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CITY OF STATESVILLE PRE-AGENDA MEETING – May 01, 2014
CITY HALL – 227 S. CENTER STREET, STATESVILLE, NC – 4:30 P.M.
STATESVILLE, NORTH CAROLINA

Mayor Costi Kutteh presiding:

Council Present: J. Johnson, Schlesinger, West, Watt, Morgan

Council Absent: Phifer, Huggins, M. Johnson

Staff Present: Pressley, Fugett, Gaines, Smyth, Triplett, Currier, Watts, Collins, Harrell, Houpe, Anderson, Hutchens

Others: 1

Media Present: John Hamlin-Statesville Record & Landmark, Dave Veiser-Charlotte Observer

Mayor Kutteh called the meeting to order.

Consent Agenda – All items below 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.

A. **Consider approving the minutes of the April 10, 2014 Pre-Agenda meeting and the April 14, 2014 City Council meeting.**

B. **Consider approving 2nd reading of an ordinance establishing a 25 mph speed limit on Chestnut Street and Millsaps Road with appropriate signage to accompany the change.**
Council member West asked if several citizens had complained about this. Watts said that only a couple citizens had complained but when the department investigated the actual conditions on the roadway, the complaints it was found to be a valid concern.

Council member Watt added that Ron Smith had sent a letter to all the people in that neighborhood and he himself had relatives that lived there and all were well informed of this. Council member West said he just wanted to make sure that everybody knew what was going on.

C. **Consider approving the appropriation of insurance money in the amount of $12,256 to the Capital Outlay Equipment account of the Police Department and approve Budget Amendment #41.**
Assistant Police Chief Watts stated the department is requesting to appropriate an insurance payment in the amount of $12,256 to the department's Capital Outlay Equipment account and to combine the insurance reimbursement amount with $19,000 from existing funds in the existing Capital Outlay Equipment account to purchase a new replacement Police vehicle not to exceed $31,256. The insurance payment is for a traffic crash that occurred on March 7, 2014 when Vehicle #127 was traveling west on Flowerhouse Loop in Troutman and the driver of the vehicle lost control in a curve due to severe weather conditions that had the roadway covered in ice. The vehicle left the roadway and struck several trees in the process. Insurance determined vehicle #127 as a total loss. Vehicle #127 will not be retained for salvage purposes.

D. **Consider approving 2nd reading of TA14-01 filed by the City of Statesville to Amend Article 1 Administration, Section 1.04 Responsibilities for Application of Code, A. 5. and Article 2 Development Review Process, Section 2.10 Application Processes, Table 2-1: Summary of Application Procedures and Section 2.15 Site Development Plans, B.**

E. **Approve Budget Amendment #38 in the General Fund to allocate parking ticket revenue for the payment of collection fees.**
Gene Triplett stated that since September 2013, approximately $308,000 in delinquent parking tickets has been turned over to the City's collection agency for

collection. The collection agency is paid 25% of the debts that are successfully collected except for debts that are 7 or more years old, in which case a flat fee is charged. To date, the City has collected almost $47,000 in delinquent parking ticket revenue and has paid almost $16,000 in collection fees ($4,396 flat fees). Staff estimates collection fees may reach $23,000 in total for the fiscal year. In October, 2013, $10,000 was transferred from General Fund contingency to cover collection agency fees. This request is to allocate $13,000 in parking ticket revenue to provide an additional appropriation for the payment of collection fees.

Mayor Kutteh asked if Council could just authorize staff to pay the collection fees without them needing to come to Council and request permission. Mr. Triplett explained that staff cannot pay anything without an appropriation of the funds by Council.

Council member Schlesinger asked if the Collection Agency takes their fee off the top of what they collect. Mr. Triplett explained that the agency sends the City the gross amount they have collected then a check for 25% of the amount collected is issued to the agency.

F. **Consider approving a request from the Tara's Trace Home Owner's Association 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 17, 2014, between 11:00 p.m. and 6:00 p.m. in order to host a community picnic.**
Assistant Chief Watts stated that Janet Acker, President of the Tara's Trace HOA, has surveyed the affected residents within the community and gained their support for this temporary closure. Traffic on both Ballingarry and Cappoquin will be open for local access during the times of this event. All other traffic will be detoured around the traffic circle by appropriate signage in a manner that will cause minimal inconvenience to the motoring public. Barricades will be placed at the following intersections: Cappoquin Drive & Tara's Trace Drive; Ballingarry Drive & Cappoquin Drive (on both sides of the circle); and Cappoquin Drive & Wexford Way.

Regular Agenda

Mayor Kutteh stated that Council will most likely need to consider revising the agreement with G.L. Wilson relative to what is happening at the City Center building as the scaffolding has turned out to be more extensive than anticipated. Mr. Pressley explained that staff was trying to find a way to keep safe pedestrian access through the area by closing the four parking spaces located there. G.L. Wilson thinks that this is dangerous, the tying in coming back into the ramp. Their final request is to close the sidewalk for the duration of the project, about 8 weeks, and work during the day instead of at night. Mr. Pressley asked if Council would like staff to continue trying to get pedestrian access around this. Council member West asked if staff is saying it is impossible to do that. Mr. Pressley replied it is impossible to keep pedestrians on the sidewalk if the four parking spaces are closed and there is a problem of how to tie it back in at the landscape island.

