

MINUTES

**Regular Meeting – Electronic Meeting
City Hall and Don Gibson Theatre**

**May 18, 2020
Monday, 6:00 p.m.**

Present: Mayor O. Stanhope Anthony III, presiding; Council Members Eric B. Hendrick, David W. White, David Causby, Violet Arth Dukes, Charles Webber, and Andrew Hopper, Sr.; City Manager Rick Howell, MPA, ICMA-CM, Assistant City Manager Justin S. Merritt, MPA, Interim City Attorney Martha Raymond Thompson, City Clerk Bernadette A. Parduski, Director of Human Resources Deborah C. (Deb) Jolly, Director of Finance Elizabeth B. (Beth) Beam, Director of Energy Services Julie R. McMurry, Director of Water Resources David W. Hux, Director of Engineering Services Benjamin (Ben) Yarboro, 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, Public Information and Communications Officer Chip Nuhrah, Jennipher H. Harrill, Social Media Manager, Blue Eyes Social Media Connections, and Stan Lowery, Executive Director, Don Gibson Theatre

Mayor Anthony called the meeting to order at 6:00 p.m. and certified a quorum was present. It was noted a location for public access to the meeting was established at the Don Gibson Theatre and monitored by Mr. Lowery. A maximum of ten (10) persons would be allowed to attend.

The Mayor called for a moment of silence in personal prayer and reflection for all those in our community, our country, and around the world who are serving on the front lines of the COVID-19 pandemic.

A. Approval of agenda:

- 1) Motion to adopt the proposed agenda**

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

B. Public Comment: None

C. Consent Agenda:

Mayor Anthony presented the consent agenda. Mr. White moved to approve the consent agenda and following items were unanimously adopted:

- 1) Approval of the Minutes of the Regular Meeting of May 4, 2020**

- 2) Approval of a resolution adopting the City of Shelby's Comprehensive Bicycle and Pedestrian Plan 2020: Resolution No. 19-2020
- 3) Approval of a resolution of the City Council of the City of Shelby, North Carolina, determining that it is in the best interest of the City of Shelby to approve a Waiver Agreement with North Carolina Municipal Power Agency Number 1 and authorizing the execution and delivery of the Waiver Agreement: Resolution No. 20-2020
- 4) Adoption of Fiscal Year 2019-2020 Budget Ordinance Amendment No. 16: Ordinance No. 20-2020
- 5) Adoption of Fiscal Year 2019-2020 Budget Ordinance Amendment No. 17: Ordinance No. 21-2020

D. Unfinished Business: None

E. New Business:

- 1) Proposed Fiscal Year (FY) 2020-2021 Annual Operating Budget for the City of Shelby

Previously, Mr. Howell provided to Council: City of Shelby General Fund Budget Presentation, Fiscal Year (FY) 2020-2021; City of Shelby Utility (Enterprise) Funds Budget Presentation, Fiscal Year (FY) 2020-2021; his Budget Message; the Proposed Budget Ordinance; the Proposed Supplemental Budget Ordinance, including Personnel Summary, New or Amended Job Classification Summary, and Fees Schedule; and the Proposed Installment Contract Equipment List. Mr. Howell stated the budget is balanced and meets all the applicable requirements of the North Carolina Local Government Budget and Fiscal Control Act. A public hearing will be scheduled as required by North Carolina General Statute 159-12 for Council's regular meeting of June 1, 2020. Under the provisions of Section 4.31 of S.L. 2020-3 (SB704), amending North Carolina General Statute 159-12(a), City Council must receive public comment on the budget for at least twenty-four (24) hours after the close of the hearing. City Council may consider adoption of the proposed budget at its regular meeting of June 15, 2020. The budget must be adopted by City Council prior to June 30, 2020.

Mr. Howell added, as the designated budget officer by North Carolina General Statute 159-9, it is the responsibility of the City Manager to give the governing board a balanced and fiscally responsible budget that sets forth appropriate funding levels in order to provide services to citizens at desired levels as determined by City Council.

