

**MINUTE BOOK 25, PAGE 363
STATESVILLE CITY COUNCIL RETREAT MEETING – February 12, 2015
CIVIC CENTER, STATESVILLE, NORTH CAROLINA**

Mayor Costi Kutteh presiding:

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

Council Absent: 0

Staff Present: Pressley, Fugett, Gaines, Davis, Currier, Harrell, Salmon, Hutchens, Cornelison, Smyth, Anderson, Barone, Hudson, Ashley, Houpe, Styers, Nicholson, Pritchard

Visitors: Marin Tomlin

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

I Call to order

Mayor Kutteh called the meeting to order and thanked everyone for attending and the staff that organized the meeting. He announced that Mike Finley with Senator Burr's office will be here for lunch.

Mayor Kutteh stated there will be an Executive Session held following the Pre-Agenda meeting to discuss a Personnel matter, an Economic Incentive matter and possibly a land acquisition matter.

II Financial Update

Lisa Salmon stated she would review the financial results of operations for the first six months of the fiscal year, available and obligated funds and discuss the highlights of next year's budget.

General Fund

The City and all governmental entities are required to account for its activities by fund. A fund is simply an accounting entity that tracks all activity in that fund. The City has four operating funds, the General Fund, the Electric Fund, the Water/Sewer Fund and the Civic Center Fund.

The General Fund is the main operating fund for the City and tracks the governmental operations of the City with property taxes being the main revenue for this fund. The expenditures associated with this fund are the City Manager's office, Human Resources, the Planning Department, Finance Department, Fire Department, Garage, Civic Center, Street Department, Recreation & Parks Department, Police Department and the Sanitation Department.

Mrs. Salmon explained that property tax revenues are not paid to the City in twelve equal installments. The County usually mails property tax bills out in August with the highest collections being in December and January, so at this point in the fiscal year we have collected the majority of the property tax revenue. We are at just over \$9 million for the fiscal year or 77% of our budget, which is about 1% below where we were at the same point last fiscal year. Staff expected this to happen because there was a small decline in the tax base this year, about 3.5% in the budget, which was an estimate from the tax assessor, so based on a 3.5% decline in tax base with our collections only down 1% we are actually outperforming the estimate by the tax assessor's office. Staff expects this revenue to come in a little bit better than anticipated. Tax values are also slightly down due to the one time bump in revenues from the tax and tag from the motor vehicles and the business personal property values were down a little bit as well.

Mrs. Salmon stated the City has only received three months of distribution for this fiscal year for sales taxes. So far we have received about \$1.45 million in sales taxes which is up 9% from the previous fiscal year but it is still too soon to know if

this is a trend or not but staff does believe that things are looking up and hopes it will continue. There is a new revenue in this category due to the loss of the Franchise Taxes on electricity. As a replacement, the state legislature gave us sales tax on electricity. Approximately \$107,000 in hold harmless revenues that expired in 2014 was lost.

Mrs. Salmon reviewed restricted and unrestricted Intergovernmental Revenues, Investment Earnings, which are up about \$12,000 for the first time in a few years, and Permit Fees, Sales and Miscellaneous revenues. She explained and reviewed internal funds which consist of PILOT reimbursement, transfers from other funds and Fund Balance that has been appropriated in the amount of \$2,602,851. The Fund Balance Appropriations are as follows:

- \$1 million – To the Budget (\$286,000 of that for the last 3-4 years to support operations)
- \$167,000 – Paid the last debt service payment on the airport project
- \$480,000 – Appropriated for Recycling Carts (most likely will not spend all of this)
- \$40,000 – Commercial Condemnations
- \$25,000 – ICATS Transportation Special Appropriation
- \$1 million – Encumbrance Rollover
- \$190,000 – Transportation Plan and Consulting
- \$193,000 – Economic Incentive to Lowe's
- \$95,000 – Way-finding Signs Program
- \$83,500 – Airport Marketing Analysis and Organizational Study
- Small Amounts - Various Vehicle Replacements

Mrs. Salmon stated that basically external General Fund revenues are flat.

