

**MINUTE BOOK 23, PAGE 397  
Council Retreat  
Marriott-Winston Salem, NC  
February 25-26, 2010**

Mayor Kutteh presiding:

Council Members Present: M. Johnson, J. Johnson, Matthews, Stallard, Eisele, Steele, Gregory, Huggins

Staff Present: Hites, Fugett, Davis, Smyth, Cranford, Currier, Cornelison, Gaines, Pressley, Salmon, Anderson, Blevins, Bullins, Hudson, Tomlin

Media Present: James McNally, Record & Landmark

Others Present: Graham Edwards, ElectriCities, Andy Lovingood, McGill Associates, Michelle Walter, Robb, Callahan & Pierce

**Call to Order and Welcome**

Mayor Kutteh welcomed everyone to the retreat and thanked Council and staff for all the effort it took to make the retreat a success. Mayor Kutteh stated retreats are important in order for staff and council to meet and discuss numerous projects and issues.

Larry Cranford introduced Graham Edwards with ElectriCities.

Mr. Edwards explained the history of ElectriCities and why Power Agencies were created. Statesville is in Power Agency Number 1 and owns 37.5% interest in Catawba Nuclear Station. The Catawba Nuclear Station is operated by Duke Power and has the fourth lowest production costs in the US. The plant operation performance is excellent. Mr. Edwards advised Council that Duke Power is an excellent asset for Statesville. The NRC issued a license extension to the Catawba Nuclear Plant which will expire 12/05/2043. The majority of the Power Agency's debt will be paid off in 2019. The license extension provides the opportunity to restructure/extend debt which will provide 10-12 years of debt free production.

Mr. Edwards advised Council the issues facing us today are: NC Senate Bill 3, which states that by 2018, 10% of our power must come from renewable energy. The Waxman-Markey bill passed in the House of Representatives which restricts CO2 emissions, mandates Greenhouse Gas Reductions from 2005 levels, and proposes new requirements for Renewable Energy and Energy Efficiency. NCMPA1/Statesville has a very small carbon footprint.

Mr. Edwards stressed the need for a 9% wholesale rate increase due to several factors: lower sales, decline in surplus sales, decline in interest earnings, and higher taxes, capital and operating costs. He stated ElectriCities was doing everything possible to mitigate this increase to no more than 5-6%.

Council Member Gregory asked if using hydro-electric power would help the city or just Duke Power. Mr. Edwards replied using hydro-electric power helps the city by fulfilling part of the 10% requirement of NC Senate Bill 3.

Council Member Stallard inquired that if we own 10% of 75% of the Catawba Nuclear Station, is that also our percentage of the expenses. Mr. Edwards replied that was correct.

Mr. Hites asked if we would be able to purchase supplemental power at a lower rate in the summer since typically we have a loss during the summer months when we have to purchase supplemental power at higher rates. Mr. Edwards replied he could not answer for certain, but if we are experiencing depressed prices when we are selling, it will help us when we are buying.

Council Member M. Johnson pointed out the facility's inability to service peak loads could increase costs since their production is finite. Mr. Edwards replied they had installed peaking units in Monroe to offset some of those costs.

Mayor Kutteh commented we usually produce more electricity than we need. Mr. Edwards agreed, we are selling surplus 90% of the time.

Mayor Kutteh expressed what an ally ElectriCities is to the City and wanted to congratulate Mr. Gregory and others who had the wisdom 30 years ago to get the city involved with ElectriCities.

#### **Review of 2009 Retreat**

City Manager Rob Hites reported to Council the city ended the year with about \$1.9 million of revenue over expenditures. This year's budget reflects a 12% reduction in spending over the previous year. The 2009-2010 budget froze several vacant General Fund positions and \$1 million less in capital spending. Mr. Hites stated the Capital Requests could not be postponed indefinitely, but staff was analyzing each piece of equipment for the longest possible use.

Mr. Hites stated the EPA had announced that Iredell County was a split attainment /non-attainment area. Statesville remains in attainment but EPA usually does not split counties and their final order could place all of Iredell in non-attainment. Mr. Hites recommended to Council the city start the necessary steps to prevent this.

Mr. Hites described DOT's plan to omit access to Gaither Road from I-77 behind the Sagebrush Restaurant. He explained access to Gaither Road would be accomplished by driving past the water plant, across a new bridge, over Gregory Creek, and over a new connector beside the Sleep Inn. As of last week, staff discovered that DOT intends to improve the current Radio Road Bridge rather than relocating it. To accomplish this task, DOT predicts that the bridge will be out of service for approximately one year. This would require residents and visitors to Indian Trail, Western Avenue Baptist and Christian School to travel Museum Road to an outlet to 115 while the Radio Road Bridge is being improved. City staff has made a request to DOT, that the Gaither Road connection with I-77 not be closed until the Radio Road Bridge improvements are complete.

#### **Financial Updates**

Finance Director Lisa Salmon stated she would review with council the steps taken in the 2009-10 budget to mitigate the impact of the economy, the financial results of operations for the first six months of the fiscal year, and the challenges in developing next year's budget.

