

MINUTES

Regular Meeting: Workshop Session
George W. Clay, Jr. Utility Operations Center

February 1, 2010
Monday, 6:00 p.m.

Present: Mayor W. Ted Alexander, presiding; Council Members Oliver Stanhope (Stan) Anthony, III, Jeanette D. Patterson, Michael E. (Mike) Putnam, Joel R. Shores, Jr., Andrew L. Hopper, Sr.; City Manager Rick Howell, City Attorney Robert W. (Bob) Yelton, City Clerk Bernadette A. Parduski, CMC, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Human Resources Deborah C. (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, Director of Parks and Recreation Charlie Holtzclaw, Director of Planning Services Walter (Walt) Scharer, AICP; and media representatives

Absent: Council Member Christopher H. (Chris) Mabry

Mayor Alexander called the meeting to order at 6:00 p.m. and welcomed all who were in attendance. The Mayor expressed condolences to the Mabry family on the passing of Council Member Mabry's father, William Franklin Mabry, and to the Hege family on the passing of Mrs. Aileen Hege, wife of Philip Hege, who serves as Chair of the City's Alcoholic Beverage Control Board. Mrs. Patterson gave the invocation and Mr. Howell led the *Pledge of Allegiance*.

A. Approval of Agenda:

- 1) Motion to adopt the proposed agenda

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

B. Special Presentation:

- 1) Electric Industry Trends and Issues – T. Graham Edwards, Chief Executive Officer, ElectriCities of North Carolina, Inc. and Steve Shelton, Senior Vice President, North Carolina Municipal Power Agency 1

Mr. Howell introduced the subject matter of the ElectriCities/Power Agency presentation and highlighted Mr. Edwards' career which led to his position of CEO with ElectriCities in July 2009. Mr. Howell said that the electric utility industry is a complex and significant business. The intent of the presentation is to provide information about issues that will affect the City's electric utility,

which represents \$18 million of Shelby's overall budget, and thus the City's customers currently and in the future.

Mr. Edwards began his presentation by complimenting the City of Shelby for operating a good Electric Department and practicing good tree trimming techniques which resulted in no power outages due to the recent snowstorm.

Next, Mr. Edwards provided an overview of public power which has a long history and proud tradition in North Carolina as well as across the United States. He stated that more than 2,000 communities in the country provide for their own electricity services and public power provides for the electric needs of 43 million Americans. Mr. Edwards stressed that city electric utilities are community owned and locally governed. Specifically, North Carolina Public Power serves more than 500,000 customers in more than 70 communities of all sizes, from 200 customers in Bostic, North Carolina to 70,000 customers in Fayetteville, North Carolina.

Mr. Edwards explained that ElectriCities provides management services for the State's two municipal power agencies, North Carolina Municipal Power Agency Number 1 (NCMPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA). Shelby is also a member of the NCMPA1, an organization of 19 cities and towns in central and western North Carolina, formed in 1976. NCMPA1 is a wholesale electric provider to its 19 participants and owns a portion of the Catawba Nuclear Station, operated by Duke Energy. The Catawba Plant includes two identical units that are jointly owned by NCMPA1, Duke, Piedmont Municipal Power Agency of South Carolina, and North Carolina Electric Membership Corporation. Mr. Edwards commented that Duke Power Company is a great co-owner and operator of the nuclear station, having the fourth lowest production costs in the United States for 2008. The total outstanding debt for Power Agency 1 is approximately \$1.6 billion and continues to decline each year, with the final payment on the Catawba Nuclear Station due in 2032 and the license extension on the Catawba Nuclear Station is good through 2043. Mr. Edwards added that Power Agency 1 is sound from a financial standpoint and a credit rating perspective.

Mr. Edwards then elaborated on the issues facing the electric utility industry including:

- North Carolina Renewable Energy Requirements
 - North Carolina Senate Bill 3 of 2007 includes new renewable energy and energy efficiency standards
 - By 2018, 10 percent of Shelby's power must come from renewable energy

- Caps will limit the cost impact - \$34 per year for residential customers, \$150 per year for commercial customers, and \$1,000 per year for industrial customers

Mr. Edwards stated that Shelby and other municipalities will meet renewable energy standards through existing contracts, renewable energy generation, energy efficiency programs, and exploring landfill methane gas. At this point, Mr. Edwards mentioned the Power Agency's first Solar Photo-Voltaic (PV) Project to be constructed in Shelby.