Mrs. Salmon reviewed and explained the Expenditures category. Expenditures can fluctuate quite a bit year to year depending on Capital items that need to be purchased each year. Total expenditures are down about 5% compared to last year. Revenues over expenditures are at \$2.7 million; however about half of that amount comes from an internal transfer. If you look at the revenues we transferred \$1.2 million into the General Fund by December that we had not done the prior fiscal year, so this is simply an internal transaction.

Mayor Kutteh clarified that revenues and expenditures will level out by year end, so the current \$2.7 million in revenue over expenditures does not mean there is a huge surplus.

At the request of Mayor Kutteh Mrs. Salmon explained reimbursements from the school system and the Housing Authority and Payment In Lieu Of Taxes (PILOT).

Council member M. Johnson asked if Sales Taxes and Other Taxes could exceed \$8 million if it follows the current trend. Mrs. Salmon replied they could. Council member M. Johnson asked how much of the Tipping Fees were Commercial. Mrs. Salmon replied \$71,000. He asked if we are back to full strength with the interest funds because of sequester. Mrs. Salmon stated we are not, they are still withholding about 5% of that and she has not heard that we will have an opportunity to recapture any of it. Mrs. Salmon explained that the federal government had offered loans with federal interest subsidies to entities that had shovel ready projects. The City happened to be in the position to take advantage of that program with the Fire Station #4 and the City Hall/Streetscape renovation projects. This entitles the City to a 45% interest rate subsidy that must be filed for every year, which brings the interest on the loans to a very low rate. A few years into the process the federal sequestration took place and they froze and cut reimbursements to federal interest subsidies. The City has lost on average about 5% of its interest subsidy each year, for the last three or four years. It has not been a large amount because our total interest subsidy is not a large amount.

Electric Fund

Mrs. Salmon stated the Electric Fund is where all electric utilities operations are accounted for. These activities are supported by the electric bills paid by utility customers; there are no property taxes in the Electric Fund. Sales are flat and

Investment earnings are up 18%. The increase of \$709,053 in the Other Revenues line item is directly attributed to the Electricity Sales Tax. Overall Electric Revenues and expenditures are flat. She stated that the \$3 million in revenues over expenditures is historically what we see at this point in the fiscal year and that is basically attributed to the fact that our wholesale purchase power is a month behind, we accrue the last month in June so once we close out the year we will have a full twelve month purchase power cost.

Mayor Kutteh pointed out that 90% of what the City charges for electric is what it pays for it. The City of Statesville Electric Utility has a very low operating cost compared to others who are similarly situated.

Water/Sewer Fund

Mrs. Salmon stated that water sales and sewer fees are up about 5% and 3% respectively after being flat for the last few years. System Development Fees have increased \$129,000 from last year so that is a good indication that construction activity is up. Other Revenues are down from the previous year. Expenditures are down about 9% which is not unusual.

Council member M. Johnson asked if the cost of the 4th Creek Wastewater Treatment Plant project be absorbed. Mrs. Salmon replied she does not have that detail with her, but as she recalls the 4th Creek project was included not too far in the future in the plan and that most likely the cost will be absorbed and will not create a need for higher rate increases than planned.

Civic Center Fund

Mrs. Salmon stated the Civic Center is operating about the same level as last year. She reviewed revenues,

Available and Obligated Funds

Mrs. Salmon reviewed available and obligated funds.

Council member Watt asked what the balance is left to pay on the streetscape project. Mrs. Salmon replied about \$1.25 million is remaining in the budget and she does not know if there are plans to spend all of that. About \$900,000 of that are contingency funds.

