

MINUTES

Regular Meeting
City Hall Council Chamber

August 2, 2010
Monday, 6:00 p.m.

Present: Mayor W. Ted Alexander, presiding; Council Members Christopher H. (Chris) Mabry, O. Stanhope (Stan) Anthony, III, Jeanette D. Patterson, Dennis C. Bailey, Joel R. Shores, Jr., Andrew L. Hopper, Sr.; City Manager Rick Howell, City Attorney Robert W. (Bob) Yelton, City Clerk Bernadette A. Parduski, MMC, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Human Resources Deborah (Deb) Jolly, Director of Utilities Brad R. Cornwell, PLS, EI, Police Chief Jeffrey H. (Jeff) Ledford, Fire Chief William P. Hunt, Director of Public Works Daniel C. (Danny) Darst, Jr.; and media representatives

Mayor Alexander called the meeting to order at 6:00 p.m. and welcomed all who were in attendance. Mrs. Patterson gave the invocation and Boy Scout Jordan Cook of Troop 118 hosted by Zion Baptist Church led the *Pledge of Allegiance*.

A. Approval of agenda:

1) Motion to adopt the proposed agenda

Mayor Alexander announced the repeat of a prior Special Presentation namely the "Recognition of the Mayor's Outstanding Volunteer Service Recipient for June 2010: Salkehatchie Summer Service" added as Item B-2. (Clerk's note: Refer to minutes of meeting of July 19, 2010).

Mr. Anthony requested that Item C-3 under the Consent Agenda be removed and placed under New Business as Item E-1 as follows: "Consideration of a resolution confirming the City of Shelby's intent to offer an economic development incentive grant: Resolution No. 57-2010".

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

B. Special Presentations:

1) Presentation of the Certificate of Achievement for Excellence in Financial Reporting awarded to the City of Shelby by the Government Finance Officers Association of the United States and Canada (GFOA) for its

Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2009

Mr. Howell said the City has once again achieved this award and it is a testament to the commitment of past and present management as well as finance directors and their staffs for full public disclosure and communication of the financial condition of the City of Shelby.

Acknowledging 13 years of success, Mayor Alexander was pleased to announce that the Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Shelby for its Comprehensive Annual Financial Report (CAFR) yet again. The Mayor stated that the Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

Mayor Alexander recognized Mr. Phillips, who is responsible for preparing the award-winning CAFR, and congratulated him for this achievement as he accepted the plaque on behalf of the City.

2) Recognition of the Mayor's Outstanding Volunteer Service Recipient for June 2010: Salkehatchie Summer Service

Mayor Alexander reiterated his previous comments made at the Council meeting of July 19, 2010. The Mayor introduced Carl Duncan and presented a framed certificate to him on behalf of the City of Shelby.

Mr. Duncan recognized his wife, Tammy, the many volunteers, and the area churches and businesses which sponsor the Salkehatchie Summer Service, now in its third year.

C. Consent Agenda:

ACTION TAKEN: Mayor Alexander presented the consent agenda. Mrs. Patterson made a motion to approve the consent agenda and each item as presented. After a second from Mr. Shores, the consent agenda and following items were unanimously approved:

- 1) Approval of the Minutes of the Regular Meeting of July 19, 2010**
- 2) Adoption of FY 2010-2011 Budget Ordinance Amendment No. 1: Ordinance No. 22-2010**

3) REMOVED AND PLACED UNDER NEW BUSINESS AS ITEM E-1:

Approval of a resolution confirming the City of Shelby's intent to offer an economic development incentive grant: Resolution No. 57-2010

END CONSENT AGENDA

D. Unfinished Business:

- 1) Consideration of a resolution authorizing the submission of a Community Development Block Grant (CDBG) application to the North Carolina Department of Commerce for the Foothills Commerce Center Project: Resolution No. 58-2010

Mr. Howell reiterated as the City moves forward with the development of the Foothills Commerce Center, it will be necessary to pursue various grants to offset the cost of construction for the internal infrastructure. Because the water, sewer, electric, and natural gas utility improvements, for the most part, will be paid for with funds already budgeted via the capital project budget ordinance, Mr. Howell focused his efforts on securing a grant to cover the access road construction cost within the Foothills Commerce Center property. He said a preliminary application was filed with the North Carolina Department of Commerce for \$500,000 and was approved for funding, pending Council's formal authorization and approval.

