Council Retreat
Civic Center – Statesville, NC
Feb 26, 2009

Mayor Kutteh presiding:

Council Present:	Huggins, Eisele, Matthews, Stallard, Steele, M Johnson, J Johnson, Gregory
Staff Present:	Hites, Gaines, Davis, Craddock, Anderson, Pressley, Salmon, Bullins, Cranford, Currier
Media:	McNally – Record & Landmark D Vieser – Charlotte Observer
Others Present:	Marion Karr (Fire Suppression)

Mayor Kutteh thanked Council and staff for all the efforts it took to make the retreat a success. The focus today is going to be on all the finances of the city. Mayor Kutteh stated everyone needs to leave here with a complete understanding of where we are and give staff direction in preparations of next year's budget. Another compelling thing for Council to decide is the fire suppression policy. Mayor Kutteh advised there will be 2 personnel issues and a land acquisition matter to discuss during the pre-agenda meeting. In October 2008 the City began a budgetary control system. Ms. Salmon will review how that is working.

2008/2009 Budget Update - Pending Projects

Finance Director Lisa Salmon reviewed financial reports as of January and forecast for the fiscal year. She reviewed the revenue forecast and projected shortfall for FY2009 for each fund. She also reviewed prior year figures so Council could see trends.

Ms. Salmon stated the wholesale power is an overriding cost that the City has that we don't directly control. As of January we had spent $16.7 million to purchase power. Last year at the same point in time we had spent $16.8 so our expenditures are almost even though our retail sales are down 7.8%. You would think there would be a direct correlation between the retail sales and the purchase power costs. Power agency charges the city for wholesale power on a declining block rate structure. It is more expensive. The more we buy the less expensive it is per unit. The less we buy the more expensive it will be. The decline in retail sales that we are experiencing this year has a dramatic impact on the city's wholesale purchased power cost. Ms. Salmon stated she is projecting a revenue shortfall of $4 million. The department has cut 5% of their operating budget. All non-essential capital items have been frozen. What is excluded from that is the cost to expand the system. The work that is going on to get the system out to Hidden Lakes can't be frozen. Any equipment or project that hasn't been started has been frozen. The operating budget cuts were $ 189,836; frozen capital was $ 655,517 and unspent purchased power was $ 999,800. We can mitigate part of the $4.8 million shortfall. Staff is projecting a $ 2 million loss in the electric fund.

Ms. Salmon explained the purchased power is charged on a declining block rate structure. The first block is the most expensive. She presented a chart which illustrates the relationship between growth and energy sales and the increase or decrease in wholesale purchase power costs. Theoretically if we had 10% growth the purchase power cost would actually go down. If we had 10% loss in retail sales then we can expect to pay 9% or more for wholesale purchase power. We expected about 1.7% growth factor this year. That would equate to about 2.3% wholesale rate increase. What

we have experienced is almost 8% loss in retail sales which equates to about 8% higher cost of purchased power. This is a very serious matter which may call for a mid-year rate adjustment. Ms. Salmon advised Council to expect another increase in July.

Council member Steele asked how our rates compare to other cities. Ms. Salmon answered that we feel we are competitive. That is a factor to be considered in thinking about a rate increase. We also want to be sensitive to the fact that we are in a bad economy and this is not a good time to increase rates. We also realize that we have to sustain the electric fund and operations. Staff is going to balance all these things and bring Council some options. Council member Steele noted our electric rates have been a huge economic incentive for the City. Mr. Hites added that Larry Cranford sits on the rate committee at the Power Agency. Larry Cranford added that Statesville is among the lowest in Power Agency. Cranford operates our system on 4.5% above purchased power.

Ms. Salmon noted the water sales are down. Iredell Water has put in a lot of wells. Troutman made a decision to purchase water from another provider. The estimated net revenue shortfall is $ 1.8 million. Staff is working on options to mitigate the shortfall as follows: operating budget cuts were $ 318,077 and frozen capital of $ 243,450 leaving a projected loss of $ 1.3 million in the water & sewer fund. She noted that if the economy continues as it is we will certainly need a water & sewer increase.

Ms. Salmon reviewed that actions taken to offset revenue shortfall were as follows:

Oct 2008

Capital spending freeze (non-debt related)	$2,281,081
Capital spending freeze (funded with debt)	$3,250,000
Capital spending freeze (funded with FB)	$3,000,680
Non-essential out-of-state travel freeze	$ 40,000

Depts. instructed to evaluate operations and implement additional cost saving measures where possible

Dec/Jan 2009

Depts. reduced operating budgets by approximately 5% or $1.5MM
Added more general office supplies to inventory, 10-20% savings

Actions to offset revenue shortfall

What was the thinking behind the decision to freeze capital spending and the cuts to operating budgets?

$11.4 million allocated for capital in the operating funds
Significant and immediate savings to offset a revenue shortfall
In most cases, no immediate impact to service demands

Not a long term solution – creates pressure on future budgets
$1.5 million cut from operating budgets ($982,000 from G Fund)
Cuts limited to routine operating funds without reducing personnel to minimize impact so service delivery.

