

**MINUTE BOOK 25, PAGE 214
CITY OF STATESVILLE COUNCIL MEETING – May 05, 2014
CITY HALL COUNCIL CHAMBERS– 7:00 P.M.
STATESVILLE, NORTH CAROLINA**

Mayor Costi Kutteh presiding:

Council Present: J. Johnson, West, M. Johnson, Huggins, Schlesinger, Watt, Phifer, Morgan

Council Absent: 0

Staff Present: Fugett, Gaines, Pressley, Davis, Smyth, Hutchens, Currier, Collins, Harrell, Anderson, Windsor, Salmon

Visitors: 6

Media Present: John Hamlin-Statesville Record & Landmark

I Call to Order

Mayor Kutteh called the meeting to order.

II Invocation

The Invocation was given by the City Clerk.

III Pledge of Allegiance

Mayor Kutteh led the Pledge of Allegiance.

Mayor Kutteh advised that Scott Harrell will give an update regarding pedestrian traffic in front of the City Center building on Center Street after Item V.

Mayor Kutteh stated the public hearing for the 2014-2015 budget will be held at the May 19, 2014 City Council meeting. The first budget workshop will be held May 27th from 5:30 p.m. to 7:00 p.m. and again on May 28th at 5:30 p.m. if a second meeting is needed.

IV Consent Agenda

Mayor Kutteh stated that 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.**
- 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.**
- 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.**
- 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 Cappelquin Drive, on**

Saturday, May 17, 2014, between 11:00 p.m. and 6:00 p.m. in order to host a community picnic.

- G. Approve additional funds for labor and material for the construction of Phase I of the Fiber Project in the amount of \$20,000.**
- H. Approve Budget Amendment #40 to appropriate fund balance in Fund 034 for potential workers compensation/liability claims.**

Mayor Kutteh asked if there were any items on the Consent Agenda that Council wished to be moved to the Regular Agenda. There being none, he asked for a motion.

Council member J. Johnson made a motion to approve the Consent Agenda, seconded by Council member Huggins. The motion carried unanimously.

Regular Agenda

- V 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 subject 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 subject 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.

Mayor Kutteh declared the public hearing open and asked if there is anyone present who wished to speak in opposition of this item. There were no speakers in opposition. Mayor Kutteh asked if there is anyone present who wished to speak in favor of this item.

Aaron Edwards with Venture Properties I, LLC stated he is present in support of this annexation

There being no other speakers, Mayor Kutteh declared the public hearing closed.

Council member J. Johnson made a motion to approve 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, seconded by Council member Huggins. The motion carried unanimously.

Mayor Kutteh advised that the second reading of this ordinance will be held at the May 19, 2014 City Council meeting.

- Add Update on pedestrian traffic in front of the City Center building on Center Street.**

Scott Harrell stated once the scaffolding was erected for the façade improvements to the City Center building it was determined that it could not be installed as previously intended and therefore the plan to allow pedestrian traffic through the work zone on the sidewalk was no longer able to be accomplished due to the space limitations around the base of the scaffolding. Currently the area is fenced off for the safety of pedestrians. Staff has worked with the contractor, G.L. Wilson, who has developed a plan to allow pedestrian traffic through the east side of Center Street without requiring pedestrians to cross the road. The plan is to install a series of rigid concrete barricades in the parking spaces in front of the building to allow protection for pedestrians to walk through the parking spaces. They would leave the sidewalk area into the parking area that is protected by these barricades in front of the American Renaissance School building, proceed northward and when they reach the cross-walk in front of the pawn shop there will be a pathway made through the landscape area to get pedestrians safely back onto the sidewalk. The pathway will impact a couple of shrubs which will be fully restored by the contractor at the completion of the project. ADA access will be made possible through this same area by the use of wooden ramps at all the curbs, step-ups and step-downs and railings as appropriate. There is a tunnel under the scaffolding to allow

access into the building. This will occupy a total of six parking spaces along Center Street for the duration of the project which at this time the contractor estimates to be 5-7 weeks from now. Mr. Harrell advised that Julia Wilson with G.L. Wilson is in attendance if Council has any questions. Mr. Harrell stated that this is the first proposed modification to the Encroachment Agreement and a second modification is to change the project work hours from night hours to the daytime hours of 6:00 a.m. - 6:00 p.m. All material deliveries will be made by 7:00 a.m. so as not to impact pedestrians during business hours.

Mayor Kutteh asked if the demolition is now complete. Mr. Harrell replied it is not.

Mayor Kutteh stated Council had authorized staff and G.L. Wilson to work out the pedestrian pattern so a motion is needed only to modify the Encroachment Agreement to reflect the change of work hour times.

Council member M. Johnson made a motion to approve a modification to the Encroachment Agreement made with G.L. Wilson to change the work hours from night hours to the daytime hours of 6:00 a.m. – 6:00 p.m., seconded by Council member Schlesinger. The motion carried unanimously.