Upon questioning, Mr. Howell responded that no local matching funds are required; however, engineering estimates place this cost at approximately \$955,000 for the entire length of the main entrance road which is roughly more than one-half mile or 3,100 feet. The paved road will be 24 feet wide and include curb and gutter.

ACTION TAKEN: Upon a motion by Mr. Hopper, second by Mr. Bailey, City Council voted unanimously to approve and adopt Resolution No. 58-2010 entitled, "A RESOLUTION AUTHORIZING THE SUBMISSION OF A COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) APPLICATION TO THE NORTH CAROLINA DEPARTMENT OF COMMERCE FOR THE FOOTHILLS COMMERCE CENTER PROJECT".

E. New Business:

- 1) Consideration of a resolution confirming the City of Shelby's intent to offer an economic development incentive grant: Resolution No. 57-2010

Mr. Howell provided Council with background information regarding the

development and amendments to the City's Industrial Development Incentive Grant Program which is modeled after Cleveland County's policy. He explained that Fox Distributing Co., Inc. intends to make a net new investment of \$750,000 over a two-year period in their existing Shelby facility. The proposed incentive would provide an annual incentive grant equal to 40 percent of the actual property taxes paid on the net new taxable investment made by Fox. The incentives offered are all performance based. If the investment is not made and the taxes are not paid, then no incentive grant is forthcoming.

Upon questioning, Mr. Howell clarified that final funding is approved by Council after a legal agreement stating purposes and expected benchmarks has been prepared between the City and the company. Council will base the number of years in which the grant is given upon the creation of quality jobs and the level of investment in land, building, and equipment. The agreement will be considered for approval after Council conducts the duly advertised public hearing on August 16, 2010.

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Anthony, City Council voted unanimously to approve and adopt Resolution No. 57-2010 entitled, "A RESOLUTION CONFIRMING THE CITY OF SHELBY'S INTENT TO OFFER AN ECONOMIC DEVELOPMENT INCENTIVE GRANT".

F. City Manager's Report

- 1) With regard to the construction of a Job Ready Shell Warehouse/Industrial Building Project at the Foothills Commerce Center site, Mr. Howell informed Council that he has received ten (10) bids in response to the Request for Qualifications (RFQ) for design services, which closed July 30, 2010. Negotiations with the best qualified firm for a Design Services Agreement are anticipated to take place in the very near future and the award of the contract will follow shortly thereafter. There was discussion related to the selection process and Mr. Howell explained the procurement of architectural, engineering, and surveying services as specified in the North Carolina General Statutes.
- 2) Mr. Howell said he will begin the process for the distribution of Travel and Tourism funding for Fiscal Year 2010-2011 and provide Council with his annual recommendations shortly.
- 3) Mr. Howell and Mr. Cornwell provided Council with preliminary information about the upcoming Obstruction Evaluation/Airport Airspace Analysis which will take place at the Shelby-Cleveland County Regional Airport. The prime objectives of the Federal Aviation Administration (FAA) are to

promote air safety and the efficient use of the navigable airspace. The standards established in determining obstructions to air navigation and certifying the safety of the airport are used in administering federal and state grant funding.

- 4) Mr. Howell mentioned that the City is developing a stormwater management program, which includes public education, and its application for a Phase II National Pollution Discharge Elimination System (NPDES) permit. The NPDES Municipal Stormwater Program and its implications will be discussed at a future Council workshop session.
- 5) Mr. Howell reminded Council that the City is accepting bids for the City Park Improvements Phase I and the closing date is August 3, 2010.
- 6) Mr. Howell provided preliminary information about the 2010 Census Redistricting Data Program. Public law requires the Census Bureau to provide state legislatures with the small area census population tabulations necessary for legislative redistricting. The states choosing to participate in this voluntary program will define the small areas, i.e. the City's ward boundaries which are also subject to the Voting Rights Act, for which specific data tabulations are desired and submit these areas following timelines established by the Census Bureau.
- 7) Mr. Howell suggested Council consider reviewing the City's Voluntary Satellite Annexation Policy in the near future.
- 8) Mr. Howell and Mayor Alexander invited all to attend National Night Out, tomorrow, August 3, 2010, from 5:00 p.m. to 8:00 p.m. at Shelby City Park.
- 9) Mr. Howell announced that the 2010 North Carolina League of Municipalities Annual Conference will take place in Winston-Salem, North Carolina beginning October 23, 2010 through October 26, 2010.