Council member Schlesinger asked how this affects the American Renaissance School children. Mr. Pressley said they usually cross at Front Street. The only danger is during pick-ups and drop-offs and there have been people walking out in traffic, which is a big concern.

Council member Schlesinger asked if the four parking spaces could be barricaded off so pedestrians could use that. Mr. Pressley replied staff is considering this but the problem is when they get back to the ramp and the landscaped island that it is a bit confusing.

Mayor Kutteh pointed out that the school is probably the safest area because they always have a couple teachers with the students and they also have a back entrance/exit on Cooper Street.

Mayor Kutteh asked Mr. Pressley if staff needs Council approval to allow G.L. Wilson to completely close off the sidewalk in front of the City Center building during this project. A representative with G. L. Wilson explained why a walkway is not able to be built under the scaffolding for pedestrian access for this particular project. Council members agreed that Mr. Pressley and Mr. Harrell should work with the contractor to find the best solution and present it to Council at the Council meeting on Monday night.

III **Conduct a public hearing and consider approving first reading of an ordinance to annex the Venture Properties I, LLC Property located to the south of North Pointe Boulevard, PIN #4745-27-2174.**

Phil Collins stated the property being considered for annexation is approximately 18.464 acres in size and encompasses a portion of Iredell County Parcel Identification Number (PIN) 4745-27-2174. The subject property is currently vacant and zoned Conditional Use Highway Business (CU B-4) District. A new Hobby Lobby is proposed to be constructed on the site. The property is contiguous to the primary corporate limits of the City of Statesville, and the petition is being processed as a voluntary contiguous annexation. The tax value of the property is currently $1,002,590 which would generate property tax revenue in the amount of $4,110.62 annually for the City of Statesville. Tax value after improvements are made is estimated at $4.5 million.

IV **Consider approving the transfer of property to the Keith Corporation.**

Eddie Gaines stated this is the transfer of the shell building to the Keith Corporation. The Keith Corporation has entered into a lease with an industry that is coming to Statesville. City Council has approved the incentive grant to lease it, conditioned upon them getting title to the property, which we are obligated to give them under our agreement, and also upon them getting the State Local Incentives on May 15, 2015. Mr. Gaines asked that Council approve this but hold the deed and determination of the ground lease document contingent upon those conditions being met.

Mayor Kutteh added that due to the State Grants the name of the company is still not allowed to be disclosed.

V **Request permission to enter into a rental agreement with the N.C. Department of Transportation to occupy the Depot Building located at 111 Depot Lane and to relocate the Patrol Operations Division to this location with approval of Budget Amendment #37.**

Chief Tom Anderson stated the Depot building has become available for lease and is located in close proximity to 115 Corridor with easy access throughout the City. If approved, the Patrol Operations Division which currently occupies the lower level of the Police Department would relocate to the Depot with the majority of police operations originating from there. The routine policing activities and visible presence at this location would have a positive impact in some areas of the City that have experienced higher levels of crime. The Depot additionally has a large meeting room that would also provide much needed space for our state mandated training allowing for better accommodations for classes with higher participation. Importantly, the relocation will provide critically needed space at the Police Department for the expansion of our evidence room and storage capabilities. The startup costs for this relocation and two months' rent are estimated at $17,425.00. If approved, the Police Department will be relocating in May 2014. Budget Amendment #37 allocates revenues from parking violations to fund the appropriation of $17,425 for relocation expenses.

Mayor Kutteh advised that the lease term is for 3 years with a 2 year option to renew on the same terms, at $450 per month. The City will be responsible the utilities and maintain the grounds. Any exterior repairs such as roofing, glass or HVAC will be NCDOT's responsibility. Interior repairs up to $300 will be the responsibility of the City.

VI **Consider approval of a Supplemental Utility Agreement with NC DOT for the I-40/I-77 interchange project (Project I-3819A) and approval of Budget Amendment #39.**

Scott Harrell reminded Council that at the January 9, 2012 City Council meeting, a Utility Agreement with NC DOT was approved which established the terms by which the City will reimburse DOT for the relocation of City-owned water and sewer mains in the I-40 and I-77 right-of-way, as necessitated by the I-40/I-77 interchange project. The agreement stated that the City will repay DOT a total of $1,452,724.00 in three annual installments, based on DOT's estimate of the project cost. After the bids for the interstate project were received and DOT selected the contractor, it was discovered that the bid amounts for the City's utility items significantly exceeded DOT's pre-bid estimate. Staff subsequently discussed the higher cost with DOT officials, after which DOT agreed to adjust the City's obligation to a total of $1,954,792.83, or $502,068.83 more than the original estimate. DOT also agreed to spread the remaining amount owed by the City over four annual installments of $367,637.88 each (the first installment of $484,241 was paid on September 30, 2013). Staff recommends approval of the Supplemental Utility Agreement and approval of Budget Amendment #39.