Ms. Salmon stated in the current fiscal year operating funds were cut by 13% - \$11.6 million. The majority of those cuts, \$9.7 million, were made in Capital spending. Ms. Salmon stressed this is not a sustainable strategy to deal with the current economic situation but a short term solution only.

Council member Steele asked if the 5% cut from every department's operating budget was reinstated. Ms. Salmon replied it was not and that each department was asked to maintain the 5% and to have a contingent budget that was cut by 15%. When data showed finances were better than originally predicted, \$2 million of frozen capital in the General Fund from last year was released.

Ms. Salmon listed other steps taken to reduce the budget: various capital projects were postponed, such as the city hall renovations, warehouse facility construction, and the automated meter reading project. No employee pay raises were given; the career development plan and educational incentive program were postponed, overtime

spending and part-time staffing was cut. As a result, there were no employee furloughs or layoffs.

Ms. Salmon pointed out we were able to purchase \$2 million of frozen capital from last year in the General Fund and the Electric and W/S frozen capital are being re-submitted in next year's budget.

Ms. Salmon advised Council we were able to maintain service levels to our citizens without cutting existing programs, open a new recreation facility, and design and bid the new fire station. We did not have a property tax or a water/sewer rate increase but did have an 8% retail electric increase.

Ms. Salmon reviewed the financial results of operations for the first six months of the fiscal year with council. Total Revenues are down 1% from last fiscal year, but with budget cuts and frozen capital, as of December our revenues exceeded our expenditures by \$2.2 million.

In reviewing total General Fund revenues and expenditures from 2007 through December of 2009, Ms. Salmon stated General Fund total revenues are down \$118,000 in total from 2007. As planned, expenditures are down \$1 million.

Ms. Salmon reported electric sales have fallen 4%. The largest cut in the budget was made in Electric Operations & Capital and that is not sustainable.

Electric Utilities Director Larry Cranford stated December and January sales are up, but overall sales are still down compared to last year. Mr. Cranford advised Council the Providencia plant is projected to purchase 56 million kilowatts annually. Due to the economic incentives this will not be a high margin account at start up, but it will help drive down our wholesale electric costs since the more we purchase the cheaper it is per kilowatt.

Council discussed the differences between wholesale and retail electric rate increases. Council member M. Johnson stated our economic development policy should be to secure large scale electric users which would enable the city to grow without any additional expense.

Ms. Salmon reported the Water & Sewer revenues are down \$150,000. Expenditures are lower also, but that is attributed to no Capital Fund spending, which as stated previously, is not a sustainable strategy.

Ms. Salmon noted the Civic Center fund revenues were down 6% from last year and expenditures were down 8%. She stated Civic Center staff was doing a good job of keeping revenues up and the facility rented considering the economy. Council member Stallard asked what the three largest costs were to the Civic Center. Ms. Salmon replied labor was the highest and they pay their portion of the services the General Fund pays.

Ms. Salmon reviewed available fund balance for each fund with Council:

<u>FUND</u>	<u>FY 2009</u>	<u>% ANNUAL EXPENDITURES</u>
GENERAL	\$17,389,011	72.65%
ELECTRIC	\$5,117,101	13.50%
WATER & SEWER	\$8,942,397	86.42%
CIVIC CENTER	\$700,524	82.90%

**Challenges for next year's budget**

Ms. Salmon explained the challenges for next year's budget as follows:

Revenues will be flat next year, or lower if economic recovery lags.

Economic outlook remains weak; State revenues so far this year are 2.6% below budgeted levels, but the shortfall has been offset by better than expected collection of back taxes.

The lower revenues will affect the state's FY 2010-2011 budget, however, and could result in efforts to reduce the municipal share of state-collected revenues, such as the utility franchise tax which is about \$1.3 million in our General Fund. This would have a significant impact on our budget.

The new fire station will be complete, so we will need to staff and operate it for a portion of the year.

Capital needs will outpace sufficient level of current revenues to fund on a Pay-Go basis.

Employee pay raises, career development and education incentive program will need to be addressed.

Retirement and health insurance costs will increase. Retirement +33%, Insurance 15%. The cost to fund the increases for retirement, health insurance and a 3.5% employee raise would be \$1.2 million new dollars for all funds.

9% wholesale electric rate increase expected.

May need utility rate increases to offset future losses and to fund capital needs.

Council member M. Johnson expressed concern over the future property tax base in light of the current real estate economy. City Manager Hites advised there may be numerous property value appeals to the Board of Equalization and Review due to the decline of property values.

Mayor Kutteh stated he would like Council's thoughts and ideas for controlling costs and purchasing necessary capital.

Ms. Salmon advised Council that economists forecast very sluggish revenue for the state into 2010-2011. Until unemployment improves, the economy will be slow to recover and economists are advising a cautious budget approach.

Council member J. Johnson asked if the State could retain the city's portion of the sales tax. Ms. Salmon they could not keep sales tax, but they had kept our Utility Franchise Tax one year.