2015-2016 Budget Highlights

Mrs. Salmon said there will be a revaluation this year and the assessor's office does not expect Statesville to see a gain and predicts that most likely there will be about a 1% loss which amounts to around \$100,000. If there is a decline in property values the property tax rate may need to be increased to remain revenue neutral. The discontinuation of the privilege license tax will result in the loss of \$360,000 in revenue for the City. Council member Morgan added that this is going to be part of the discussion at the Appropriation Committee in Raleigh tomorrow.

Mrs. Salmon stated that a 5% wholesale electric rate increase is possible if the power agency debt restructuring option is not approved. There will be a 2% water/sewer rate increase as planned in the Third Creek Financial Analysis.

Council members discussed the power plant debt and the debt restructuring.

Council member M. Johnson clarified that the \$702,000 for the Larkin Sub-Division Project listed in Capital Outlay is just a placeholder and that none of those funds have been spent on the 3rd Creek Project and that it is included in the \$11 million for Electric Operations & Capital. Mrs. Salmon agreed this is correct.

III Merit Pay

Lynn Smyth stated she would be reviewing the Pay Plan Classification System, the Pay Progression System and the Merit Based Pay System. The City uses a pay plan that has ranges that set the minimum and the maximum pay for positions, and then position classification which tells you which position or job in the City is in which pay grade.

Historically we have done a pay study every five years. The last comprehensive pay study was implemented in January 2008 so it was actually done in 2007. Since that time, due to the economy, staff has put off a pay study; however staff will be asking for funding in the upcoming budget for a Comprehensive Pay Classification Plan Study.

Pay progression is the second component of a pay plan. That is how you get through those ranges and how long do you want it to take. Currently, these percentages are a little skewed because from 2008 to the present we did not give pay increases a number of years, so people clustered within the ranges. Currently about 34% are paid within the first 15% of their range. A total of 59% are paid within the first 25% of their range, 88% are at or below 50% of their range, in other words only 12% of employees have reached the halfway point of their range. For tenured employees that range has lost some of its significance because they are not moving up in it; however we would expect those numbers to be a little skewed because several of the employees that would have been in this upper range took advantage of the Retirement Incentive that Council offered previously; though not so much that 88% of the employees are within the first 50% of their range or even more troubling is that there is 59% that are in the first 25% of their range.

For retention purposes our pay plan has two functions. The beginning of the range helps us assure that we can hire a qualified candidate that meets the minimum requirements for the job at the range that we say is our starting range. Our typical practice is that we start at or very near the start of a range. Having an adequate range helps us assure that we can do that, and maintain some internal equity when we hire, so the new hire is not making more than somebody who has worked here five or six years. Right now because of the way the pay increases have been given the last few years, you will find a number of folks who have been here for five years and are making very close to what somebody who has been here only two years is making. That is why you want your minimum to be an effective rate of pay. For retention however you have to have a consistent way for employees to move through that range to get any value out of the range.

Right now the City uses a Standard Pay for Performance Increase (SPPI) whereby any employee who gets a satisfactory rating on their annual performance review will move 3.5% out their range assuming there is sufficient money to fund that increase. The percentage is preset by policy and the only issue is whether or not Council will fund it. Council certainly has the option to adjust that percentage if they choose to during budget deliberations, but this is the percentage that is set in the Personnel Policy. At the current rate it would take an employee fourteen years to go to the top of the range if a SPPI was funded every year.

In a Merit based system, that percentage would vary. There are mixed reactions from experts as to the true ability of merit pay to motivate performance. Effective plans take time and dedication to develop and implement. Accountability is a key element in a plan that has sustainability. Satisfactory performers need a consistent method of progression through the system to at least a "market" rate for position. A market rate establishes a pay rate that is reasonable in the market for an employee skilled and experienced at a particular job and is often represented in pay plans as the midpoint of a range. The City's current pay plan and philosophy does not establish a market rate for positions. If you are going to establish a market rate then one thing that needs to be established is how quickly should an employee be able to achieve a "market" rate for his/her position. Once market rate is achieved, often times, the manner by which employees earn additional pay increases changes, either by methodology (merit only) and/or by frequency. The general philosophy is that a competent, skilled, satisfactorily performing employee will, within an established time frame, achieve the market pay rate for a position, but pay increases beyond that market rate are likely to be performance driven. Merit increases (something above that granted to "satisfactory" performers), available to a limited number of top performers and limited by department by funding. One thing that is talked about is what the turnover rate is and how are we dealing with poor performance. For the 2013-2014 fiscal year the City had 18 voluntary terminations, 10 retirements, and 4 involuntary terminations. Of the 18 voluntary terminations, four were situations where investigation and likely disciplinary action was pending and the employees chose to resign before final outcome of personnel action. There

