

## MINUTES

Regular Meeting  
City Hall Council Chamber

November 15, 2010  
Monday, 6:00 p.m.

**Present:** Mayor W. Ted Alexander, presiding; Council Members Christopher H. (Chris) Mabry, O. Stanhope (Stan) Anthony, III, Jeanette D. Patterson, Dennis C. Bailey, Andrew L. Hopper, Sr.; City Manager Rick Howell, City Attorney Robert W. (Bob) Yelton, City Clerk Bernadette A. Parduski, MMC, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Human Resources Deborah (Deb) Jolly, Director of Utilities Brad R. Cornwell, PLS, EI, Fire Chief William P. Hunt, Director of Planning Services Walter (Walt) Scharer, AICP; and media representatives

**Absent:** Council Member Joel R. Shores, Jr.

Mayor Alexander called the meeting to order at 6:00 p.m. and welcomed all who were in attendance. Mr. Mabry gave the invocation and Battalion Chief Jeff Hammitt of the Shelby Fire & Rescue Department led the *Pledge of Allegiance*.

### A. Approval of agenda:

- 1) Motion to adopt the proposed agenda

**ACTION TAKEN:** Upon a motion by Mrs. Patterson, second by Mr. Bailey, City Council voted unanimously to approve the agenda as presented.

### B. Special Presentations:

- 1) Recognition of the Mayor's Outstanding Volunteer Service Recipient for August 2010: Austin Halbert

Mayor Alexander called upon Austin Halbert, who introduced his parents in attendance. The Mayor recognized Mr. Halbert, a Crest High School student, who won a \$5,000 grant through the Pepsi Refresh Everything Program and used the funds to organize the Silence the Violence concert held at Cleveland Community College in August 2010. Mr. Halbert also started a club with the same theme.

The Mayor presented a certificate to Mr. Halbert on behalf of the City of Shelby.

**2) Recognition of the Mayor's Outstanding Volunteer Service Recipient for September 2010: Erin White**

Mayor Alexander called upon Erin White, who introduced her parents in attendance. The Mayor recognized Miss White, a student at Jefferson Elementary School, who entered and won a poster contest sponsored by Cleveland County Schools. Her winning poster was also displayed at the Connect, Commit to Change Event held at the Cleveland County Fairgrounds in August 2010. Miss White used her prize money to collect and assemble items for toiletry sets provided to homeless men at the men's shelter.

The Mayor presented a certificate to Miss White on behalf of the City of Shelby and wished her an early "Happy Birthday", which is tomorrow, November 16, 2010.

**3) Electric Rate Structures – T. Graham Edwards, Chief Executive Officer, Steve Shelton, Chief Operating Officer, and Roy Jones, Senior Vice President, ElectriCities of North Carolina, Inc.; and Matt Schull, Division Director, North Carolina Municipal Power Agency 1 (NCMPA1)**

Mr. Howell introduced the subject matter of the presentation by reminding Council that during the budget process for the current fiscal year there were questions raised concerning what is driving wholesale power costs to increase as well as why the City charges seasonal rates. Mr. Schull was requested to prepare his presentation to address these topics.

Mr. Edwards expressed his appreciation to the City's NCMPA1 officers, Mr. Hopper, Mr. Howell, and Mr. Cornwell, for their participation on the Board of Commissioners. He also congratulated the City on its recent economic development announcements and for recognizing young people with leadership qualities earlier on the agenda.

Mr. Schull began his presentation entitled, NCMPA1 Wholesale Rates, with an overview of how ElectriCities provides management services for the State's two municipal power agencies, North Carolina Municipal Power Agency Number 1 (NCMPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA). Shelby is also a member of the NCMPA1, an organization of 19 cities and towns in central and western North Carolina, formed in 1976. NCMPA1 is a wholesale electric provider to its 19 participants and owns a portion of the Catawba Nuclear Station, operated by Duke Energy. The Catawba Plant includes two identical units that are jointly owned by NCMPA1, Duke, Piedmont Municipal Power Agency of South Carolina, and North Carolina Electric Membership Corporation. Mr. Schull commented that Duke Power Company is a great co-owner and operator of the nuclear station,

having the fourth lowest production costs in the United States for 2008. He invited the Mayor and Council to tour the nuclear station which can be arranged through the Power Agency.

