

MINUTES

Regular Meeting of Shelby City Council
City Hall Council Chamber

November 20, 2023
Monday, 6:00 p.m.

Present: Mayor O. Stanhope Anthony, III, presiding; Council Members Andrew L. Hopper, Sr., David Causby, David White, Charles Webber, and Emilie Bullock; City Manager Rick Howell, MPA, ICMA-CM, Assistant City Manager Ben Yarboro, Assistant City Manager Justin Longino, MBA, City Attorney Jason Lunsford, City Clerk Carol Williams, Deputy City Clerk Breanna Jones, Director of Human Resources Deborah (Deb) Jolly, Director of Finance Elizabeth (Beth) Beam, CPA, Fire Chief William Hunt, EFO, Chief of Police Brad Fraser, Public Works Director Scott Black, Director of Water Resources Brian Wilson, Public Information and Communications Officer Chip Nuhrah, Director of Parks and Recreation Charlie Holtzclaw, and Jennipher H. Harrill, Social Media Manager, Blue Eyes Media Connections

Absent: Council member Violet Arth

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

Mrs. Bullock led the Pledge of Allegiance.

Mayor Anthony asked Council member Andrew Hopper to come forward to present a replica of home plate to City Manager Rick Howell from the Executive Committee of the American Legion World Series in appreciation of the support the City has given to the American Legion World Series over the years.

Mayor Anthony acknowledged there are two agenda items that need to be added which are Consent item D-4(c), and Consent item D-5.

A. Approval of agenda:

- 1) Motion to adopt the proposed agenda as amended with the addition of D-4(C) and D-5.

ACTION TAKEN: Upon a motion by Mr. White, City Council voted unanimously to approve the agenda as amended

B. Special Presentation:

- 1) Audit Presentation for Fiscal Year Ending June 30, 2023 - Martin Starnes and Associates, CPA's, P.A., Tonya Thompson, Senior Manager, presenting**

Mrs. Beam introduced Tonya Thompson with Martin Starnes & Associates as the presenter of the annual audit report and Annual Comprehensive Financial Report (ACFR) for Fiscal Year (FY) ended June 30, 2023.

Miss Thompson stated the Martin Starnes' report yielded an unmodified opinion, meaning the City's financials are not materially misstated and are fairly presented in conformity with generally accepted accounting principles (GAAP). Miss Thompson also acknowledged the assistance and cooperation of Mrs. Beam and the Finance Department's staff during the audit process.

Miss Thompson mentioned additional audit highlights:

- General Fund - \$5.5 million increase in fund balance**
- Enterprise Fund - \$7.8 million increase in net position**
- Property tax revenues – \$219,000 increase from 2022**
- 2023 Collection rate – 97.67%**

Miss Thompson summarized and compared General Fund revenues and expenditures for 2022 and 2023. In 2023, revenues increased by \$2.4 million, and expenditures increased by \$1.2 million.

Miss Thompson 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.

Regarding total fund balance for the General Fund, Miss Thompson noted there was an increase of \$5.5 million from 2022 to 2023.

Miss Thompson 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.

Miss Thompson reviewed Shelby's Fund Balance position in the General Fund:

Total Fund Balance	\$22,487,200
Non-spendable	\$ (598,682)
Stabilization by State statute	\$ (4,865,555)

Available Fund Balance 2023	\$17,022,963
Available Fund Balance 2022	\$10,416,047
Changes in Available Fund Balance	\$ 6,606,916

Miss Thompson explained the new guidelines from the Local Government Commission (LGC) regarding fund balance available (FBA) excluding Powell Bill funding. Shelby's FBA as a requirement is a minimum of 25 percent. Miss Thompson further explained the LGC's median for units with General Funds expenditures of \$10 million such as Shelby is 46 percent. In 2023, Shelby's FBA is at 49.6 percent, so right on track.

Miss Thompson reported the top three sources of revenue include property taxes (48%), sales and services (9%), and other taxes and licenses (25%). All other revenues (18%) are included in a separate category which includes miscellaneous, investment earnings and permits and fees. The top three categories represent approximately 81% of total revenues or \$23.9 million. The total revenues for the general fund are \$29 million.

Miss Thompson further stated there was an increase of about \$219,000 or 2% in property taxes.

Regarding other taxes and licenses, Miss Thompson noted an increase of \$713,000 or 11% mainly caused by sales tax which has increased substantially over the last several years.