Mr. Hites stated he was very concerned the State may try to take Cablevision, Beer & Wine Tax and the Franchise tax. There is also some concern that due to the recent issues with the ABC system, the State may try to take that local franchise.

Council member Steele expressed concern about the education reimbursement benefit being frozen. If we are not going to be able to give employee raises then we should at least keep benefits that will keep us competitive with other cities.

Council member J. Johnson stated younger employees did not care about benefits, they were concerned about the amount of their take home pay. Council member Steele agreed.

Mr. Hites stated the local government retirement system had lost about 31% of the portfolio value and it would take approximately 4 years to recoup that loss for people to retire at the rate they were promised. The retirement contribution made by the employer has been raised this year by about 33%, so employees are getting a raise in their retirement fund but the amount will not reflect in the amount of their paycheck. Mr. Hites stated he and Lisa had discussed an employee bonus, which would not affect base pay, if there was any money available.

Mayor Kutteh noted the city has not implemented any layoffs or furloughs. Mayor Kutteh advised council this year's budget would require even greater prioritizing than last year. He felt there would be some pressure to fund capital projects the city has already agreed to do.

Council member M. Johnson stated he did not have enough information to make any decisions and would like to know if the County is going to do property revaluations and if the drop in property values is going to be a factor. Mr. Hites replied he would get that information.

Council member M. Johnson expressed concern that business loans that will refinance in the coming years will not be able to, due to lower property values.

Mayor Kutteh stated the meeting would break for 10 minutes then Andy Lovingood would give his presentation on the 3<sup>rd</sup> Creek Wastewater Plant. Lisa Salmon would continue her presentation after that.

### **3<sup>RD</sup> Creek Wastewater Plant**

Andy Lovingood reviewed the December 2008 City Council update:

1. State's concurrence with expansion to 8 MGD-Major milestone
2. Total Project Cost presented was \$27,542,000
3. State deemed High Rock Lake to be impaired
  - a. Faced many unknowns with the State
  - b. Substantial impact on plant process design and construction cost
4. Recommended to stop design and negotiate a reasonable approach with the State and US EPA.

Two Key Permits:

- Discharge Permit – NPDES
- Authorization to Construct Permit

Mr. Lovingood stated the 2008 303(d) listed High Rock Lake on the impaired waters list for violation of chlorophyll a, pH, and turbidity standards. The US EPA mandates to the State they must develop a "plan", adopt nutrient criteria into water quality standards and limit any further degradation of water quality. He explained the State's "Plan" generally consists of studying the lake and streams, monitoring and field data collection, basin-wide modeling and determination of an acceptable nutrient loading. The key result of the State's "Plan" will be the creation of a Total Maximum Daily Load for the Upper Yadkin Basin. This TMDL will establish a total pounds of pollutant loading for the basin that will then have to be divided up and shared between dischargers. The TMDL will limit and reduce the nutrients discharged into the basin and will greatly impact every treatment plant in the basin. There have been 20 major discharge permits issued for the Upper Yadkin Basin; Statesville has 2 of them, one for each treatment plant. Mr. Lovingood advised Council the State is still in the Data Collection phase of their schedule. Modeling will follow through 2011. TMDL's will be established in 2012.

Mr. Lovingood stated historically this takes many years and the results are likely to be highly contested. He reported the state is willing to give the city a permit at this time, but it is very tight and constraining, very expensive and beyond technological limits to achieve. That is not where we want to be, so we have negotiated with the US EPA and the State to arrive at a reasonable approach that allows Statesville to expand the plant with new speculative discharge limits with initial and future nutrient limits, to arrive at acceptable language in the State's draft NPDES discharge permit. Mr. Lovingood stated the City is to receive a NPDES discharge permit that allows the City to phase the expansion with reasonable limits in anticipation of the future TMDL limits. The limits require a more complex, multi-stage, treatment process capable of biological nutrient removal. The process must meet the initial negotiated nutrient limits and have the ability to be phased for final limits once TMDL is completed and agreed upon.

Mr. Lovingood informed Council the cost of Phase 1 is \$30,960,000 which includes a larger multi-stage Oxidation Ditch type biological process, anoxic, and anaerobic tanks for nutrient limits; piping; site grading; and electrical. This site is impacted somewhat by the 100-year flood level. The primary funding source is a \$17,500,000 SRF loan.

Mr. Lovingood reported if TMDL concludes that initial limits are adequate, then no additional facilities are required. If TMDL required only moderate reductions, then the initial biological process may be adequate. Should TMDL require stringent nutrient limits, then a Phase 2 project would be needed. Phase 2 would include Tertiary filters, post-anoxic and re-aeration basins, chemical feed, site grading, and electrical for an estimated cost of \$9,100,000.

Mr. Lovingood stated after we reach the Ready to Proceed (RTP) Status our permits are good for about two years.

Mayor Kutteh asked if we would be applying for the revolving fund in 2011. Mr. Lovingood replied the city would have time to decide whether to move forward at that time or to wait.