Not a long term solution – lapsed salaries, overtime, temporary salaries, professional services, travel/training, gasoline, diesel, maintenance and repair, supplies, uniforms, contracted services.

Biggest visible impact this year in parks and urban forestry – delay in starting date for mowing and reduced planting materials.

Has something been cut and then had to be put back in?

No operating cuts have been reversed at this point.
A police cruiser was wrecked and replaced with a used model at a significant savings – cost approx $ 16,000.

Capital spending freezes were reviewed for all departments.

What happens to the frozen capital in this year's budget?

- Capital equipment and projects not purchased or done in this year's budget will be evaluated and re-positioned in the Capital Improvement Plan.
- Capital funded with debt issuance will need special attention due to the current credit crunch, higher interest rates, impact of debt service requirements in a declining revenue environment.
- Capital funded with fund balance will need to be evaluated against the need to strengthen reserves if a protracted recession.
- Delay in capital could cause a bottleneck of capital needs and pressure on subsequent budgets.
- Capital priorities need to be re-evaluated during a cyclical deficit.

What does the next four months look like?

- Financial impact from recession expected to worsen.
- Significant impact expected for consumption based revenues, discretionary fees, and interest earnings (ex: sales taxes, recreation fees, water and sewer fees, and electric sales).
- Feb 15 distribution of sales tax down 21% (Nov retails sales), subsequent distributions expected to decline, only 5 months collected out of 12.
- Investment earnings will continue to decline due to lower rates, and calls on higher yielding investment bonds.
- As businesses and citizens cutback spending, utility revenues expected to continue decline.

Ms. Salmon reviewed the available fund balance for each fund and advised Council that there are some difficult decisions to be made for the upcoming budget.

What Ever Happened to List

City Manager Hites advised he has included this list in the retreat booklets. Since it was written about three (3) weeks ago several updates have occurred.

City Hall Renovation – While the City Council appropriated $ 5,000 to employ CBSA of Hickory to carry out the architectural work in the City Hall, the staff has NOT formally contracted with that firm to carry out that work. The Council may, at its pleasure, reopen the issue and ask the staff to rebid the work.

Architectural Contract for Fire Station #4 – The Council asked the staff to draft an amendment to the contract with CBSA of Hickory to provide a clear list of "owner responsibilities and Architectural Responsibilities". We have completed the responsibilities list however CBSA's attorney has objected to the language of our errors and omissions policy and advised his client not to sign it. Mr. Gaines will need to contact their attorney and clarify the issues he brings out in his letter to the City and report back to Council.

Regulate Architectural Design Standards – The schools had an issue with the ban on metal buildings involving the design of their auto and technology center. They requested a variance from the Board of Adjustment to add 25% metal to their façade. The Board of Adjustment granted that variance due to the overall design and the limited use of metal in the façade.

Providencia Economic Incentives – Providencia has extended their option on the property at the West Business Park until late August. The Providencia Board of Directors will meet in August and decide if the world economy has strengthened to the point that they can start the construction of the facility.

528 Walnut Street – The contractor began the demolition of the structure yesterday and should complete the work today.

Council member M Johnson asked Chief Bullins how many cities our size has an ISO rating of 3. Chief Bullins replied less than 20%. Council member M Johnson asked on a million dollars of insurable assets from a 4 to a 3 what would be the difference in insurance premium. Chief Bullins stated it would be hard to say. It would have no impact on residential. Chief Bullins estimated the rating would be about 7%. Council member M Johnson asked how any municipalities are rated 3. Chief Bullins stated that Mooresville has a 3 and Salisbury has a 2. He noted that station 4 will help us reach the goal for a 3.

Mayor Kutteh stated an Unpaved Street Program Update has been distributed and it appears we are making tremendous progress. Mr. Hites noted the major hurdle on Hunt Street has been resolved and we will review with the City Attorney and expect to perform the work this spring unless staff receives direction to wait.

Council member Steele commented on the letter to the editor in today's paper. She noted that she is defensive about the recreation center. The letter states that childcare is open only on Monday and Wednesday from 9-11. Council member Steele recalled the hours were set around the classes. We wanted people to use the childcare when we were providing classes. If classes are longer or more classes are scheduled the childcare is a moving target. The thought process was that stay at home mothers might be taking classes during these times. The other thing is the reason the climbing wall is not open all the time is because we have to have a spotter. Anyone can set up appointment anytime to use the wall as long as a spotter is available. Mr. Hites added that training is needed on the climbing wall. You have to be certified with a city employee to climb the wall. Once you are certified then you can bring in your own spotter.

Greenway Update

City Engineer Larry Pressley noted as recently requested, city staff has taken a look of the status of City of Statesville Greenway system which began

approximately 2000. A general location map is included, with local area maps showing more detail for existing portions of the greenway.

The original proposed greenway was 21.3 miles to be constructed; 6.1 miles have been completed. 2 miles of walking trails have been constructed in Mac Anderson Park. Existing sidewalk on the map is 11.5 miles. Sidewalks used as connectors to the greenway were proposed at 1.2 miles; 2 miles have been constructed. Walking lanes were identified along Woods Drive but this hasn't been designated.

