

MINUTES

Regular Meeting
City Hall Council Chamber

December 16, 2019
Monday, 6:00 p.m.

Present: Mayor O. Stanhope Anthony III, presiding; Council Members Eric B. Hendrick, David White, David Causby, Violet Arth Dukes, and Andrew Hopper, Sr.; City Manager Rick Howell, ICMA-CM, City Clerk Bernadette A. Parduski, Assistant City Manager/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 Engineering Services Benjamin (Ben) Yarboro, Police Chief Jeffrey H. (Jeff) Ledford, Fire Chief William P. Hunt, MPA, EFO, Director of Public Works Daniel C. (Danny) Darst, Jr., and Planner Alan Toney

Absent: Council Member Charles Webber; City Attorney Robert W. (Bob) Yelton

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. Hopper 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) City of Shelby 2019 Audited Financial Statements – Matthew Braswell, CPA, Audit Manager, Martin Starnes & Associates, CPAs, P. A.

Mr. Merritt introduced Matt Braswell with Martin Starnes & Associates as the presenter of the annual audit report and Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) ended June 30, 2019. He referred to the audit report as a “snapshot” in time, reflecting the overall financial health of the City of Shelby. Mr. Merritt stated the audit and preparation of the CAFR are increasingly stringent due to the additional auditing standards that must be met by both the City and the auditing firm. He also recognized Assistant Finance Director Beth Beam in the lead role over the City’s audit project throughout the year. The audit has been submitted to the North Carolina

Local Government Commission as required by the deadline of October 31, 2019 and was accepted.

Mr. Merritt clarified the City currently has a number of large construction projects in progress. The numbers in some fund balances and cash flows where these individual projects are accounted for can be multiple times larger than the operational budget of some of those funds. Projects on a reimbursement basis for expenditures, either grant or loan funded, can present timing issues for collection by the City.

Next, as included in the audit highlights, Mr. Braswell 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. Braswell also acknowledged the full cooperation of the Finance Department during the audit process.

Mr. Braswell commented the 2019 property tax revenues and collection rate showed an increase from the prior year of approximately \$489,768 or 4.8 percent; however, the collection rate is down from 2018.

Mr. Braswell summarized and compared General Fund revenues and expenditures for 2018 and 2019. In 2019, revenues increased by \$1,395,283 or 7 percent and expenditures increased by \$2,773,521 or 7.8 percent. He noted these amounts do not include other financing sources and uses such as transfers and capital financing.

Mr. Braswell 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:

- \$1.75 million in Non-spendable fund balance
- \$7.4 million in Restricted fund balance which includes Stabilization by State statute, Powell Bill, public safety funds, and unspent debt proceeds
- \$215,000 in Committed fund balance
- \$3.3 million in Assigned fund balance
- \$2.9 million in Unassigned fund balance

With regard to total fund balance for the General Fund, Mr. Braswell noted there was a decrease of \$1,630,362 or approximately 20.2 percent from the prior year.

Mr. Braswell 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. Braswell reviewed Shelby's Fund Balance position in the General Fund:

Total Fund Balance	\$7,600,511
Non-spendable	(476,878)
Stabilization by State statute	<u>(3,223,918)</u>
Available Fund Balance 2019	\$3,899,715
Available Fund Balance 2018	\$ 5,588,373
Change in Available Fund Balance	\$(1,688,658)

He noted a decrease of 30.2 percent from the prior year, which is due to a decrease in overall fund balance in the current year. Stabilization by State Statute refers to accounts receivable at June 30, 2019, not yet available per State statute because the money has not been received. It is not in cash spendable form. The non-spendable amount represents \$135,000 in inventories and \$341,000 in prepaids, reiterating these items are not in spendable form.

Mr. Braswell stated available fund balance represents 14.73 percent of total General Fund expenditures and transfers out to other funds, which represents a decrease from the prior year and approximately two months' worth of fund balance. The Local Government Commission recommendation is 8 percent of fund balance or one month's worth of expenditures.

Mr. Braswell reported the top three sources of revenue include property taxes, other taxes and licenses, and other revenues which comprise \$17.5 million or 82 percent of the total revenues. The total revenues equal \$21,457,996.

As previously mentioned with regard to property taxes, Mr. Braswell further stated there was an increase of \$489,768 or 4.8 percent.

With regard to other taxes and licenses, Mr. Braswell noted an increase, stating the City had a substantial increase in local option sales tax dollars as compared to the prior year.