G. Council Announcements and Remarks

1) Discussion re: Residential Electric Rate Structures

Mayor Alexander stated that this discussion was prompted as a follow-up to Kim Stinchomb's public comment made during the July 19, 2010 Council meeting concerning the City's residential electric service rate schedules, Residential Electric Service and Residential Service-All Electric. The Mayor added Mr. Stinchomb's issue has been favorably resolved by staff.

Mr. Bailey requested clarification as to the reasoning the City offers an All

Electric Rate and not an All City Utilities Rate for customers who utilize both natural gas and electricity, especially when considering the profitability of the gas system. It is his opinion that customers using City gas should be able to buy electricity at the same rate as a customer in the City that only has electric.

Mr. Howell responded that it is a common industry practice for both investor owned utilities such as Duke Power and Progress Energy, the cooperatives such as Blue Ridge Power and Rutherford Electric, as well as other municipal systems to offer incentive rates such as this. The theory being that customers who use all electric use more power; and therefore, should benefit with a better rate. Cheaper rates apply to those that use electric for heating/cooling and hot water heating and are very common in the industry, as they compete with natural gas and other alternative energy source providers. The conflict only arises because the City is also the natural gas provider, one of only eight municipal systems in North Carolina and seven of those eight also owning electric systems.

However, not all of our natural gas customers are in the City limits or on our electric service. You also have those gas customers that are inside the City but served with electric by Duke Power. This has been a longstanding practice dating back many years and philosophy in Shelby. Mr. Howell advised that this is a policy issue for City Council to discuss. Natural gas profits subsidize the tax rate by approximately 11 cents. The electric transfer is justified because the amount transferred is roughly equivalent to what the City would receive if the electric system were privately owned and paid property taxes and North Carolina utilities franchise tax to the City through the State. The natural gas transfer is justifiable to some extent on the same basis. If the natural gas system was privately owned, then the City would receive some property tax and piped natural gas tax through the State. The reasons for reducing reliance on the transfer include that the profit is shrinking due to the transition from a largely industrial customer base to one that is primarily commercial and residential, the historical over-reliance on the transfer could put the City in a very difficult predicament should we eventually lose more of our larger gas customers or if something else occurs that causes sales to drop significantly, and the City's natural gas margin rate is one of the highest of the communities with whom we compare ourselves. Reduction of the transfer from natural gas is something that staff has promoted but it cannot be done all at once without a replacement revenue stream in the General Fund or significant cuts to services. Mr. Howell added that as far as utilities are concerned, the fixed costs to operate these enterprises remain. The City must maintain a stable source of income shared by all its customers in a reasonable way for all its systems.

Some of the issues raised were how a modified electric and natural gas rate structure would impact the City's budget, the seasonal rate charges, and the customer rate verification process.

At the conclusion of Council's discussion, it was clear that a future workshop on this topic would be necessary to effectively comprehend and address all the questions and concerns raised.

- 2) Mrs. Patterson requested Chief Ledford to monitor East Marion and South Washington Streets for traffic violations. She also expressed her appreciation to Mr. Darst and his staff, especially the trash truck driver who assisted her recently.
- 3) Mr. Bailey expressed his appreciation to the Street Department staff for resolving a longstanding pothole complaint on South Washington Street, which was just very recently brought to their attention.
- 4) Upon questioning, Mr. Howell responded that the results of the City of Shelby Citizen Survey will be a topic to be discussed at an upcoming Council meeting.

H. Adjournment:

To adjourn a meeting of City Council, a majority of the Council members must vote for a motion to adjourn.

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion by Mr. Hopper, second by Mr. Shores, City Council voted unanimously to adjourn the meeting at 7:07 p.m.

Respectfully submitted,

Bernadette A. Parduski, MMC
City Clerk

W. Ted Alexander
Mayor