- Federal legislation under consideration
 - United States House and Senate are considering several proposals that limit emissions and require renewable energy and energy efficiency requirements i.e. Waxman-Markey passed House of Representatives
 - Future of legislation is largely unknown

Mr. Edwards reviewed the factors that impact energy prices as follows:

- Utility operations – consumer demand for energy, capital and operating expenses, fuel and taxes, and wholesale energy market
- Legislative mandates – renewable energy requirements and emission limits
- Global economy

Mr. Edwards presented pie charts of NCMPA1's \$507 million budget, depicting both total revenues and total expenses. He said revenues are dropping due to lower consumer demand for energy and lower growth projections which equates to lower sales to member cities, lower wholesale energy prices and less demand which results in a decline in market revenues (surplus sales), and lower interest rates produce a decline in interest earnings while expenses are rising due to higher taxes, capital, and operating costs. Statistically speaking, Mr. Edwards added data indicates that according to the United States Energy Information Administration, US retail electricity sales decreased 3.6 percent in 2009 and according to the Edison Electric Institute, electric output in the US decreased 3.7 percent in 2009. Mr. Edwards reported that NCMPA1's actual 2009 consumption declined 3.9 percent over 2008.

Mr. Edwards summarized his presentation and highlighted the following points:

- Public power provides many benefits to local residents including local service, reliable power, quick restoration, and competitive rates

- The current economic downturn is placing short-term pressure on electric providers nationwide
- The majority of Power Agency debt will be paid off in 2019 and the Catawba Nuclear Station is licensed to operate until 2043
- State legislation requires more renewable energy and energy efficiency programs however the cost impact is limited
- Shelby has a very small carbon footprint, which is a strong benefit
- The long-term outlook remains optimistic

Mr. Edwards concluded his presentation by stating that due to the continued economic slowdown, NCMPA1 is facing significant challenges to its previous rate projections. The consumer demand for energy has declined and municipalities are experiencing lower retail sales. The wholesale demand for energy has declined and the average price of power has dropped, resulting in decreased revenue from surplus energy sales. Also, lower interest rates have yielded lower interest earnings and the cost of operating the Catawba Nuclear Plan has increased. All of these factors have caused NCMPA1 staff to re-evaluate rate projections for July 2010 and beyond.

Discussion followed and some of the concerns raised included the impact of the anticipated rate increase on the City's customers and budget, the City's older housing stock, and energy consumption.

In closing, Mr. Edwards stated that NCMPA1 staff will work to finalize revenue and expense projections, as well as look for opportunities to mitigate the projected rate increase. Once they have a clearer picture of the Power Agency's financial situation and a final recommendation on rates can be made, Mr. Edwards offered to return and provide an update on this issue.

C. Public Comment: None

D. Public Hearings:

- 1) Consideration of the City of Shelby's participation in the Community Development Block Grant (CDBG) Program administered by the North Carolina Department of Commerce through the Division of Community Assistance and the Commerce Finance Center – Infrastructure Category

Mr. Scharer reminded Council that in the spring of 2009 the City held a public hearing notifying the public that Shelby may apply for a Community Development Block Grant (CDBG). Shortly thereafter, a pre-application letter of intent was sent to the Department of Community Assistance (DCA) for a CDBG infrastructure grant. The proposed infrastructure grant was to upgrade and/or replace an aging sewer system in the Chestnut Street neighborhood and surrounding area. The City's application was not funded.

Recently some additional funds have been allocated and some funds previously allocated have gone unspent that allowed DCA to fully consider the City's application. Mr. Scharer said he attended a required project review meeting at which time the City was informed that its project would be funded contingent upon the required public hearing being held and the grant application being resubmitted.

Mr. Scharer stated the grant amount is \$750,000 and the local match of \$99,100 is required to complete this project. He concluded with staff's recommendation to finalize this grant application.

Mayor Alexander opened the public hearing at 6:48 p.m. and invited comments from the public.

The public offered no comments and Mayor Alexander closed the public hearing at 6:49 p.m.

Council took no action.

