

MINUTES

**Regular Meeting
Don Gibson Theatre**

**May 17, 2021
Monday, 6:00 p.m.**

Present: Mayor O. Stanhope Anthony III, presiding; Council Members 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, City Attorney Andrea Leslie-Fite, City Clerk Bernadette A. Parduski, Public Information and Communications Officer Chip Nuhrah, Director of Finance Elizabeth B. (Beth) Beam, CPA, Director of Human Resources Deborah C. (Deb) Jolly, Director of Energy Services David W. Hux, Fire Chief William P. Hunt, MPA, EFO, Director of Planning and Development Services Walter (Walt) Scharer, AICP, Stan Lowery, Executive Director, Don Gibson Theatre; and Jennipher H. Harrill, Social Media Manager, Blue Eyes Social Media Connections

Absent: Council Member Eric B. Hendrick

Mayor Anthony called the meeting to order at 6:00 p.m. and delivered the invocation.

Mr. White 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 Comment:

1) Dennis Wise, Vice President of Sales for Recyclops, spoke in support of this independent company that contracts directly with residents for at-home pick-up recycling services. The sign-up process is online and will launch in a community once Recyclops reaches 100 pre-sign-ups, usually within weeks of the announcement by the company. The cost is \$12 per month for bi-monthly pick-up services. Recyclops provides the bags for accepted materials and utilizes technology and local drivers with pick-up trucks to carry out their services. As an environmental company, Mr. Wise stated Recyclops will provide certification of the waste dropped off at the Materials Recovery Facility (MRF). If a MRF is not available in a location, Recyclops will not operate.

- 2) **Dicky Amaya who resides at 610 Schenck Street in Shelby, North Carolina expressed his concerns regarding the safety of Shelby streets. Mr. Amaya specifically mentioned the lack of all-way stop intersections in the City of Shelby. He cited examples where all-way stop signs would allow drivers to take turns entering the intersection, resulting in safer conditions for all. Mr. Amaya also mentioned a very dangerous tree exists on Lafayette Street. It is dropping limbs and needs to be addressed.**

C. Consent Agenda:

Mayor Anthony presented the consent agenda. Mrs. Arth Dukes moved to approve the consent agenda and the following items were unanimously adopted:

- 1) **Approval of the Minutes of the Regular Meeting of May 3, 2021**
- 2) **Approval of Special Event Permit Application:**
 - a. **Memorial Run, requested date: May 22, 2021**
- 3) **Approval of a resolution honoring Nicholas Daniel Hamrick on the occasion of his retirement from employment with the City of Shelby: Resolution No. 29-2021**
- 4) **Approval of a resolution authorizing the selection of Integrity Solutions Field Services based on qualifications for corrosion control remediation on the City of Shelby Natural Gas Pipeline: Resolution No. 30-2021**
- 5) **Adoption of a budget ordinance amendment for the City of Shelby's Ames Copper Natural Gas System Infrastructure Improvements Project: Ordinance No. 19-2021**
- 6) **Approval of a resolution authorizing the submittal of the City of Shelby's application for North Carolina Industrial Development Fund Utility Account (IDF) Grant for the Randolph Road Industrial Park Sewer Project: Resolution No. 31-2021**
- 7) **Approval of a resolution authorizing selection of McGill Associates, PA based on qualifications for the Randolph Road Industrial Park Sewer Project: Resolution No. 32-2021**

D. Unfinished Business: None

E. New Business: None

F. City Manager's Report: None

G. Council Announcements and Remarks:

- 1) Mayor Anthony mentioned the City hosted the Carolinas Airstream Club “Shining in Shelby” event in Uptown Shelby on May 5 through 9, 2021 and he received several notes of appreciation from the members and visitors. The Mayor read one of the notes from Bruce Thompson, Carolinas Airstream Club President.
- 2) Mrs. Arth Dukes expressed appreciation to Mr. Wise of Recyclops for his interest to provide recycling services in Shelby.
- 3) Mr. Hopper expressed appreciation to City staff for the planning efforts involved with two recently held events:
 - The Ribbon Cutting Ceremony at Shell Building No. 3 on May 14, 2021
 - The Peace Officers Memorial Day Service at the Fallen Heroes Memorial on May 15, 2021

Mayor Anthony declared a recess at 6:15 p.m. and reconvened the meeting at 6:20 p.m.