Next Mr. Schull provided the governance structure and primary responsibilities of:

- **The ElectriCities Board of Directors**
  - Charged with day-to-day operations of the Power Agencies
  - Reviews and approves the ElectriCities budget
  - Adopts wholesale rates sufficient to cover the Power Agencies' debt and expenses subject to rejection by the Board of Commissioners
  - Sets policy and strategic direction
  
- **The NCPMA1 Board of Commissioners**
  - Accepts/rejects wholesale rates
  - Adopts NCPMA1 budgets
  - Gives concurrence with debt issuance

With regard to NCPMA1's financial information, Mr. Schull stated the 2010 budget was \$507 million and because Power Agency 1 operates as a non-profit, total revenues must equal total expenses, which was represented by pie charts. The total outstanding debt for Power Agency 1 is approximately \$1.6 billion and continues to decline each year, with the final payment on the Catawba Nuclear Station due in 2032 and the license extension on the Catawba Nuclear Station expiring in 2043. Shelby's share of debt responsibility is 5.9965 percent or \$96 million. Over the years, Power Agency 1 has taken advantage of refunding opportunities to lower debt costs. The weighted average interest costs have declined from the highest rate of 9.65 percent in 1983 to the current percentage of 5.119.

Mr. Schull discussed the process by which Power Agency 1 sets wholesale rates as follows:

- **Develop long-term projections of costs and revenues to include**
  - Catawba expenses
  - Supplemental power supply expenses
  - Surplus sales revenues
  - Load projections based on economic factors
  - Financial projections (debt and investments rates)

- Working capital fund adequacy
- Annual reviews and approvals include
  - NCMPA1 Rate Committee
  - ElectriCities Board of Directors
  - NCMPA1 Board of Commissioners

Under NCMPA1's rate policies and guidelines, Mr. Schull also reviewed the guiding principles of whole rate development as follows:

- Uniform rate – to all members
- Competitive rates – compared to surrounding suppliers
- Rate equity – fair and equitable treatment of all members
- Rate stabilization – stable rates
- Load management objectives – actions benefit the member
- Rate continuity – minimize relative impacts to members
- Automatic adjustment charges and rate riders – allow for periodic changes in rates when large variations in costs or revenues
- Cost based rates – align fixed and variable costs and rates
- Timing of rate adjustment – adjust rates at time which are consistent with member objectives
- Rate levels – set rates at levels to assure adequate revenues to meet costs

With regard to the wholesale rate structure, Mr. Schull stressed that rate structure is designed to align rates (revenues) with costs throughout all time periods. However, higher rates occur during more expensive summer months and daytime hours while lower rates occur during less expensive non-summer months and nighttime and weekend hours. Mr. Schull included two main drivers which create the rate structure:

- Supplemental capacity and energy costs
  - Costs above Catawba ownership
- Market prices for surplus sales
  - Opportunity costs of selling surplus to market versus to participants

Next Mr. Schull provided the sources of supplemental capacity needed in summer months:

- Rowan capacity contract

- Georgia Power contract
- Monroe Plant
- Distributed generation

The components for wholesale market prices for surplus sales include:

- Market energy prices vary by month and by time-of-day
  - Weather impacts energy consumption – very hot or very cold temperatures increase electric demand
  - Higher demands require more expensive plants to meet the energy needs
- Prices split into two periods
  - On-peak – 7 a.m. to 11 p.m. weekdays
  - Off-peak – Nights and weekends

With regard to retail rates, Mr. Schull said:

- In a perfect world, costs and revenues are aligned during all time periods – Agency costs = Wholesale rates = Retail rates (plus distribution costs)
- Then customer usage and behavior does not affect City or Agency financials
- Shelby uses seasonal rates for all customer classes to align with Power Agency rates

Mr. Schull cited these examples:

- Without seasonal rates, cities may have retail revenue shortfalls in summer months when power costs more than the retail rate charges
- Shortfalls in summer create a need for extra revenue in non-summer months to offset that shortfall
- In the case of a mild winter after a hot summer, the City risks never making up that revenue without using reserves

To conclude, Mr. Schull reiterated the following:

- Public power provides many benefits to local residents: Local service, reliable power, quick restoration, and competitive rates
- Power Agency decisions are guided by Participant representatives on the Boards and Rate Committee
- The Power Agency is a non-profit: Revenues = Costs

- Wholesale rate design attempts to align revenues with costs in all time periods
- Seasonal retail rates and other time-of-use rates can be used to align retail rates with wholesale rates to minimize differences between a City's monthly revenue and costs

Discussion followed and included: Promoting energy conservation; analysis and projections, long-term trends, weather normalization, and economic factors; energy audits; and time-of-use rates program, including implementation costs.

