

## MINUTES

Regular Meeting  
City Hall Council Chamber

November 20, 2017  
Monday, 6:00 p.m.

**Present:** Mayor O. Stanhope Anthony III, presiding; Council Members David W. White, David Causby, Dennis C. Bailey, Ben Kittrell, Jr., and 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, Director of Water Resources David W. Hux, Police Chief Jeffrey H. (Jeff) Ledford, Fire Chief William P. Hunt, MPA, EFO, and Director of Planning and Development Services Walter (Walt) Scharer, AICP; and Director of Cable Programming Greg Tillman of Cleveland Community College and The Video Factory

**Absent:** Council Member Eric B. Hendrick

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. Kittrell led the *Pledge of Allegiance*.

**A. Approval of agenda:**

1) Motion to adopt the proposed agenda

**ACTION TAKEN:** Upon a motion made by Mr. Amaya, 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, 2017 – Martin Starnes & Associates, CPAs, P. A.

Mr. Merritt introduced Derek Zealy-Wright with Martin Starnes & Associates as the presenter of the Fiscal Year 2017 audit report. He also acknowledged auditors, Ko Tang Cha-Moses and Matthew Finney, for their assistance with the City's audit process. Mr. Merritt also recognized Assistant Finance Director Beth Beam and the accounting staff for their efforts and support of the City's audit project.

Mr. Zealy-Wright began his presentation of the City's 2017 audited financial statements by reminding Council the data is provided for the year ending June 30, 2017. The report has been submitted to the Local Government Commission and is pending approval. If any changes are necessary, Mr. Zealy-Wright stated City staff and Council will be informed.

Included in the audit highlights, Mr. Zealy-Wright stated the Martin Starnes' report yielded an unmodified opinion, meaning the City's financials are not materially misstated. Martin Starnes has issued its report in which no questioned costs or findings were noted. Mr. Zealy-Wright also acknowledged the full cooperation of the Finance Department during the audit process.

Mr. Zealy-Wright commented the 2017 property tax revenues and collection rate showed an increase from the prior year of approximately \$695,678 or 8.5 percent.

Next, Mr. Zealy-Wright summarized and compared General Fund revenues and expenditures for 2016 and 2017. In 2017, revenues increased by \$1,138,574 or 6.8 percent and expenditures decreased by \$1,096,815 or 5.1 percent. He noted these amounts do not include other financing sources and uses such as transfers and capital financing.

Mr. Zealy-Wright 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. Currently, the City has:

- \$1.3 million in Non-spendable fund balance
- \$11.3 million in Restricted fund balance which includes Stabilization by State statute, Powell Bill, public safety funds, and unspent debt proceeds
- \$445,000 in Committed fund balance
- \$2.5 million in Assigned fund balance
- \$3.7 million in Unassigned fund balance

With regard to total fund balance for the General Fund, Mr. Zealy-Wright noted there was an increase of \$422,276 or approximately 5.53 percent from the prior year.

Mr. Zealy-Wright stated 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.

Mr. Zealy-Wright reviewed Shelby's Fund Balance position in the General Fund:

Total Fund Balance	\$8,057,947
Non-spendable	(452,144)
Stabilization by State statute	<u>(2,571,649)</u>
Available Fund Balance 2017	\$5,034,154
Available Fund Balance 2016	\$ 3,577,081
Change in Available Fund Balance	1,457,073

He noted an increase of 40.7 percent from the prior year, which is due to a decrease in the Stabilization by State Statute of \$1 million from the prior year and an increase in overall fund balance in the current year. Stabilization by State Statute refers to accounts receivable at June 30, 2017, not yet available per State statute because the money has been received. It is not in cash spendable form. The non-spendable amount represents \$146,000 in inventories and \$305,000 in prepaids, reiterating these items are not in spendable form.

Mr. Zealy-Wright stated available fund balance represents 23.62 percent of total General Fund expenditures and transfers out to other funds, which represents an increase from the prior year and approximately three times the recommended 8 percent by the Local Government Commission.

Mr. Zealy-Wright reported the top three sources of revenue include property taxes, other taxes and licenses, and unrestricted intergovernmental which comprise \$14.6 million or 81 percent of the total revenues. The total revenues equal \$17,920,743.

As previously mentioned with regard to property taxes, Mr. Zealy-Wright further stated there was an increase of \$695,678 or 8.5 percent. The rise was due to the tax rate increases of 6.22 cents to account for the decrease in revaluation by Cleveland County.