Mr. Howell prefaced his presentation by stating budget development for the upcoming fiscal year has been tenuous, at best, given the COVID-19 pandemic and its negative impact on the federal, state, and local economies. This impact has created uncertainty and much greater unpredictability of the major revenue streams usually relied upon by the City. An even greater concern is the potential for negative economic impact which remains unknown at this time. Mr. Howell further stated the City must be vigilant in addressing budgetary challenges facing the City and proceed with caution to ensure that core “mission critical” services can be provided to the public. He informed Council to expect more frequent budget ordinance amendments early and throughout the fiscal year.

Next, Mr. Howell stated the General Fund is the primary location of funding for the general operations of the City. It is termed “general” because transactions that are not related to any utility or other specific purpose fund are accounted for within this budget. The General Fund budget for Fiscal Year 2020-2021 is \$25,874,835. The overall decrease in the General Fund budget is \$18,786.

The total revenue available for General Fund services, excluding inter-fund transfers and the appropriation of fund balance, is \$22,574,835. The budget is balanced with transfers from other funds (\$3,300,000) and no appropriation of fund balance.

Mr. Howell explained ad valorem taxes constitute the largest revenue source within the General Fund. This revenue consists of two components. They are the value of all taxable property (real and personal) as assessed by the Cleveland County Tax Administrator. It is often referred to as the assessed valuation. The other is the actual tax rate per \$100 of valuation. This rate is controlled by City Council as provided for in the NC General Statutes and can only be adjusted one time per year through the budget process. The current assessed valuation is approximately \$2,400,000,000. The normal collection rate expected is 98.15 percent at the June 30 close of the fiscal year. However, this percentage is something that will be closely watched, given the current economic crisis resulting from the COVID-19 pandemic. This revenue makes up approximately 48 percent of the total General Fund budget. Mr. Howell noted this revenue source is shown to increase by \$188,292 over last fiscal year. The primary reason is continued industrial growth. It is recommended that the tax rate remain at 52.25 cents per \$100 of valuation. A stabilizing factor in the overall growth of assessed values for the City can be found in the industrial tax base growth within the Foothills Commerce Center and the larger Washburn Switch industrial corridor.

Illustrated by graphs, Mr. Howell mentioned the recommended property tax rate for Shelby continues to be among the lowest of full-service North Carolina municipalities with populations between 15,000 and 30,000. It

should also be noted that Shelby's rate is also amongst the lowest in the region.

With local option sales taxes making up approximately 14 percent of the City's budget coupled with the current economic issues the City is facing, the projections for this revenue source are highly questionable at this point in time. The impact of COVID-19 business closings and unemployment is expected to bring negative growth in the last quarter of the current fiscal year. Unfortunately, the City will not know the full impact of the pandemic on its final quarter of sales taxes until September, three months after the budget is adopted. Obviously, this is a huge uncertainty for the City as it is not known how quickly the economy can recover and the public will return to purchasing and contributing to sales tax revenue. Mr. Howell stated the City of Shelby currently receives approximately 12.35 percent or \$3,436,000 plus a hold harmless amount from Cleveland County.

With regard to the General Fund budget, Mr. Howell discussed the following notable changes, including:

- Increase in debt service of \$661,000 for Year 1 of the payment for the rail corridor purchase. This payment will be reduced by approximately 75 percent if the North Carolina Department of Transportation reimburses the City with the \$4,160,000 grant awarded last August by the November due date.
- Implementation of Phase 3 of the approved Compensation and Pay Plan is delayed due to the revenue uncertainty created by the pandemic. Implementation will be reconsidered after a review of the first quarter financial performance.
- Allocations for some salaries and other expenses have been shifted to Administration to better reflect the nature of the expenditures.
- Public Works decrease is largely due to the elimination of the Curbside Rollout Recycling Program.
- Airport increase reflects capital funding for fuel system upgrade and increased operating costs related to the T-hangars which is offset by new rental income.
- Fire and Rescue reflects a decrease in capital spending.
- Police decrease reflects a breakout of the cost of 911 Communication Center. Overall spending is flat otherwise.
- GIS reflects an increase in capital expenditures related to recovery from the malware attack in March 2020.

Mr. Howell noted the tax rate and the fees schedule reflect no changes.