Council received the information and took no action.

Mayor Alexander declared a recess at 6:49 p.m. and reconvened the meeting at 6:50 p.m.

4) Sewer Collection System Operations, Priority Needs, and Accomplishments – Brad Cornwell, Public Utilities Director, and David W. Hux, Assistant Utilities Director – Operations

Mr. Howell introduced the subject matter of the presentation by stating the purpose here is to educate Council on the issues and needs of the City's sanitary sewer system, which will be followed at a future Council meeting by a presentation of the 20-Year Water and Sewer System Asset Management Plan. He referred to the sewer system as a valuable public asset and the most important utility the City operates because sewer drives concentrated, high investment development.

Mr. Cornwell began the presentation entitled, Sanitary Sewer System – System Evaluation and Critical Needs, with a demonstration utilizing two terracotta flower pots to physically show that the City's sewer pipes are made of the same vitrified clay, which is easily breakable.

Utilizing various maps of the current sewer service area, Mr. Cornwell provided the following sewer system facts:

- Number of manholes – 5,406 (mostly brick)
- Total gravity sewer main length – approximately 184 miles
- Shelby force main length – approximately 20.2 miles
  - Does not include Fallston and Kingstown – approximately 14.9 miles
- Aerial crossings – 136
- Pipe diameters range from 6 to 42 inches

Mr. Cornwell stated the Sewer Asset Management Program includes:

- **Mapping of Sewer System utilizing GIS**
  - **Compiling data – Age, problems, repairs, and replacement**
- **Routine cleaning of sewer lines and manholes**
- **Conducting sewer evaluations**
- **Right-of-way Maintenance Program**
- **Prioritizing and conducting repairs**

**Next Mr. Cornwell provided an update of Sewer Mapping:**

- **GIS Department has mapped 99% of Sewer System to date**
- **Remaining sewer mapping issues**
  - **Buried manholes – Paving, covered by homeowners, natural silt deposits along streams, and overgrown right-of-ways**
- **Staff continues to locate**
  - **Raising of manholes**
  - **Clearing of right-of-ways**

**Mr. Cornwell outlined the components involved in Sewer Cleaning:**

- **Required by State of North Carolina to clean 10 percent of the system yearly**
  - **Must inspect aerial crossings twice yearly**
- **State of North Carolina goal: Clean entire system in 10 years**
- **Cleaning equipment used**
  - **Rodding machine**
  - **High pressure flush/vacuum truck**
  - **Smaller jet truck**
  - **Bucket machines**
- **Issues with cleaning**
  - **Staffing – also responsible for Fallston and Kingstown**
  - **Access issues**
    - **Terrain – Backyards, rough areas along Hickory Creek, First Broad River and other isolated areas**
    - **Overgrown right-of-ways**

**Mr. Hux began his portion of the presentation with an overview of what some of the daily operations entail with the City's sewer collection system.**

**He detailed the sewer line cleaning program and the specific uses of the equipment including the rodding machine, the high pressure flush/vacuum truck, the smaller jet truck, and bucket machines mentioned by Mr. Cornwell.**

**Under the sewer right-of-way (ROW) maintenance program, Mr. Hux added:**

- Sewer ROWs include 82 Miles
  - Does not include Water, Gas, and Electric
- Vary in width from 15-40 feet
- Crew of two perform maintenance
  - Responsible for Fallston and Kingstown ROWs
  - Handle Water and Electric ROWs
- ROWs mowed twice per year (attempted)
- Crew maintains around manholes, aerial crossings, and trim back encroachment growth (fallen and growing trees and brush)
- Responsible for removing debris from illegal dumping and fallen trees

Mr. Hux discussed the components of sewer evaluation including:

- Flow monitoring and modeling
- Manhole inspections
- Extensive cleaning and videoing
- Smoke testing of sewer lines

Mr. Hux then elaborated on the City's sewer issues as follows:

- Aging infrastructure
  - Earliest documented easement 1908
  - Majority of 1.5 mile radius of Court Square built between 1908 and 1960
  - 70 percent of Sewer System constructed prior to 1970
  - 90 percent of Sewer System is clay pipe
    - Deteriorating
    - Significant root intrusion
- Poor Design
  - Poor neighborhood planning
  - Minimal slope on sewer lines
  - Sewer System additions without significant planning
- Significant inflow and infiltration
  - Wastewater peak weather flows
    - From 1.72 MGD to 10 MGD
    - Instantaneous peak flows 13-15 MGD
  - Sources
    - Failing collection system
      - Line cracks, holes, and collapses
      - Deteriorating brick and concrete manholes
    - Stormwater connections
    - System flooding
    - Manholes located in floodplain



- Faulty customer service lines
- **Accessibility**
  - Right-of-ways
  - Manhole locations
  - Obstacles (houses on lines)
- **Adequate funding for sewer repairs and replacement**

**Mr. Hux stated the City's sewer needs will continue into the future and highlighted the following:**

- **Preventative maintenance cleaning**
- **Sewer repairs and replacements**
  - Point repairs
  - Pipe lining projects
  - Sewer line replacements
    - Upsizing major outfall lines
    - Replacement of brick manholes and clay lines
- **Additional sewer evaluations**
  - Flow monitoring, smoke testing, video work
- **Right-of-way improvements**

**Mr. Hux stated that over the past few years as part of the annual project process, staff has requested between \$165,000 and \$400,000, averaging \$295,000, for funding sewer system repairs. While staff has made great efforts with the amount of funding provided, these amounts represent only the tip of the iceberg from a sewer system repair standpoint, considering the age approaching 100 years in some sections. Mr. Hux identified how the appropriated funding has been utilized over the past few years as well as a short term projection of some of the upcoming projects that staff hopes to complete. Mr. Hux reiterated that there are many requirements that need to be addressed from the sewer collection system standpoint which make it somewhat futile for staff to go beyond several years with a project listing. Often times staff has problems which arise that necessitate immediate corrective actions to avoid fines and/or penalties from State permitting authorities which deplete funding for which it was intended. However, the potential impacts to the sewer collection system remain as follows:**

- **Sewer overflows and back-ups**
  - 19 spills in 2009; 32 spills in 2010
  - Fines from the State of North Carolina
  - Private property damage claims
- **Wastewater treatment issues resulting in higher operational costs**
- **Impacts on potential growth**
  - Capacity loss for allocation

- **Moratorium of adding customers**

**Mr. Howell explained that the City's sewer collection system and its operations is a work in progress.**

**Council received the information and took no action.**

**C. Public Comment:**

- 1) Steve Roderick who resides at 701 Cedar Hill Drive in Shelby, North Carolina spoke on behalf of the Keep Shelby Beautiful (KSB) Commission to invite the Mayor and City Council members to its inaugural volunteer service awards luncheon on December 1, 2010 at 12:00 noon, George W. Clay, Jr. Utilities Operations Center. Mr. Roderick said several volunteers will be recognized for their donation of time and talents in keeping with the Commission's purpose including landscape architect, Fred Blackley; Skip Warrick of Shelby Nursery; Johnny White of Harvest Works; and Wal-Mart Distribution Center #6070 associates.**
- 2) Charles Moore who resides at 1813 Country Garden Drive in Shelby, North Carolina spoke in support of the City's Underground Cable Replacement Project earmarked for the Country Club Gardens subdivision. After experiencing several power outages in this subdivision, Mr. Moore urged Council's adoption of the capital project budget ordinance which would allow the replacement work to move forward.**

**D. Consent Agenda:**

**ACTION TAKEN: Mayor Alexander presented the consent agenda. Mr. Hopper made a motion to approve the consent agenda and each item as presented. After a second from Mr. Bailey, the consent agenda and following items were unanimously approved:**

- 1) Approval of the Minutes of the Regular Meeting of November 1, 2010**
- 2) Approval of a resolution fixing a date of public hearing on the question of voluntary annexation of a non-contiguous area upon petition by James R. Soder and Joyce M. Carnevale pursuant to NCGS 160A-58.1: Resolution No. 80-2010**
- 3) Adoption of an ordinance establishing a capital project ordinance and budgets for the City of Shelby's Underground Cable Replacement Capital Project FY 2011: Ordinance No. 33-2010**

**END CONSENT AGENDA****E. Unfinished Business:****1) Consideration of appointments to City Advisory Boards and Commissions:****a. Keep Shelby Beautiful Commission**

Mrs. Parduski said as previously reported to Council there will be two vacancies in January 2011. One new application has been submitted from Charles Hamrick.