The project status at this point is:

- Limits have been negotiated
- PER/EA
- Council authorized to proceed in January 2010
- Submit Draft for staff's review next week
- Design package to CG&L in November 2010

Mr. Lovingood reported a study had been conducted for the city on a Reclaimed Water System which would be included in the Phase 2 project if that was determined to be necessary. The Reclaimed Water System is a green project and may be grant eligible. It could be integrated into the larger plant expansion project or could be a single project. This study will be ready for Council and staff to review next week.

Mr. Lovingood explained they were re-using everything they could from the existing plant. Also, most of the plant would be built offline, which would not interrupt the current plant flow and would enable compliance to be maintained throughout the whole project.

Council member M. Johnson asked how many acres in the 100-year flood plain were needed for the plant. Mr. Lovingood replied 25-30 acres.

Council member M. Johnson asked if the gray water catch would help mitigate the discharge values on the TMDL with the state. Mr. Lovingood agreed that it would. If wastewater is filtered for beneficial re-use, that allows us extra discharge capacity into the stream. Even if we are not sending wastewater to beneficial reuse we still have the filters in place. Wastewater could be filtered and blended with unfiltered wastewater that goes back into the stream, which would help compliance. This would also help delay the second phase and may be grant eligible.

Mayor Kutteh asked if Mr. Lovingood would begin the process of determining grant eligibility at this time. Mr. Lovingood replied he was on a committee with Construction Grants and Loans who will be releasing information in March, but it is still uncertain at this time what the funding levels will be.

Council member M. Johnson asked if the cities we are competing against in the basin, such as Winston-Salem would use a reclaimed water system. Mr. Lovingood replied if you have an end user for the reclaimed water it makes sense.

Council member M. Johnson stated his main concern with this project is the timing. If the demand is not there yet, we will have problems funding the project at this time.

Mayor Kutteh asked how much time we have after the permit is issued. Mr. Lovingood replied after the permit is issued you are at the Ready To Proceed stage which puts you in line with CG&L for the money. At that point we need to be ready to start construction of the project. There is a two year window to finish from that point.

Mr. Hites stated our ability to sell bonds for the balance is based on our ability to fund that revenue stream. The Local Government Commission regulates this using a formula to ensure the City doesn't raise rates to the point the customer base cannot tolerate. We have 24 months to get the revenue stream to where we can successfully sell bonds on the open market and qualify for the revolving loan.

Mr. Lovingood explained in a few years we will be doing improvements at 3rd or 4th Creek at the very least.

Mayor Kutteh stated we will not take on a \$30 million project if the end user is not in sight.

Council member M. Johnson stated our condition can only worsen. He asked if it was possible to preserve our status beyond the initial two year window. Mr. Lovingood replied the permit may be negotiable at that time but he can't predict what the state will do in the next few years.

Council member Gregory asked if water levels at High Rock Lake have any bearing on high nutrient levels. Mr. Lovingood replied there is much debate over how they measure Chlorophyll A but that is the accepted practice by EPA that the state has adopted.

Council member M. Johnson asked if we can pump 4th Creek to 3rd Creek then take 3rd Creek offline. Mr. Lovingood replied that may be possible technically but may not be financially feasible. Director of Water Resources Joe Hudson stated the City had considered this about 15 years ago. The pump station at that time was going to cost \$25 million not including the studies so the idea was dropped.

### **Review Draft CIP**

Finance Director Lisa Salmon explained the Capital Improvement Plan (CIP) is currently in development. The recommended CIP will be presented in May with the 2010-2011 budget. She stressed what Council was looking at was a Draft CIP based on requests submitted by departments.

Ms. Salmon stated we have a total of \$8.8 million in the General Fund, \$3.3 million of that is for a pavement overlay at the airport if we do that project. The Electric Fund total is \$4.9 million, \$3.25 million of that is the Operation Warehouse Facility. That project is not ready, has not been designed yet and will most likely be pushed back again. The Water & Sewer Fund has \$37 millions, \$27.5 million of that is the 3<sup>rd</sup> Creek Plant Expansion which has been pushed back at least a year and has been increased to \$34.9 million. When all of those items are taken into consideration there is a balance of \$17 million in capital requests that will need to be evaluated for funding.

Mayor Kutteh asked if Council had any additions to the Capital Improvement Plan at this time. Council advised they needed to study the information first.

City Manager Rob Hites stated the City now had the capital to fund the additional parking for the Civic Center.

### **Downtown-Hwy 115 Master Plan – Financing Options**

Ms. Salmon stated one of the finance options available was General Obligation (GO) Bonds. The city has some GO debt for Water/Sewer and Street improvements but the city has not issued any GO Debt since 1996.

Ms. Salmon explained the security pledged is the full faith, credit and taxing power of the government and is the strongest form of security a city, county or municipality can provide. GO Bonds are the most cost effective form of financing for larger projects with low interest rates and issuance costs and are generally suitable for public projects of \$10 million and higher.

GO Bonds have a simple structure, no special covenants, have acceptability in the market place and are publicly offered. Typically for this type of project the financing term is 20-years. Also, this type of bond requires voter approval. This is good when public support is important, e.g. a tax increase will be needed.

