

**MINUTE BOOK 23, PAGE 141
CITY OF STATESVILLE COUNCIL MEETING – May 4, 2009
CITY HALL COUNCIL CHAMBERS – 7:00 P.M.
STATESVILLE, NORTH CAROLINA**

Mayor Kutteh presiding:

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

**Staff Present: Hutchens, Salmon, Craddock, Davis, Hites, Currier,
Cline, Smyth, Anderson**

**Media Present: Bethany Fuller – Record & Landmark
D Vieser – Charlotte Observer**

Visitors: 47

Invocation

The invocation was given by the City Clerk.

Best of Statesville – Freddie Morrison

Paul Hultberg of the Statesville Human Relations Commission announced that Freddie Morrison has been selected as the recipient of the May 2009 Best of Statesville Award.

Freddie is the Sanitation Supervisor for the City of Statesville, but may be best known for his musical talents he so enthusiastically shares with the community.

When Freddie is involved, it almost always guarantees large audience and usually represents a broader spectrum of our community than is typical. Freddie has a knack for bringing most of this community's diversity together. His message of unity, love and faith is shared in both music and words and becomes a common experience for those involved.

Mayor Kutteh presented the award to Freddie Morrison.

Pledge of Allegiance led by Freddie Morrison

Freddie Morrison led the Pledge of Allegiance.

Mayor Kutteh recognized David Cline for being named as Fire Service Instructor of the year for the State of North Carolina.

Mayor Kutteh announced the Budget Workshops will be held May 12, 2009 at 5:30 and May 13, 2009, if needed.

Mayor Kutteh stated that he understood the site plan for Dollar General was ready for further consideration of Council. He asked if there was a motion to remove this item from the table and add it to the agenda tonight.

Council member M Johnson, seconded by Council member Matthews, made a motion to remove approval of site plan for P09-01 Dollar General located at 1703 Wilkesboro Highway from the table and add it to the agenda tonight. The motion was unanimously approved.

Mayor Kutteh also advised there is an addition to the agenda tonight for a sidewalk encroachment.

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There being no other announcements Mayor Kutteh led the Council through the Consent Agenda as follows:

CONSENT AGENDA

- A. Approve minutes of the pre-agenda meeting of April 16, 2009, Council meeting of April 20, 2009 and continued meeting of April 24, 2009.**
- B. Second reading of ZC09-07 filed by Linda Post and John Bost., Jr. for the properties located at 224 and 230 Island Ford Road; Tax Maps 4725-30-9685 and 4725-40-1643 from R-10M to B-1 CU. (Ord. #18-09)**
- C. Consider approval of non-capital purchase in the Fire Department and authorize sole source purchase.**
- D. Request to appropriate the insurance money in the amount of \$7,536.00 and increase the vehicle maintenance and repair account of the Police Department and approval of Budget Amendment #30.**

Upon a motion by Council member J Johnson, seconded by Council member Stallard, the Consent Agenda was unanimously approved.

REGULAR AGENDA

Consider approving site plan for P09-01 Dollar General located at 1703 Wilkesboro Highway; Tax Map 4735-34-4632.

Planning Director Carrier showed new roof elevation designs for Dollar General. He stated they are still seeking a waiver of installing curb, gutter and sidewalk as well as payment of fee in lieu of. Carrier advised the City Engineer estimates the fee in lieu of in the amount of \$ 21,700. Frank Fawcett of Primax was present to address Council.

Council member M Johnson questioned the color of the architectural shingles. Mr. Fawcett stated it would be comparable to what is in the area. Council member M Johnson asked if black or gray was acceptable and Fawcett agreed.

Fawcett addressed Council regarding waiver of the sidewalk requirements and asked Council for consideration of a compromise.

Council member M Johnson made a motion to approve the site plan. He thanked Mr. Fawcett for making the best fit to the site. His motion was subject to the architectural shingles being black or gray and the developer being assessed \$21,700 for curb, gutter and sidewalks. Council member Steele seconded the motion.

There was some discussion about other compromises that had been made with previous developments and justification on why it was done. Following a brief discussion Mayor Kutteh asked for a vote on the motion and it was **unanimously approved.**

Consider sidewalk encroachment permit at 240 West Broad Street.

Bob Barber has submitted an encroachment request for the Second Fret Coffee House.

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His request is to have three tables and six chairs, 2 chairs at each table, in front of the business. City Staff has received the Sidewalk Encroachment Permit Application, a sketch and a Certificate of Liability Insurance. They are proposing this arrangement with no enclosure/barrier, no lighting and no overhead canopy.

