

**MINUTE BOOK 24, PAGE 407
CITY OF STATESVILLE COUNCIL MEETING – May 07, 2012
CITY HALL COUNCIL CHAMBERS – 7:00 P.M.
STATESVILLE, NORTH CAROLINA**

Mayor Costi Kutteh presiding:

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

Council Absent: 0

Staff Present: Hites, Fugett, Davis, Smyth, Salmon, Bullins, Ashley, Cornelison, Byerly, Pressley, Cranford, Anderson, Gaines

Media Present: Jim McNally-Record & Landmark, Dave Veiser-Charlotte Observer

Others: 4

Call to Order

Mayor Kutteh called the meeting to order.

Invocation

The Invocation was given by the City Clerk.

Pledge of Allegiance

Mayor Kutteh led the Pledge of Allegiance.

Mayor Kutteh explained that all items on the Consent Agenda are considered to be routine by City Council and will be enacted by one motion. There will be no separate discussion on these items unless a Council member so requests, in which event, the item will be removed from the Consent Agenda and considered with the other items listed in the Regular Agenda.

Consent Agenda

- A. Approve the minutes of the City Council meeting of April 02, 2012, and the Pre-Agenda meeting of April 12, 2012.**
- B. Consider approval of a request from Impact, Inc. to close the 500 block of South Center Street, between West Bell Street and Garfield Street on Saturday, June 16, 2012, between 12:00 noon and 8:00 p.m. to hold the annual “Juneteenth” event.**
- C. Consider approval of a request from Rutledge and Bingham Funeral Home to close Garfield Street between S. Center Street and Wagner Street on June 23, 2012 between 10:00 a.m. and 6:00 p.m. to hold a Community Day in celebration of their 90th Anniversary.**
- D. Consider approval of a request to close the traffic circle in the Tara’s Trace subdivision, which consists of the intersection of Ballingarry Drive and Cappoquin Drive, on Saturday, May 19, 2012, between 12:00 p.m. and 6:00 p.m. This closure is being requested by the Tara’s Trace Home Owner’s Association (HOA) to host a community picnic.**
- E. Grant permission to the Statesville Police Department to apply for a grant from the National Association of Drug Diversion Investigators (NADDI) for \$10,000 in evidence purchase funds and authorize Daniel Miglin to represent the City of Statesville in this process.**
- F. Appropriate insurance reimbursement proceeds (\$16,654) to the Fire Department; transfer \$3,343 from account # 010-5300-422-1501 to account #010-5300-423-7400 for the replacement of Car 21 and approve Budget Amendment #38.**

- G. Consider approval of the 2nd reading of an ordinance for ZC12-01 filed by Wesley Community Development Corporation for the property located at the end of Phillips Lane; Tax Map 4754-47-9936 from R-8MF CU to R-8MF CU-change of conditions.
- H. Approve changes to the Sewer Use Ordinance as recommended by the NC Division of Water Quality.
- I. Approve a transfer of \$2,450 from Maintenance and Repair of Buildings and Grounds and \$2,000 from Maintenance and Repair of Equipment, to Non-depreciable Capital for the purchase of a heat pump unit for the Dewatering Building at the Water Treatment Plant.
- J. Approve Budget Amendment #37 to reserve funds donated by GS Statesville Green Land, LLC in the amount of \$125,000 for the future acquisition of property and/or construction of an emergency service center to service the Larkin Project.
- K. Consider approval of the purchase of a replacement large format printer by the Electric Utilities department at a cost of \$2,845.
- L. Consider approval of a purchase by the Electric Utilities department of a replacement computer server for the Warehouse facility in the amount of \$20,000.
- M. Consider entering into an agreement to lease certain property at the Third and Fourth Creek WWTP sites for agricultural purposes at no cost to the City.

Council member M. Johnson asked that Item H. on the Consent Agenda be removed from the Consent Agenda and placed on the Regular Agenda.

Council member Matthews made a motion to approve the Consent Agenda with the exception of Item H, seconded by Council member Stallard. The motion carried unanimously.