Mr. Pressley reviewed the status of the $ 550,000 grant project. The project was designed in-house. NC DOT indicates approval is likely when they get a copy of Corps and Erosion Control approval. Both have been submitted for approval. The easements for construction and minor changes are in the City Attorney's hands. Plans have been submitted to NCDOT – Bike & Ped Division and we can bid upon receipt of a notice to proceed from them. We anticipate receiving bids in April; awarding bid in May with a construction time of 120 days.

The major features of the new greenway begin at Free Nancy Avenue with at grade crossing. There will be a 10 feet paved section with 5 foot shoulders. This crosses under I-77, then under Davie Avenue thru the box culvert which will be subject to flooding, under Simonton, and ends at Broad Street.

Council member Steele clarified this is Broad Street at the nursing home at E. Elementary School Road. Mr. Pressley agreed. Council member Steele clarified this is the area that will be paved with this grant. Mr. Pressley agreed. Council member Steele asked if the culvert will cause problems with the paving in that area. Mr. Pressley replied there will be more maintenance but it shouldn't be a significant maintenance problem, but flooding will occur multiple times in a given year.

Council member M Johnson asked what permanent crossing not in place meant on the map. Mr. Pressley replied that under I- 77 at the present time there is a little stream to the west and that crossing is not in place.

Council member Eisele recalled that at one time there was talk about coming down Green Street to Meeting Street and Bell Street and connecting into Grace Park. Mr. Pressley stated that can be coordinated with the Land Design study. Most of the focus has been to construct the greenway along Fourth Creek since that is where we got the grant. There are still 15 miles to be constructed. The folks working on downtown study will help to determine how to tie this in.

Council member M Johnson asked if this crossing is going to meet the City's no-rise conditions. Mr. Pressley emphasized we are not crossing Fourth Creek.

Other entities interested in Greenway development are outlined below:

Iredell County Comprehensive Recreation Plan
Other greenway trail development potential in the county includes 5 miles of greenway that were recommended in the Comprehensive Recreation Plan for Iredell County Parks and Recreation Department dated October 10, 2008.

The Iredell County study indicated that the most popular recreational facilities are greenways at 89% based on 600 interviews conducted as a part of the study. The suggested capital improvement program included 5 miles of Greenway and $300,000 per mile with $150,000 designated for design and planning totaling $1,650,000.

The study suggested developing a countywide greenway master plan in conjunction with the Carolina Thread Trail Program as well as working with municipalities to eliminate duplication of services and to establish a cooperative effort among all providers.

Carolina Thread Trail
The Carolina Thread Trail is a new initiative for developing a regional trail system and they were recently awarded a significant grant, as you may recall, from a recent presentation to the Statesville City Council. They are advocating a tie to Fort Dobbs from the south.

Mr. Pressley stated there are 2 areas the city should consider advertising for. Mac Anderson Park has 2 miles of trails and is a "well kept secret" in my opinion. Another area is the greenway starting at the Museum on Museum Road walking down the creek and around the loop near the Water Treatment Plant. While both are unpaved, they function very well.

Staff looked at things that might improve the greenway. We looked along Fourth Creek. One of the major obstacles that presently exist is the crossing under Hwy 21 at Chili's. That is a very difficult crossing. Staff had a consultant look at the project and offer advice. The cost of that is approximately $ 250,000.

Another key feature would be the bridge at Broad Street across Fourth Creek which would cost approximately $ 250,000. This would tie in more residential.

Another project that staff feels is critical is to make improvements from Free Nancy to the water treatment plant to bikeway standards. That cost is $ 220,000. This is assuming that the bridge is done so this could be combined into one project. Another thing to improve that further would be to pave and widen the existing greenway from Water Treatment Plant to Museum Road at a cost of $ 400,000. Development from Broad Street to Greenbriar (west side of the creek) would be approximately $ 245,000.

Mr. Pressley asked Council if they would like him to pursue grants on these projects.

Council member Steele recalled a few years ago there was major flooding off Queens Crest. She asked if that has been taken care of. Mr. Hites replied he was fortunate to have this problem when DOT was cutting up a tremendous amount of concrete. We got the concrete slabs and stabilized the old landfill. Larry Pressley stated there is still a drainage issue there. One thing is, if we develop the greenway, to suggest acquiring an easement on the other side of the creek. Council member Steele agreed this is a great walk. Mr. Hites recalled the original goal was to build the trail on the opposite side of the creek rather than bridge it the way that we did. ***At that time the property owner wouldn't grant an easement but that was 6-7 years ago. We will look at this again***. Larry Pressley added that some of the grants are 80% grants, with 20% matching city funds.

