

MINUTES

Regular Meeting
City Hall Council Chamber

June 3, 2013
Monday, 6:00 p.m.

Present: Mayor O. Stanhope Anthony III, presiding; Council Members Christopher H. (Chris) Mabry, David W. White, Jeanette D. Patterson, Dennis C. Bailey, Joel R. Shores, Jr., Dicky Amaya; City Manager Rick Howell, City Clerk Bernadette A. Parduski, NCCMC, MMC, City Attorney Andrea Leslie-Fite, Director of Finance Justin S. Merritt, MPA, Director of Human Resources Deborah C. (Deb) Jolly, Director of Utilities Brad R. Cornwell, PLS, EI, Police Chief Jeffrey H. (Jeff) Ledford, Fire Chief William P. Hunt, MPA, Director of Public Works Daniel C. (Danny) Darst, Jr., Director of Parks and Recreation Charlie Holtzclaw, Director of Planning Services and Interim Director of Development Services Walter (Walt) Scharer, AICP; and media representatives

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. Public Hearing:

- 1) Consideration of an ordinance amending the zoning map of the City of Shelby, North Carolina and Conditional Use Permit for 1149 Airport Road: Ordinance No. 14-2013

Mr. Scharer informed Council the correct address of the subject property is 1149 Airport Road, Shelby, North Carolina.

Utilizing a map of the area, Mr. Scharer pointed to the property located at 1149 Airport Road near Carter Road which is in close proximity to North Post Road. The area proposed for rezoning is approximately 7.5 acres. Mr. Scharer stated the applicant has amended the zoning amendment

application for a conditional use zoning district rather than a general use zoning district. The conditional use is for “wood products”.

Mayor Anthony reminded Council this matter was heard on May 20, 2013 for a general use rezoning and failed approval.

Mayor Anthony opened the public hearing at 6:06 p.m. and invited comments from the public.

The public offered no comments and Mayor Anthony closed the public hearing at 6:07 p.m.

Having heard no evidence presented at the public hearing, Council found and determined that the application of S & J Enterprise LLC is complete, and the following conclusions were made:

- The use will not materially endanger the public health or safety if located where proposed and developed according to plan.
- The use will not substantially injure the value of adjoining or abutting property.
- The location and character of the use, if developed according to the plan as submitted and approved, will be in harmony with the area in which it is to be located and will not be in general conformity with the Comprehensive Land Use Plan.

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously to approve and adopt Ordinance No. 14-2013 entitled, “AN ORDINANCE AMENDING THE ZONING MAP OF THE CITY OF SHELBY, NORTH CAROLINA AND CONDITIONAL USE PERMIT FOR 1149 AIRPORT ROAD”, as corrected.

C. Consent Agenda:

ACTION TAKEN: Mayor Anthony presented the consent agenda. Mrs. Patterson 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 Special Meeting of May 17, 2013
- 2) Approval of the Minutes of the Regular Meeting of May 20, 2013

3) Approval of Special Event Permit Applications:

- a. **Mount Calvary Baptist Church “Community Explosion”, requested date: July 20, 2013**
- b. **3rd Annual Shelby Sprint Triathlon and 5K, requested dates: June 21 and 22, 2013**

4) Approval of a resolution honoring Coach Jackson Martin and the 2013 Shelby High School Golden Lions Tennis Team: Resolution No. 33-2013**5) Approval of a resolution awarding the contract for the City of Shelby FY 2012-2013 Street Resurfacing Program: Resolution No. 34-2013****6) Approval of a resolution supporting bicycle and pedestrian facilities within the final design of the Shelby Bypass (R-2307) Section C: Resolution No. 35-2013****7) Approval of a resolution supporting the North Carolina Department of Transportation application for the federal Transportation Investment Generating Economic Recovery (TIGER) Grant Program 2013: Resolution No. 36-2013****8) Approval of a resolution supporting the preservation of affordable financing through tax-exempt financing: Resolution No. 37-2013****END CONSENT AGENDA****D. Unfinished Business:****1) Presentation of the City Manager’s Fiscal Year (FY) 2013-2014 Budget Message and Proposed Budget for the City of Shelby**

Prior to the meeting, Mr. Howell provided the Mayor and Council with his Budget Message, the proposed Budget Ordinance and Supplemental Budget Ordinance, including the Fees Schedule, and other supplementary budget documents for review. He stated the budget is balanced and meets all the applicable requirements of the North Carolina Local Government Budget and Fiscal Control Act.

Next Mr. Howell presented the highlights of his revenue assumptions:

- **The current property tax rate of 43.5 cent per \$100.00 property valuation is increased to 45 cents. The first recommended increase**

since July 1, 2007 which essentially puts the City almost back to the 2008-2009 tax levy. This generates approximately \$240,000.00 of new revenue annually.

