

MINUTES

**Regular Meeting
City Hall Council Chamber**

**June 7, 2021
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, 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 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, Battalion Chief Quentin Cash MPA, CFO, Lead for North Carolina Fellow Shelby Holmes, and Jennipher H. Harrill, Social Media Manager, Blue Eyes Social Media Connections

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

Mr. Hendrick 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. Consent Agenda:

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

- 1) Approval of the Minutes of the Special Meeting of April 17, 2021**
- 2) Approval of the Minutes of the Regular Meeting of May 17, 2021**

C. Unfinished Business:

- 1) City of Shelby's Ames Copper Natural Gas System Infrastructure Improvements Project**

a. **Consideration of a budget ordinance amendment for the City of Shelby's Ames Copper Natural Gas System Infrastructure Improvements Project: Ordinance No. 20-2021**

As background, Mr. Howell stated Ames Copper is constructing a 40,000 square foot expansion to house a new natural gas-powered furnace that is used in the recycling of scrap copper material for reuse in various products. The company is investing approximately \$26.3 million and will create 46 new jobs. He also reminded Council that this new investment is exempt from local property taxes under State law as it qualifies as a recycling business. It is initially estimated that based upon information provided by Ames Copper that this will be a 3.5-year payback on the capital outlay. The City generally has required a 5-year payback or less when considering natural gas extensions.

Mr. Howell introduced Ordinance No. 20-2021 Council's consideration. If approved, the ordinance would amend Ordinance No. 36-2020 previously adopted by Council by appropriating an additional \$48,588 from the Natural Gas Fund for use in constructing approximately 8,200 linear feet of new 8-inch steel natural gas main from a point on Polkville Road along US Highway 74 to the intersection of Old Boiling Springs Road and then 1,600 linear feet of new 6-inch steel natural gas main on Old Boiling Springs Road to the Ames Copper facility. He explained bids received exceeded the estimate of probable cost prepared by the project engineer, Heath Associates. The Natural Gas Fund reserves do have adequate resources to appropriate the additional funding.

ACTION TAKEN: Upon a motion made by Mr. Hopper, City Council voted unanimously to approve and adopt Ordinance No. 20-2021 entitled, "A BUDGET ORDINANCE AMENDMENT FOR THE CITY OF SHELBY'S AMES COPPER NATURAL GAS SYSTEM INFRASTRUCTURE IMPROVEMENTS PROJECT".

b. **Consideration of a resolution awarding the construction of natural gas lines along Old Boiling Springs Road and Highway 74 West: Resolution No. 33-2021**

Resolution No. 33-2021 was also presented for Council's consideration at this time. The bids were reviewed by Scott Heath with Heath and Associates, Inc. and the City received Mr. Heath's letter of recommendation to award to the lower bidder. If approved, the resolution would authorize the award of a contract to construct the natural gas lines to Dawn Development Company, Inc. of Monroe, North Carolina in the amount of \$674,057.30.

ACTION TAKEN: Upon a motion made by Mr. Hopper, City Council voted unanimously to approve and adopt Resolution No. 33-2021 entitled, "A

RESOLUTION AWARDING THE CONSTRUCTION OF NATURAL GAS LINES ALONG OLD BOILING SPRINGS ROAD AND HIGHWAY 74 WEST”.

- 2) Consideration of a resolution approving the participation of the City of Shelby in the Foothills NC Home Consortium and authorizing the City Manager to enter and execute a Joint Cooperation Agreement for the Home Investment Partnership Program: Resolution No. 34-2021

Mr. Howell introduced Resolution No. 34-2021 Council’s consideration. If approved, the resolution would offer support for the creation of the Foothills NC Home Consortium and further authorizes the City Manager in consultation and with approval of the City Attorney to negotiate and enter into an agreement with other units of local government in the four-county region in creating the Consortium. It further authorizes the City Manager to sign all contracts, grant agreements, and certifications with the US Department of Housing and Urban Development, the State of North Carolina, or other agencies as may be required to carry out the activities of the Consortium.

Mr. Howell explained the creation of the Home Consortium provides an opportunity for federal block grant funding to be used toward the development of affordable housing opportunities within the Foothills Regional Commission four-county region, covering Cleveland, McDowell, Polk, and Rutherford. This action does not commit the City to providing funding. The only time a funding commitment may be required is if the City were to pursue grant funding through the Consortium for an affordable housing initiative.