Regular Agenda

Approve changes to the Sewer Use Ordinance as recommended by the NC Division of Water Quality.

Jerry Byerly stated every 3-5 years the NC Division of Water Quality updates their ordinance. It has issued required and recommended modifications to the Sewer Use Ordinance (SUO). The process required the municipality to draft a modified SUO and submit to the state for reviews and approvals prior to being adopted by the municipality. The state has reviewed and approved the changes to the existing SUO. The modifications do not change any processes currently used by Statesville to monitor and enforce the SUO and the modifications have been reviewed by Mr. Gaines.

Council member M. Johnson pointed out that Division 1-Section 23 of this ordinance is not consistent with the City's Unified Development Code. He requested that staff review and correct the inconsistencies between Section 8 of the UDC and Division 1-Section 23 of this ordinance then represent to Council.

Council members agreed by consensus to remove this item from the agenda for further review by staff. No action was taken.

Consider approval of P12-01, a site plan for Clayton Homes located at 201 Absher Park Road; Tax Map 4735-62-7993.

Sherry Ashley stated this site is located close to the end of Absher Park Road. The GIS map indicates a larger parcel, however; the tract has been subdivided into 3 lots. Clayton Homes is proposing to locate their office and several model homes on the middle lot #7 which consists of approximately 2.55 acres. The property is zoned B-4-CU with the following conditions: Light shielding to prevent over casting into residential use, substantial buffering with additional buffering against the north and east sides and the street entrance to Highway 115 must align

with the current Northside Drive. The applicant is proposing to use only the garage portion of the model as their sales office. The model's exterior walls are a combination of rock, cedar shakes and hardi-board. The front façade has a porch, windows, and door, which all meet the design standards for non-residential development. The site will accommodate 13 parking spaces and may have interstate vicinity signage. In regards to access, one driveway is proposed on-site and the main entrance from Highway 115 is signalized. Absher Park Road was constructed to the city's standards with curb and gutter. Sidewalk exists along the Sheetz property on the south side of Absher Park Road. Southland Log Homes on the north side paid the fee in lieu of and Clayton Homes is also requesting the fee in lieu of. Based on the rezoning conditions, lighting is provided in the form of four floodlights at the front of the property, one light pole towards the rear (over 150' from rear property line) and each model home will have porch lights. The residential property that adjoins this site to the rear is the Iredell Museum of Arts and Heritage property. Substantial buffering in the form of a more opaque evergreen row has been provided along the north property line. However, there is a 68' Duke Power utility right-of-way that is not shown on the site plan and may require the landscaping along the north property line to be relocated inward on the site or a change in species that does not grow as high. This needs to be confirmed. The TRC reviewed the site plan on January 18, 2012, and February 1, 2012 and approved it on April 4, 2012, contingent upon approval of the water lines and the fee in lieu of for sidewalk. These have been approved by engineering and all the rezoning conditions have been met. Therefore staff recommends approval contingent upon the landscaping being confirmed and the fee in lieu of being paid. The Planning Board's recommendation is favorable with a unanimous vote as presented.

Council member West asked if the fee in lieu of for sidewalks is determined by the applicant. Mrs. Ashley replied it is up to the applicant to make the request, but Council ultimately decides whether or not to approve the request. Mr. Harold representing Clayton Homes stated the applicant is prepared to do either.

Council member Eisele asked if all the units have vinyl siding. Mrs. Ashley replied they did. Mr. Harold clarified that all the units would also have an exterior trim finish of either brick or rock and the underpinning would not be vinyl but other approved materials.

Council member Eisele made a motion to approve P12-01 as presented, seconded by Council member Stallard. The motion carried unanimously.

Consider approval of P12-05, a site plan for McDonald's restaurant located at 975 Glenway Drive; Tax Map 4745-45-3034.