2) Consideration of an ordinance amending the zoning map of the City of Shelby, North Carolina: Ordinance No. 5-2010

Request to rezone property located at 1105 Earl Road from the Residential 20 (R20) District to the Residential Office (RO) District

Parcel ID No. 26621 or Tax Map 6-55, Block 2, Lot No. 3

Utilizing a map of the area, Mr. Scharer pointed to the subject property which is a small parcel with an area of approximately 8,000 square feet near the intersection of Earl Road and County Home Road. A single family dwelling is currently located on the property. The RO zoning district is the type of transitional district expected as this area changes from a rural residential area to a denser more urban area as outlined in the Comprehensive Land Use Plan. The Comprehensive Land Use Plan designates the area as a mixed use area.

Mr. Scharer concluded by stating the Planning and Zoning Board recommended this proposed zoning.

Mayor Alexander opened the public hearing at 6:53 p.m. and invited comments from the public.

The public offered no comments and Mayor Alexander closed the public hearing at 6:54 p.m.

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Anthony, City Council voted unanimously to approve and adopt Ordinance No. 5-2010 entitled, "AN ORDINANCE AMENDING THE ZONING MAP OF THE CITY OF SHELBY, NORTH CAROLINA".

E. 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 January 4, 2010
- 2) Approval of Notice of Cancellation in the Regular Meeting Schedule of Shelby City Council
- 3) Approval of Notice of Special Meeting
- 4) Approval of a resolution honoring Steve Miller on the occasion of his retirement from employment: Resolution No. 5-2010
- 5) Approval of a resolution awarding the bid for the labor and installation of electric line to serve Foothills Commerce Center: Resolution No. 6-2010
- 6) Approval of a resolution accepting and entering into an Agreement with the North Carolina Department of Transportation to accept grant funding for the Shelby-Cleveland County Regional Airport Project No. 6237.16.9.1: Resolution No. 7-2010
- 7) Adoption of an ordinance establishing a capital project and budgets for the City of Shelby's Chestnut Street CDBG Sewer Project: Ordinance No. 6-2010
- 8) Approval of a resolution authorizing electronic advertising of bids: Resolution No. 8-2010

END CONSENT AGENDA

F. Unfinished Business:

- 1) Consideration of appointments to City Advisory Boards and Commissions:
 - a. Keep Shelby Beautiful Commission

Mrs. Parduski reminded Council that with the formation of this new commission, there are two hold over vacancies for unexpired terms concluding January 2011 and January 2013. Applications on file in the Clerk's Office include the following: Peter Potemkin, Anthony Franklin, and Michael Kuchinsky.

Council discussed the application of Mr. Kuchinsky. Upon the advice of Mr. Yelton, who stated the applicant's voting state of Maryland also declares his residency, Council, by consensus, disqualified the application.

Mr. Hopper nominated Peter Potemkin for the January 2013 term and Anthony Franklin for the January 2011 term.

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Anthony, City Council voted unanimously to close the nominations and to accept the nominees by acclamation.

b. Housing and Redevelopment Advisory Commission

Mrs. Parduski reported that the terms of incumbents, Derrick Haynes and Gaye DeVoe, will expire March 2010. Mr. Haynes and Mrs. DeVoe wish to continue their service.

Mr. Shores nominated Derrick Haynes and Gaye DeVoe for reappointment.

ACTION TAKEN: Upon a motion by Mr. Hopper, second by Mr. Anthony, City Council voted unanimously to close the nominations and to accept the nominees by acclamation.

G. New Business:

- 1) Consideration of a resolution awarding the contract for a custom fire pumper truck: Resolution No. 9-2010

Mr. Howell introduced Resolution No. 9-2010 for Council's consideration. This item involves the purchase of a fire pumper truck which will replace a current fire pumper truck, specifically a 1988 E-One Model, and allow it to be rotated and used as a reserve backup engine. It would also allow the discontinuance of fire pumper truck, specifically a 1970 American LaFrance Model, as a reserve backup engine. The City currently has two reserve trucks that are used as backups when a frontline truck is either down for extended maintenance or incapacitated for any other reason. Mr. Howell said this replacement was budgeted and will be financed over a five year period as is typical with all of the City's rolling stock. Mr. Howell explained that a number of factors are taken into consideration when a fire pumper

truck is proposed for purchase. The age and maintenance records of the trucks to be rotated out of service are a significant factor. The effect on the City's ISO (Insurance Services Office, Inc.) insurance rating is also a factor. This rating takes into consideration the age and condition of trucks in service. All of these criteria, along with a thorough review by the CIP (Capital Improvement Plan) Review Committee and the City Manager, led to this recommendation.

