

**MINUTE BOOK 24, PAGE 564
CITY OF STATESVILLE COUNCIL RETREAT MEETING – February 28, 2013
STATESVILLE CIVIC CENTER – 8:30 a.m.
STATESVILLE, NORTH CAROLINA**

Mayor Constantine H. Kutteh presiding:

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

Council Absent: 0

Staff Present: Salmon, Cornelison, Davis, Fugett, Hutchens, Anderson, Pressley, Smyth, Hudson, Harrell, Houpe, Currier, Pritchard, Tomlin

Media Present: Jim McNally-Record & Landmark

Others: 2

Call to Order

Mayor Kutteh called the meeting to order and thanked staff and Council for attending. He thanked City employees for the work they do for the City every day stating he appreciates that they go beyond the call of duty and are always looking out for the citizens of Statesville. He thanked Council members for the work they do every day, for very little thanks and very little pay, providing responsive, helpful service to our citizens and always having the best interest of our community at heart.

Financial Update

Finance Director Lisa Salmon stated she will give an update on the City's mid fiscal year revenues and expenditures, review each of the four Operating Funds and the twenty plus other funds that the City has that are typically restricted or obligated to a particular purpose, and discuss some of the budget issues that staff anticipates will need to be addressed in the upcoming budget.

General Fund

Mrs. Salmon reviewed the General Fund pointing out that property tax revenues are not received in twelve equal amounts. The largest collection months are December and January so about 70% of the budget has been collected. At this point we are basically flat in terms of change in revenue from the previous fiscal year even though a revenue neutral tax rate of \$0.41 was implemented. This is caused when some of the largest taxpayers wait until January to pay their taxes. Those have been collected now, so the January numbers do reflect an increase of about 7% in revenue. About 92% of property taxes have been collected and staff believes property tax collections are on target with staff's estimates.

The next largest revenue category, Sales Taxes and Other Taxes, are up about \$100,000 or about 6% from the previous year. Unfortunately, as of December 31st we have only collected about 25% of the fiscal year sales tax revenues. At this point in the fiscal year we are down about \$50,000 or 9%, but it is too early to predict if this is a trend that can be expected for the remainder of the fiscal year. The distribution of the December sales tax, which will be one of the largest consumer retail purchasing months, will not be received until March and January sales tax will be received in April. At this point staff is determining that Sales Tax Revenue is flat.

The drivers for the increase in revenue included under Other Taxes are the Special Privilege License and the Hold Harmless revenue. Last fiscal year Council implemented an increase for Sweepstakes business fees, which fall under Special Privilege Licenses. The fee was increased from a gross receipts basis to a fixed fee of \$2,000 per establishment and \$1,000 per machine. As of December 31, 2012, that fee has generated over \$250,000 higher than the previous fiscal year and as of January 2013 that number is up to \$300,000. Hold Harmless revenue is also in this classification, which is a reimbursement from an inventory tax from about ten years ago that the City has been getting from the state. The amount this year is about \$100,000 lower than last year and this will be the last fiscal year the City will receive this. Mrs. Salmon reminded Council they had approved a resolution a few meetings ago supporting an extension by the General Assembly of this revenue because our sales taxes have not caught up to the revenue that we lost several years ago with the repeal of the Inventory Tax. The General Assembly has not extended this revenue at this time.

Mrs. Salmon explained that Intergovernmental Revenues are revenues that are received from State and Federal government. Some are restricted, such as Powell Bill revenues, various grants, and the federal interest subsidy that we receive on our debt packages for the Fire Station and the Streetscape/City Hall projects. Some are unrestricted, Utility Franchise Taxes for electric and natural gas, Telecommunications Tax for telephones, Media Programming Tax for cable and the State Beer and Wine Tax. This revenue is up by 11% or \$150,000, due primarily to the \$167,000 in retroactive Utility Franchise Taxes the City has received. She stated the City will continue to receive an annual Utility Franchise Tax disbursement and the amount will increase from now on but not by that retroactive amount.

Mrs. Salmon stated that Investment Earnings continue to decline and explained the various reasons for this. Permit, Sales and Other Miscellaneous revenue is at about \$1.4 million at this point in the fiscal year, which is an overall increase of about \$242,000. Most of this increase is due to a non cash transaction to book the fire department equipment that was received this year, there is actually no net impact. PILOT and Reimbursement from Other Funds is an internal transaction. PILOT is the payment in lieu of taxes that we charge our enterprise funds and Reimbursement from Other Funds is for General Fund services to those funds. The Transfer from Other Funds consists primarily of debt service payments reserved for the Streetscape/City Hall and Fire Station projects. Fund Balance Appropriated is the budget balancing figure. The original budget contained about \$270,000 and the remaining portion of the \$1.5 million is primarily the encumbrance rollover that is made each year for incomplete projects that are still in progress at year end.