Mr. Howell stated the City's budget includes eight major governmental and enterprise funds: General, Electric, Natural Gas, Water, Sewer, Powell Bill (Streets), Public Housing, and Stormwater. He provided a utility funds

overview of the Sewer, Water, Stormwater, Natural Gas, and Electric Funds including a description and explanation of revenue sources, a discussion of significant budget drivers, a description and explanation of services provided, and a breakdown by utility department and function.

Overall, Mr. Howell referred to the proposed budget as a flat, status quo budget.

He stated the sources of the history of the City's funds is the audit report and the Comprehensive Annual Financial Report.

With regard to the Sewer Fund, Mr. Howell discussed the following notables:

- Revenue – No rate increase recommended for FY 2020-2021. Revenue for Clearwater Paper Site 2 is now budgeted based upon a full year of operation.
- Expenditures – Implementation of Phase 3 of the approved Compensation and Pay Plan is delayed due to the revenue uncertainty created by the pandemic. Implementation will be reconsidered after a review of the first quarter financial performance.
- Reduction in debt service to reflect final payback of North Carolina Clean Water Management Trust Fund loan.

With regard to the Water Fund, Mr. Howell discussed the following notables:

- Revenue – No rate increase recommended for FY 2020-2021. Revenue for Clearwater Paper Site 2 is now budgeted based upon a full year of operation.
- Expenditures – Implementation of Phase 3 of the approved Compensation and Pay Plan is delayed due to the revenue uncertainty created by the pandemic. Implementation will be reconsidered after a review of the first quarter financial performance.
- Debt service increase.

With regard to the Stormwater Fund, Mr. Howell discussed the following notables:

- Revenue – No changes in stormwater rate structure after 2018-2019 restructuring.
- Expenditures – Implementation of Phase 3 of the approved Compensation and Pay Plan is delayed due to the revenue uncertainty

created by the pandemic. Implementation will be reconsidered after a review of the first quarter financial performance.

With regard to the Natural Gas Fund, Mr. Howell discussed the following notables:

- Revenue – No natural gas rate increase is proposed for the margin rate schedule.

Mr. Howell explained the natural gas and electric funds are weather-driven utilities for the City.

- Expenditures – Implementation of Phase 3 of the approved Compensation and Pay Plan is delayed due to the revenue uncertainty created by the pandemic. Implementation will be reconsidered after a review of the first quarter financial performance.

With regard to the Electric Fund, Mr. Howell discussed the following notables:

- Revenue – Revenue overall is expected to remain relatively flat with growth not to exceed 1 percent.
- Expenditures – Implementation of Phase 3 of the approved Compensation and Pay Plan is delayed due to the revenue uncertainty created by the pandemic. Implementation will be reconsidered after a review of the first quarter financial performance.
- No increase in the cost of wholesale power purchase for resale to customers from the North Carolina Municipal Power Agency No. 1 is anticipated.

Lastly, the overall budget of \$80,222,400 is a 1.5 percent net increase (\$1,194,364) from the current fiscal year adopted budget of \$79,028,036. Nearly all this increase is due to a new debt service payment for the Water Treatment Plant Modernization Project in the Water Fund and debt service of \$661,000 for Year 1 of the payment for the rail corridor.

- 2) Consideration of a resolution authorizing disbursement of travel and tourism funding to the Cleveland County Arts Council for Fiscal Year 2020-2021: Resolution No. 21-2020

Mrs. Arth Dukes requested to be excused from voting on this matter because she is an employee of the Cleveland County Arts Council and as such wishes to remove any conflict of interest, real or perceived.

ACTION TAKEN: Upon a motion made by Mr. Causby, City Council voted unanimously to excuse Mrs. Arth Dukes from voting on Resolution No. 21-2020.

Mr. Howell introduced Resolution No. 21-2020 for Council's consideration. Each year past grant recipients and other organizations that have expressed an interest are eligible to submit grant applications for these funds generated through the 3 percent room occupancy tax levied by City Council. Each is reviewed to determine if the purpose for use of funds is eligible under the statutes and City policy, the economic impact of the event(s) and/or promotion, past use of funds, success of past events to attract overnight visitors, financial participation by the entity, as well as other relevant criteria. Specifically, the Cleveland County Arts Council will be awarded \$20,000 to provide assistance with sponsoring and promoting the Art of Sound Festival.