Mrs. Ashley stated that the existing McDonald's restaurant located at 975 Glenway Drive is proposed to be demolished and reconstructed. The site contains approximately 1.085 acres and is zoned B-3 (Shopping Center) District. The building, asphalt, concrete and landscaping will be totally removed. The new building will be larger (4,815 sq. ft. compared to 3,322 sq. ft.) however the impervious surface area will be reduced by 1.75%. Two drive-thru lanes will be provided, however, the playground will not be replaced. The elevations for the new structure indicate the exterior walls will be a combination of brick and rock. The front facade has a majority of windows and one of two main entrances. Therefore, the new structure meets the design standards for non residential development. The site will accommodate 38 parking spaces (reduced from 46) and may have interstate vicinity signage. In regards to access, all five existing ingress and egress points will remain the same. Currently there are no sidewalks along Glenway Drive or Crossroads Drive; therefore McDonald's is requesting the fee in lieu of. The landscaping exceeds the minimum requirements. The dumpster enclosure and storage shed will match the materials used for the restaurant. The TRC reviewed the site plan on March 7, 2012 and approved it on April 4, 2012. Therefore staff recommends approval of the site plan as presented with payment for sidewalks. The Planning Boards recommendation is favorable with a unanimous vote as presented. Mrs. Ashley advised the construction traffic will not use the entrance off of Glenway Drive in an effort to alleviate any traffic issues.

Mayor Kutteh asked if there is a monument type sign and interstate signage at this site. Mrs. Ashley explained that this McDonalds site is a little unusual as it has a nonconforming sign across the street that is the interstate vicinity sign. The City will let them keep this sign and relocate it due to the I-40/I-77 construction since this is something that McDonalds is not doing.

In this case they will also be allowed to have a sign on the site and they can choose whether it will be ground mounted or interstate vicinity. Mayor Kutteh asked if there will be need for an additional interstate vicinity sign since there is one across the way. The construction manager for the project stated currently there is one on-site sign that is proposed to remain in its current location and there is one off-site interstate sign that will also remain. Mayor Kutteh asked if the on-site sign is visible from the interstate. The construction manager replied it is not and it is a pole sign. Mayor Kutteh asked why this is not required to be changed to a monument sign. Mrs. Ashley explained since the applicant is not moving or changing the sign, there is nothing in the UDC to require it to be changed.

Council member M. Johnson asked how the sidewalk fee in lieu of was calculated. Mrs. Ashley stated she did not have that information, it is calculated by the public works division. Mr. Pressley stated he did not have that information with him. Council member M. Johnson asked if the fee in lieu of is payment for both Glenway Drive and Crossroads Drive. The civil engineer for the applicant stated he was sure that both roads were included in the fee, but the applicant is willing to pay the fee in lieu of for both if it has not been calculated like that already.

Council member Gregory made a motion to approve P12-05 as presented, seconded by Council member M. Johnson. The motion carried unanimously.

Accept surplus property through the Federal Excess Personal Property (FEPP) Program coordinated through the NC Division of Forest Resources (NCDFR).

Chief Bullins stated the Statesville Fire Department completed an application on November 9, 2010 to potentially receive an ARFF (Aircraft Rescue Firefighting) apparatus and received notification of an available vehicle on May 1, 2012. The vehicle is required to be moved from federal property by May 11, 2012. The FEPP disperses fire equipment that is no longer used by the federal government through this program. The only stipulations required for the receiving fire department are: the vehicle cannot be sold or traded for 2 years, it must be stored in a heated facility which the Civil Air Patrol has agreed to house the apparatus, liability insurance must be maintained, a current NC vehicle inspection must be maintained, and the paint scheme of the receiving fire department must be used. There are no costs associated with the FEPP Program. The Statesville Regional Airport does not require on-site fire protection at this point, CFR Part 139 certified indexed, and therefore the Department does not plan to request additional staffing to use this apparatus. The vehicle will be used for training and future use for airport firefighting at the Statesville Regional Airport. The 2003 Colet SVD K15 ATTCC Jaguar is designed and built in the US and is used by many military and international airport fire departments worldwide. The apparatus is currently serving Langley Air Force Base in Hampton, Virginia. The vehicle has 3,960 pump hours on it and will be delivered by the Forestry Service at no cost to the City. Chief Bullins advised this truck would cost \$550,000 if purchased new. It holds 1,050 gallons of water, 96 gallons of foam, and requires only one person to operate it.