Overall there is an \$800,000 (5%) increase from last year, which looks good until you consider that many of the things are one time revenues. Staff feels that revenues are on target to meet budget, but are flat and staff does not expect a huge increase or growth rate at this time.

Mr. Pressley asked what staff felt the overall outcome on property taxes will be, and if it will be up 7% according to the rate increase. Mrs. Salmon replied it should be on budget or maybe 1-2% over. She explained with the January taxes counted we are up about 7% which is right on target. Staff expects to see a flat revenue situation, not an upward trend at this point.

Mrs. Salmon reviewed expenditures, explaining that about 47% of the budget has been expended and is in line with what staff expected. Council member West asked why Transportation is down. Mrs. Salmon explained that this category is the Street Department and the Street Construction Department. This variation is a result of the paving contract. We have not spent as much this fiscal year as we did at the same point last fiscal year.

Council member Stallard asked how often staff reviews items that are purchased such as various insurances, fuel, and contracted services to make sure that the City is getting the best deal. Mrs. Salmon replied that Mrs. Smyth reviews insurance annually. As far as fuel costs, staff reviews this every couple of years and compares it to what the County is doing and what other options may be available. The contracts that various departments have are typically reviewed each year at budget time.

Mayor Kutteh asked Mrs. Salmon to review how the City purchases fuel. Mrs. Salmon explained the process. Mayor Kutteh recalled that staff did a comprehensive review of fuel price and availability a couple years ago. Mrs. Salmon stated that was correct and there was a fuel shortage at that time. She explained that staff must not only get the best price, but also be very mindful that we have access to fuel for our public safety departments. Raymer Oil has always been very good about reserving certain supplies for the City and the County.

Council member Stallard felt staff needs to monitor insurance costs and fuel costs very closely to make sure we are getting the best rates possible. Mayor Kutteh pointed out that staff is basically guessing what the fuel rate will be for the next fiscal year when preparing the budget. Council member Stallard requested that staff provide more detailed information regarding this during the budget process. Mrs. Salmon explained that staff purchases everything it can through state contract and other purchases over \$500 are bid out as well as some services. Staff feels this is a good system to ensure that we get the best price possible. Council member Stallard asked how often inventory is taken. Mrs. Salmon stated a daily, rolling inventory is in place to inventory general office supplies, electrical materials and water/sewer supplies. All of these are purchased on state contract or through a bid process. She stated that regarding insurances, Mrs. Smyth almost on an annual basis, bids out our policies, stays very in tune to what the industry is doing and what to expect, and tweaks our deductibles and coverage if needed.

Council member J. Johnson asked if an inventory is kept at the City garage. Mrs. Salmon replied an inventory is kept for the most commonly used parts, but not everything since some things are not used frequently. J. Johnson said items that are used continually throughout the year should be kept in inventory rather than staff going to parts stores to purchase. Mrs. Salmon stated staff will provide Council with more detailed information for this item.

There was a brief discussion about bidding for fuel. Mayor Kutteh explained the checks that were put in place for vehicle repair and maintenance. J. Johnson pointed out that a check was in place that would send a red flag if a car's gas usage per mile dramatically reduces. Mrs. Salmon will provide additional fuel usage detail for each department that has a fleet.

Electric Fund

Mrs. Salmon reviewed the Electric Fund and reminded Council that a 7% rate increase was implemented last year. She said that electric sales do reflect this as of December 31, 2012 with a 6% increase. There is a decline in Other Revenues of \$300,000; however, this is not an Operating Revenue, it was an economic development reimbursement for Providencia last fiscal year from the Power Agency and we will not receive that this year. She stated Other Revenue is flat, but staff expects to meet budget. Purchase power expense is up 5% but staff planned for a 5.8% wholesale increase so it is where staff expected it to be. Council member West asked if staff anticipates another 5% wholesale increase. Mayor Kutteh stated that wholesale rates are predicted to continue to increase through 2019. Council member briefly discussed the reasons for this.

Water & Sewer Fund

Mrs. Salmon reviewed the Water/Sewer Fund. She reminded Council a 7% water/sewer rate increase was implemented July 1, 2012. Due to a 1% decline in consumption, revenue has not increased by 7%. Staff is not yet ready to say that this is going to be a trend for the rest of the fiscal year. Council member Huggins asked what the balance of the System Development Fees account is right now. Mrs. Salmon replied about \$2.7 million. Mayor Kutteh asked if staff expects the budgeted amount of \$310 million to be reached since it is down now. Mrs. Salmon stated this is tied directly to construction and staff does not expect it to increase. Council member West predicted construction will pick up.