With regard to other taxes and licenses, Mr. Zealy-Wright noted an increase of \$439,874 or 14.4 percent, stating the City has an increase in local option sales tax dollars as compared to the prior year.

With regard to unrestricted intergovernmental, there was a decrease of \$71,710 or 3.2 percent comparable to the prior year. Mr. Zealy-Wright explained this revenue consists mostly of utility franchise tax and alcohol beverage control revenues.

Mr. Zealy-Wright reported the General Fund expenditures include public safety, general government, transportation, and other expenditures including

environmental protection, cultural and recreation, and debt service for a total of \$20,472,916.

Mr. Zealy-Wright said public safety had a decrease of \$383,120 or approximately 3.5 percent due to the Fire and Rescue Department having less capital outlay purchases this year than in 2016.

Mr. Zealy-Wright said transportation had a decrease of \$300,147 or approximately 10.6 percent due to the City having less minor projects as compared to 2016.

Mr. Zealy-Wright said general government had a slight increase of \$6,899 or approximately .3 percent compared to the prior year.

With regard to the City's enterprise funds, Mr. Zealy-Wright reported an increase in total net position of \$2,464,755. He explained net investment in capital asset is the total capital assets less all outstanding debt related to acquiring those assets plus any unspent debt proceeds.

With regard to the Water Fund, the unrestricted net position is up \$339,000. Cash flows were down 34 percent due to a timing difference since cash paid for goods and services were up and the City had more payables at the end of 2016 rather than in 2017. The City also had more expenditures in 2017. Mr. Zealy-Wright stated there was an overall positive change in net position of \$819,000.

With regard to the Sewer Fund, the unrestricted net position is down \$1.1 million due to an increase in capital asset expenditures. The City's net investment in capital assets increased, taking unrestricted net position down. Cash flows were up 80 percent, decreasing cash paid for goods and services due to more payables at the end of 2017 as compared to 2016. Mr. Zealy-Wright stated there was an overall positive change in net position of \$1.1 million.

With regard to the Electric Fund, the unrestricted net position is down \$363,000 due to an increase in capital assets. Cash flows were down 39 percent due to an increase in cash paid for goods and services. Mr. Zealy-Wright stated there was an overall positive change in net position of \$349,000.

With regard to the Natural Gas Fund, the unrestricted net position is down \$429,000 due to an increase in capital assets. Cash flows were up 71 percent due to an increase in cash received from customers. Mr. Zealy-Wright stated there was an overall positive change in net position of \$605,000.

With regard to the Stormwater Fund, the unrestricted net position is up \$46,000. Cash flows were up over 100 percent due to a decrease in cash paid for goods

and services. Mr. Zealy-Wright stated there was an overall negative change in net position of \$23,000.

With regard to the Housing Fund, the unrestricted net position is down \$123,000 due to a decrease in capital assets. Cash flows were down 42 percent due to an increase in cash paid for goods and services. Mr. Zealy-Wright stated there was an overall negative change in net position of \$314,000.

Lastly, Mr. Zealy-Wright provided forthcoming information with regard to other post-employment benefits (OPEB), which is where and how the City pays a retiree's health insurance. He explained during Fiscal Year 2018, the City will need to recognize the full liability related to this benefit. The Governmental Accounting Standards Board (GASB) has released GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", a new accounting standard for public Other Post Employment Benefit (OPEB) plans. Next year, the City is required to place the whole liability on the books and all governments will also be required to use the entry age normal level percentage of payroll cost method to be consistent. Mr. Zealy-Wright stated the number is going to be a high number and can significantly impact the City's net position on the full accrual statements, even making some entities have a deficit net position. Martin Starnes does not know what the liability will be at this point. The guidance will change as to how the long-term obligations associated with OPEB are calculated by the specialists the City uses. Mr. Zealy-Wright stated the City's Finance staff has been proactive and has already submitted the information to obtain a new OPEB actuarial study in order to get a first glimpse of the liability amount.

Mr. Zealy-Wright concluded his presentation by stating there will be additional changes to the City's note disclosures and RSI (required supplementary information) schedules, similar to LEO (law enforcement officers), which was implemented this year.

Council received the information and took no action.