- The budget includes the implementation of the \$5.00 vehicle tax authorized by North Carolina General Statutes. It is estimated this will generate approximately \$75,000.00 once a full year of vehicle tax billings is implemented.
- The budgeted local option sales tax revenue is estimated \$100,000.00 below the amount actually received in the previous fiscal year due to the calculated impact on the sales tax distribution percentage.
- Modest increases in parks and recreation fees, with outside City charges increasing by a higher amount than inside City charges, are included in the fees schedule.
- An appropriation of \$203,300.00 from General Fund balance is included.
- An increase in the transfer from the Natural Gas Fund from \$1,800,000.00 to \$2,150,000.00, representing an annual increase of \$350,000.00, is included.
- An assumption the General Assembly does not appeal the state collected local taxes i.e. the utility franchise taxes etc.
- An increase in the tipping fee charged per ton by Cleveland County from \$33.00 to \$37.65 will result in an annual increased cost to the City of approximately \$55,000.00 based upon previous tonnage reports. It is proposed this cost be passed along to both residential and commercial customers of the City by increasing the monthly collection fee by .58 cents.
- No water or sewer rate increases are included.
- A 5.1 percent increase in the cost of wholesale power from the North Carolina Municipal Power Agency 1 is being passed directly onto customers. Estimated average monthly increase is \$6.03. The total increase in cost to the City from NCMPA 1 is \$847,000.00. This has been reduced from the initial estimate of 6 percent with the reduction of capital as a component of the rate increase.

- A 2.5 percent decrease in the natural gas base margin with an estimated average monthly reduction of approximately \$2.00.

Mr. Howell presented the highlights of his expenditure assumptions:

- A one-time employee performance pay bonus is included and budgeted as non-recurring.
- There is an 8 percent increase in the cost of the employee health insurance plan.
- There is a 6 percent increase in electric utility costs. This includes anticipated rate increases for both the City and Duke Energy, which will affect all City departments.
- Reduction of City funding to Uptown Shelby Association (USA), estimated at \$35,000.00.
- Reduction of the minimum housing code program, reflecting a 50 percent cut in funding available for demolition of dilapidated homes, estimated cost reduction if \$17,000.00.
- A net increase of \$23,000.00 for Police Department lease of office space and other associated costs.
- Reduction in costs across a number of departments including deferring building maintenance/repairs, buildings and grounds maintenance, etc., estimated net cost of reduction at \$70,000.00.
- An increase of \$55,000.00 in annual tipping fees charged at the Cleveland County landfill is included. This increase is offset by the monthly trash charge increase.

Upon questioning, Mr. Howell responded the 2.5 percent decrease in the natural gas margin was offered to provide some relief to the City's customers and to offset the impact of the other proposed increases. The addition of Clearwater Paper Company to the system has also provided an opportunity to make this minor rate reduction to the City's residential and commercial customers.

Upon further questioning, Mr. Howell responded the funding reduction to USA was included in the previous budget options. Additional cuts were needed to balance the budget. However, it is not a reflection upon USA but a

decision to provide funds for direct City services rather than an outside agency.

Mayor Anthony again encouraged Council members for a majority in favor and in support of the budget. The Mayor reiterated a public hearing must be advertised and held with 10 days' notice prior to adoption of same. The budget must be adopted by Council on or before June 30.

Mr. Mabry recognized the City Manager's recommended budget as having both aspects of importance to him which included balance and compromise.

Referring back to Option D which he supported, Mr. Shores stated he will not vote for a budget that raises taxes and utilities in the same year.

Mr. Bailey was not in favor of any of the budget options presented to date, including the current proposed budget. Mr. Bailey also stated he is not convinced that if the City's credit rating was lowered due to the rating agencies stress testing of the debt service coverage ratio, the City would be at greater risk to borrow money. Since only the potential for a lower credit rating exists, he continued to advocate for a higher transfer from the Natural Gas Fund. Mr. Bailey reiterated his willingness to accept Option D as a compromise.

Mr. Amaya stated he is in favor of Mr. Howell's recommended budget because it presents an opportunity to improve Shelby. He prefers to spend fund balance on capital improvements which will make the City very attractive to businesses. In his opinion, spending fund balance for everyday operations is not wise. He was not supportive of Option D.

Mr. Shores added Council has previously taken fund balance and the transfer with smaller budgets. In his opinion, the City is in better financial condition with higher fund balances and industries in place now and asked why not utilize those balances for this budget.