Council member M. Johnson stated we have debt of about \$12.4 million on the Lake Lookout deal, a combination of three notes. He said the blended interest is about 2.7% for the three and asked if there is any way that we can refinance those in light of the low interest rates. Mrs. Salmon stated she is not aware of any opportunities since these were all from the state revolving fund. She explained that the state issues bonds to provide that funding and they have their own debt service payments to make at a given interest rate but she will research this. Mayor Kutteh stated he thought staff looked at most of our portfolio from time to time to consider refinance. Lisa said staff has refinanced Geo Bonds in 2004. Mayor Kutteh stated the 2% we are going to get on the wastewater treatment plant loan is not a market rate. He asked Mrs. Salmon if she had priced anything in the open market. Mrs. Salmon replied she does look at that periodically and felt it would be difficult to find a cheaper rate on a 20 year term. Council member M. Johnson stated that two of the Lake Lookout payments come off in 2022 and 2023, which is within the ten year horizon of our projection on 3rd Creek WWTP. He asked if McGill & Associates considered this. Mrs. Salmon verified that McGill & Associates had considered this in their calculations. M. Johnson asked Mrs. Salmon to research open market conditions for those notes before budget meetings begin. Mrs. Salmon agreed and suggested Council also ask Denny with McGill & Associates about this during their presentation today.

Civic Center Fund

Mrs. Salmon reviewed the Civic Center Fund. She advised that fees are flat, which is good considering the economy. The Occupancy Tax revenues are up about 12%. The increase in expenses is due to the purchase of the Vance Hotel.

Available and Obligated Funds

Mrs. Salmon reviewed the Available and Obligated Funds. She pointed out that the Fire Station #4 project is finished and there is \$293,462 remaining that must be used for the reason for which the loan was made. Staff recommends using these funds to help purchase another pumper, however, additional City funds would need to be added to the remaining funds to purchase this. There are three pumpers listed on the CIP for the upcoming fiscal year. Mayor Kutteh asked if this money can be used at other stations or for land acquisition. Mrs. Salmon said that is possible, and she would check. She pointed out that these funds could be used to pay the debt service that is reserved and free up the equivalent amount of funds from the General Fund that has been reserved. Mayor Kutteh asked staff to determine if there are other

more pressing capital needs before purchasing a pumper. Mrs. Salmon explained that the purchase of the pumper was the recommendation from the Fire Chief as the most pressing need since CIP purchases have been pushed back year after year.

Mrs. Salmon stated there was \$56,477 remaining in the City Hall renovation fund. Mayor Kutteh recalled Council had been informed previously by staff that there was \$30,000 something left over and asked to purchase other items with the funds. He asked how there is still \$56,477 remaining. Mrs. Salmon and Mr. Pressley explained. Mayor Kutteh stated he wished Council had known that additional funds would be coming and waited and did everything at once. He suggested moving the money back to the General Fund and Council can then decide whether or not to do additional projects at City Hall.

Mrs. Salmon stated staff has requested permission to close the Airport Overlay Grant Funds and these funds will move back to the General Fund.

Council briefly discussed the General Capital Reserve Fund and funds that are ready to be closed. Mrs. Salmon explained that staff would like to bring all of these at the same time for Council's permission to close.

Council member M. Johnson commented that unrestricted available funds are always around \$40 million. Mrs. Salmon said this speaks to the City's prudent financial management and that many cities and local government envy Statesville for this. The City gets rewarded when it is reviewed for bond ratings.

2013-2014 Budget Highlights

Mrs. Salmon reviewed where the City was last year at this time compared to this year. The tax base was down about 2 ½% due to the revaluation. The revenue neutral tax rate, which was going to be an increase in the tax rate because of the decline of the tax base, had not been passed along, so revenues for property taxes were down. The City had opened a new fire station and added fifteen firefighters and operations of that station, upwards of \$1 million in operating expense, to the budget. There were several law enforcement grants that were ending and acceptance of those grants required the City to fund those positions once the grants ended. We were starting the year with a \$1.8 million appropriation from Fund Balance to operate. Council took steps to remediate this, so we enter this budget with a very different financial scenario.

Mrs. Salmon asked Council for direction on items they wish to make a priority in the upcoming budget. She advised the first big item in the upcoming budget for Council consideration is to reinstate the SPPI (Standard Pay for Performance Increase) of 3.5%. This July will be five years since the City employees have had the SPPI increase to their base salary. Mrs. Salmon reviewed a breakdown of what the cost would be to implement this. Staff expects a 5% wholesale electric rate increase and recommends passing this along to retail rates. Staff expects a modest water/sewer rate increase. These numbers will be presented by McGill & Associates later today.