Ms. Salmon stated another good feature is we can issue the bonds in increments over a seven year period as needed for the project.

### **Installment Financing Agreement**

Ms. Salmon explained another option is the Installment Financing Agreement which we just used for the Fire Station. The security pledged is the property financed with debt. Projects may be bundled, for example infrastructure improvements would likely need to be bundled with another building project that could be pledged as security.

Ms. Salmon advised that no vote or approval is required, there are no special covenants and typically the agreements are for a 10 to 15 year term. Installment Financing is generally more expensive than GO debt. The form of financing depends on the amount being financed. A Certificate of participation (COPS) could be used for projects over \$10 million, these are publicly sold, or a privately place bank loan for projects under \$10 million.

Ms. Salmon discussed three different sample amortization schedules with council.

### **General Fund**

Ms. Salmon explained the cash resources available for this project. She stated the available fund balance as of June 30, 2009 was \$17.4 million. There was an unspent allocation of \$1.8 million that was originally for the airport overlay that was not spent due to aviation grants. There is an estimated return of \$1million from the Recreation Center Construction Fund when that project is complete. We need to reserve \$1.3 million for the debt service payments for Fire Station #4. In conclusion total cash resources of \$18.9 million are available for projects.

Ms. Salmon stated the minimum recommended available fund balance by the Local Government Commission (LGC) is equal to the average for our population group. Fiscal Year 2008 was 39% of annual expenditures, \$9.3 million. Historically we have maintained a higher fund balance around 83% and have a very good pay as we go capital policy.

Council member M. Johnson asked what the interest rate is on COPS funds. Ms. Salmon replied the City of Charlotte had 4%. M. Johnson asked if we could use funds from the Water and Sewer fund could be used instead of borrowing. Ms. Salmon replied we could explore that option. Ms. Salmon explained that all city assets are equal for security. For example, a fire station or city hall are good pieces of collateral, a park would not be.

### **General Fund Balance**

Ms. Salmon explained the appropriated fund balance may not exceed the amount of uncommitted cash available in the fund as of the previous June 30. LGC recommends a minimum of 8% but strongly recommends no lower than population group average.

This level of uncommitted cash aids in:

- Avoiding cash flow interruptions
- Manage unanticipated declines in revenues
- Handling emergencies (drought, ice storms, flooding)
- Taking advantage of opportunities (airport runway extension project)
- Generating interest income
- Eliminating the need for short-term borrowing
- Maintaining investment grade bond ratings

### **Land Use Plan for Annexation Boundary Area**

Planning Director David Currier stated the spillover growth from Charlotte made it as far as Mooresville before the economy slowed. At that time there were 7,000 residential lots on paper. The planning department has always promoted the south side of town for growth and believes it will grow the fastest in the future.

Mr. Currier presented maps showing boundaries, current land uses, topographical and environmental characteristics, transportation and utilities.

Mr. Currier stated extending utilities to Duck Creek@ the Barium Line is critical.

Mr. Currier stated the current population in this area is 7,050. Based on the lots remaining in subdivisions that are approved but not built out, future population is predicted to rise to 12,224 within the next 5-8 years. This prediction is based on the following assumptions:

1. Assumes that the vacancy rate will be 6.8% five years from now
2. Assumes that persons per household will be 2.56 five to eight years from now
3. Assumes that all phases of subdivisions will be finished and built upon
4. Assumes that growth rate will be stable and similar to the current growth rate for the next five to eight years (despite current economy)

Mr. Currier predicted, based on zoning of vacant lots, potential zoning of vacant lots and approved subdivision, future population capacity beyond eight years would be 55,977. This is based on the following assumptions:

1. Assumes that all census figures will be the same eight years from now.
2. Assumes maximum build out of property given the zoning district overlain on the property.
3. Does not account for 'unusable' land.

Mr. Currier recommends strongly encouraging cluster subdivisions within Medium Density Residential districts in order to preserve open space. Architecturally Integrated subdivisions are strongly encouraged in Village Centers and High Density Residential Districts in order to preserve open space and guarantee quality design. Mr. Currier stated the key to the 115 corridor is residential homes.

**Garfield Recreation Center**

Recreation Director Brent Cornelison gave a presentation comparing the Garfield and Bristol Recreation Centers.

Mr. Cornelison presented Council with the following cost estimates to repair the Garfield Recreation Center:

**Building Renovation Estimates**

Complete Roof Repair - \$45,000  
Renovate Restrooms to ADA Compliance - \$1000  
Renovate Kitchen - \$2,410  
(Refrigerator, Range, Microwave, Counter top, Sinks and Floor Grout)  
Boiler Repair - \$350  
Air Conditioning Unit for Office - \$500  
Total Cost - \$49,260

**Minimal Renovation**

Lower Roof Repair - \$5,200  
Renovate Restrooms to ADA Compliance - \$1,000  
Boiler Repair - \$350  
Air Conditioning Unit for Office - \$500  
Total - \$7,050

Council member Huggins asked if an A-Frame roof would be a better option than a flat roof. Mr. Cornelison stated he would get an estimate for that.