Mrs. Patterson agreed with Mr. Shores. She was in favor of Option D.

Mr. Mabry shared his comments regarding economic trends including declining property taxes and sales tax distribution, reduced Powell Bill funds, rising gasoline and health care costs, and concern for City employees who deliver the services.

Mr. Howell explained the historic highs and lows of the transfer from the Natural Gas Fund. The highest transfer was \$2.3 million in fiscal year 2005-2006. It was reduced to \$1.6 in 2006 after PPG Industries became a gas

transport customer and was voluntarily annexed into the City. The City was able to offset the reduction in the transfer due to increased collections of property tax and utility franchise tax.

Mr. Howell addressed the major factors which impact the Natural Gas Fund including bond covenants and an aging natural gas system in need of repairs and capital projects. He is a proponent of utilizing the Natural Gas unrestricted net asset fund toward one-time expenditures that are not recurring due to the unpredictability of the profit margin and the price of gas in a commodity market.

Respectfully acknowledging the philosophical differences between himself and Mr. Bailey regarding the City's financial stability and the Natural Gas Fund transfer, Mr. Howell pointed out he does not wish the quote, "The sky is falling!" attributed to him. Mr. Bailey responded he was utilizing the quote merely as his translation of the budget situation.

Mr. Shores stated it may be time for Council to direct staff to develop a policy to limit the percentage of such transfers.

At Mayor Anthony's direction, Council discussed compromising the proposed budget and removed the property tax rate increase, the implementation of the vehicle tax, and the decrease in the natural gas base margin. However, Council remained split on finalizing these adjustments.

Mr. Howell instructed Council if the adoption of the budget is delayed then Council must make interim appropriations for the purpose of paying the City's financial obligations.

Mayor Anthony commented that Mr. Howell's recommended budget was reasonable and addressed issues for the long-term while the alternative scenario only addresses issues for the short-term, which Council will face again in a year or two. After Mr. Shores' suggestion to Mayor Anthony to reconsider his non-voting position, the Mayor stressed the importance of a Council majority with regard to adopting the budget, which he will then support.

Mr. Howell concluded from Council's discussions the compromised budget is, in effect, the previously proposed Option D without the decrease in the natural gas base margin. The budget must be advertised for a public hearing with 10 days' notice prior to the adoption of same on or before June 30. If the public hearing is not scheduled by the next meeting of June 17, 2013, alternate dates should be considered.

Discussion continued centering on the pros and cons of Option D. According to Mayor Anthony, Option D represents a decision comparable to “kicking the can down the road” yet seems to have the majority support. The Mayor noted not raising taxes is only postponing the problem for a year or two and repeating this same debate in the near future. In his opinion, the Natural Gas Fund transfer should not subsidize property taxes and should be utilized to benefit the City’s other endeavors.

Mr. White determined Council was still deadlocked concerning the budget options and stated he will reluctantly support Option D only to get the budget passed.

Mr. Howell summarized the impact of Option D. He stated the City has a certain amount of expenditures and Council does not wish to cover them. The amount of revenue is not adequate to meet the amount of expenditures. The City has to increase revenue or cut expenditures to balance the budget. The only other way to balance the budget is to increase the amounts transferred from General Fund reserves and the Natural Gas Fund. It is his obligation to inform Council the City will be facing this same situation again next year. Mr. Howell accepted it as Council’s decision. When the budget is adopted, he and City staff will make it work.

Mr. Mabry was seeking progressiveness and action, not just surviving and kicking the can down the road. He was not supportive of Option D.

Mayor Anthony concurred with Mr. Mabry about not accepting the status quo for future years. Council must provide the leadership in making the improvements in the community, which the citizens have come to expect. Because there are too many complexities in operating a city, he cautioned elected officials against promising to never vote for a tax increase or a utility rate increase.

E. New Business: None

F. City Manager’s Report: None

G. Council Announcements and Remarks:

- 1) Mayor Anthony announced the City of Shelby Softball Tournament will be held on June 8, 2013 starting at 9:00 a.m. at City Park.

The Mayor announced the North Carolina League of Municipalities District Days for Districts 10, 11, and 12 will be held in Raleigh, North Carolina tomorrow, June 4, 2013. As a reminder to Council members, he

emphasized the importance of monitoring current legislative activity and continued contact with local legislators.

H. Adjournment:

1) Motion to adjourn

ACTION TAKEN: Upon a motion made by Mr. Shores, City Council voted unanimously to adjourn the meeting at 7:29 p.m.

Respectfully submitted,

Bernadette A. Parduski, NCCMC, MMC
City Clerk

O. Stanhope Anthony III
Mayor

Minutes of June 3, 2013