGNATING A LOCAL HISTORIC LANDMARK – MOORE-WILLIS HOUSE, 517 WEST MARION STREET, SHELBY, NORTH CAROLINA”.

- 3) Consideration of an ordinance designating a local historic landmark – Newgrass Brewing Company, 213 Lafayette Street, Shelby, North Carolina: Ordinance No. 67-2015

Mr. Scharer introduced Ordinance No. 67-2015 for Council’s consideration. He stated Hudson Phoenix, LLC submitted a Historic Landmark Designation Application for the Newgrass Brewing Company building to the Cleveland County Historic Preservation Commission, which recommends this Historic Landmark Property Designation. Mr. Scharer added the location at 213 South Lafayette Street is the site of the former Hudson’s Department Store.

Mayor Anthony opened the public hearing at 6:32 p.m. and invited comments from the public:

Bill McCarter, Cleveland County Planning Director, and on behalf of the Cleveland County Historic Preservation Commission, stated the Hudson’s Department Store played a significant role in the history of Shelby and Cleveland County from 1946 to 1994, which represents 50 years of service to the community. He further stated the building was originally constructed between 1905 and 1909 and the building exterior was rehabilitated in accordance with the Secretary of Interior’s Standards to the 1940s era. Mr. McCarter acknowledged the current property owners, David Dear, Roger Hollard, and Greg Melton, for their work in preserving this property and the Hudson family members as the prior owners, all in attendance.

Upon questioning, Mr. McCarter replied the building renovations were part of a rehabilitation tax credit project recently approved by the National Park Service for conformance with the Secretary of Interior’s Standards for Rehabilitation.

Mr. Bailey questioned the State Historic Preservation Office’s opinion about the Hudson’s Department Store building not appearing to be of special significance for its architecture as opposed to the role of the Hudson’s Department Store in local history. Mr. McCarter responded commercial

buildings, in general, do not have significant architectural features but rather are recognized for historic importance as a basis for designation.

Mayor Anthony inquired if additional information was provided to the State Historic Preservation Office as proposed by its letter. Mr. McCarter responded the local report was not revised or supplemented.

Mr. Bailey discussed the impact of the State Historic Preservation Office's lack of endorsement for proposed local landmark designation and whether or not City Council agrees with the State's comments, thereby, possibly discouraging or preventing development or if City Council disagrees and proceeds with local designation.

Discussion continued about a precedent that could be set for other commercial property owners to take advantage of the tax incentives and examples of previously designated local commercial properties.

Greg Melton, one of the partners of Newgrass Brewing Company, spoke in support of the proposed Landmark Designation Application. Mr. Melton stated when the building was purchased in July 2014 and before construction commenced, he met with Jennifer Cathey of the Restoration Services Branch of the State Historic Preservation Office. At that point in time, the 1946 façade was considered historically significant about the building. Mrs. Cathey reviewed and advised what key elements needed to be preserved in order to maintain the 1946 façade representative of that era. Mr. Melton noted the subject letter, which does not definitively determine whether or not the Hudson's Department Store qualifies for local landmark designation, was not prepared by Mrs. Cathey's office. He added it was his opinion the letter was a recommendation to the local Historic Preservation Commission committee and did not require a response from him. Upon questioning, Mr. Melton further stated he and his partners were aware of the potential incentives for the building and proceeded with the project in the hopes the public would see the same significance they saw.

Mayor Anthony closed the public hearing at 6:50 p.m.

Mayor Anthony expressed his concerns regarding the overall impact on the City's tax base if this designation is approved.

Mr. Bailey discussed promoting new development in the Uptown District and the importance of the local Commission's recommendation in Council's decision.

Compliance with the same standards, process, and merits for all local

applications was also discussed.

ACTION TAKEN: Upon a motion made by Mr. Amaya, City Council voted unanimously to approve and adopt Ordinance No. 67-2015 entitled, “AN ORDINANCE DESIGNATING A LOCAL HISTORIC LANDMARK – NEWGRASS BREWING COMPANY, 213 LAFAYETTE STREET, SHELBY, NORTH CAROLINA”.

E. Consent Agenda:

ACTION TAKEN: Mayor Anthony presented the consent agenda. Mr. Bailey made a motion to approve the consent agenda and each item as presented. The consent agenda and following items were unanimously approved:

- 1) Approval of the Minutes of the Regular Meeting of December 7, 2015
- 2) Approval of a resolution honoring Coach Lance Ware and the Shelby High School 2015 Golden Lions Football Team: Resolution No. 78-2015
- 3) Approval of an ordinance establishing a capital project ordinance and budgets for the City of Shelby’s East Gateway Enhancement Project: Ordinance No. 69-2015

END CONSENT AGENDA

F. Unfinished Business:

- 1) Consideration of Council liaison appointments to City advisory boards

As previously discussed, Mayor Anthony announced the 2016 annual rotation of City Council liaisons as follows:

- Ward 1/Eric Hendrick – Uptown Shelby Association (USA) Board
- Ward 2/David White – Parks and Recreation Board
- Ward 3/David Causby – Housing and Redevelopment Board
- Ward 4/Dennis Bailey – Zoning Board of Adjustment and Airport Commission
- Ward 5/Ben Kittrell – Alcoholic Beverage Control (ABC) Board

- **Ward 6/Dicky Amaya – Planning and Zoning Board and Keep Shelby Beautiful (KSB) Commission**

The Mayor encouraged Council members to attend any City advisory board meetings if their schedules permit. City staff will routinely notify Council members with their respective advisory board invitations and notices. Council discussed communicating with each other if scheduling conflicts occur so as to maintain good representation at all advisory board meetings. Mr. Howell cautioned Council about the possibility of a quorum if four or more attend an advisory board meeting.