Staff recommends approval of encroachment subject to adherence to permit and insurance requirements.

Upon a motion by Council member Stallard, seconded by Council member Eisele, the sidewalk encroachment permit at 240 West Broad Street was unanimously approved.

Authorize the Mayor to execute the final promissory note for \$14,618,893 for the Lookout Shoals Waterline and Water Plant Improvements Project.

Finance Director Lisa Salmon stated that in April 2003, City Council accepted a State Revolving Loan in the amount of \$15,126,090 to construct the Lookout Shoals Waterline and Water Plant Improvements Project. The term of the loan is 20 years and the interest rate is fixed at 2.66%.

After the Lookout Shoals project was completed, and with the State's approval, in May 2007, the City Council approved the use of loan proceeds in the amount of \$624,775 to construct the Water Plant Belt Press Project. This project was completed in late 2008 at a cost of \$568,679; under budget by \$56,096.

Now that these projects have been completed, the State Revolving Loan needs to be finalized. This request is to authorize the Mayor to execute the final promissory note for \$14,618,893. This amount is \$507,197 less than the maximum loan approved in 2003. The terms of the loan have not changed with a 20-year repayment period and a 2.66% fixed interest rate. Principal and interest payments in the amount of \$19,403,610.05 will be due by the City semi-annually until May 2026.

Upon a motion by Council member Stallard, seconded by Council member J Johnson, the Mayor was authorized to execute the final promissory note for \$ 14,618,893 for the Lookout Shoals Waterline and Water Plant Improvements Project. The motion was unanimously approved.

Adopt an Ordinance to close Ordinance 34-99 establishing the Water Plant Improvements Capital Project Fund. (Ord. #19-09)

Ordinance 34-99 was adopted in July 1999 and established the Water Plant Improvement Capital Projects Fund to account for major renovations to the City's water plant. These projects have been completed at a total cost of \$9,668,154, and were financed with funds from the City's Water and Sewer capital reserve funds, and loans from the NC Revolving Loan Pool. The remaining funds of \$123,543 will be transferred back to the Water and Sewer Capital Reserve Fund.

Upon a motion by Council member Matthews, seconded by Council member Gregory, the Ordinance to close Ordinance 34-99 establishing the Water Plant Improvements Capital Project Fund was unanimously approved.

Consider a modification to the Interlocal Agreement between the County and the City to collect certain taxes.

The County plans to enter into a two-year contract with Tax Management Associates for discovery of businesses in the County that have not listed business personal property. This company will be paid on a contingency basis, where no fees are due until the county, municipal, and special district taxes are paid; then the fee is 45% of the county tax.

This interlocal agreement provides for the County and City to split the 45% fees in proportion to the respective amounts collected.

The interlocal agreement further provides that if the County exercises the option granted to it by the company to acquire its online valuation guide on an annual subscription basis, these costs will also be shared between the City and County. According to the County Tax Assessor, the costs of this service would be \$1.25/account, but he does not anticipate that the County will have a need to acquire this service.

The staff recommends approval of the interlocal agreement (Third Modification Agreement).

Upon a motion by Council member J Johnson, seconded by Council member Huggins, the modification to the Interlocal Agreement between the County and the City to collect certain taxes was unanimously approved.

Receive a financial update from the Finance Director.

Ms. Salmon stated the last financial update to Council was at the retreat. She provided Council with several pages of detailed information. She then reviewed the revenue forecast details for General Fund, Electric Fund, and Water/Sewer Funds.

Receive 2009-2010 budget proposal from the City Manager and staff and set a public hearing on the budget for May 18, 2009 at 7:00 p.m.

Council member Stallard made a motion, seconded by Council member J Johnson to set the public hearing for the 2009-2010 budget for May 18, 2009 at 7:00 p.m.

The City Manager made the following proposal to City Council:

The challenge that we face as a municipal government is to continue providing consistent and efficient services as we react to a severe global economic downturn. The budget that your staff proposes is \$ 11.9 million less than the budget you adopted in June of 2008. This represents a 13.1% decline in both revenues and expenditures. The Finance Director and department heads have worked diligently to develop a spending plan that will preserve service delivery, and they have developed a contingency plan if we encounter a further downturn in revenues than predicted.

While the budget projections of the County Tax Assessor and State economists are grim, they are not as pessimistic as we feared in January and February. The County Tax Assessor predicts that our tax base will shrink about 2% from 2008 values. However, since 2008 revenues are expected to exceed the budget, next year's budget yields a net increase in revenues of \$ 182,400, or 1.7%.