VII Approve additional funds for labor and material for the construction of Phase I of the Fiber Project in the amount of $20,000.

Kent Houpe stated that additional funds are needed for the Fiber Project for Phase I due to: original footage estimates were lower than the actual installed cable, additional splices along Meeting Street in which the fiber had to be installed underground, and modifications in the design to accommodate work at the Police Department. The additional cost to cover these changes is approximately $15,000. An additional $5,000 in contingencies is requested to cover any additional field changes. Funds are available in the department's Capital Outlay account.

Council members agreed by consensus to move this item to the Consent Agenda.

VIII Approve change to the Services Policy Manual, Property and Casualty Liability Fund, Fund Balance Optimization.

Lynn Smyth stated that a few years ago, the City developed a policy to help assure an adequate Fund Balance was maintained in the Property and Casualty Liability Fund (Fund 034) to pay for current losses plus any "shock" type losses and minimize volatility of contributions to this Fund from operating budgets. When the policy was adopted, it was agreed that staff would review the policy relative to claims activity, premiums and stability for a while and report back if changes to the policy were warranted.

During the budgeting process this year, based on recent claims history, some increasing premiums and adjustments in deductibles and retentions, it appeared a rate increase would be necessary however, the fund still had a fund balance above $500,000 after accounting for incurred but not reported claims. Staff has been monitoring our claims volatility for all lines of coverage and although the current year saw an increase in liability claims, we do not believe that will be an ongoing trend and workers compensation claims have also been rising through recent years, due in part to settlement of some long standing claims but also due to rising medical costs and other factors.

One of the largest components of the optimal fund balance calculation is reserving for the deductibles or self-insured retentions. The City's worker's compensation program carries the greatest retention and requires that we consider one full retention level of $400,000. Our severity experience in the worker's compensation arena is usually very low and even when we have a "large" claim, they usually do not exceed the $150,000 range over the life of the claim, which is usually two to three years for a large claim. To further support that information, staff looked at our health insurance experience and determined most of our largest claims in this fund do not exceed the $150,000 to $175,000 range per year. Based on this information, staff recommends a change in the policy allowing for a reserve of fifty percent of the highest deductible or retention that exceed 7.5% of the average fund balance, 25% of the next highest and 15% of all other deductibles or retentions exceeding the 7.5% threshold.

In addition, staff recommends changing the "shock" claim adjustment for claims reserves to reflect no more than 33% of the retention or deductible for that line of coverage.

Staff also recommends a change in the language relative to the Incurred But Not Reported Claims (IBNR). That language will reflect using the equivalent of three months of prior years' claims for all lines of coverage that have a non-material deductible (right now, everything except workers' compensation). This calculation will differ from the IBNR number that will appear in the budget because the budget number will reflect all lines of coverage but for the fund balance calculation, IBNR has been accounted for when we reserve for claims of lines with material deductibles at 1.5 times the five year average.

Finally, the recommendation is to add a statement that recognizes the volatility of claims, insurance markets and other unusual circumstances that impact insurance and claims payments. It recognizes that sometimes the City will allow the optimal fund balance to drop somewhat above or below optimal balance to allow for a normalization of an unusual occurrence that might skew the five year average.

IX Approve Budget Amendment #40 to appropriate fund balance in Fund 034 for potential workers compensation/liability claims.

Lynn Smyth said the Property and Liability Fund (Fund 034) pays all non-employee related insurance premiums, property, liability, auto and workers compensation claims which fall within City deductibles for these lines. The current available appropriation in this Fund is around $40,000 which is likely sufficient to pay claims through the end of the fiscal year; however, we do have a worker's compensation claim that has been open for some time and we expect that it will settle in the next two to four months. Should this case settle before the end of the fiscal year, the settlement of this claim along with other potential liabilities could exceed the available allocation for the current fiscal year. As you might remember, we had a similar situation at the end of the last fiscal year causing the fund to exceed its annual appropriation resulting in an audit finding for last year. We would like to avoid a recurrence of this situation and therefore request the appropriation of $30,000 of fund balance to the Workers Compensation line item (034-3400-502-9109). If the claim does not settle and the funds are not needed, they will revert back to fund balance.

Council members agreed by consensus to move this item to the Consent Agenda.

X Receive the 2014-15 budget proposal from the City Manager and staff and set a public hearing on the budget for May 19, 2014 at 7:00 p.m.

This item will be presented at the City Council meeting.

There being no further business to discuss, Council member West made a motion to adjourn the meeting, seconded by Council member J. Johnson. The motion carried unanimously.

Constantine H. Kutteh, Mayor

Attest:

Brenda Fugett, City Clerk