are other situations where performance counseling has helped an employee improve his/her performance so as to meet the satisfactory rating.

Staff has worked over the last several years to develop and implement a performance review system that shows a more realistic view of actual levels of performance and significant improvements have been made over the last couple of years.

Council asked staff to consider a performance based pay system for the retreat. Staff is recommending for the upcoming year using a hybrid system that uses our current evaluation form but modify the implementation method. Using numeric totals from the evaluations we could provide varying levels of increases to the top 20%, the next 20% will get a different level and then all satisfactory performers will get a lower percentage. For example, assume the City wide payroll is \$17,000,000 and a 3.5% salary budget increase is set which would be \$595,000. The top 20% of performers get a 5.5% increase (\$187,000), the next 20% of performers get a 4.0% increase (\$136,000), and the remaining satisfactory performers get a 2.5% increase (\$255,000). Percentages and differentials can be adjusted based on funding and other qualifiers.

Typically the Bell Curve would suggest that 80% of your employees are "satisfactory" or average performers, 10% are exceptional performers and 10% are unsatisfactory performers. In general, most would agree that there are varying degrees of "satisfactory" – some employees will do only that which they must to meet minimum requirements while others will perform somewhat better than that, periodically excelling or being exceptional in a particular area of their job. Recognizing that performance review is not an exact science, we would expect some of those high level satisfactory performers to receive a merit, hopefully, thereby encourage a consistent level of higher performance. The other question lies with the 10% at the bottom – those unsatisfactory performers – should we really have 10% of our workforce not getting a pay increase due to poor performance. We would hope not because our performance counseling and disciplinary policy should rather quickly move employees into better performance or into other employment. As with any organization, it does not always work that way, and we will have very few folks who do not meet our performance requirements for any given year. That might be the result of a single serious lapse in judgment or ongoing unresolved performance management practices at the time of the annual review.

For fiscal year 2016-2017 and beyond, staff would like to reduce the number of traits reviewed, the current form consists of fifteen different traits. The maximum number of criteria that should be included in a performance based pay system is six. Work with employees, departments, and divisions to develop some written criteria for various levels of performance for each job. Assure established criteria are sufficient to distinguish levels of performance. Train employees, supervisors and managers in the new process and forms. Conduct first reviews with established criteria and analyze the effectiveness of the process. Revise the process as needed with persistent attention to quality and consistency of the review process. Establish accountability at department level for the system.

There are various ways to prepare and implement a performance pay based system. A consultant can be used which sometimes adds credibility to the process. A consultant can be expensive but may help eliminate some internal biases and they have a greater expertise in program development. An in house process can be developed with considerable staff and employee development time. This method may perpetuate current misconceptions and biases. There is a wealth of information out there that staff could obtain to develop a system in house then possibly hire a consultant to review it.

Staff will be asking Council to consider the following at budget time:

- Moving to a multi-year pay study after this fiscal year
- Ask you if you have any interest in a "market" rate philosophy to dove tail with performance pay

- Completing performance reviews on the anniversary date rather than doing all at one time

Council member J. Johnson stated he is not in favor of implementing a performance pay based merit system because it has not worked in the past.

Council members discussed the issue of pay range compression.

Council directed staff to present data during budget discussions to implement a market rate system.