Council member M Johnson stated that EPA has recommended Statesville be included in the non-attainment area. If they prevail on that point then we will be entitled to apply for all types of ped/bike alternatives from different grant pool thru NCDOT. Council member M Johnson stated he wasn't sure it qualifies but he thought Mooresville has received funds for theirs and he is certain they have received funds for sidewalks. ***He recommended calling Mooresville staff about that.***

Mayor Kutteh asked Council if there were projects they would select over others. Council member M Johnson recommended the one that connects from the interstate to the new recreation center. Larry Pressley stated that staff will be paving that portion of the greenway by the recreation center. Mr. Hites added that I-77 is already funded. Davie and 64 are also funded. Mr. Pressley agreed. Mr. Hites added that the connection under Hwy 21 is the next project. Mr. Hites explained the creek channel is very steep between Chili's and the Petro Express which is what makes it such a challenge. Mr. Pressley added that the Bridge is in the flood plan and we talked with DOT in Shelby to see if they would allow it. They appeared to be willing to work with the City on this issue. Pressley explained the way the creek is under the bridge it would be like a structure under there to walk across. Council member M Johnson asked how staff would meet the handicap requirement to get the elevation back up. Pressley replied that part of the boardwalk would come out and transition back up to the 5% grade.

Mayor Kutteh asked if it will all be paved as we expand. Pressley answered that his suggestion is to focus on the piece from Museum Road to Broad Street. If that is paved it would be a substantial distance and we would have people who would drive here to ride that trail.

Mr. Pressley identified low cost items that could be done. One is to survey and acquire easements, at a preferred 50 feet in width and thirty foot minimum. Good layout and planning on the front end is important to achieve the standard that serves well as a bikeway (to be grant eligible). Sewer easements alone are not adequate. Another thing is to construct unpaved sections that could easily be paved later, with all easements and drainage in place as funding is available.

Mayor Kutteh asked if the paving at the Water Plant and Museum Road would be the number 1 recommendation. Pressley replied that if we get the tie across at Chili's he suggested that be number 1. It is possible you would want to go from Free Nancy to the Water Plant so that could be 2 or 3. It is hard to know how important the bridge at Broad Street is but if we have that loop you will find people using it.

Council member Gregory stated that at the intersection of I-40 and Sullivan Road the new plan from DOT was going to cut part of Gaither Road and come down Sunset back into H 115. He analyzed that the part beside Sagebrush will be closed. ***He recommended that staff review DOT plans as compared to the City of Statesville's plans for that area.*** Mr. Pressley agreed that is a good idea.

Council member Steele asked if the purpose of paving is to connect it to other areas or is it to pave areas that are currently used a lot by citizens. Pressley admitted there is two schools of thought. There is the stone walking trail, like Mac Anderson Park, that works well. When down along a creek you tend to have water getting out of the bank and it tends to require more maintenance. The big point is use. DOT only funds a 10' wide paved trail. This does encourage someone to ride their bike rather than using a car. Council member Steele stated this is just a nice walking gravel trail around the city. All of a sudden we are getting 50 foot easements and turned into such a major project. Pressley stated that if Council so chooses they could have two different levels. It could be nice down around Fourth Creek as a paved bike trail; a lot of trails that tie into it could remain like a stone based surface. ***Mayor Kutteh stated this is why it is important to look at which areas could remain stone based.*** When this started Council thought by now there would be a way to walk all around the City;

the project has gotten larger than Council anticipated. Staff will get City Council approval on each phase.

Fire Suppression Lines

Larry Pressley advised the issue is a new code requirement for sprinkler systems for use downtown. He stated this was considered by the infrastructure committee on October 28, 2008. Due to residential development downtown and a new requirement for fire sprinklers in residential areas above businesses, the City Staff has evaluated the issue. The issue arises because of NC Building Code changes where that residential being placed over a commercial business and it would not have to be sprinkled traditionally; now it does. This has placed an additional cost on people developing that type of space, particularly in the downtown area.

There are 2 aspects of the issue:

A. Technical/regulatory perspective – How do we technically solve the problem? First, each situation is different and if the fire tap is needed on a state street, we must comply with their requirements for water main construction in a state right-of-way.

Considerations:

1. Based on the ideal situation of having a water main on each side of the road, this would be very disruptive to downtown residents and businesses and would be very costly. Specifically if we constructed a water main on each side of the street, we would spend 1.5 – 3 million dollars. While this is not economically feasible, the major point here is to consider what lines might be needed in the future if streetscape improvements were made in the downtown area.

Staff recommendation:

1. Make fire taps on an individual basis, letting good engineering practice govern the best way to serve the building on a case by case basis.

2. Consider placing lines on both sides of the street the full block only when streetscape or major roadway improvements are underway.

3. Periodically review policy to see if adjustments are needed due to too many street cuts.

B. City Policy regarding cost:

Presently, the property owner/developer pays the full cost, with the option of hiring a qualified contractor or getting the City Water Maintenance crews to perform the work at actual cost.

With the new requirement, the owner/developer is disadvantaged in that a sprinkler system and fire tap is required, so to develop residential/commercial together, the added cost of a fire sprinkler system and the cost of the fire line tap must be paid by the owner/developer.