Council member Stallard asked if staff had plans to add any employees in addition to the 3.5% increase. Mr. Pressley replied there are a few positions that are in limbo but overall there will be a decrease and Lynn Smyth will go into detail about this in her presentation.

Mr. Pressley stated that staff is not recommending having another incentive retirement program this budget year. The management team would like to evaluate each vacancy as it occurs to determine if the position can be frozen at the manager's level. We would also scrutinize each department over the first few months of the year to determine if any other changes need to be made in departments that have not lost as many people.

In response to a question from Council member M. Johnson, Mayor Kutteh explained ElectriCities position regarding refinancing and rate increases.

3rd Creek WWTP Update (Brief status report, then updated financial report)

Andy Lovingood reminded Council that this project was initiated to address the antiquated technologies and aged facilities at the plant. The expansion will increase the treatment capacity of the plant from 4 to 6 million gallons per day (MGD) and also prepares it for a future phase that will increase it to 9 MGD. The expansion includes the first stage of enhanced treatment processes necessary to meet the upcoming nutrient removal limits. The total project cost is \$23,847,750. \$23,373,357 of that is a twenty year loan with a 2% interest rate. There other

items that are on the CIP that will be bid with this that we hope to incorporate to take advantage of that preferred rate.

Mr. Lovingood reviewed project tasks that have been completed and advised that the project is a few weeks ahead of schedule. He reviewed the bid schedule stating that the bid would be advertised in March, receive bids in April, Council would consider award of the bid in May and then construction would begin and wrap up in 2015.

Mayor Kutteh asked Mr. Lovingood to review what the costs and obligations will be if Council decides to retrofit the existing plant. Mr. Lovingood replied the cost to perform maintenance items that were deferred in anticipation of doing the expansion would be millions and would not prepare the plant to meet future nutrient removal requirements. The City would be faced trying to meet these requirement with a plant that is not technological capable of doing that. This plant has very limited expansion capabilities.

Council member J. Johnson asked how much of the discharge is obligated. Mr. Lovingood replied that it is his understanding that all of it is. Council member J. Johnson stated the City does not have a choice about whether or not to do this if it ever wants to grow.

Mr. Lovingood reminded Council that the City was very fortunate to get this NPDES permit and it is very valuable. It represents billions in future tax base that the City will be prepared for and if the permit is lost, will most likely never be regained.

Council briefly discussed committed and uncommitted flow. Mr. Lovingood pointed out that the City is in a very good position because it is ahead of the growth.

Denny Martin distributed and reviewed a Financial Analysis Summary of the project. He stated the biggest difference since last year's update is that as a result of the 7% water/sewer rate increase, the fund is in good shape. He advised that to keep up with inflation and sustain the fund, he recommends a series of 2-3% rate increases each year. Revenues are inflating slower than expenses are and it is very important to review this every year to make sure we keep the revenue stream up enough to cover inflation. Overall, the fund is in much better shape than it was last year.

Council member Stallard asked Mr. Martin to explain the Net Income line on the summary, why some show negative balances. Mr. Martin explained those are the years that funds will need to be used from Fund Balance.

Council member M. Johnson stated it looks like this is a worst case scenario. Mr. Martin said it is not, but it is a very conservative scenario and that revenue increases will depend on the amount of growth.

Mayor Kutteh asked if there is any way we can responsibly do this without a rate increase next year. Mr. Martin replied that there are a lot of variables and that can be done, but his goal is to give Council the numbers they can beat. He said if the City does not implement a rate increase next year, it may need to make it up in subsequent years depending on the amount of growth there is. Mrs. Salmon added that this is the best forecast that will allow for maintenance, purchase capital and be able to pay the debt and implement the project responsibly. Mayor Kutteh observed that the chances are greater that the rate increase will go from 2% to 0% than up to 4%. Mr. Pressley stated he would not recommend changing this without a reason to do so. Mr. Martin stated he would like to update these projections in April or May this year.

Mayor Kutteh asked Mr. Martin if the City could refinance the Lookout Shoals loans for a better rate. Mr. Martin stated the loans cannot be refinanced with the State Revolving Fund and the terms cannot be lengthened if they are refinanced in the public sector. He said it is very possible that the rates could be blended for a 10 year debt with a lower rate but he would need to research this because that market changes weekly. Mayor Kutteh asked Mr. Martin to research refinancing the loans and to report his findings to Council.

Mayor Kutteh asked if Council needs to take any action on this project today. Mr. Pressley replied no Council action is needed. Staff just wants Council to be aware that the project is moving forward and Council will have a decision to make in May.