Mr. Cornelison stated projected operation costs, based on figures from the Bristol Road Center is as follows:

Staff (233 hours x \$9.25)	\$2,155.25
Gas	\$1,523.35
Utilities	\$3,000
Supplies	\$800
Maintenance	\$500
Total	\$7978.60
Projected Revenue	\$5,170
Total Cost to Operate	(\$2808.60)

Council member Eisele asked if the groups that were using the new facility would return to Garfield if repairs were made. Mr. Cornelison replied that he could not answer that at this time but he would speak with the various organizations and find out.

Council member Gregory stated he thought Council had voted to demolish both centers. Council member Huggins stated he disagreed because Garfield and Bristol are the only Recreation Centers other than the new recreation center in the downtown area.

Council member Eisele stated she had discussed with some citizens in the Garfield area the idea of a shelter and they were interested in that also. Mr. Hites stated they had estimates for that.

Mr. Cornelison presented the demolition estimates as follows:

Pool Only	\$25,000
Pool and Center	\$35,000
Pool, Center and Basketball Courts	\$37,000

Council member Gregory asked why city workers could not simply fill in the pool. He stated he thought \$25,000 was excessive to demolish the pool. Mr. Cornelison stated we could fill the pool but the steep slope would still be there.

Mr. Cornelison presented an option to renovate Garfield Center with shelters and a new playground as follows:

Shelter	\$30,000
Playground	\$30,000
Picnic Tables (8 x \$600)	\$4,800
Grading	\$5,000
Signage	\$5,000
Benches (3 x \$350)	\$1,050
Trash Cans (5 x \$350)	\$1,750
Plantings	\$7,000
Total	\$84,600
Projected Revenue from shelter rentals -	\$2,200

(Based on revenue from shelter rentals at Harris Park, Kimbrough Park and Caldwell Park)

Council member Steele stated the basketball courts should not be demolished. Mr. Hites explained it was a more efficient use of time to get a total demolition cost from the contractor; these were just different options for Council to consider.

Mr. Cornelison stated the estimate to demolish the pool and renovate Garfield Center and park is as follows:

Minimal Renovation to Building -	\$7,050
Demolition of Pool -	\$25,000
Playground -	\$30,000
Picnic Tables (3 x \$600) -	\$1,800
Signage -	\$5,000
Benches (3 x \$350) -	\$1,050
Trash Cans (5 x \$350) -	\$1,750
Plantings -	\$7,000
Total -	\$78,650

Council member Steele stated she was concerned about the minimal renovation to the roof. Mr. Cornelison stated according to the roofing contractors the roof had a remaining life of 7-8 years.

Mayor Kutteh directed staff to obtain estimates for an A-Frame roof for Garfield Center.

### **Farmer's Market Discussion**

Larry Pressley stated the NC Department of Agriculture has developed five regional markets in North Carolina and presented options to Council of various market styles.

Mr. Pressley reported there are market styles ranging from basic shelters to elaborate sites.

Mr. Pressley advised there are some grant funds available for downtown locations. He stated location and visibility are very important.

Mr. Pressley noted staff had discussed the possibility of putting a temporary or permanent shelter in the Meeting/Front St. parking lot behind the civic center.

Council member Huggins stated we needed to consider the future expansion of the Civic Center.

Council member Steele stated Council had discussed the idea of a permanent structure for the Farmer's Market before, but the requirement of ADA restrooms had significantly raised the cost.

Council directed staff to investigate city owned properties, possibly Garfield Center, Grace Park, or the Civic Center parking lot, for the Farmers Market location. Also, staff was directed to explore grant options to fund the Farmers Market.

Council Member Gregory stated locating the Farmers Market on the south side could help that area and provide a viable location.

Council members discussed the possibility of using the parking lot by the library for the Farmers Market.

### **"Whatever Happened To" Report**

City Manager Hites gave a summary of the "Whatever Happened to List" as follows:

The demolition lien in the amount of \$11,930 was filed for the Anderson House demolition. Mr. Hites explained Dr. Tucker will most likely not accept the certified mailing so he will have to be served by publication. These are the necessary steps prior to selling the property at the courthouse, unless Dr. Tucker satisfies the lien to retain ownership of the property.

Communication between the Statesville Police Department and Iredell County Sheriff's Office has improved tremendously at all levels.

The demolition is complete at the Grace Park Recreation Center and bids have been received for the new neighborhood park. Bids will be brought to Council mid March and construction will begin as soon as Council approves the bids.

As of last week the owner of 621 W. Sharpe St. has done very little to the inside. Mr. Hites stated the Planning Department will most likely bring the 2<sup>nd</sup> reading to condemn before council in mid March.

The Statesville Iredell Gang Initiative is fully operational and our Gang Intelligence Officer and Community Coordinator are working diligently in reaching our necessary benchmarks. At this time we are actually a full year ahead of schedule as compared to the other 9 North Carolina cities.