2) Consideration of an ordinance establishing a capital project ordinance and budgets for the City of Shelby’s Hanna Property Multi-Purpose Recreation Complex Project: Ordinance No. 68-2015

Mr. Howell introduced Ordinance No. 68-2015 for Council’s consideration. If approved, this ordinance would appropriate funding from reserves for the professional engineering and design services needed for the development of the Hanna property into an additional City Parks and Recreation facility. Mr. Howell stated Council had previously authorized him to develop and enter into a contract for these services with Woolpert North Carolina, PLLC. However, the proposed Professional Service Agreement for the Hanna Property Multi-Purpose Recreation Complex cannot be executed without the specific appropriation of funding by Council establishing a project budget ordinance.

Mr. Howell reminded Council the development of the Hanna property is identified in the current Council goals and objectives as a priority, adding the following points to consider:

- Approval of this budget ordinance does not obligate the City to move forward and complete this project since only professional services fees are included in the budget at this time
- Final funding for the project has yet to be developed; it is likely staff will recommend borrowing a portion of the total cost with the remainder being appropriated from reserves
- The City would apply for funding from the North Carolina Parks and Recreation Trust Fund grant program. The maximum award from this program is \$500,000.

Discussion followed about the construction timeline, phases of construction, fees based on the work program, upfront costs, and the City's retiring debt service.

Next, Mr. Holtzclaw presented an overview of the Hanna Property Study recently completed by Woolpert North Carolina, PLLC. He provided project highlights utilizing the Hanna Property Site Plan Rendering which depicts the conceptual site plan.

Mr. Holtzclaw discussed the existing conditions, commenting the topography will drastically affect the project and will require a significant amount of grading.

Mr. Holtzclaw gave a general description of the project design including:

- Six lighted soccer/football fields
- Shelters
- Restrooms
- Playground
- Picnic sites
- Pedestrian bridge
- Scenic overlook
- Parking lots
- Temporary maintenance area
- Trails
- Trail connection to subdivision

Discussion items included: Potential for the number and size of tournaments, flexibility of lighting, potential impact of hotel occupancy, future planning, construction of the US 74 Bypass, walking trails and access, and the possibility of receiving recreational funding from Cleveland County.

ACTION TAKEN: Upon a motion made by Mr. Amaya, City Council voted unanimously to approve and adopt Ordinance No. 68-2015 entitled, "AN ORDINANCE ESTABLISHING A CAPITAL PROJECT ORDINANCE AND BUDGETS FOR THE CITY OF SHELBY'S HANNA PROPERTY MULTI-PURPOSE RECREATION COMPLEX PROJECT".

G. New Business: None

H. City Manager's Report:

- 1) Mr. Howell reported the City, Cleveland County, and the Cleveland County Economic Development Partnership have been working with two

prospective clients interested in the Washburn Switch Business Park, owned by Cleveland County. He is cautiously optimistic about one of the clients, expecting to share good news in the very near future.

- 2) Mr. Howell mentioned construction progress is being made at the Foothills Commerce Center Shell Building No. 2, recently sold to Ivar's Display.
- 3) Mr. Howell also mentioned the Mass Grading Project at the Foothills Commerce Center is moving forward with clearing and grubbing. He commended Engineering Services Director Ben Yarboro for his oversight.
- 4) With regard to the Brushy Creek Sewer Project, Mr. Howell stated the upper portion has been permitted and the lower portion is under design. The project is significant to one of the economic development clients mentioned earlier, stressing additional utility investments will be necessary in order to proceed forward in the economic development process.
- 5) With regard to the scheduling of a joint meeting with the Cleveland County Commissioners, Mr. Howell requested Council to consider their availability on January 25, January 26, or January 28, 2016 for this meeting.

I. Council Announcements and Remarks:

- 1) Mayor Anthony reminded Council members to attend the luncheon scheduled with the North Carolina legislative delegation tomorrow, December 22, 2015.
- 2) Mr. Amaya sadly announced that Lillian Corpew passed away on December 20, 2015. He remembered Miss Corpew as a longstanding member of the City's Keep Shelby Beautiful (KSB) Commission and community volunteer.
- 3) Mr. Bailey requested Section 30-72, Concealed handguns prohibited on City property, of the City's Code of Ordinances be discussed at a future Council meeting.
- 4) Council members wished all a Merry Christmas.

J. Closed Session:

- 1) To approve the Minutes and General Account of the Closed Session of October 5, 2015

- 2) To approve the Minutes and General Account of the Closed Session of December 7, 2015
- 3) To conduct the annual performance evaluation of the City Clerk pursuant to North Carolina General Statute 143-318.11 (a) (6)

ACTION TAKEN: Mr. Bailey made a motion to enter into a closed session pursuant to the appropriate North Carolina General Statute as cited. Mayor Anthony consulted with Mr. Yelton who advised the topic met the statutory requirements for a closed session. The Mayor invited all Council members present and Mrs. Parduski to attend. The motion passed unanimously and Council moved into closed session at 7:38 p.m.

Council returned to the regular session at 7:59 p.m.

K. Adjournment:

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously to adjourn the meeting at 8:00 p.m.

Respectfully submitted,

Bernadette A. Parduski, NCCMC, MMC
City Clerk

O. Stanhope Anthony III
Mayor

Minutes of December 21, 2015