Streetscape Phase 2 – Update on parking as relevant, Presentation of Broad Street, Estimate from Center Street to Meeting Street as well as Meeting Street improvements, Discuss in less detail the Streetscape toward Mitchell Community College and a brief update on the status of the Amity Hill/Shelton Avenue portion of Streetscape

Matt Benton with LandDesign reviewed Phase II of the Streetscape from W. Broad Street to Meeting Street. He advised the north side has wider sidewalks to promote outdoor dining. There was a total loss of two parking spaces and the addition of one handicap accessible space. A new stonewall in front of the bank parking lot will tie to the streetscape and screen that parking. There will be a middle turn lane and the furnishing, material and dimensions will be the same as E. Broad Street. The mail drop boxes on Meeting Street will be relocated. The east side will have a 5' ft. sidewalk and angled parking. The west side will have 6-7' ft. sidewalks and parallel parking. The construction estimate is \$2.3 million. The tentative schedule for the survey, final design, prepare the bid package and obtain permits will be March to July. The bid will be awarded in July or August and construction will begin. An average of line items was taken from the bids received for the first phase, with the high bid removed, to determine this construction estimate. Mr. Benton reviewed two options to expand Broad Street parking.

Mr. Pressley asked how long construction would take. Mr. Benton replied 4-6 months.

Council member Stallard asked if the infrastructure needs replaced. Mr. Pressley replied the sewer should be okay, but water lines will need to be installed and replaced on both sides of the street. Council member M. Johnson stated that stormwater drains will also be installed. He pointed out that he would not want water ran to the end of S. Meeting Street for the one planting bed that is shown on the plan.

Mayor Kutteh said that cigarette butts stick in the grooves in the stamped concrete. He asked LandDesign to check this and recommend a solution.

Mayor Kutteh asked Mrs. Salmon if she and Mr. Pressley had discussed how to fund this. Mrs. Salmon recommend using Fund Balance.

Council member West asked staff if water/sewer lines at other possible extensions needed to be replaced. Council members briefly discussed other extensions.

Council member Gregory asked when the project would start and end, stating he was concerned that businesses would be affected during Christmas again. Mr. Pressley explained the project time table. Mr. Pressley said that Marin Tomlin with DSDC and staff has been talking to business owners located in this area about Phase II of the project.

Mayor Kutteh advised the Clerk to add this item to the March 18th Council meeting agenda for Council to consider whether or not to proceed with Phase II of the Streetscape.

Council member M. Johnson asked if electric could make their electric improvements at any time on Meeting Street. Kent Houpe replied they can other than the underground portion. Council member M. Johnson pointed out that if the project moves on to Kelly Street the electric improvements may change the order of things. Mr. Pressley stated we should probably go with LandDesign's plan and then work on including the electric and reminded Council the parking issue at W. Broad Street and Meeting Street still needs to be resolved.

Council member Eisele asked if Council should vote on this item today to stay with the proposed timeline. Mayor Kutteh felt Council needs to wait and give citizens a chance to see this first and waiting two weeks is not a significant delay. Council member M. Johnson pointed out that the public needs to understand that this is a Concept Plan and not a firm survey plan. Mr. Pressley asked if Council wants staff to have the Design Contract at the March meeting for their approval. Mayor Kutteh stated staff should present everything needed to move forward at that time if it chooses.

Council member M. Johnson stated the design contract and survey should include up to Kelly Street. Mr. Pressley advised staff has instructed LandDesign to survey up to Mitchell Community College, down to Front Street to the storm drain, then over to West End and up Meeting Street so we would have all the survey information but we can certainly add up to Kelly Street. Mayor Kutteh pointed out that Council still needs to solve the parking issue at W. Broad Street and Meeting Street.

Reduction in force impacts, Employee pay increase, List of positions eliminated, Recommendation for the coming year

Lynn Smyth stated that from July 2011 through the 2012/2013 fiscal year, based on previous positions budgeted, the City experienced a reduction in force equivalent to about 8.0% of the total workforce (32 positions out of 407). This reduction was achieved using the retirement incentives (15 net replacements) and another net 17 positions through attrition, contracting and converting to temporary positions. These numbers do not include the Fire Chief position. Positions lost have touched most City departments, either directly or indirectly. The only area in which the City completely eliminated a service was the Sanitation Division where we discontinued commercial garbage service. For most other departments, this means additional workloads have been added to remaining employees, some functions of a position have been eliminated, or some duties are being shared among departments.