ACTION TAKEN: Upon a motion made by Mrs. Arth Dukes, City Council voted unanimously to approve and adopt Resolution No. 34-2021 entitled, “A RESOLUTION APPROVING THE PARTICIPATION OF THE CITY OF SHELBY IN THE FOOTHILLS NC HOME CONSORTIUM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AND EXECUTE A JOINT COOPERATION AGREEMENT FOR THE HOME INVESTMENT PARTNERSHIP PROGRAM”.

D. New Business:

- 1) Consideration of a resolution of tentative award for the aerial sewer line at Randolph Road to Clark Ledbetter Grading & Hauling, Inc.: Resolution No. 35-2021

Mr. Howell stated the City of Shelby is required by the Wastewater Collection Permit to inspect and maintain 150 sewer aerial stream crossings that are a part of the sewer collection system. During recent inspections, staff found that there are two aerial crossings with piers that need repair/replacement.

He further stated increased flooding in Shelby over the past couple of years has caused major erosion along stream banks where sewer aerials are

located. The erosion has allowed for piers which support the sewer aerials to begin to pull away from the bank causing the sewer lines to begin to sag. Without repairs it is likely that the sewer lines will break causing sewer spills into the streams where these aerials cross. Respectively, the two aerials that need to be repaired/replaced are the 24-inch aerial crossing located near Rocky Creek Road and the 8-inch aerial crossing located over Brushy Creek at Randolph Road. City staff contacted Odom Engineering to complete design for the aerial sewer lines at Randolph Road and Rocky Creek Road. Plans were developed and bids were taken for the project.

Mr. Howell introduced Resolution No. 35-2021 for Council's consideration. The adoption of the resolution would authorize the tentative award of the bid to repair and replace an aerial sewer line crossing near the Randolph Road Lift Station to Clark Ledbetter Grading and Hauling, Inc. of Shelby, North Carolina in the amount of \$26,290.00. He noted the City received four competitive bids meeting statutory and City requirements under the informal bidding standards. This project was previously funded within the Sewer Fund budget for system repairs.

ACTION TAKEN: Upon a motion made by Mr. Webber, City Council voted unanimously to approve and adopt Resolution No. 35-2021 entitled, "A RESOLUTION OF TENTATIVE AWARD FOR THE AERIAL SEWER LINE AT RANDOLPH ROAD TO CLARK LEDBETTER GRADING & HAULING, INC.".

- 2) Consideration of a resolution of tentative award for the aerial sewer line at Rocky Creek Road to Two Brothers Utilities, LLC: Resolution No. 36-2021

Mr. Howell introduced Resolution No. 36-2021 for Council's consideration. The adoption of the resolution would authorize the tentative award of the bid to repair and replace an aerial sewer line crossing near the intersection of Earl Road and Rocky Creek Road to Two Brothers Utilities, LLC of Shelby, North Carolina in the amount of \$98,890.00. He noted the City received two competitive bids meeting statutory and City requirements under the informal bidding standards. This project was previously funded within the Sewer Fund budget for system repairs.

ACTION TAKEN: Upon a motion made by Mr. Causby, City Council voted unanimously to approve and adopt Resolution No. 36-2021 entitled, "A RESOLUTION OF TENTATIVE AWARD FOR THE AERIAL SEWER LINE AT ROCKY CREEK ROAD TO TWO BROTHERS UTILITIES, LLC".

- 3) Consideration of a resolution awarding the contract for the City of Shelby Stormwater Infrastructure Assistance Program Project at 326 Whisnant Street in Shelby, North Carolina: Resolution No. 37-2021

Mr. Howell introduced Resolution No. 37-2021 for Council's consideration. If approved, the resolution would award a contract in the amount of \$11,550 to

Clark Ledbetter Grading and Hauling, Inc. of Shelby, North Carolina for the construction of stormwater system improvements at 326 Whisnant Street. The City received an application for Stormwater Infrastructure Assistance outside of the public right-of-way at 326 Whisnant Street. Mr. Howell stated the issue at this location is a sinkhole in the driveway that has made the driveway impassable for vehicles. It is also important to note that the stormwater system crossing this property ties directly into the system on West Oak Street. The sinkhole has caused flooding in the public street during heavy rains.

Mr. Howell further stated following the preparation of design plans by Odom Engineering PLLC of Forest City, North Carolina, five bids were received for this project. The lowest responsive bidder was Clark Ledbetter Grading and Hauling, Inc. As a reminder, the Stormwater Infrastructure Assistance Policy states that for residential properties the City will be responsible for 80 percent of the construction cost and the private property owner will be responsible for the remaining 20 percent via a legal agreement.