C. Public Comment: None

D. Public Hearings:

- 1) Consideration of a proposed ordinance to amend the Unified Development Ordinance (UDO) of the City of Shelby: Ordinance No. 69-2017

Mr. Scharer introduced the proposed textual amendment to the City's UDO. This proposal changes the development standards for bars, nightclubs, and taverns in the Central Business (CB) zoning district. He explained City Council requested staff to present a proposal to the Planning and Zoning

Board to consider. Mr. Scharer stated the proposal removes the requirement that a bar, nightclub, or tavern be located no closer than seventy-five (75) feet of a public right of way in all applicable districts. It reduces the use separation from another bar, night club, or tavern from five-hundred (500) feet to fifty (50) feet within the CB zoning district. It reduces the property separation from a church, elementary, secondary school, public park, or residentially-zoned property from five-hundred (500) feet to one-hundred and fifty (150) feet within the CB zoning district. The proposal also reduces the requirement that parking areas related to the establishment shall be located no closer than thirty (30) feet to the property line of abutting residences to ten (10) feet for the CB zoning district.

Mr. Scharer concluded by stating the Planning and Zoning Board has reviewed the proposal and recommended the proposed ordinance.

Mr. Howell acknowledged receipt of a letter of support from the Uptown Shelby Association Board of Directors. He also mentioned the owner of an Uptown business, Dragonfly Wine Market, brought the matter to City Council's attention several months ago.

Lastly, Mr. Howell clarified to Council their legislative authority to make changes to local law under the code. However, an applicant still must apply to the North Carolina Alcohol Beverage Control (ABC) Commission for a specific permit for serving alcoholic beverages on premise.

Mayor Anthony opened the public hearing at 6:25 p.m. and invited comments from the public. The public offered no comments.

Mayor Anthony closed the public hearing at 6:26 p.m.

**ACTION TAKEN:** Upon a motion made by Mr. Amaya, City Council voted unanimously to approve and adopt Ordinance No. 69-2017 entitled, "A PROPOSED ORDINANCE TO AMEND THE UNIFIED DEVELOPMENT ORDINANCE (UDO) OF THE CITY OF SHELBY".

2) Consideration of a proposed ordinance amending the zoning map of the City of Shelby, North Carolina: Ordinance No. 70-2017

Mr. Scharer introduced the proposed zoning map amendment. Utilizing a zoning map of the area, he pointed to the rear of the property at 1239 East Dixon Boulevard and 1315 East Dixon Boulevard and part of an adjacent parcel. The applicant, Hendrick's of Shelby LLC, has requested this amendment from the Residential 10 (R10) District to General Business (GB) District to correct the current zoning map. It appears these parcels are split

zoned, meaning there are two or more zoning classifications present, due to a change in parcel boundaries through the years.

Mr. Scharer concluded by stating the Planning and Zoning Board recommended approval of the proposed zoning map amendment for said properties located along East Dixon Boulevard.

Mayor Anthony opened the public hearing at 6:28 p.m. and invited comments from the public. The public offered no comments.

Mayor Anthony closed the public hearing at 6:29 p.m.

Mr. Bailey expressed his concern regarding the rezoning impact on the properties along Cabaniss Drive, stating a buffer currently exists between the residential and non-residential districts.

**ACTION TAKEN:** Upon a motion made by Mr. White, City Council voted 4 (White, Causby, Kittrell, and Amaya) to 1 (Bailey) to approve and adopt Ordinance No. 70-2017 entitled, "A PROPOSED ORDINANCE AMENDING THE ZONING MAP OF THE CITY OF SHELBY, NORTH CAROLINA".

**E. Consent Agenda:**

**ACTION TAKEN:** Mayor Anthony presented the consent agenda. Mr. White made a motion to approve the consent agenda. The consent agenda and following items were unanimously approved:

- 1) Approval of the Minutes of the Regular Meeting of November 6, 2017
- 2) Approval of a resolution honoring John Delano Kimble on the occasion of his retirement from employment with the City of Shelby: Resolution No. 70-2017
- 3) Adoption of an ordinance establishing a capital project ordinance and budgets for the City of Shelby's Joe's Lake Road Gas Line Relocation Project: Ordinance No. 71-2017
- 4) Approval of a resolution honoring Dennis Carl Bailey for his service to the City of Shelby: Resolution No. 71-2017

**END CONSENT AGENDA**

**F. Unfinished Business:**

**1) Consideration of a resolution of tentative award for the Westside Sewer Improvements – Gravity Outfall to Piedmont Utility Group: Resolution No. 72-2017**