The cost of a fire tap when the water line is on the same side of the street as the business, is on average $3,000. When the water line is across the street, the cost can be $7,000 to $15,000 depending on the location.

Staff considered a few options:

1. Existing Policy – Owner/developer pays actual cost. Disadvantage – development downtown would not occur as quickly?

2. Full cost billed on monthly bill over 5 years @ 0% Interest - $116.67 4% Interest - $128.92 with a principal of $7,000

3. Charge the same side cost of $3,000 per fire tap regardless of waterline location.

Advantage – would help foster residential development downtown.

Disadvantage – City absorbs the additional cost of crossing the road.

Mr. Pressley presented a sketch under the existing policy or if the full cost is billed. It shows the waterline on the other side of the street from the applicant. Pressley explained a lines needs to run straight across the street. The proposed line would be a 6" line and cost approximately $ 7,000; if the business is located on the same side of the street it would cost $ 3,000. In most instances there would be a way for the company next door to tap on to the line.

Mayor Kutteh reminded Council that the City changes a blended rate on everything. We adopt an intermediate cost and it doesn't matter whether the applicant is close or far away; everyone pays the uniform cost. Pressley stated he recommends taking the cheapest route. In the case that we were doing a major street improvement, like Center Street, that would be the time to run a line down the other side of the street so we wouldn't dig up the new street at a later time. With option #3, if it cost $3,000 on the less expensive side of the street then basically the city could charge $ 3,000 per fire tap if the city makes the tap.

4. City pays entire cost – Development would be encouraged and the disadvantage is the City pays the entire cost.

5. Economic Development perspective – Consider incentive based on increase in tax value – 120,000 x (.38) x 5 = 456 x 5 years = $2,280

Council member Steele clarified this is only for the downtown district. Mayor Kutteh noted the issue is the change of uses for downtown structures. The only current request the City has is from Marion Karr for his building. Mayor Kutteh stated that we would be adopting a Downtown Fire Suppression System Policy. Council member Steele stated that makes a difference because if Council wants to encourage residential development over buildings in the downtown then this conversation should be limited to a downtown policy and not a city-wide policy.

Mayor Kutteh stated that since this is the only request that is probably as far as Council needs to proceed at this time. The two issues to be resolved are 1) How much to do? and 2) What cost and to whom? Mayor Kutteh opened the floor for discussion.

Council member M Johnson cautioned Council to remember that all these buildings currently have water and sewer taps. This is not a water and sewer tap; this is a fire suppression line. No where within the City of Statesville do we charge a metering fee for fire suppression lines. Providencia didn't have a charge. Their fire suppression line is not metered. Nothing at the Statesville Business Park has a metered fire suppression line. It is against the law from a building code point of view to tap into that fire suppression line and use that water for any other stated purpose other than to operate that sprinkler system.

Mayor Kutteh asked who put in that line. Council member M Johnson stated the developer put in the line. Here is the wrinkle downtown. You have to believe at some point in time that downtown is going to redevelop. You have to believe that at some time there is going to be a change in the streetscape. We don't want numerous street cuts. We don't know where the redevelopment will take place. Let's come up with a riser detail for every one of these buildings. Let's make a calculated plan of how we are going to do this. It can be a corporate riser and everyone on that side of the street can tap the corporate riser. There are multiple ways to accomplish this. Whereas a builder would get permission and go out and tap that line that we don't want 9 cuts on Broad Street.

Council member Steele asked if the corporate riser is where neighbors would tap into that water line, take it over and it is a multi-faceted line. Council member M Johnson replied that it can be. He stressed that we have to get the water to the other side of the street.

Council member Matthews asked that once the water is on the other side of the street then can't other people just tap into that. Council member M Johnson clarified that what Council member J Johnson is saying is that one person should bear the expense for that cut across the street. He submitted that those people are already paying water and sewer fees and downtown taxes. We have some responsibility in this from a development perspective. I am not saying that if they want water and sewer tap for their business that they don't they pay the appropriate system development fees.

Mayor Kutteh clarified that the corporate riser means one cut is made and one 6" cut can serve 52,000 sq ft. The City used to have the Utility Availability Fees where the person installing the line got reimbursed as others tap on to the line. Mr. Pressley isn't recommending a metering charge for the fire suppression lines.

Council member M Johnson stated that whatever methodology is used to serve downtown there should be a plan adopted such that if there is no request on that street and the City does improvements on that street that the riser(s) is installed when the street is constructed. We don't go back later and tear out pavement. In this particular case we must open cut that street because there is not enough room to put a bore pit in the sidewalks.

Council member Steele asked for a solution. Council member M Johnson stated that if we are going to run a municipal fire lateral that should not be the individual costs of those property owners. The ability to go to it and tap it is their costs.

Mayor Kutteh asked how many square feet of second-story buildings are affected downtown. Council member M Johnson estimated around 400,000'. Mayor Kutteh analyzed that 10-12 cuts strategically placed would handle downtown.