In many instances, although departments are getting the essential elements of positions done, they express concern that the functions are no longer as efficient as they were in the past and that due to the reduced number of employees; some "non-essential" functions are being sacrificed. The concern is that despite best efforts to keep abreast of the workload, with everyone doing more, there is greater opportunity for a reduction in the quality and timeliness of services, as well as the potential for some really essential service being overlooked due to demanding workloads. Falling behind in essential revenue generating tasks such as meter reading and membership recruitment are also expressed concerns. Departments are also experiencing more internal communication and coordination issues due to the need to shift responsibilities from one position to another depending upon particular employee workloads and daily demands.

Mrs. Smyth reviewed the results of a salary and benefit survey from surrounding cities and Iredell County. According to this, Statesville is not the worst and not the best.

By using the retirement incentive and attrition to eliminate positions, unfortunately, we have not been able to systematically evaluate where we could best reduce our workforce without significant negative impact on service delivery to our customers. Rather, we reacted to the loss of certain positions trying to keep that impact contained within the department so some departments have been more adversely impacted than others. Depending on the size of a department, the loss of one position in one department is much more severe than the loss of one position in another department, for example the loss of one position in Human Resources verses one position in the Fire Department.

Keeping these concerns in mind as we move forward and consider if and how we might accomplish additional reductions in staff, I would suggest a more systematic approach where each department and division is looked at individually. By looking at each department, we can evaluate services and programs delivered, both internally and externally, determine the relative importance of these functions, look for overlaps or duplicative efforts, and identify those services that are used infrequently or can be received from a source other than the City. This approach will allow City staff to target particular positions for elimination of overtime as well as the ability to train and relocate employees into new positions within the City, if the position they are in is targeted for elimination. Once each department is reviewed individually, we can take a collective look at the organization to determine if all of our functions are best served with our current organizational structure or should some functions move around in the organization in order to gain some efficiency in supervision by combining certain functions. Additionally, we will be able to take a more detailed look at the impacts of current reductions in force and evaluate where the City might be better served to replace a position or positions.

This very detailed effort would also help us move into our next pay study which will hopefully be done very soon after we are able to begin the process of annual pay increases again. Looking systematically at all positions, departments and divisions will help us develop more accurate job descriptions and refine organizational charts prior to the pay study process. New duties will have been reviewed and approved by management prior to the study resulting in little opportunity to tweak job descriptions once established in this process until after a study has defined their value. We can be more comfortable that our job descriptions are an accurate reflection of the duties of a position based on the comprehensive organizational review prior to the study. Staff recommends implementing a Cost of Living Adjustment instead of a Standard Pay for Performance Increase as it will adjust our salary ranges and help us on our starting salaries for incoming staff that may need to be hired. This is particularly important in specialized technical areas such as water resources and electric utilities.

Such a comprehensive review of City personnel, services and organization is a time consuming, labor intensive effort that will add to the workload of some already stressed functions; however, I believe by engaging in this effort we will end up with a more organized, lean and efficient organization better equipped to deliver services valued by our customers. We may not see the rather steady stream of "frozen" positions of the 2012/2013 fiscal year, but by the end of the year, we should see a more comprehensive plan regarding our staffing levels and a more proactive rather than reactive approach to future staffing needs.

Council member M. Johnson asked if the education benefit would also be unfrozen. Mrs. Smyth replied staff has not discussed this but the cost to unfreeze this benefit would be minimal and staff would recommend unfreezing it if the SPPI or COLA is approved but not if it is not paired with a pay increase.

Council member Stallard asked if employees would rather have a 3.5% pay increase or a combination of a 2% pay increase and positions filled. Mrs. Smyth stated that staff will be happy with whatever pay increase they receive, if any, and is committed to working with the employees it has. The City Manager has identified a few positions that he believes need to be filled and some of that has to do with continuity of leadership and succession as much as it has to do with the ability to get the job done today. In some instances, the position can be done without but in the long term does it really save money, because some of the functions that are not getting done as well as they should be, might cost more money in the long run. She thinks that other than the Electric Engineer position, the City Engineer and the Fire Chief position, staff is committed to working with what we have now.

Council member Stallard asked who would do the comprehensive review of each department. Mrs. Smyth stated staff would like to do this internally with Mr. Pressley, the Department Head and herself doing the reviews. Council member Stallard stated he believes staff is on the right track with this approach. Mr. Pressley stated the incentive retirement of employees was a random reduction in staff but got the budget where Council wanted it and now we need to continue with logical reductions.