Council member J. Johnson made a motion to accept the 2003 Colet SVD K15 ATTCC Jaguar surplus property from the Federal Excess Personal Property Program coordinated through the NC Division of Forest Resources, seconded by Council member Stallard. The motion carried unanimously.

Transfer \$100,000 from the Property and Casualty Insurance Fund and \$350,000 from the operating funds to the Health Insurance Fund and approve Budget Amendment #39.

Lynn Smyth stated that at the fiscal year end June 30, 2011, the Health Insurance Fund had a net asset deficit and Ms. Salmon reported that prior to fiscal year end June 30, 2012, it would be necessary to provide some additional funding to assure this situation did not recur. In addition to correcting the net asset deficit, these transfers will help establish a safe working capital balance in the health insurance fund. In discussion with the Finance Department, it was determined prudent to retain no less than two months of available operating capital in the fund. This infusion of \$450,000 is estimated to achieve this goal, including the elimination of the net asset deficit. In addition, to assure sufficient funds are available to pay claims for the remainder of this year, the attached budget amendment appropriates \$235,000 to the health insurance claims line item in this fiscal year. Claims volume in this fund is somewhat volatile and one really good year of claims can result in a significant increase in fund balance but one really bad year can quickly erode a healthy balance. A two month operating balance is minimal and we hope to

grow that balance to at least three to four months in upcoming years. In the Property & Liability Fund, we are settling some outstanding workers compensation claims and anticipate that our reserve for incurred but not reported claims (IBNR) may decline somewhat and we are hopeful our renewing insurance premiums will remain relatively stable. This should allow us to finish the fiscal year 2011/2012 with some funds available to support this transfer without significantly jeopardizing the optimal fund balance for this fund.

Council member Stallard made a motion to approve the transfer of \$100,000 from the Property and Casualty Insurance Fund and \$350,000 from the operating funds to the Health Insurance Fund and approve Budget Amendment #39, seconded by Council members West and Eisele. The motion carried unanimously.

Receive the 2012-13 budget proposal from the City Manager and staff, and set a public hearing on the budget for May 21, 2012 at 7:00 p.m.

Mayor Kutteh asked for a motion to set the public hearing for the budget for May 21, 2012 at 7:00 p.m.

Council member Huggins made a motion to set the public hearing for the budget for May 21, 2012, seconded by Council member Gregory. The motion carried unanimously.

Rob Hites stated that as the City faces the new budget year several sobering issues are becoming apparent: we will not be able to use our savings to “spend our way” out of the gap between revenues and expenditures; and that gap will steadily increase due to the inflationary pressure such as fuel costs and repair of aging equipment. We balanced last year’s budget with \$1.8 million from the General Fund balance, our savings account. With the fragile economy and continued slow recovery we start next year’s budget with the same \$1.8 million shortfall and will add to it. The proposed General Fund budget of \$29,184,000 is 5.3% higher than the current year budget. This increase is due to items such as increases in gasoline and diesel fuel, increases in group health insurance, and a mandated transition from an analog radio system to an 800 MHz system.

As you can see the gap between our revenue growth and expenditures is growing. To “plug” this gap through growth will take an increase in property tax base of almost one half billion dollars; an increase we will not achieve before the end of the decade. Should we continue to spend our savings at the current rate, we will reach the legal State minimum and be faced with a mandate to restructure our finances within a twelve month period.

Staff believes that the City is at the point where the Council should adopt a long term program to equalize its service levels with that of its revenue stream.