H. Budget Session – General Fund: Proposed Fiscal Year (FY) 2021-2022 Annual Operating Budget for the City of Shelby

Mr. Howell began his presentation by stating this session would be limited to the review of the City's General Fund revenues and expenditures.

Next Mr. Howell reviewed the City Manager's responsibilities in the budget process as well as by the Local Government Budget and Fiscal Control Act, adding:

- North Carolina General Statute 159-9 designates the City Manager as the budget officer.
- North Carolina General Statute 159-11 requires submission of a balanced budget and budget message prior to June 1 each year, which does not have to occur at a formal Council meeting.
- The City Manager is obligated as the Chief Operating Officer to submit a responsible budget that provides for desired service levels and addresses Council's goals and priorities for the City.
- North Carolina General Statute 159-13(b) (14) directs and limits no appropriation may be made from a utility or public service enterprise fund to any other fund than the appropriate debt service fund unless the

total of all other appropriations in the fund equal or exceed the amount that will be required during the fiscal year, as shown by the budget ordinance, to meet operating expenses, capital outlay, and debt service on outstanding utility or enterprise bonds or notes.

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.

Utilizing charts and graphs, Mr. Howell provided a summary, description, and explanation of revenue categories within the City's General Fund.

- **Major General Fund Revenue Streams**

- Ad valorem property tax includes two components: Tax Base and Tax Rate (per \$100 of valuation set by City Council)

The components of Tax Base include: Assessed valuation of all real and personal property as provided by the Cleveland County Tax Assessor

Tax Levy equals Tax Base valuation multiplied by the Tax Rate

- **2021 is a tax revaluation year**

- Current tax rate is 52.25 cents per \$100 valuation
- Revenue neutral tax rate is 48.37 cents per \$100 valuation
- Recommended tax rate is 51.75 cents per \$100 valuation

Mr. Howell presented the Property Tax Rate Comparison of Municipalities (peer cities) with Comparable Populations graph chart as of July 1, 2020.

Mr. Howell also presented the Property Tax Rate Comparison of Neighboring Municipalities graph chart as of July 1, 2020.

- **Local Option Sales Taxes (Articles 39, 40, 42, and 44)**

Generates approximately \$3,200,000,000 annually statewide

Cleveland County and the municipalities receive approximately \$26,900,000 annually in gross collections

The City of Shelby now receives approximately \$3,500,000 plus a hold harmless amount

Levied by Cleveland County Commissioners as allowed by North Carolina General Statute

Cleveland County Commissioners determine how sales tax is distributed by the North Carolina Department of Revenue; the current method remains as ad valorem distribution

- **Utilities Sales Taxes – The Department of Revenue quarterly distributes sales tax from four separate utilities – electricity, piped natural gas, telecommunications to cities, and telecommunications service and video programming service to counties and cities**

Mr. Howell projected the amount of utilities sales taxes to be distributed at \$2 million per year.

Mr. Howell presented the General Fund revenues comparison between the current Fiscal Year 2020-2021 and the proposed Fiscal Year 2021-2022, showing a 11.28 percent change for an overall increase of \$2,919,165 million. He noted property tax revenue is trending upward by 7.93 percent due to commercial and industrial growth. However, he is not recommending the revenue neutral tax rate as that money will be programmed elsewhere. Sales tax revenue overall is also trending upward by 43.75 percent due to a better economy through the pandemic because of local shopping. Mr. Howell stated there are no increases in General Fund fees and service charges.

GENERAL FUND EXPENDITURES

Regarding General Fund expenditures, Mr. Howell provided and summarized charts by category including personnel, operating, capital, and debt service costs and by department including personnel, operating, capital, and debt service. He commented the overall amount of change for General Fund expenditures is an increase of 11.28 percent or \$2,919,165.