Mayor Kutteh asked if staff is saying that Council can consider a pay raise and these four or five positions and still be within a budget that does not raise taxes. Mrs. Salmon said that would be premature to say, but if Council is interested in doing this, staff will prepare a budget that includes a pay increase, if Council knows at this time it is not interested in approving a pay increase, then staff will not include it. Mr. Pressley emphasized that staff would not present a budget that proposes a tax increase. Mayor Kutteh asked Council if they wanted staff to present a budget that included the 3.5% pay increase and reinstating the education incentive. Council members agreed they did, as long as doing so would not require a tax increase.

Council member J. Johnson felt Council should review the education incentive and require that the degree be related to the field the employee is in and also require the employee commit to stay with the City for a certain length of time after the degree is completed. Mrs. Smyth explained the education incentive process.

Mayor Kutteh summarized the discussion:

1. Council accepts staff's recommendations
2. Council agrees to reinstate the education incentive
3. Staff to research Council member J. Johnson's request to implement a requirement that an employee must commit to stay with the City for a certain length of time after a degree is completed.

Mr. Pressley suggested that if an employee leaves the employment of the City within six months of completing a course, the employee must reimburse the City for the cost of the course. Mayor Kutteh felt staff should survey surrounding cities and find out what their policy regarding this is.

Right-of-way issues, dedication of right-of-way for streets and sidewalks

David Currier stated that on January 14, 2013, the Statesville City Council reviewed a site plan for Cline Builders Inc., to locate a modular sales lot at 1270 Northside Drive. The issue involved approving a site plan in a B-4 zoning district and discussion on sidewalk construction and right-of-way dedication. The City Council voted 6-2 to approve the site plan with a fee in lieu of for the sidewalk and without right-of-way dedication. Staff was directed to place on the retreat agenda a general session to discuss right-of-way exactions with regards to development projects.

Mr. Currier explained the legislation that enables the taking of a right of way and pointed out that the Unified Development Code is also already in place that gives Council the authority as well. Mayor Kutteh stated the City has already been doing this and that a consistent policy is needed and Council needs to discuss when it has wavered and why.

Mr. Currier stated the minimum right-of-way for roads should conform to the recommendations listed in the current thoroughfare plan. When the thoroughfare plan does not specify a ROW, the widths listed in Table H-1 under Design Standards should be used. In his opinion some of the right-of-ways are excessive in the current thoroughfare plan and the City should try to adopt more of a local standard.

Mr. Currier reviewed what the City has done in the past. It has exacted additional right of ways on development projects long before the adoption of the UDO through site plan review and conditional use permits. The City has required additional improvements with NCDOT concurrence. These are primary and staff always concurs with NCDOT on these. Exactions of right of ways have been done through City code site plan revision and right of way exactions are mostly done on US and NC numbered routes where major development takes place.

Staff hopes to get direction today from Council today as to how they want staff to change the code.

Mr. Currier reviewed the 25% rule that governs required improvements, noting that the inclusion of parking lots and non gross floor area increases were not approved in the ordinance. As a result, there are still some holes in the ordinance that will not allow Council to exact these attributes as it seems to want to. The Engineering and Planning Departments would like to work together to coordinate code changes in the UDO and the City Code to standardize right of way widths and cross sections, City vs. NCDOT CTP, and staff asks that the current policy be redirected or refined by City Council.

Council members briefly discussed the sidewalk and right of way issue on Northside Drive.

Mayor Kutteh asked if there is a way to create a consistent policy or is the policy clear and Council is just not following it. Mr. Currier replied he thinks the policy is clear, but the 100' ft. DOT right of way is excessive. Engineering and Planning need to review cross sections on the new thoroughfare plan for areas that would require a smaller or larger right of way. Council member M. Johnson pointed out that NCDOT is who set the right of way.

Mayor Kutteh suggested that Council grant a waiver if it agrees that a 100' ft. right of way is excessive. City Attorney Eddie Gaines said the City is not legally bound to enforce NCDOT rules and are also not obligated to obtain their right of ways. He said there could be a case where there is nothing there and requiring a developer to build a sidewalk would not make any sense, Council may need to review these on a case by case basis. Council member Stallard disagreed with this and Council member Eisele pointed out that this is why it is inconsistent now. Mayor Kutteh suggested staff examine the transportation plan and change any classifications that need to be changed. Council members discussed other areas where this problem may come up and whether or not to revise the policy.

Council discussed revising the 25% trigger rule to include other triggers in the ordinance. Mr. Gaines advised he thought including an interior remodel could present a legal challenge. Council agreed there was no need to add other trigger points to the ordinance.

Mayor Kutteh summarized that Mr. Currier will review the CTP and Council will follow the policy that is currently in place.