Larry Pressley added that part of the issue is that the City will be serving a specific building. He stated that he would be looking at what happened in that block. Where to cross the street will depend on where you are. ***He suggested leaving the decision of where to cross the street and how to connect to Engineering.***

Mayor Kutteh asked to segregate the cost from the issue of the regulatory perspectives; how to do it. The choices would be to allow the cut for Mr. Karr and deal with others later or approve the cut and at the same time let the Engineering staff determine where to put all the other cuts in the downtown area.

Council member M Johnson stated it is not his cut until it gets to his property line. Everything street side of the property line is the City. If Pressley chooses to Y off that line to ten other buildings that is not Mr. Karr's decision.

Marion Karr added that his proposal to assist in this is that our cost once inside the building is to take the riser up to the second floor and split it at the property line which would be the wall to 107 and 103. When those buildings need to be sprinkled they will not have to go to the road; they can connect from there.

Mayor Kutteh stated that is a good point but what he would like to do is segregate the decision of the cost and who pays for it from the actual decision about how to make the cut. He stated that Council member M Johnson feels it is going to be very cumbersome and detrimental to the character of the downtown streets and sidewalks to make a cut every time there is a request. Council needs to analyze how to make the cuts and move forward.

Council member J Johnson agreed that no one charges for fire taps. Some people hook on to those lines because we have caught some and cut off their service. We have system development fees. All contractors pay for the lines when they are installed and then dedicate the lines to the city. If we only pay to put in the fire suppression lines downtown what do we tell people at the edge of the downtown area and they need a sprinkler system or at the airport? Evernham reduced the size of his hangar at the airport because they didn't want to pay for a sprinkler line to their building. He stated that it would be hard for him to tell others that need a sprinkler system that the City will only do for downtown. Mr. Karr made the request because he wants to add apartments upstairs and that is great. Just because the State law changed it is not the taxpayer's problem. He has a chance to get his money back and this is unfair.

Council member Steele clarified that Council member J Johnson feels it is not fair to only provide fire suppression lines for downtown.

Council member Stallard asked if he wanted to put a sprinkler system in his house on Margaret Drive what would he have to do. Mr. Pressley replied that he would determine the size of the line needed; staff would determine where lines are located near the property; City would provide you with the cost based on time and materials and you would pay the City and the staff would do the work.

Council member Stallard asked Mr. Karr for the tax value of his property. Mr. Karr stated the current value is $ 72,000; the projected value with the apartments and returning to retail the appraised value is $328,000.

Mayor Kutteh asked what would be the harm to grant that cut for Mr. Karr and then let Engineering determine how many more cuts are needed and decide when we want to do them.

Council member Stallard explained what he is getting at is what it benefits the City if the City bears the cost; where will the City get the money back. The City will get their money back through taxes and that facility using water and sewer.

Mayor Kutteh again asked if there is any harm in allowing staff to choose where to run the lines for Mr. Karr and then let Engineering analyze how many other places they anticipate other cuts are needed. Council member Steele clarified they are going to approve the cut and then talk about who pays for it. Mayor Kutteh asked if Council can reach the conclusion that it is ok for Mr. Karr to have the cut.

Council member M Johnson added that the discussion about the rest of town was in theory. That discussion extended to pressures and leaping lines to maintain pressures on fire suppression lines. That was all construed into this theme. The other point is that while Mr. Karr's offer is benevolent it takes care of 103 and 105 but it doesn't take care of 101. That is ok if Mr. Pressley agrees it is place for the cut and allows him to serve the rest of the street without having to tear up the street again. Council member Huggins asked if the 6" line is the maximum line needed. Mr. Pressley replied yes. It boils down to a block by block basis and where residential might develop. Council member Steele stated that she doesn't feel Council has to approve that cut. If a customer comes in and wants a line then Engineering gives him a fee. Council shouldn't approve the cut – engineer decides. Council decision is who pays.

Council member M Johnson stated the question becomes if we put one riser on the opposite side of the street what is the potential square footage in terms of delivery on that side of the street. Mayor Kutteh stated the City seems to have a policy that when people run utility lines to their property it is at their expense. We also seem to have a policy that if those utility lines lead to a significant amount of investment that the city can provide an incentive based on a percentage of the new taxes that you are required to pay over a period of time. Is this a situation, not about job growth but residential growth in the downtown area, does the City want to pay for it.

Council Stallard stated he feels Engineering should get the line going and determine where other cuts are needed. At a later time Council will decide who pays.

Mayor Kutteh stated that part of Mr. Karr's financing is based on who pays. Mr. Karr advised his project went from $180,000 to $ 240,000 and that doesn't include $ 7,000 for this line. Karr acknowledged that he is asking for his project but this change of use will have a significant impact on any development in downtown Statesville.