Currently the City enjoys a comfortable but not lavish level of municipal services. Over the past four years we have added twenty-one new positions, all of which have been in Police and Fire. This additional staff was needed due to the drastic increases in property crimes and our need to construct and staff a fourth fire station in the eastern part of the City to avoid losing our Class IV fire rating. While we have refrained from purchasing replacement equipment, reduced our operating expenses and refrained from employee raises for four years, we have not been able to make up the cost of the additional personnel, fuel prices, health insurance and equipment replacement and repair costs.

We recommend that Council study the service levels that the City provides its citizens and develop a philosophy that will “make you whole”. Once Council has balanced the City service levels with corresponding revenue, it will be poised to handle the next business cycle without being dragged down by financial worries.

Balancing the budget is simple; determine the level of services you are willing to fund, establish the price for those services and set a revenue stream to sustain them. In order to aid Council in this task, I recommend three areas where you could begin your debate.

1. Adopt the tax neutral rate of \$0.41 per \$100 valuation that staff proposed last year. The City is collecting roughly the same tax that it did in 2007. We have added substantially more personnel since that year and need to create a revenue stream that will fund those employees' salaries and benefits.
2. Follow the lead of 75% of North Carolina cities and permit all or a portion of the City sanitation operation to be collected through a fee system. We recognize the "shock" of such a change and recommend \$7 per month per residential fee. This amounts to 50% of the actual cost to provide that service. We also recommend that the City increase its commercial sanitation pick-up fees to cover 100% of our cost; one that is still below the prices collected by private sector sanitation businesses.
3. Reduce the size of the City's workforce by 17-22 positions. I have frozen hiring in the General Fund and Council has recently adopted a retirement incentive that should permit us to reach that goal. While using a reduction in the workforce as our sole means of reducing our spending would result in layoff of employees, an incremental increase of several revenues such as what we recommend will mean that we can achieve our personnel reductions through attrition, freezing vacancies and retirements.

The sum total of these actions results in a financial program that does not depend on the City's savings account to fund its operation. The action will free Council to use its savings account for needed capital improvements and large equipment purchases over the next decade.

We have experienced considerable decline in industrial consumption of water and wastewater over the past four years. The Water and Sewer Fund does not lend itself to simple cuts in operation. Most of its costs involve the purchase of chemicals, electricity, machinery, maintenance, and debt service. After sustaining a net loss for each of the past three years we recommend an increase in water and sewer rates of 7%. We are also studying the possibility of recommending an incentive for large water and wastewater users to use a higher volume of our water and waste water. Additional sales of large quantities of water and wastewater will help reduce the tremendous fixed cost of operating the water and sewer plant. The staff will report on this matter during Councils budget deliberations. Following our theme of reducing our dependence on our savings accounts to fund the operation of our departments, the water and sewer budget is balanced without a fund balance appropriation.

The decline in industrial electric usage and long term trend towards warmer winters is creating less demand for electricity. Like the Water and Sewer Fund, much of our electric costs are fixed. The City's parent power agency has determined that it will need a 5.4% increase in electric rates to cover wholesale cost increases. In addition the department itself needs an additional 1.6% increase to sustain its operations.

Due to the lack of increases in revenue stream in all funds, we are not in a position to recommend a salary increase for the fourth straight year. The budget does, however, include a 17% increase in health insurance premiums which we do not recommend be passed on to employees through payroll deduction.

In summary the budget that I recommend is painful, but it is essential that we put our house in order and develop a long term strategy that ensures that we do not pass this budgetary issue to future Councils and staffs. Staff is ready and willing to answer any questions that you may have as we move into the review of the 2012-2013 operating budget and we look forward to working through this process in a productive and business-like manner.

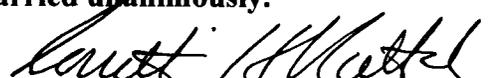
Mayor Kutteh advised that Budget Workshop meetings will be held May 22, 2012 and May 23, 2012 at 5:00 p.m.

There being no further business, Council member West made a motion to adjourn, seconded by Council member Matthews. The motion carried unanimously.

ATTEST:


Brenda Fugett, City Clerk




Constantine H. Kutteh, Mayor