The UDO is on schedule, the final revisions will be complete by the end of January, then crosschecked by the end of February. The next UDO work session is on schedule for March 15, 2010.

Paving of aprons at Statesville Regional Airport - 98% of the original contract is complete with striping and minor repairs needed, but these can't be done until the weather is warm. LPA is designing the apron rehabilitation and we anticipate extending the present contract since we have good pricing and a good contractor.

Stimulus Money- Larry Pressley submitted proposals for funding the water line to Larkin and a proposal to carry out repairs to sewer collection lines where we received inflow of water during rain events. Neither of these proposals was funded. Planning has applied for stimulus dollars to fund the runway apron strengthening project. The City has taken advantage of a 45% tax credit in its financing of Fire Station #4. The 45% tax credit is funded with stimulus money. The Fire Department applied for a fire pumper for the airport. This project was not funded. We have been orally offered \$100,000 for landscaping at the intersection of 115 and I-40 and the intersection of US 70 and 90. That is \$200,000 in DOT grants that could come quickly.

Fire Chief David Bullins explained that our current ISO rating is a 4. ISO re-evaluates every 10 years. The completion of Fire Station #4 will be a large step towards lowering our rating but will not be a deciding factor. There are several other areas being addressed before we request another ISO evaluation, i.e. dispatch center issues, developing data verifying the ladder truck responds on structure fires, pager notification (CTY), improvement of records and documentation in our fire records management system (3 years of data is required), and some other equipment needs. Chief Bullins stated he would also like to go through the fire accreditation process before asking for another ISO evaluation. This will probably happen sometime in 2012/2013.

Unpaved Streets - Construction has been completed on Hunt, Stewart, Glover, Cass, Poplar, Delray, Winston and Tenth Streets. Staff will continue to work down the list in the following order: Woodlawn, Anderson, Gray, Goldsboro and Medlin. We anticipate only 2-3 streets to be completed in the next construction season. We are approximately 15% through the list of unpaved streets.

Errors & Omissions Policy – The plans and specs were approved by the County and the permits were obtained ahead of the bids. We have already contacted the County and they have offered one of their inspectors to help us work with the City Hall architects as the plans are developed.

ABC Board – The General Assembly did not approve the Bill. In our legislative update on 2/15/10 the League staff stated this issue will come up in the short session with an effort to privatize the ABC system.

Erosion Control – We have never received fees for erosion control se we did not lose income when we contracted that service to the County. So far we are very happy with the service we have received from the County. They make regular visits to construction sites and help monitor the activities of the contractors.

Union Representation – Some concern about this. We feel that the feud at the Federal Level will keep the legislation off their table until after the next election.

Signal upgrade at Martin Lane/Greenbriar/64 – NC DOT has been paid \$5,000 upfront costs and they are designing the changes. NCDOT staff has assured City staff that it would be ready when the Fire Station is completed.

Hangar Leases at the airport – We are going to have the structures appraised to obtain a value. Then according to the law, the City will offer them through the upset bid procedure. Leases can only be offered for a maximum of 10 years but we have a special bill allowing leases to have a maximum 25 year term at the airport. This was done to allow the financing of the hangar construction. This will be the first time the City will be leasing improved leaseholds. Staff suggests lease terms for these types of properties be much shorter than the 25 year term.

Statesville Giving Program – Since December 2007 STATESVILLECONNECTS has received donations of \$13,649.04 and provided assistance to 141 customers in the amount of \$11,978.91.

Clock Tower Building – Last year Councilman Mike Johnson approached a non-profit corporation that specializes in purchasing and renovating historic properties. The non-profit was interested in the Clock Tower building and made several visits to determine its viability as a potential acquisition. They developed a plan of action to acquire and renovate the building and presented it to the owner. After considering their proposal the owner chose not to participate in the project. Due to current economic conditions there is no market for tax credits and the non-profit corporation has withdrawn its offer to renovate the building. Due to the importance of the Clock Tower building to the whole City of Statesville, city staff has been studying different alternatives for protecting the building against further deterioration such as failing brick façade, deteriorating window

frames and leaking roof. It is our hope that we can reach some settlement with the owner in order to stabilize the building and preserve it from further deterioration.

Council discussed the possibility of citing the owner for Code Enforcement violations.

Old Davis Hospital - Last summer we obtained an estimate of \$880,000 to remove the asbestos and tear down the old Davis Hospital. Eric Fox, our Minimum Housing Specialist, attempted to contact the owner in order to negotiate a plan for demolition of the building. The owner failed to respond to his letter. I sent a follow-up letter in the fall alerting the owner to the City's intention to condemn the building, demolish it and assign a lien of \$900,000 for the demolition. The owner met with Rob Hites approximately three weeks ago and told him that he had removed the asbestos during the summer and had hired a company to strip the building of its marketable metals. Once this was accomplished he contracted with a company to demolish the building and sell the brick. The owner said that the company was in the process of obtaining a building permit for the demolition of the building. Mr. Currier and I have been in contact with Lynn Niblock of the County Inspections Dept. and as of Feb. 14<sup>th</sup> the demolition company has failed to secure such a permit. Mr. Niblock stated that his inspector would have to walk through the building to ensure that the asbestos had been removed before issuing such a permit. Neither the city nor the county had any knowledge that the asbestos had been removed during the summer months. I asked the owner to provide his plan of action in writing so that we will be able to monitor the progress of the demolition. To date he has not done so. If the owner has not fulfilled his oral commitments by the first of March we will begin a formal condemnation process.