Council member M Johnson suggested taking the risers and put them in position on the opposite side of the street at the City's expense. We are going to do a downtown streetscape. We will pick up Marion Karr's tap and terminate the line. No one wants to do anything and we put the streetscape in. 10 years from now when someone wants to sprinkle another building we have to tear out that streetscape and close every business on Broad Street. Each time we would have to do the same thing. We need a utility trench and the fire line is encased. There are multiple possibilities in terms of planning downtown. Mr. Pressley added that the issue is that the street is in this existing condition and it makes sense to

determine the most cost effective way to do this. When we decide to improve the street, while it is torn up then we put in the lines for that whole side of the street. Council member M Johnson agreed. Pressley stated what will happen is that he will bring back a sketch of how to reach all buildings downtown and that will complicate the discussions even further. Council member Steele stated that when Council decides to change streetscape we decide that then. Council member M Johnson agreed and added there would be nothing wrong if we ran that fire line encased down that street going back to every property owner along that street and assessing him for the fire line based on his front footage. **Council seemed to reach a consensus that this is the way it should be handled when the streetscape is changed. Engineering staff would determine the cost for each property owner.** The owners are not charged for running the line across the street.

Council held a lengthy discussion of the best way to handle who would pay for this service. Would it be all property owners on that side of the street or only the ones that want a fire tap.

Pressley stated to assume all businesses will want to tap on to the riser will not happen. Store owners could be assessed for the improvement. Mr. Karr will not be charged for running line across the street.

Pressley suggested determining each block as applicants want fire taps. Mr. Karr wants a tap and it will serve 6 so divide the cost by 6. The City pays for cost of crossing the street. Mayor Kutteh asked if this should be a blended costs based on average or the same fee for everyone. Engineering will determine the location in Broad Street to serve the most properties, divided by the number of people served.

Council member M Johnson asked how many people would have ever thought that by 2011 in North Carolina we would have to sprinkle every single new house that is built. Council member J Johnson asked if we are going to charge for that line if the State requires it for new home. Council member M Johnson stressed that he didn't want to charge the applicants for crossing the street.

Council member Steele suggested charging everyone $ 3000 per tap.

Council member M Johnson made a motion that in the downtown central business district that the extensions of fire risers be 1) at the discretion of the city engineers and the actual cost incurred for extending that fire riser to the property owners side of the street be borne by the city and that picking it up from that point into the subject building be at the owners expense per direction of the city engineer. Council member Stallard seconded the motion.

Council member J Johnson asked what about the McMillan building. Attorney Gaines noted that all buildings need to be treated the same. Mayor Kutteh stated the real cost to the city is when we have to cross the street. The motion on the floor is to get the line across the street. From that point staff will follow the same procedures as everyone else as it is deemed appropriate by the City Engineer.

Mayor Kutteh asked for a vote on the motion.

Ayes: Stallard, Huggins, Matthews, M Johnson, Eisele
Nays: J Johnson, Steele

Larry Pressley asked Council to define the delineation point at the curb line. Council member M Johnson stated that staff should take the average distance from back of curb to the center line of the pipe.

Mayor Kutteh asked for another motion on the delineation point.

Council member M Johnson explained the determination point of picking it up and other expense will be determined on the average distance from the back of the curb to the center line of the pipe.

Council member M Johnson made a motion for the delineation point to be from curb to curb. Council member Stallard seconded the motion. The vote was as follows:
Ayes: Stallard, Huggins, Matthews, M Johnson, Eisele
Nays: J Johnson, Steele

Grace Park Center

City Manager Hites stated this is not so much a staff issue as a policy issue. He has been asked by several members of the community when the City is going to tear down Grace Park Center. On another note several non-profit organizations have approached Mr. Bullard and the staff about renting the Grace Park Center on a permanent basis for something like a community church. There is concern among the community that the building in its present condition may be permanently leased to a non-profit organization. For discussion purposes only Mr. Hites worked with engineering to simply take the existing land use, the topography and have Lynn Miller lay out a park. The issue is if the Council intends to take, at some point, to tear down Grace Park Center. If the center is torn down does Council want to create a park there, build a small community center or sell the property for private development?

Mayor Kutteh noted the consideration today is whether or not Council wants the center torn down. He asked the manager about the condition of the building.

Mr. Hites stated that when we did the recreation study in 2003 the roof not only needed to be replaced but it was structurally unsound. Roofing companies wouldn't climb on the roof to rebuild it without rebuilding the entire roof. The cost was in excess of $ 200,000 and Council directed staff not to spend more money on Grace Park and consider building another center somewhere in town.

If we change the use of the building they would have to sprinkle the building and bring it up to ADA standards.

Council member Stallard made a motion that if the cost to fix the building is more than 50% of the value then we should tear it down. Council member Eisele seconded the motion.

Mayor Kutteh summarized that we aren't going to tear down the building tomorrow. Council member Eisele clarified that we aren't going to lease it, rent it or sell it. Council member Matthews noted that if the building is allowed to sit there that we will have vandalism. Mr. Hites asked about someone that might wants to rent for a night here or there. Council member J Johnson noted the roof wasn't safe six years ago. Council member Eisele agreed that she didn't think we should let anyone in the building.

Council member Steele reasoned that if Council isn't going to use the building that it should be torn down. Mr. Hites noted that it will cost nothing to get cost to tear the building down and bring those costs to Council.