VI Consider un-tabling Design Review Application DRC 13-08 from Hart and Hickman on behalf of PSNC to demolish the brick building located at 615 S Center Street, Tax Map 4744-13-1446.

Council member Huggins made a motion to un-table Design Review Application DRC13-08, seconded by Council member M. Johnson. The motion carried unanimously.

David Currier stated that PSNC had requested City Council's permission to demolish one 2,080 square foot structure located at 615 South Center Street. The Design Review Committee recommended the demolition and also suggested that PSNC needed to improve the look of the remaining structure. At the Pre-Agenda meeting conducted on November 26, 2013 City Council tabled the issue and requested more detailed environmental reports on the property and adjoining area which were subsequently provided. PSNC is being required to remediate the site. Mr. Bob Apple with PSNC met with the City staff members and offered the remediated site to the City for a parking lot which would be constructed by PSNC. Since that initial offering, PSNC has been in discussion with Rutledge and Bigham Mortuary who is interested in the back portion of the lot. Mr. Bob Apple is seeking approval to demolish all the structure(s) on the property.

Council member M. Johnson clarified that PSNC will remove the fence and provide the City with a "No Further Action" letter from DENR.

Mr. Apple stated that the State typically does not issue "No Further Action" letters on old manufactured gas plant sites; however they will issue a letter stating that PSNC has completed all the necessary work. Generally that is how they close the property and the City will be given a copy of that letter.

Council member M. Johnson asked Mr. Apple if PSNC will also install the tree buffer on the periphery of the property relative to the site as discussed. Mr. Apple agreed PSNC will.

Council member M. Johnson asked that it be understood that in terms of division of the property if it comes down to the end and an aisle is being made, if 5 feet is needed one way or the other, whatever makes sense to complete the aisle in terms of the division of the property is to be done. Mr. Apple replied he has talked to the ownership of the mortuary about that item and it was agreed that City staff, mortuary staff and PSNC will review this at the property made sure that an appropriate, compliant and attractive aisle is provided.

Council member M. Johnson made a motion to approve DRC13-08 which will include the demolition of all structures on the site, removal of the fence, PSNC will provide the City of Statesville with a Completion Letter from the State and PSNC will install a tree buffer on the periphery of the property as discussed, seconded by Council member Schlesinger. The motion carried unanimously.

Council member M. Johnson thanked Mr. Apple and PSNC for working with the City as they have regarding this item.

Mayor Kutteh asked what the timeline is for the project. Mr. Apple stated he is hopeful that by June 21, 2014, the remediation will be complete on part of the property. He advised there is an important event taking place at the mortuary on June 22, 2014 and for that reason they will come back after that event and finish the remediation that needs to be done on the mortuary property.

VII Consider approving the transfer of property to the Keith Corporation.

Eddie Gaines stated this is part of the City's obligation to the Keith Corporation based upon the Keith Corporation building a shell building in the Statesville Business Park. He reminded Council that the Keith Corporation's investment was approximately \$3 million. The building is complete and they have signed a lease with an industry that is moving into the building so Keith Corporation is ready to have the property deeded over to them which is part and parcel to their signing the lease and to them obtaining the grants that they are still awaiting final approval on from the State of North Carolina. The target date is May 14, 2014 as a condition of the lease between Keith Corporation and the industry that is coming there. Council will be approving this subject to them meeting that condition. If the May 14, 2014 target date is not met they will enter into an extension of time.

Mayor Kutteh asked if that is the date by which the lease will be completed. Mr. Gaines said the lease is completed, they have a signed lease, this is just a condition contained in the lease is that they have the grant in place by May 14, 2014.

Mayor Kutteh explained that because of the State grant the name of the industry may still not be named but will be as soon as allowed.

Mayor Kutteh advised that this industry will provide at least 40 jobs over the next three years and potentially expand to a 186,000 square foot facility.

Council member M. Johnson made a motion to approve the transfer of the shell building in the Statesville Business Park to the Keith Corporation, seconded by Council member J. Johnson. The motion carried unanimously.

VIII 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 and hope to be fully operational in late May or early June. Budget Amendment #37 allocates revenues from parking violations to fund the appropriation of \$17,425 for relocation expenses. The increase to the department's 2014-2015 budget for this is \$27,890

Council member M. Johnson asked Mr. Gaines if he is legally required to vote on this issue or if he should recuse himself. Mr. Gaines replied that Council member M. Johnson can vote on this item.

Mayor Kutteh stated that the monthly rent is \$450, the City will be responsible for the utilities, and a small area in the upstairs of the building will be for NCDOT's use. Chief Anderson interjected that the NCDOT area is a small office with a restroom on the lower level in the right rear corner of the building and will be walled off for security purposes.

He stated two spaces will also be provided for NCDOT's personnel to conduct their business.

Mayor Kutteh stated the City will be responsible for the grounds maintenance, parking lot maintenance, no exterior building maintenance and interior maintenance up to \$350. The lease is for 3 years with a 2 year renewal option at the same rate. Mr. Gaines has reviewed the proposed lease and agreed that it is consistent with the terms agreed to.