Regarding sales and services there was an increase of \$224,000 or 9%.

Miss Thompson reported the top three expenditures were public safety (54%), general government (13%), and cultural and recreation (10%). All other expenditures (23%) are included in a separate category which includes environmental protection, debt service and transportation. The top three expenditures are \$24.9 million combined which is 76.5 percent of total expenditures.

Miss Thompson stated public safety increased \$4.17 million, mainly due to costs such as salaries, benefits, radios, vehicles, and a fire engine.

Regarding general government, Miss Thompson commented expenditures increased by \$581,000 mainly due to salary increases and changes to internal cost allocations.

Regarding cultural and recreation category, Miss Thompson commented there was an increase of about \$255,000, mainly due to seasonal employees and capital outlay such as 8 new dugouts at Shelby City Park.

Regarding the City's enterprise funds, Miss Thompson reported an increase in total net position of \$7.8 million, stating the City has invested in capital assets this year.

Regarding the Water fund, the unrestricted net position is up \$1.2 million and cash flow from operations is down \$600,000. Miss Thompson explained the LGC is looking for the quick ratio to be above 1%, and our quick ratio in the Water fund is 2.60%.

Regarding the Sewer fund, the unrestricted net position increased \$1.87 million and cash flow from operations is down 21% to \$2.8 million. The Sewer fund quick ratio is 3.52%.

Regarding the Electric fund, the unrestricted net position increased \$2.35 million to \$13 million and cash flow from operations is up 23%. The Electric fund quick ratio is 7.05%.

Regarding the Natural Gas fund, the unrestricted net position is down \$2.48 million and cash flow from operations is down 11%. The Natural Gas fund quick ratio is 6.92%.

Miss Thompson reviewed the positive performance indicators, such as:

- General Fund balance in line with peer cities
- Enterprise fund quick ratios were over 1%
- Audit was timely submitted
- Stable property tax valuation and collection rate percentage

Miss Thompson stated there is one item that was considered a red flag, or a performance indicator of concern. The combined cash flow indicator for the water and sewer came out negative. Even though there were increases in the net position in water and sewer funds, a good portion of that increase was due to transfers and that doesn't count toward the ratio. The LGC requires a written, signed response with explanations and/or corrective actions by a majority of the City Council members, the City Manager, and the Finance Director within 60 days of tonight's audit presentation.

Mr. Howell advised Council that in the Consent agenda there is a response letter to be sent to the Local Government Commission regarding the performance indicator of concern.

C. Public Comment:

- 1) Leslie Spaes, who resides at 214 Nancy Drive, Shelby, North Carolina

spoke to Council about the concerns she has on the development going on in her neighborhood. She is not impressed with the builder and the cookie cutter type neighborhood that is not typical of a Shelby community.

- 2) Cynitra Stewart, who resides at 416 McBrayer Street, Shelby, North Carolina stated she is a new business owner in the cyber technology field.

D. Consent Agenda:

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

- 1) Approval of the Minutes of the Regular Meeting of November 6, 2023
- 2) Approval of a resolution revising and amending the personnel policies of the City of Shelby to provide for an updated Personnel Policy and Procedure Manual: Resolution No. 76-2023
- 3) Acceptance of the Certificate of Sufficiency regarding Petition Of Annexation of applicant, True Homes, LLC – Thrift Road
- 4) Approval of Special Event Application:
 - a) Annual Tree Lighting and Uptown Shelby Carriage Rides, requested date: November 25th (Tree Lighting), December 1st, 8th, and 15th, 2023 (Carriage Rides)
 - b) Shelby Christmas Parade: requested date: Sunday, December 17, 2023
 - c) Atrium Health Holiday Celebration: requested date: November 29, 2023
- 5) Approval of a resolution allowing for filing exclusion agreements in per- and polyfluoroalkyl substance (PFAS) chemical action lawsuits against Dupont and 3M: Resolution No. 77-2023
- 6) LGC Response for Financial Indicator of Concern for Fiscal Year Ending June 30, 2023

END OF CONSENT AGENDA

E. Unfinished Business:

1) Adoption of a budget ordinance amendment for the City of Shelby's American Rescue Plan Water and Sewer Asset Management and Modeling Projects: Ordinance No. 53-2023

Mr. Howell presented this ordinance that would appropriate \$66,000 from the Sewer Fund net retained earnings for the purpose of expanding the original scope of the Wastewater Management and Hydraulic Modeling Survey to include additional areas on the western side of the City.