Mr. Howell introduced Resolution No. 72-2017 for Council's consideration. He explained the project is directly related to the expansion of the Clearwater Paper Corporation in the Washburn Switch Business Park and includes the construction of this parallel Westside Sewer Outfall along Little Beaver Dam Creek to the Crest Sewer Lift Station, pump modifications at the lift station, and installation of another parallel force main from College Avenue through Riverbend Acres to the First Broad River Wastewater Treatment Plant. The first division of this project includes the design of a 24-inch sewer line that would parallel an existing 15-inch diameter sewer main in West Shelby for additional capacity to meet the projected Clearwater sewer demands. To date, approximately \$5.5 million in grant funding has been secured for this \$9 million project.

Mr. Howell further stated the City received bids, assisted by McGill Associates, for the Westside Sewer System Improvements Project – Gravity Sewer Division. They have completed the canvassing of the bids that were received. He said the lowest bid was submitted by Piedmont Utility Group of Mooresboro, North Carolina in the amount of \$4,565,363.97. McGill Associates has also recommended a contingency of \$625,000 to cover unforeseen changes that may be necessary for completion of the sewer improvements.

Mr. Howell recommended proceeding with the construction of the gravity sewer system improvements portion of this project and award of the construction contract to Piedmont Utility Group in the amount of \$5,190,363.97.

**ACTION TAKEN:** Upon a motion made by Mr. Amaya, City Council voted unanimously to approve and adopt Resolution No. 72-2017 entitled, "A RESOLUTION OF TENTATIVE AWARD FOR THE WESTSIDE SEWER IMPROVEMENTS – GRAVITY OUTFALL TO PIEDMONT UTILITY GROUP".

**G. New Business:** None

**H. City Manager's Report:**

1) Mr. Howell updated Council with regard to the Farmville Road Waterline Loop as it relates to the expansion of Clearwater Paper Corporation. The scope of this \$10 million project includes a 24-inch ductile iron pipe (DIP) waterline loop, booster pump station, and 750,000 gallon elevated water storage tank. To date, approximately \$5.8 million in grant funding has



been secured for this project.

- 2) Mr. Howell reported bids will open on December 8, 2017 for the natural gas project related to the expansion of Clearwater Paper Corporation.
- 3) Mr. Howell reminded Council the Uptown Streetscape design for the Court Square is still available for review and comment on the aesthetics of the plan. He added the electric project for the lighting phase is scheduled to be completed before Christmas 2017.
- 4) Mr. Howell briefed Council on the meeting for Uptown Shelby stakeholders and interested parties held on November 17, 2017 at the Don Gibson Theatre to hear an update from City staff about the on-going Uptown infrastructure projects. Discussion included the work that has been accomplished and what to anticipate with the upcoming construction. He stressed communication is key to the ultimate success of these major infrastructure construction activities.

**I. Council Announcements and Remarks:**

- 1) Mayor Anthony requested information as to the frequency of police officers on patrol in Uptown Shelby.

Police Chief Ledford responded the police officers on shift as well as the Community Policing Unit frequently walk in and around the Uptown Shelby District.

- 2) Mr. Amaya announced he is a grandfather again for the sixth time.
- 3) Mayor Anthony invited all to attend the annual lighting of the Christmas tree on the Court Square on November 24, 2017 at 7:00 p.m. He will light the tree and lead those in attendance in carols with his band of musicians.

**J. Closed Session:**

- 1) To approve the Minutes and General Account of the Closed Session of September 18, 2017
- 2) To prevent the disclosure of information that is privileged or confidential pursuant to the law of North Carolina, not considered a public record within the meaning of Chapter 132 of the General Statutes, pursuant to General Statute 143-318.11 (a) (1)

**ACTION TAKEN:** Mr. Bailey made a motion to enter into a closed session pursuant to the appropriate North Carolina General Statutes as cited. Mayor

Anthony consulted with Mr. Yelton who advised the topics met the statutory requirements for a closed session. The Mayor invited all Council members present along with Mr. Howell, Mr. Yelton, Mrs. Parduski, and Mr. Merritt to attend. The motion passed unanimously and Council moved into closed session at 7:03 p.m.

Council returned to the regular session at 7:15 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 7:16 p.m.

Respectfully submitted,

Bernadette A. Parduski, NCCMC, MMC  
City Clerk

O. Stanhope Anthony III  
Mayor

Minutes of November 20, 2017