Whatever Happened To List

Mr. Pressley asked Mr. Currier to comment on Bond Street and Western Avenue demolitions. Mr. Currier stated staff had requested funding in the current year's budget for commercial demolitions but due to the current economy that was not funded. Staff has worked on the Bond Street warehouse with the owners, the Hope brothers, on a voluntary basis. They have cleaned up quite a bit of it, but they have fallen short of remediating the site and have informed staff that they are finished. If Council wishes to pursue this under condemnation, staff estimates the cost would be \$7,500-\$10,000 to haul away the concrete and bring in dirt to level the site.

The buildings on Western Avenue, one is owned by the Hope's and one is owned by Mr. Hagar. Staff was working with Mr. Johnny Hope, Sr. voluntarily to demolish, but he has passed away. After his passing, staff was still working with the Hope brothers for a voluntary demolition. Mr. Hagar has terminal cancer at this time and his wife is keeping everyone away. Again, the

department does not have any commercial demolition money, but if the Council wants to take action, staff estimates the cost to be about \$30,000 for demolition and around \$5,000 for asbestos inspection and abatement. Staff plans to include the request for Commercial Demolition in the forthcoming budget. If Council would like staff to proceed with this in the current budget year, staff will present Council with a Council Action Request. Mr. Currier advised that staff does not want to start a demolition process without enough funds to finish it, because once you find fact that they are a danger or a public safety, the City would pick up some liability and right now the liability lies with the owners.

Mr. Pressley reviewed several items on the Whatever Happened to List.

Council member Gregory asked what the status is on building a sidewalk from Northview School to the YMCA. Mr. Pressley replied this is included in the upcoming 2013-2014 budget.

Council member Huggins asked about the Salisbury Road sidewalks. Mr. Pressley replied that it was designed and the low bid received was \$95,000 from Bell Construction; however, there are still right of way acquisition issues. Mayor Kutteh advised that Mr. Gaines has requested to hold a closed session to discuss this and other items.

Update on Recycling (dumpsters at City Hall, potential to expand)

Scott Harrell reported that the recycle trailer that received only mixed paper, steel cans, and brown glass that was located off Sharpe Street in the Police Department parking lot was replaced with a single stream container in March 2012. This container receives aluminum, steel cans, plastics, all colored glass, cardboard, paperboard, mixed paper and newsprint with no sorting required. This container has been very popular, so much so that within three weeks a second one had to be installed and both are now emptied three times a week and are $\frac{3}{4}$ full. Due to the popularity of the downtown location, staff is considering additional locations for recycling facilities such as the Fitness & Activity Center, Lakewood Park, Bentley Recreation Facility and post the I-40/I-77 construction at the Free Nancy Greenway access. Locations will be monitored for use and safety and alternative screening/decorative methods will be explored. Benfield charges a flat fee of \$25.00 per container with unlimited dumps per month.

Mayor Kutteh asked if there is some type of sticker that can be stuck on items that are put in residential recycle containers to let homeowners know that the recycle truck will not take that item, but that it can be taken to the single recycle bin. Mr. Harrell stated that staff will research this.

Greenway Update

Brent Cornelison reviewed the following report:

Carolina Thread Trail grant for construction designs of the Highway 21 underpass

Work is ongoing with the engineering firm of Kimley-Horne. The project has been delayed slightly due to approvals needed from NCDOT and Duke Energy. A preliminary set of plans should be ready for review by March 1. At that point, staff hopes to find funding to complete this.

Greenway closure under Interstate 40

The greenway section from Free Nancy headed northeast towards Wells Fargo has been temporarily closed due to the I-77/I-40 construction project. It will remain closed until the construction project in that area is completed. No other sections of the greenway have been affected.

Upgrades to the Broad Street Access

There have been recent inquiries about the possibility of paving the Broad Street greenway access to include designated parking spaces. Staff will begin working on specs for the area to determine costs and will use Greenway funds for this.

Iredell County Carolina Thread Trail Route J/Fort Dobbs area corridor study

Iredell County is in the final stages of completing the Route J/Fort Dobbs area corridor study. City of Statesville involvement has included Brent, Sherry and Brendon. This route begins in downtown Statesville and passes by Mitchell Community College, Mac Anderson Park, Statesville Senior High School, Lakewood Park, the Gregory Creek section of the City of Statesville Greenway and then takes an on-road route to Fort Dobbs and on northward. The original corridor alignment did not include on-road routes after reaching the Gregory Creek section. However, due to easement and land acquisition issues, it was determined that it was in

the best interest of all parties involved to change the corridor alignment after leaving the existing Gregory Creek section at the Museum Road access.

Council immediately began the Pre-Agenda Meeting at the conclusion of the Retreat agenda.




Constantine H. Kutteh, Mayor

ATTEST:


Brenda Fugett, City Clerk