Mayor Kutteh summarized that the plan is that the building will not be leased to an outsider and for staff to investigate the cost of demolition and removal of the building. **The motion was unanimously approved.**

2009/2010 Budget

Ms. Salmon explained factors for the 2009-10 Budget as follows:

- County building permits declined in 2008 by approximately 1/3. Growth in tax base expected to decline. Decline in business personal property could be possible.
- Property tax collection rate expected to decline.
- Sales tax revenues expected to continue to fall.
- Earnings on investments will continue to decline.
- Unemployment expected to continue to rise.
- Economists predict growth in the economy not expected until early in 2010 and then a weak recovery.
- Enterprise fund revenues will continue to falter based on business and consumer slowdown in consumption spending.
- State's economy is weak. Concerned about the potential that State will withhold revenues as it did in 2001-02.
- Revenue projections will be developed in March/April
- Departments were instructed to reduce operations by 5% below 2008-09 budget.
- Depts. were asked to review all capital requests and postpone non-essential equipment and projects to a future year.
- Career development plan will not be implemented.
- As a contingency plan, departments were asked to submit proposals to cut operations by an additional 10% and discuss impact to services. Will involve cuts to staffing and services.
- Interim budget may be necessary.

Will personnel cuts be necessary in the next budget?

- Depends on revenue projections and service priorities.
- Personnel costs account for major portion of operating budget in the General Fund – 70 to 85%.
- Personnel cuts will be limited as much as possible in order to minimize impact to service delivery.
- If revenue projections indicate a greater than 5% overall decline, personnel cuts may be necessary.
- Departments are developing plans now.

- Could include unpaid days off, reduction in hours, or permanent layoffs.
- Example of a 10% REDUCTION: 419 EMPLOYEES X 4 HOURS PER WEEK = 1676 AVERAGE LOSS IN WORK HOURS PER WEEK.

Council member M Johnson asked if senior staff had considered using employees in building and completion of capital projects. Ms. Salmon replied that staff has explored using staff in other functional areas from their normal site. Mr. Hites added that one thing he recognized is aside from an employee's annual vacation many employees take paid days off. He has challenged the department heads to say if you can accommodate your regular schedule with the employees taking 4, 5 or 6 paid days off per year then simply make the days unpaid. While this would hurt the employee economically it wouldn't hurt as much as being laid off. The employee would keep their time on the books. Council member J Johnson asked if that meant the city would raise the limit on vacation days. Mr. Hites agreed that might be worth thinking about to raise the 45 day cap.

Recommended Strategies to Address a Cyclical Deficit

- Understand the nature and scope of the problem.
  A temporary downturn in revenues for 1 to 3 years can be effectively managed by reducing spending in operations, deferring capital, and using reserves.
- Monitor the financial situation closely and strive to maintain financial sustainability.
  Regular reviews of the financial situation should be conducted to detect problem areas and recognize successful results from actions.
- Recognize that a bad economy puts pressure on the City, its citizens/businesses and it employees.
  The City may see higher service demands in certain areas like public safety.
  Citizens and businesses may have difficulty affording increases in taxes or fees. There could be some citizens that are particularly vulnerable to reductions in City services.
  Employees may be experiencing personal financial pressures too. Workplace changes and expectations may increase pressure.
- Prioritize services.
  If the recession persists for a protracted period of time, prioritize services and focus resources on higher priority services.
- Be innovative.
  Encourage innovativeness to make changes that may not be considered otherwise.

Discussion of priorities for 2009-10 budget and CIP

- Review capital FY2010 capital and discuss priorities – realign short-term priorities with economic situation.
- No property tax rate increase anticipated in next year's budget.
- Will need electric rate and water/sewer rate increases.
- Are there other Council priorities for the budget?

Council member Stallard reasoned there is nothing that we can't do without so we should freeze them all.

Council member Steele stated she would like to see us do the park improvements and general maintenance. Council member M Johnson advised he would like to consider the warehouse facility. He recommended to design and bid the building and then Council will decide if the savings are great enough to move ahead. City hall renovations fall in the same category. He encouraged staff to be upfront and honest with people. Tell them that we may not go anything at all. Council member Huggins feels it is based on a case by case basis. Mayor Kutteh clarified it is the design and bid for these 2 projects. This is amount of money we have on this project. If warehouse is $4 million and the cost to carry on with the building is $ 650,000 then we could cut that cost by $1 – 1 ½ million.

Mayor Kutteh summarized on the City Hall and warehouse complex for staff to engage an architect to do design and try to discount that price. Next staff would bid the project with no obligation and analyze the results. Mr. Hites reasoned that he could get a good sense of where we are without bidding the project out. Ms. Salmon advised the next step in the warehouse complex is to conduct a feasibility study.

Council member M Johnson asked if we have the expertise in house to evaluate machinery and hours on equipment. Should we look at buying that excavator and trailer with less than 1500 hours? Mr. Hites advised if staff finds an incredible deal he would present it to Council on a case by case basis.

Council moved to the pre-agenda meeting.

_____
Mayor

Attest:

_____
City Clerk