Mr. Howell noted this project qualifies for assistance through the City's Stormwater Infrastructure Assistance Program which allows the City to share costs with a private property owner under certain circumstances spelled out in policy. The City's portion of this project is paid through revenue generated from existing stormwater fees.

Next, Mr. Yarboro reviewed the basics of the City's Stormwater Infrastructure Assistance Policy, stating the program was established to assist private property owners within the jurisdictional limits of Shelby with the costs of making drainage improvements, including driveway pipes, and correcting illicit discharges and/or illicit connections on private property. Ongoing funding for this program is considered each fiscal year with the adoption of the City's operating budget. He further stated assistance will be evaluated individually, based on established priorities, subject to available funds, and awarded in the order they are received. In the event of imminent structural damage, the City reserves the right to alter the order in which assistance funding is distributed.

ACTION TAKEN: Upon a motion made by Mr. Hendrick, City Council voted unanimously to approve and adopt Resolution No. 37-2021 entitled, "A RESOLUTION AWARDED THE CONTRACT FOR THE CITY OF SHELBY STORMWATER INFRASTRUCTURE ASSISTANCE PROGRAM PROJECT AT 326 WHISNANT STREET IN SHELBY, NORTH CAROLINA".

E. City Manager's Report:

- 1) Mr. Howell addressed the problems with the air conditioning unit in City Council Chamber by forewarning of its ongoing repairs or possible

replacement, which would necessitate Council meetings to relocate back to the Don Gibson Theatre.

- 2) Mr. Howell reported the First Broad River Trail remains temporarily closed until further notice due to previous flood damage which occurred in February 2020. The contractor continues the trail work and ongoing repairs to the bridges. Mr. Howell requested continued patience with the project.
- 3) Due to questions and concerns voiced by the public about a recent mailing, Mr. Howell clarified the City of Shelby has partnered with Service Line Warranties of America (SLWA) to offer protection for homeowners for external water and sewer lines. The coverage is voluntary and available at affordable monthly or annual prices. SLWA mailed detailed information about this program to City of Shelby's customers at the end of May 2021. This program is offered at no cost to the City and no public funds are used to promote or administer the program. The City of Shelby has no responsibility for the program being offered by SLWA and does not guarantee the performance of the work provided by SLWA. All agreements are between a homeowner and SLWA. He added SLWA is the trusted source of utility line protection programs endorsed by the National League of Cities and the North Carolina League of Municipalities.
- 4) Mr. Howell reported Mrs. Fite has finalized the agreement for the generous, substantial private donation toward Depot Park. Documents authorizing the City's acceptance of this donation will be prepared for Council's consideration.

F. Council Announcements and Remarks:

- 1) Due to the current circumstances of the Council Chamber, Mr. White proposed moving back to the Don Gibson Theatre to conduct their Council meetings until such time as the repairs and/or remodeling of the room are complete. Discussion followed and Council agreed, by consensus, to remain in the Council Chamber for the duration.
- 2) Mayor Anthony announced the City of Shelby's Business Starter Guide Kick-off and Launch will take place on June 9, 2021, at 7:30 a.m., Don Gibson Theatre. A light breakfast will be served.
- 3) Mayor Anthony also announced that Bobby Bell Day in Shelby has been agreed to and confirmed by Mr. and Mrs. Bell for August 28, 2021. The activities for that day are in the planning stages and will be publicized.

- 4) Mayor Anthony congratulated Fire Chief William Hunt on being selected as the North Carolina 2021 Career Fire Chief of the Year by the North Carolina Association of Fire Chiefs.

Mayor Anthony declared a recess at 6:26 p.m. and reconvened the meeting at 6:30 p.m.

**G. Budget Session – Utility Funds: 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 Utility Funds: Sewer, Water, Stormwater, Natural Gas, and Electric revenues and expenditures.

Mr. Howell stated the overview of the sewer, water, stormwater, natural gas, and electric funds will include a description and explanation of revenue sources, discussion of significant budget drivers, description and explanation of services provided, and breakdown by utility department and function. He further stated that all City utility funds are self-sustaining enterprise funds.

As a reminder, 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 commented the reserve funds in all City utilities (except for Sewer) are relatively healthy. Use of these reserve funds should be limited

largely to emergency situations, protection of the City's credit rating with bondholders in accordance with our legally binding bond covenants, cash flow for day-to-day operations, and capital projects deemed important by City Council. These monies are not limitless and unnecessary use to fund annually recurring operational or expenses only puts the City at enhanced financial risk.

It is also important to note that while the General Fund budget addressed the basic needs for Fiscal Year 2021-2022, it is still too reliant on transfers of Natural Gas and Electric Funds.