With regard to unrestricted intergovernmental, there was an increase of \$6,019 or .3 percent comparable to the prior year. Mr. Braswell explained this revenue consists mostly of utility franchise tax and alcohol beverage control (ABC) revenues.

Mr. Braswell reported the General Fund expenditures include public safety, other expenditures, cultural and recreation, and general government, including environmental protection and debt service for a total of \$24,845,172.

Mr. Braswell said public safety had an increase of \$2,426,985 or 23 percent due to increased expenditures for police and fire departments.

Mr. Braswell said cultural and recreation had an increase of \$458,996 or 18.9 percent due to the increased spending for parks and recreation.

With regard to general government, Mr. Braswell commented expenditures were stable with very little fluctuation.

With regard to the City's enterprise funds, Mr. Braswell reported an increase in total net position of \$17,316,620. There was an overall \$17 million positive change in net position.

He explained net investment in capital assets is the total capital assets less all outstanding debt related to acquiring those assets plus any unspent debt proceeds. For enterprise funds, unrestricted net position is similar to fund balance available for appropriation.

With regard to the Water Fund, the unrestricted net position is down \$960,000 due to an increase in net investment in capital assets. Cash flows were down 16 percent due to increases in cash paid for goods and services. Mr. Braswell stated there was an overall positive change in net position of \$8 million due to capital contributions of project funds.

With regard to the Sewer Fund, the unrestricted net position is up \$1.1 million due to an increase in net investment in capital assets. Cash flows were down 46 percent due to an increase in cash paid for goods and services. Mr. Braswell stated there was an overall change in net position of \$7.4 million, mainly due to capital contributions of the project funds.

With regard to the Electric Fund, the unrestricted net position is down \$542,000 due to an increase in net investment in capital assets. Cash flows were up 336 percent due to a decrease in cash paid for goods and services. Mr. Braswell stated there was an overall negative change in net position of \$268,000 due to transfers to other funds.

With regard to the Natural Gas Fund, the unrestricted net position is up \$702,000 due to an increase in capital assets. Cash flows were down 3 percent and comparable to previous year. Mr. Braswell stated there was an overall positive change in net position of \$2.06 million.

With regard to the Stormwater Fund, the unrestricted net position is up \$90,000. Cash flows were up \$383,000. Mr. Braswell stated there was an overall positive change in net position of \$111,000.

With regard to the Housing Fund, the unrestricted net position is down \$201,000 due to asset additions. Cash flows were down 721 percent compared to the previous year due to decreased cash received from customers. Mr. Braswell stated there was an overall positive change in net position of \$388,000 due to capital contributions.

Mr. Braswell recommended reading the Management's Discussion and Analysis included in the CAFR, which provides a narrative overview and analysis of the financial activities of the City of Shelby for the Fiscal Year ended June 30, 2019.

Upon questioning, Mr. Braswell responded the stabilization by State statute is basically the City's accounts receivable at June 30, 2019. These are funds not yet available per State statute because the money has not been received due to the 90-day revenue recognition principle. Therefore, it is not in cash spendable form.

Mr. Howell reminded Council should any questions regarding the audit arise, each member should feel free to reach out to Mr. Braswell for clarification. It is important for management and staff to provide Council the information, but in performing their fiduciary responsibilities to the citizens, Council should feel confident to follow-up with the outside auditor when questions or concerns arise.

Council received the information and took no action.

C. Public Comment:

- 1) Lawrence Henson who resides at 205 John E. Randall Road in Shelby, North Carolina and who represents the Neighborhood Revitalization Committee spoke against the demolition of 600 Calvary Street recommended by the Planning and Development Services Department. Mr. Henson opposed Code Enforcement's determination that the dwelling was in a dilapidated condition and due to its dilapidation failed to comply with the City's Minimum Housing Code. Mr. Henson requested an

extension of time to complete the required repairs to the dwelling.

- 2) **Melvin Clark** who resides at 116 Donlynn Drive in Shelby, North Carolina spoke about his concerns related to **Willie Green** as a minority business owner attempting to positively impact the City of Shelby and Cleveland County. Mr. Green has proposed **Cleveland County Promise**, **Cleveland County Training School**, a sports complex, and an apartment complex at 1607 East Dixon Boulevard and East Main Street, all of which have not come to fruition. Mr. Clark and his group meet and discuss these issues, seeking a clearer understanding as to why Mr. Green cannot get his proposals to succeed.