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously (5 votes) to approve and adopt Resolution No. 21-2020 entitled, "A RESOLUTION AUTHORIZING DISBURSEMENT OF TRAVEL AND TOURISM FUNDING TO THE CLEVELAND COUNTY ARTS COUNCIL FOR FISCAL YEAR 2020-2021".

3) Consideration of a resolution authorizing disbursement of travel and tourism funding for Fiscal Year 2020-2021: Resolution No. 22-2020

Mr. Howell introduced Resolution No. 22-2020 for Council's consideration. Each year past grant recipients and other organizations that have expressed an interest are eligible to submit grant applications for these funds generated through the 3 percent room occupancy tax levied by City Council. Each is reviewed to determine if the purpose for use of funds is eligible under the statutes and City policy, the economic impact of the event(s) and/or promotion, past use of funds, success of past events to attract overnight visitors, financial participation by the entity, as well as other relevant criteria. Specifically, the Earl Scruggs Center, the Don Gibson Theatre, Cleveland County Travel and Tourism, Sharks Aquatics Club, Foothills Farmers Market, Uptown Shelby Association, and the Bobby Bell Recognition Project were awarded grants.

ACTION TAKEN: Upon a motion made by Mrs. Arth Dukes, City Council voted unanimously to approve and adopt Resolution No. 22-2020 entitled, "A RESOLUTION AUTHORIZING DISBURSEMENT OF TRAVEL AND TOURISM FUNDING FOR FISCAL YEAR 2020-2021".

F. City Manager's Report:

- 1) With regard to the Uptown Shelby Streetscape Project, Mr. Howell reported good progress with all construction activities and installations to

date, including curb extensions, pavers, stamped crosswalks, and mast arms. Traffic delays and temporary road closures can be expected as construction continues. The roads will be paved in mid-July and the project completion date is anticipated on August 16, 2020.

- 2) Mr. Howell informed Council that the final phase of the Shelby Cleveland County Regional Airport land acquisition project, including purchasing and demolition of the properties along NC Highway 150, was completed at the end of April 2020.
- 3) Regarding the construction of Shell Building No. 3, Mr. Howell reported the project is moving forward with the completion of the site clearing and erosion control fencing. Grading for the pad and the building pad will follow. The Cleveland County Economic Development Partnership has communicated that two potential, serious inquiries from manufacturers have been made about this building.

Mr. Howell also shared that a potential industry expansion is anticipated to be announced in June 2020.

G. Council Announcements and Remarks:

- 1) Mayor Anthony announced the annual Firefighters Memorial Service honoring the lives lost in the 1979 Uptown Shelby fire will be held as a virtual ceremony on May 22, 2020 at the Fallen Heroes Memorial.
- 2) The Mayor reminded all to support Shelby's local businesses during the COVID-19 pandemic.
- 3) Mayor Anthony cautioned all about the potential for another round of heavy rains and flooding this week, urging citizens to pay attention to the local warnings issued by Emergency Management. He encouraged residents to check on family members, friends, and neighbors during this time of possible severe weather and the pandemic.
- 4) Mr. White requested an update on the City's recycling program. Mr. Howell responded by stating a proposal from a new vendor was under consideration when the COVID-19 pandemic and the malware attack on the City occurred. The recycling program became a non-priority given all the other issues facing the City.
- 5) Mrs. Arth Dukes expressed her appreciation to Mr. White for reopening the matter of the recycling program for future discussion.

- 6) Mr. Hopper mentioned the article which was recently published in The Shelby Star about David White renovating and rebuilding Uptown Shelby properties.

H. Adjournment:

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion made by Mr. Hendrick, City Council voted unanimously to adjourn the meeting at 7:10 p.m.

Respectfully submitted,

Bernadette A. Parduski, NCCMC, MMC
City Clerk

O. Stanhope Anthony III
Mayor

Minutes of May 18, 2020