Council member M. Johnson stated until the asbestos issue is resolved the city should not want to take ownership of the property due to liability issues.

New Operations Center – Larry Cranford stated staff selected Morris-Berg Architects as the most qualified architect to perform a Facilities Study to determine the space needs for the departments that would be housed at the new facility, as well as an estimate of the acreage needed for a new facility and whether a new facility could be located on the existing Warehouse and Garage property. We received a quote from Morris-Berg in May of \$100,000 to perform the Facilities Study. Given the current economic situation and the fact that Mooresville recently announced construction of a \$10 million Public Works facility, we reasoned that purchase and conversion of an existing building could possibly save the City a substantial amount of money over building a new facility. At this point we started to investigate available commercial and industrial buildings which could possibly be purchased and converted to an Operations Center use. Using city staff we compiled data on our current use of space. One building that was available and appeared to meet our preliminary space and land needs was the former Canac building on Meacham Road. Shortly after this, there were at least two industries that expressed interest in purchasing the Canac building and locating their operations in Statesville. One of these industries did eventually purchase the building. We still believe that conversion of an existing building may be feasible and we plan to investigate one other building that is available. If this building proves to be unsuitable for our use, we plan to continue to pursue a Facilities Study and Construction Design for a new facility.

Evaluation form for manager review – Council member Steele reported Lynn Smyth has collected a number of evaluation forms from different cities and the Institute of Government. It will be presented to committee in the near future for evaluation and to make any necessary changes.

### **City Hall Renovation Report**

Matt Mesick and Walker Jones with Walter Robbs, Callahan & Pierce and Michelle Portman, Historical Consultant, presented Council with a draft Design Option Matrix of three different design options for renovating City Hall (incorporated into the minutes by reference-Attachment A).

Mr. Mesick stated the initial study was to define certain levels of scope, certain levels of renovation and historical restoration.

Mr. Mesick reported their proposal included programming, the existing systems in the building, the historical analysis of the original building, and conceptual design options.

Mr. Mesick stated they had confirmed that 1,700 sq. ft. of space was needed in the building and the project could be done in phases due to budget.

Ms. Portman presented historic drawings of the building and similar municipal restoration projects.

Ms. Portman stated the building must be updated to conform to current building code and fire code. The restoration could be done in phases, such as painting and lighting then later carpet and furniture.

Ms. Portman explained Option A would be the minimal approach to just get into the building, for example, electrical and HVAC updates. Option B would include code issues and the public spaces. Option C would include all historically appropriate restoration, furniture, lighting, materials, etc.

Ms. Portman stated all three options:

- Improve accessibility in the Council Chamber
- Provide flexible meeting space on all levels of the building
- Incorporate technology and audio visual capabilities
- Open up the 1<sup>st</sup> floor lobby
- Life safety issues

Mr. Mesick presented floor plans A, B, and C to Council. He stated the price range that is developing is:

- Option A: \$550,000 - \$800,000 (Minimum up fit for move-in)
- Option B: \$1,800,000 - \$2,500,000 (Enhanced public spaces)
- Option C: \$3,200,000 - \$4,000,000 (Historically appropriate restoration)

Mr. Mesick stated these prices still need to have the electrical and HVAC prices plugged in. Council member Stallard stated the HVAC system should be replaced not just repaired.

Mr. Mesick reported we do not need a second means of egress on all levels, nor does the building have to be sprinkled.

City Manager Hites stated if there was anything Council would like to change or comment on, it would be helpful to the architect to tell them at this time, before any more work was done on the project.

Council member M. Johnson directed the architect to give Council a report on any other maintenance issues with pricing. Ms. Portman stated from a structural point of view, the building appears to be very sound. There were water infiltration issues which were addressed in the 80's and from her investigation the building is water tight now and has been maintained well.

Mayor Kutteh stated Council looks forward to a more intense discussion and directed the architect to schedule a meeting with Council.

Council member Steele stated site visits of other historic renovations needed to be scheduled.

Mayor Kutteh directed Ms. Portman to schedule visits to other historic renovations with Council members.

Council member Matthews asked if the streetscape and landscaping were also considered in the renovation.

Ms. Portman stated that was not part of the original proposal request, but it could be added.

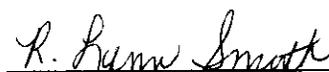
Council member Steele stated GSDC is not willing to commit to using the 3<sup>rd</sup> floor of the building.

Mayor Kutteh advised staff to consider what use the city could have for the 3<sup>rd</sup> floor in the event that GSDC does not use it.

Council moved to the pre-agenda meeting.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Deputy City Clerk