Mr. Bailey nominated Charles Hamrick for appointment to a new term concluding January 2014.

**ACTION TAKEN:** Upon a motion by Mr. Hopper, second by Mr. Anthony, City Council voted unanimously to close the nominations and to accept the nominee by acclamation.

**b. Firefighter's Relief Fund Board of Trustees**

Mrs. Parduski reported that the term of one incumbent, Tim Wright, concludes January 2011. Mr. Wright wishes to continue his service.

Mrs. Patterson nominated Tim Wright for reappointment to a new term concluding January 2013.

**ACTION TAKEN:** Upon motion by Mr. Anthony, second by Mr. Hopper, City Council voted unanimously to close the nominations and to accept the nominee by acclamation.

**F. New Business: None****G. City Manager's Report:**

1) Mr. Howell mentioned that Police Chief Jeff Ledford and Police Lieutenant Brad Fraser are attending the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA) Fall Conference in Garden Grove, California this week. The Shelby Police Department is undergoing CALEA reaccreditation.

2) Mr. Howell briefly updated Council on the construction status of the Foothills Commerce Center and the job ready shell building projects. At the appropriate stage of progress, Council requested a presentation

regarding the shell building.

- 3) Mr. Howell mentioned that Mr. Phillips is in the process of developing financial policies for Council's consideration in early 2011.
- 4) Mr. Howell briefly updated Council on the status of the City Park Improvements Project Phase I and encouraged contacting Mr. Holtzclaw for a tour of the construction progress to date.

#### H. Council Announcements and Remarks:

- 1) Mrs. Patterson encouraged all citizens to recycle by utilizing the Cleveland County Recycling Centers.

On behalf of the Mayor and Council, the City Manager, and the City Clerk, Mrs. Patterson presented a plaque to Mr. Anthony to commemorate his participation and successful completion of the Marine Corps Marathon in Washington, DC on October 31, 2010 on behalf of Team Safe Kids North Carolina.

- 2) Mayor Alexander made the following announcements:

- Congratulated the local Economic Development team for the very recent announcement regarding Wipro Technologies' plans to locate its new data center in Kings Mountain and Cleveland County
- Acknowledged the Shelby Housing Department's invitation to Council to attend their annual Thanksgiving dinner on November 17, 2010
- Mentioned the letter of appreciation dated November 10, 2010 received from Destination Cleveland County (DCC) for the tourism grant award from the City of Shelby
- Encouraged all to attend the Smithsonian Institute exhibit, *New Harmonies: Celebrating American Roots Music*, open to the public through December 29, 2010 at the Don Gibson Theatre Reception Hall and hosted by DCC
- Announced the launch of the Share our Shoes Drive, a shoe charity dedicated to providing shoes for those in need. The Shoe Drive begins November 7, 2010 with collection boxes placed throughout the community and ends March 31, 2011. Half the donations will be distributed locally and the other half will be distributed in Shelby's sister city, Jinotega, Nicaragua.

- Wished all a Happy Thanksgiving and remembered all veterans for their service

3) Mr. Mabry expressed his appreciation to all the members of the City's advisory boards, especially the Zoning Board of Adjustment, for their volunteer service.

**I. Closed Session:**

1) To complete the annual performance evaluation of the City Clerk pursuant to North Carolina General Statute 143-318.11(a) (6)

**ACTION TAKEN:** Mr. Hopper made a motion to enter into a closed session to conduct the annual performance evaluation of the City Clerk pursuant to the appropriate North Carolina General Statute as cited. Council consulted with Mr. Yelton who advised that the topic met the statutory requirements for a closed session. The Mayor invited all Council members present, Mr. Yelton, and Mr. Howell to attend. The motion was seconded by Mrs. Patterson. The motion passed unanimously and Council moved into closed session at approximately 8:11 p.m.

**ACTION TAKEN:** Upon a motion by Mr. Anthony, second by Mr. Mabry, City Council voted unanimously to return to regular session at 9:00 p.m.

**J. Adjournment:**

1) Motion to adjourn

**ACTION TAKEN:** Upon a motion by Mrs. Patterson, second by Mr. Bailey, City Council voted unanimously to adjourn the meeting at 9:01 p.m.

Respectfully submitted,

Bernadette A. Parduski, MMC  
City Clerk

W. Ted Alexander  
Mayor

**Minutes of November 15, A. D. 2010**