Council member Schlesinger asked if this is an historic building. Chief Anderson replied it is and staff plans to make it look like an historic period police precinct while at the same time maintaining a modern operation center.

Council member Schlesinger asked about signage. Chief Anderson stated staff is reviewing building and roadside signage options but will need to get NCDOT approval before installation.

Council member West asked if funds are available to up fit this building to the same security standards as the existing building. Chief Anderson replied this will not be a totally secure facility so staff will still need to use the main Police Department building for processing felonious prisoners as well as the intoxilizer room. This building can simply not be made that secure but it is secure enough for patrol operations to operate on a day to day basis.

Council member Huggins made a motion to approve staff 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 and approval of Budget Amendment #37, seconded by Council member Morgan. The motion carried unanimously.

IX 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.

Council member West made a motion to approve a Supplemental Utility Agreement with NC DOT for the I-40/I-77 interchange project (Project I-3819A) and approval of Budget Amendment #39, seconded by Council member J. Johnson. The motion carried unanimously.

X 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.

Council member M. Johnson asked Mrs. Smyth how she calculated the optimal fund balance. Mrs. Smyth stated the 150% is only for lines of coverage that have a material deductible of over 7.5% and for the City right now that is only the Workers Compensation line. Staff determined the average of five years of Workers Compensation claims and that fund balance must have at least 150% of that number in it. To calculate the IBNR number we take the non-material deductible claims that are below 7.5% for the year, divide that by 12, then multiply by 3 to reserve three months' worth of those claims. Council member M. Johnson said that these claims are pretty much equivalent to 25%. Mrs. Smyth agreed. Mrs. Smyth explained that once the IBNR number is calculated it is added, and then the reserve for the deductible retention is added. She said it is just odd that it happened to come up that close to the actual budget number for this past year but there is about \$450,000 that is paid each year in insurance premiums in that fund that are budgeted as part of operating costs each year. Council member M. Johnson said the 3 year average is \$707,648 so how did she get a budget number that is \$792,924? He said that either you are saying that we are going to take less risk and increase the premium or you are not mitigating that shock event. Mrs. Smyth explained that the \$707,648 average fund balance is after expenses have been paid for that year so that is what remains in the fund, that's the fund balance at the end of the year. The City usually spends around \$792,000 a year in this fund. Remaining in that fund at the conclusion of a 5 year period is on average \$706,000. Mrs. Smyth said this new calculation will take that required number down to about \$500,000 and will be seen next year.

Council member J. Johnson made a motion to approve a change to the Services Policy Manual, Property and Casualty Liability Fund, Fund Balance Optimization, seconded by Council member Morgan. The motion carried unanimously.

- XI 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.**
Mr. Pressley explained that the purpose of the Capital Improvement Plan is purely a planning document and that Council approves all expenditures. He advised that it will be

an item for Council to approve along with the operating budget before the beginning of the new fiscal year.

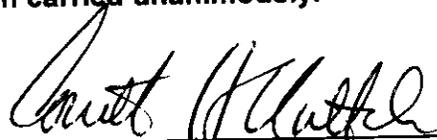
Mr. Pressley stated the proposed budget anticipates no property tax increase, a 3.5% pay increase for City employees and conversion to single stream recycling. Staff is recommending filling some critical positions but the Manager continues to scrutinize positions as they become vacant with each position demonstrating a real need prior to approval. The total proposed budget is \$90,221,491 and contains the following funds: General Fund - \$28,867,290, Electric Fund - \$50,295,600, Water & Sewer Fund - \$10,155,197 and the Civic Center Fund - \$903,404. The County Tax Assessor's estimate of the tax base is \$2,881,000,000, a decrease of over \$104 million or 3.5% from the prior year. This decrease is due primarily to a decline in business personal property values, \$60 million, and the removal of four extra months of motor vehicle values, \$50 million, resulting from the transition to the new DMV collection system implemented last year. This will reduce ad valorem tax revenues next year by approximately \$433,000.

The budget proposal includes an electric rate increase of 6% due to changes to the state sales tax and utility franchise tax laws. Staff recommends a 2% increase in water and sewer rates to provide for operations and capital as well as the necessary debt service in the coming years for a major expansion to Third Creek Wastewater Treatment Plant.

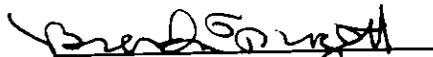
Regarding staff, the budget proposal includes adding a Meter Reader and an Information Technology Technician, eliminating the Assistant City Manager Growth & Development/City Engineer position but adding a Surveyor and an Engineering Technician I. Eliminate the vacant position of Waste Collector as part of the conversion of the recycling program to single stream. Staff also recommends eliminating the vacant position of Housing Inspector in the Planning Department due to the termination of the Certificate of Occupancy program.

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