IV Stormwater - Phase 2

Scott Harrell gave a brief background on the Stormwater regulations. The 2010 Census data changed Statesville's designation in 2012 and EPA required North Carolina Department of Environmental Natural Resources (NCDENR) to include Statesville in the Phase II Program. During the interim time, NCDENR must enforce Post Construction Rules within portions of Statesville. This went into effect February 2013. In 2014 the NCDENR notified the City that it is a designated MS4 and it must submit application for a Phase II Stormwater Discharge Permit. This means that the City must develop a Stormwater Management Plan to address the six minimum control measures designated by NPDES Phase II and find a way to pay for it all.

The six Minimum Control Measures are:

- Public Education and Outreach
 - Distribute educational materials to the community
 - Conduct public outreach activities
 - Raise public awareness on the causes and impacts of stormwater pollution
 - Inform the public on steps they can take to reduce or prevent stormwater pollution
- Public Involvement and Participation
 - Provide opportunities for the public, including major economic and ethnic groups, to participate in program development and implementation
- Illicit Discharge Detection and Elimination
 - Detect and eliminate illicit discharges, spills and illegal dumping
 - Address significant contributors of pollutants to MS4
 - Implement appropriate enforcement procedures and actions
- Construction Site Runoff Controls
 - Reduce pollutants in storm water runoff from construction activities
 - Establish requirements for construction site operators to control waste and debris at the construction site that may cause adverse impacts to water quality
- Post-Construction Stormwater Management
 - Ensure controls are in place to minimize water quality impacts from stormwater runoff from new development and redevelopment that disturbs an acre or more or is part of a larger common plan of development
 - Provide a mechanism to require long term operation and maintenance of Best Management Practices (BMP's)
- Pollution Control and Good Housekeeping for Municipal Operations
 - Prevent or reduce stormwater pollution from municipal operations and facilities

The next steps that need to be taken are to complete the Stormwater Management Program Report and the NPDES permit application and submit to NCDENR by June 2015. NCDENR will then review and issue a permit for 5 years. Staffing and funding needs will need to be reviewed to implement the program and Best management Practices must be developed in year one and a Post Construction ordinance by the end of year two. BMP's will be implemented in years two through five.

Staff recommends converting the existing Street Superintendent position, which is currently vacant, to a Street /Stormwater Superintendent position. Funding options for Council to consider are:

- General Fund
- Stormwater Utility Fund

A Stormwater Utility Fund would be a stable, equitable, secure source of funds whereby property owners would pay a monthly fee. Monthly fees are typically based on Impervious Area or Intensity of Development which relates to the development's contribution to the problem. Implementation of the fund will help keep the ad valorem rate lower.

Staff would like direction on:

- Converting the Street Superintendent position to a combined Street/Stormwater Superintendent, to avoid a new position at the present time
- Funding options to consider

Council directed staff to proceed with converting the Street Superintendent position to a combined Street/Stormwater Superintendent and filling the position. Staff will bring additional information back to Council regarding start-up costs to implement a Stormwater Utility Fund versus increasing the ad valorem rate.

V Airport Update

Jeff Kirby stated bids have been received on the Runway Grooving project. The low bidder was Cedar Peaks Construction. All grant forms have been submitted to the NCDOT-DOA and they have been received and are being processed. This project will use all of the leftover funds that were set to expire. There are exit points throughout the project if it becomes necessary to stop the project. Mr. Kirby said he has been advised by the State that the City may have more time than originally anticipated to use the expiring funds. Council will need to approve acceptance of the grant when it is received. A pre-construction conference will be held with all the airport tenants however most of the construction will be performed at night.

The project design is 95% complete for the PAPI's and REIL's system. The design will be complete and ready for bidding and considered a shovel ready project when other grant funds become available.