Mr. Howell recommended the funding of Year 3 of the Classification and Compensation Plan which was delayed in 2020 due to the economic uncertainty brought about by the pandemic. The adjustments for Year 3 equal a 2 percent base adjustment for all City employees and an additional .167 percent per year of service to relieve compression within job classifications and to recognize the value of employees' experience with the City.

Mr. Howell stated the next phase of the Classification and Compensation Plan will include a review of one-third of the City's positions in a market study. A recommendation from this analysis will be brought to City Council for consideration.

Mr. Howell summarized his presentation by reiterating the overall increase in the General Fund budget is \$2,919,165 or 11.28 percent. He discussed the notable changes as follows:

- Implementation of Year 3 of the approved compensation plan is included after being delayed due to the revenue uncertainty created by the pandemic. The total increase is \$1,251,145.
- Capital spending through the annual 59-month financing program will increase by \$1,079,357:
 - The largest part of this increase reflects the purchase of a new fire engine at a cost of approximately \$775,000. This purchase allows a 2004 engine to be rotated to reserve and allows the retirement of a 1987 reserve engine.
 - The remaining increase allows for replacement of a solid waste collection truck and leaf vacuum truck.
- Operating spending reflects an increase of \$658,663. The most significant increase in operating spending is a one-time \$345,000 which has been set aside for a roof replacement project at City Hall.
- A decrease in annual debt service payments of \$70,000 is also reflected in the General Fund budget.

Mr. Howell reviewed the General Fund Expenditures by Department as follows:

- **Special Appropriations** – 57 retirees receive City’s health insurance coverage under current City policy. Individuals who retire from the City with 22 or more years of continuous, uninterrupted full-time service may continue the City’s health insurance plan without charge to the employee until the retired employee reaches Medicare eligibility. The definition of retire from the City, for purposes of this benefit under the policy, means that the retiring employee will begin drawing a retirement check in the month immediately following his/her date of retirement from the City and will continue to receive a monthly retirement check from the North Carolina Local Government Employees Retirement System.
- **Debt Service** includes payments for Hanna Park and the acquisition of the Rail Trail Corridor. Staff continues to pursue and secure the Transportation Alternatives Program (TAP) Grant from the Federal Highway Administration (FHA) and the NC Department of Transportation awarded to the City for Rail Trail Corridor purchase.

- Finance (which includes Accounting, Purchasing, Customer Service, Information Technology, Meter Services, and City Hall Facility) capital reflects the roof replacement at City Hall.
- Police reflects 75 sworn officers and two civilian positions.
- 911 Communications now separated out from the Police Department reflects 11 positions.
- Fire and Rescue capital reflects the purchase of the fire engine.
- Public Works capital reflects the purchase of the solid waste collection truck and a leaf vacuum truck.
- Airport reflects a slight decline in fuel sales.

Mr. Howell reiterated his tax rate recommendation of 51.75 cents and explained that due to the necessary General Fund expenditures including Year 3 of the Classification and Compensation Plan, the increase in capital spending for the purchase of a fire engine and solid waste equipment, and the increase in operating funds including the City Hall roof replacement project, the tax rate slightly higher than the revenue neutral tax rate is essential to fund these requests. To further his reasoning for the tax rate, Mr. Howell added staff was careful not to overestimate revenues such as sales tax distribution.

Mr. Howell noted the Aquatics Center pool replacement is not budgeted at this point. Staff is considering the funding options and putting together a plan for Council to consider. However, in the interim, he stated the pool will open and operate this year.

Mayor Anthony initiated a discussion about returning to City Hall Council Chamber for Council meetings. By consensus, Council decided to return to City Hall Council Chamber for their meetings beginning Monday, June 7, 2021, at 6:00 p.m. A public notice will announce the limitations as to the capacity of Council Chamber and the mandate for masks to be worn by the public who wish to attend.

Mayor Anthony announced the Annual Firefighters' Memorial Service will be held on Tuesday, May 25, 2021, at 12 Noon, Fallen Heroes Memorial.

I. Adjournment:

1) Motion to adjourn

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously to adjourn the meeting at 7:33 p.m.

Respectfully submitted,

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

**O. Stanhope Anthony III
Mayor**

Minutes of May 17, 2021