SEWER FUND

Mr. Howell stated the Sewer Fund increases 15.92 percent in overall spending in Fiscal Year Budget 2020-2021 at \$5,519,729 to \$6,398,644 in Fiscal Year 2021-2022. Staff was requested to reduce capital spending and system improvements to account for an increase in new debt service related to the Wastewater Treatment Plant Biosolids Project completed in the Fall of 2020. Debt service will increase by \$982,000 to account for new debt service payments due beginning in May 2022 associated with the 20-year, 0 percent interest loan from the State Revolving Fund for the newly completed Wastewater Treatment Plant Biosolids Project.

Mr. Howell recommended a 4 percent increase for the coming fiscal year to meet the new debt service requirement. The rate increase will generate approximately \$214,000 of the new revenue expected. Additional customer revenue growth is expected to generate approximately \$397,000. He anticipates additional rate increases for the next 3 to 5 years to build cash to afford capital expenditures and system improvement appropriations.

WATER FUND

Mr. Howell stated the Water Fund is down slightly, less than 1 percent, in overall spending from Fiscal Year Budget 2020-2021 from \$6,050,138 to \$6,039,171 in Fiscal Year 2021-2022. Staff was requested to reduce capital spending and system improvements to account for an increase in new debt service related to the Water Treatment Plant Clearwell Improvement Project completed in the Fall of 2020. Debt service will increase by \$91,000 to account for debt service payments associated with the 20-year, 1.53 percent interest loan from the State Revolving Fund for the newly completed Grover Street Water Treatment Plant Upgrades Project.

Mr. Howell recommended a 4 percent increase for the coming fiscal year to meet the debt service requirement. The rate increase will generate approximately \$200,000 of the new revenue expected.

ELECTRIC FUND

Mr. Howell stated the Electric Fund is down slightly, 2.2 percent, in overall spending from Fiscal Year Budget 2020-2021 from \$22,538,388 to \$22,039,455 in Fiscal Year 2021-2022.

Mr. Howell further stated no rate increase is recommended for the coming fiscal year and none is expected until 2023. Revenue is expected to decline approximately 1.5 percent or \$324,000 based upon the current year's receipts.

Mr. Howell explained the North Carolina Municipal Power Agency Number 1 (NCMPAI) Rate Committee provides technical review and recommendations concerning wholesale rate levels and structure to the ElectriCities Board of Directors and NCMPA1 Board of Commissioners. After several successful years from an operating standpoint, the Power Agency has built cash over the last two years. The Power Agency's Board of Commissioners recommended to the ElectriCities Board of Directors to pay down debt service and to return cash, in the form of a rebate, to the 19 member cities, including Shelby, proportionately. This rebate is added to the City's Electric Fund reserves.

Mr. Howell added this enterprise fund is weather dependent.

NATURAL GAS FUND

Mr. Howell stated the Natural Gas Fund is down slightly, less than 1 percent, in overall spending from Fiscal Year Budget 2020-2021 from \$16,137,600 to \$16,125,600 in Fiscal Year 2021-2022.

Mr. Howell further stated no increase for the margin rate schedule is recommended for the coming fiscal year. Revenues are expected to remain flat for the coming fiscal year.

Mr. Howell added this enterprise fund is weather dependent.

STORMWATER FUND

Mr. Howell stated the Stormwater Fund is down 3 percent in overall spending from Fiscal Year Budget 2020-2021 from \$868,220 to \$840,520 in Fiscal Year 2021-2022.

Mr. Howell further stated no rate increase is recommended for the coming fiscal year. Revenues are expected to increase by 3.36 percent due to growth in customer charges of \$27,000 for the coming fiscal year.

To clarify, Mr. Howell mentioned departments that provide service or support for utilities receive utility allocations.

Mr. Howell reiterated his proposal to implement the final phase of the Classification and Compensation Plan in this budget for all City employees. Year 3 of the Plan was delayed in 2020 due to the economic uncertainty brought about by the COVID-19 pandemic. The adjustments for Year 3 equal a 2 percent base adjustment 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 concluded by stating the budget covering all funds for the Fiscal Year beginning July 1, 2021 is balanced and has been presented for Council's consideration. It meets all statutory requirements. A public hearing on the proposed budget will be scheduled for June 21, 2021.

H. Adjournment:

1) Motion to adjourn

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously to adjourn the meeting at 7:34 p.m.

Respectfully submitted,

Bernadette A. Parduski, NCCMC, MMC
City Clerk

O. Stanhope Anthony III
Mayor

Minutes of June 7, 2021