D. Public Hearings:

- 1) **Consideration of a proposed ordinance amending the zoning map of the City of Shelby, North Carolina: Ordinance No. 81-2019**

Mr. Toney introduced this proposed zoning map amendment for the property located at 506 to 514 West Dixon Boulevard. Utilizing location and zoning maps, he pointed to the subject property zoned as **General Business (GB)-Conditional Use (CU) District**, which is currently a shopping center known as **Huxley Village**. This particular conditional use district permits all uses in the **Neighborhood Business (NB) District** and “thrift stores”. The applicant wishes to expand the permitted uses in the shopping center. Mr. Toney stated other land uses in the area include the **Residential 8 (R8) District** and commercial. He further stated the proposed zoning map amendment is consistent with the **Shelby Comprehensive Land Use Plan** for this area designated as **Corridor Revitalization**.

Mr. Toney concluded by stating City staff and the **Planning and Zoning Board** recommended approval of the proposed zoning map amendment for the property located at 506 to 514 West Dixon Boulevard from **General Business-Conditional Use District** to **General Business District**.

Mayor Anthony opened the public hearing at 6:31 p.m. and invited comments from the public:

John Ferguson who resides at 221 Palmer Road in Lawndale, North Carolina spoke in support of his and his wife, **Kristina Ferguson**’s proposed project for 506 to 514 West Dixon Boulevard. Mr. Ferguson read his prepared statement in which he said they chose **Huxley Village Shopping Center** as the most suitable location for their business. Mr. Ferguson added his proposition will add value to the City by providing job creation, retail revitalization, and sales tax revenue. He requested Council’s favorable consideration of the proposed zoning map amendment.

Mayor Anthony closed the public hearing at 6:34 p.m.

ACTION TAKEN: Upon a motion made by Mr. Hendrick, City Council voted unanimously to approve and adopt Ordinance No. 81-2019 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. Hendrick 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 December 2, 2019
- 2) Approval of Special Event Permit Application:
 - a. Broad River European Classic, requested date: April 25, 2020
- 3) Adoption of an ordinance authorizing demolition of a dwelling: Ordinance No. 82-2019

END CONSENT AGENDA

F. Unfinished Business: None

G. New Business: None

H. City Manager's Report:

- 1) With regard to the Uptown Shelby Streetscaping Project, Mr. Howell provided a brief update of the construction activities with plans to start on the Washington Street at Marion Street intersection on or about January 6, 2020.
- 2) Mr. Howell mentioned the T-Hangar Project at the Shelby-Cleveland County Regional Airport is complete and the well-attended ribbon cutting was held on December 10, 2019. He reported all 30 spaces in the T-hangars have deposits and will be at full capacity in the very near future.
- 3) With regard to the construction of Shell Building No. 3, Mr. Howell stated this project is moving forward and will be advertised for bid on January 6, 2020. It is anticipated a recommendation for the award of the construction contract will be presented to Council on February 17, 2020

for consideration.

- 4) Mr. Howell announced that Shelby will be the host city for the North Carolina Association of Municipal Electric Systems (NCAMES) annual conference from May 12 through 14, 2020 at the LeGrand Center.
- 5) Mr. Howell provided two dates for scheduling purposes of the City Council retreat: January 25 or February 1, 2020. By consensus, Council tentatively scheduled February 1, 2020 at 8:00 a.m. to be held at the Shelby Cleveland County Regional Airport for their annual retreat. He also requested Council's topics and subject matter for staff preparation and discussion at the retreat.

I. Council Announcements and Remarks:

- 1) Mrs. Arth Dukes requested the City's recycling program as a topic for discussion at the Council retreat.
- 2) Mr. Causby and Mr. Hopper congratulated the Shelby High School Golden Lions football team for winning their North Carolina High School Athletic Association 2019 2AA State Championship on December 14, 2019.
- 3) Mayor Anthony mentioned the Shelby Christmas parade held on December 15, 2019 had a large crowd in attendance along with a full contingent of City staff participating.

Mayor Anthony stated he intends to prepare a letter to the editor of the Shelby Star regarding the City's recycling program in order to provide some additional information on the City's intentions going forward.

K. Adjournment:

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously to adjourn the meeting at 6:44 p.m.

Respectfully submitted,

**Bernadette A. Parduski, NCCMC, MMC
City Clerk**

**O. Stanhope Anthony III
Mayor**

Minutes of December 16, 2019