With regard to the advertisement and letting of contracts, Mr. Howell said of eight companies provided with bid specifications, four including Triad Fire/Pierce, Seagrave Fire Apparatus, Fire Connections/E-One, and Stevens Fire Equipment, submitted bids in mid-December 2009. Mr. Howell disclosed that when he discovered at that time that the bid notice had not been advertised in a newspaper having general circulation in the local area as required by statute, he threw out the bids, notified the bidders, had the necessary ad republished, and received new bids from the same four vendors.

Next, Chief Hunt stated the Fire and Rescue Department conducted an extensive research, design, and proposal process for the specification of a new fire pumper truck apparatus for the Department. A seven member internal committee of personnel with varying backgrounds was formed to complete the research, development, and analysis of the project. The analysis found that the proposals from Fire Connections and Stevens Fire Equipment significantly deviated from the standard specification in numerous areas. The proposals from Seagrave and Triad Fire met or exceeded all aspects of the standard specification. The final analysis found the proposal from Triad Fire to be the most competitive of the proposals submitted. The proposal offered by Triad Fire for a Pierce Fire Apparatus pumper truck is the most competitive in the core areas of company and dealer stability, warranty and service capability, safety features, cab and chassis design, power train specifications, and overall value of the product. After thorough consultation and review with the fire truck committee, Chief Hunt concluded that it was his recommendation to determine Triad Fire, Inc. and Pierce Manufacturing as the best qualified bidder of the proposals submitted and to discuss a finalized project scope with this bidder.

Mr. Howell addressed the comments contained in a letter sent by Wayne Martin of E-One, which were made public, and reiterated that E-One's bid was considered non-responsive because it did not meet several critical specifications.

At Mr. Howell's request, Mr. Phillips contacted Frayda Bluestein, Associate Dean and Professor of Public Law and Government at the School of

Government, for guidance about this specific bidding process. Professor Bluestein concurred that the City handled the entire matter properly.

At the conclusion of discussion and in accordance with the recommendation outlined by staff, Council agreed to proceed with awarding the contract to Triad Fire, Inc.

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mrs. Patterson, City Council voted unanimously to approve and adopt Resolution No. 9-2010 entitled, "A RESOLUTION AWARDED THE CONTRACT FOR A CUSTOM FIRE PUMPER TRUCK".

H. City Manager's Report:

- 1) Mr. Howell distributed a tentative Budget Calendar for Fiscal Year 2010-2011 to Mayor and Council for discussion purposes and feedback.
- 2) Mr. Howell also distributed a draft agenda for Council's planning retreat for discussion purposes and feedback.
- 3) Mr. Howell reported that the new water line and tank on the Westside are now fully operational. He complimented Brad Cornwell, David Hux, Wayne Wilson, and those involved in the project for a great job with no interruption of service, which is critical to the operations of PPG Industries to have a constant, uninterrupted water supply.

I. Council Announcements and Remarks:

- 1) Mayor Alexander announced that Shelby's Public Works-Streets Division was honored as a 2009 Main Street Champion at the North Carolina Main Street Annual Awards Dinner on January 28, 2010 in New Bern, North Carolina.

The Mayor also announced that Shelby was chosen as the host city for the 2011 North Carolina Main Street Conference.

- 2) Mayor Alexander said he recently returned from another successful trip to Shelby's sister city, Jinotega, Nicaragua. He was accompanied by Duane Sando, retired Water Plant Operations Superintendent, who assisted with a water project in Jinotega.
- 3) Mayor Alexander again extended the sympathies of Council and the City to both the Mabry family and the Hege family.
- 4) At Mr. Anthony's request, there was a brief discussion about the City's

snow and ice removal guidelines, which is generally dictated by the prevailing weather conditions brought on by each event and coordinated with the North Carolina Department of Transportation.

- 5) Mayor Alexander reminded all of the grand opening at the Hallelujah Acres Café with a ribbon cutting to be held on February 12, 2010 at 10:30 a.m., 900 South Post Road.

J. Adjournment:

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Hopper, City Council voted unanimously to adjourn the meeting at 7:44 p.m.

Respectfully submitted,

Bernadette A. Parduski, CMC
City Clerk

W. Ted Alexander
Mayor

Minutes of February 1, A. D. 2010