Sales tax receipts are varying wildly around the state according to local economies. We are somewhat fortunate to be at the crossroads of two interstates and probably benefit from purchases by travelers along those corridors. Ms. Salmon has studied our actual receipts and compared them with sales tax estimates we receive from the State and determined that we should experience a

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reduction of approximately 14%, or \$ 894,800 in sales tax during the next fiscal year.

One of the areas where we have been hit hard is investment income. We estimate that we will experience a 52% reduction in investment income over the next year amounting to a reduction of \$ 450,000 in the General Fund, and \$ 541,000 in the Enterprise Funds.

In January we instructed the department heads to present two budgets for our review; one that reflects a 5% reduction in spending from 2008-2009 and a second reflecting a 15% reduction. The department heads responded with very responsible and realistic proposals. Thanks to their efforts, we are able to balance the budget and continue the current service levels.

This spending proposal does not include any salary increases for municipal employees for 2009-2010. It postpones the career development plan as well as educational incentives. We are, however, very fortunate to present a budget that does not require permanent or temporary layoffs of city staff. The proposal does, however, freeze three vacant positions that cumulatively amount to \$ 114,000 in savings. If revenues decline more significantly than projected, staffing cuts will become necessary.

We have deferred most capital spending in departments and present you with only a few items. Our reduction in capital spending in the General Fund alone represents a \$ 4.2 million reduction over last year's budget, and \$ 9.7 million overall. Our design and construction schedule for Fire Station #4 indicates that we will not occupy that station in fiscal year 2009-2010. Therefore, we do not recommend funding salaries for Fire Station #4 personnel in this budget year.

We recommend that City Council retain its current tax rate of \$0.38 per \$100 valuation. We further recommend that \$ 175,000 be appropriated from the Capital Reserve for traffic and engineering services for the Downtown Master Plan, and that no funds be appropriated from the General Fund balance. We have increased the General Fund contingency account with a small allotment of money that we would use in case the economic downturn is more severe than we predict. If we are fortunate to have a better year than we predict, we would recommend that some of the contingency be allocated towards the purchase of the growing backlog of capital items.

ELECTRIC FUND

The recession has dealt the Electric Fund a harder blow than it has the General Fund. The City owns a portion of the Catawba Nuclear Plant and must pay a fixed "base Load" cost regardless of its electric sales. We have seen a considerable reduction in electric consumption as large industries react to the downturn in the economy. This reduction in consumption has made it more difficult to fund our base load and, as a result, we expect to experience a loss of up to \$ 1,500,000 from Electric Fund Balance to carry us through to end of the current budget year 2008-2009. Due to mandatory repairs at the nuclear plant, and other factors, we are facing a 5% increase in wholesale power as well. We have postponed all but the most critical capital programs in the Electric Fund and all of the rolling stock. As you know, the entire operation of the Electric Department comprises only 14% of the fund costs. Wholesale purchased power accounts for the vast majority of costs in the Electric Fund at 84% of costs.

Since we may have to spend \$ 1,500,000 of fund balance to avoid a mid-year increase in 2008-2009, we do not recommend further use of the fund balance next year, except to reallocate approximately \$ 1,000,000 that is currently designated for capital outlay items that can be deferred.

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After spending hours of research with Mr. Cranford and the staff of the power agency in Raleigh, we must recommend a retail electric increase of 8% on July 1 to accommodate the 5% increase in wholesale power and 3% needed to cover the cost of our base load.

WATER AND SEWER FUND

We have experienced a 15% reduction in water and sewer revenues in 2008-2009 due mainly to reduction in industrial consumption. We may have a loss of up to \$ 1.2 million in 2008-2009 due to significant declines in revenues.

Due to size of the Water and Sewer budget, we recommend to use \$ 401,300 in fund balance to mitigate a 5% rate increase that we would otherwise recommend. Absorbing the loss in revenue in the Water and Sewer Fund should help mitigate the increase in electric rates we must pass to customers.

We would like to take this opportunity to thank the staff of the Finance Department and other departments of the City for their assistance in preparing the 2009-2010 budget proposal.

We appreciate the consideration of the City Council in reviewing the budget and providing us with the tools to provide quality services to the citizens of the City of Statesville. We look forward to reviewing this budget proposal with you and receiving your instruction.

Other Business

There being no further business to come before Council, upon a motion by Councilmember Steele, seconded by Councilmember Matthews, the meeting was adjourned.

Mayor

ATTEST:

City Clerk