ACTION TAKEN: Upon a motion by Mr. Webber, City Council voted unanimously to adopt Ordinance No. 53-2023 entitled, "A BUDGET ORDINANCE AMENDMENT FOR THE CITY OF SHELBY'S AMERICAN RESCUE PLAN WATER AND SEWER ASSET MANAGEMENT AND MODELING PROJECTS."

F. New Business

None

G. City Manager's Report:

The 2024 United Way campaign was a huge success this year with a total of \$217,768.72 donations from employees. This is an increase of over \$47,000 from 2023.

A severe drought situation is within the City's watershed, however, the triggers needed to initiate a Stage 1 Water Shortage Plan have not been reached yet. Mr. Wilson will continue to monitor the situation.

A Council Retreat date needs to be decided. Mr. Howell suggested January 27th or February 3rd as options. Council tentatively chose January 27th but will confirm that date at our December 4th meeting.

Mr. Howell also stated the January 1st and January 15th meetings are holidays. So, the January 1st meeting will be moved to January 8th and the January 15th meeting will be cancelled. By consensus, this was agreeable.

County Home Road bids are due tomorrow.

No grant information has been received on the Webbley house.

Expansion of the Rail Trail continues, and Depot Park final design and plans should be out for bid in the first quarter of 2024.

Staff is working to resolve a dispute on the cracking of the pool deck.

Mr. Longino will be working on the dog park and hope to have it completed in a timely fashion.

Mr. Howell updated Council on the status of TAMP Phase I and Phase II project. Phase I consists of 17 miles and paving is basically complete. Phase II consists of paving 15 miles and is upcoming soon. These 32 miles of paved streets are about \$6 million of the \$10 million approved by the voters.

The Crosstown Waterline project is ongoing, which will provide better water flow and pressure to the southern part of the city.

The Hickory Creek Sewer Outfall construction is underway and making slow progress with that project.

Water Treatment Plant Filtration Project should be starting soon.

Final touches of the City Hall roof are ongoing and should be finished soon.

H. Council Announcements and Remarks:

Mayor Anthony mentioned the Christmas tree lighting will be this Saturday, November 25th at 6:00 p.m. The Dancing Fleas will be performing as well.

Mr. White commended the City employees on their generosity to the United Way.

Mr. Causby acknowledged how nice the front of City Hall looks with the new sidewalk.

Mr. Webber wished everyone a happy and safe holiday season.

Mr. Hopper also mentioned the generosity of our employees. Also, he appreciated all the voters that voted this year.

Mayor Anthony mentioned next meeting will be the swearing in of our recently elected Council members.

I. Closed Session:

- 1) To discuss matters relating to the location or expansion of industries or other businesses in the area served by the public body, including on a tentative list of economic development incentives that may be offered by the public body in negotiations, or to discuss matters relating to military installation closure or realignment. Any action approving the signing of an economic development contract or commitment, or the action authorizing the payment of economic development expenditures, shall be taken in an open session pursuant to North Carolina General Statute 143-318.11(a)(4).**
- 2) To establish, or to instruct the public body's staff or negotiating agents concerning the position to be taken by or on behalf of the public body in negotiating (i) the price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange, or lease; or (ii) the amount of compensation and other material terms of an employment contract or proposed employment contract pursuant to North Carolina General Statute 143-318.11(a)(5).**

ACTION TAKEN: Mr. White made a motion to enter a closed session pursuant to the appropriate North Carolina General Statutes as cited. Mayor Anthony invited all Council members present, along with Mr. Howell, Mr. Lunsford, Mr. Longino, and Mr. Yarboro to attend. The motion passed unanimously, and Council moved into closed session at 6:43 p.m.

At the conclusion of the Closed Session item, Mr. White made a motion for City Council to return to the regular session at 7:14 p.m.

J. Adjournment:

- 1) Motion to adjourn**

ACTION TAKEN: Upon a motion made by Mr. White, City Council voted unanimously to adjourn the meeting at 7:15 p.m.

Respectfully submitted,

**Carol Williams
City Clerk**

**O. Stanhope Anthony, III
Mayor**

Minutes of November 20, 2023