Mr. Kirby stated a meeting was held last week with stakeholders regarding the Airport Layout Plan (ALP) update, the Environmental Assessment for the parallel taxiway and the Market Analysis. A SWOT (Strengths Weaknesses Opportunities and Threats) Analysis has been done and all work is proceeding concurrently on these three projects. He explained he is waiting on mapping from the State for the ALP Update and the Environmental Assessment. The scheduled delivery date is mid to late March. As soon as the mapping is received then plans will be able to be produced. The completion of the Market Analysis and the Organizational Assessment will be taken to a certain point then once the Airport Manager is in place it will be completed with that person's help. Mr. Kirby said he has reviewed and given his input on a number of resumes that have been submitted and has been working with staff to identify potential candidates.

Council member M. Johnson said he thought the stakeholders meeting was very productive and that he had learned there are certain prerequisites to insure safety and quality of service at the airport and that there are options available that he was unaware existed. The City needs to develop the airport and the options that are available to the airport such that the physical plan and the operational structure addresses the marketing elements we want to bring into the Statesville airport.

Mayor Kutteh introduced Mike Finley, Field Office Representative for Senator Richard Burr. Mayor Kutteh explained that Mr. Finley was in town for the day to make contact with local officials so he invited him to have lunch and meet all the City officials. Mr. Finley said Senator Burr sent his greetings. He stated he likes to

make contact with city government in case there are any issues with federal agencies that he could assist with. He advised that Larry Pressley has his contact information.

VI General Marketing Discussion-Federal & State Relationships – Leslie Mazingo
Council member M. Johnson introduced Leslie Mazingo stating that he first became aware of Ms. Mazingo through Centralina Council of Governments and many recommendations. Ms. Mazingo was previously with a major lobbying firm in Washington, D.C. as partner/owner for 23 years. She decided to relocate to more of a family type setting in Clemmons, North Carolina where she formed Strategics Consulting, LLC while still maintaining an office in Washington, D.C. office. Ms. Mazingo has exceptional credentials and does extensive work for major municipalities in the state of North Carolina representing their interests in Washington, D. C. in the local legislative areas.

Ms. Mazingo distributed a brochure to Council that further described her background and experience and what services Strategics Consulting, LLC offers.

Ms. Mazingo first reviewed three types of federal funding that comes from annual appropriations; Block Grants such as Community Development Block Grants, Formula Funding (Surface Transportation Program) and Discretionary Funding (Competitive Grants).

Threats to these types of funding are: budget cuts, sequestration (across the board cuts when no budget agreement is in place), demand vs supply (Highway Trust Fund-Gas Tax), policy changes (tax-exempt Municipal Bonds) and new regulations by the EPA, DOT and HHS that are put in place without proving funding for local government to comply.

There are many opportunities for grants for transportation, public safety, environmental, neighborhood revitalization, arts and humanities, job training and technical assistance. When applying for competitive grants it is imperative to find the right fit or modify the project to fit the grant, highlight special focus areas and most importantly follow the application directions. Establish a relationship with the agencies through calls and meetings. Pay attention to the details on the grant eligibility criteria and be very specific in how you meet those criteria. Exceed match requirements and come to the table with something even if there is no match required. Form community partnerships to show that you are willing to reach out and partner with other agencies. Seek congressional and grassroots support by having civic organizations and leaders in the community send letters of support. Keep budgets reasonable and expectations in line with the cost of the project. Debriefings are one of the best ways to find out how your application did. If you apply for a grant and you are not successful you can meet with the federal agency for a debriefing to find out where the application scored well and where it did not and learn from it. At times it is even possible to revise the application, resubmit and be successful in getting the grant.

Ms. Mazingo reviewed three major programs that are up for reauthorization this year; MAP-21, Federal Aviation Administration and the Land and Water Conservation Fund. She said that Statesville needs to determine what things about the current program and process do not work for Statesville and puts it at a disadvantage, or determine what things could be done a little bit differently that would give the airport more of a shot at getting the funds that come through the Airport Improvement Program. Determine if there is something about your area that makes it unique and how the airport fits into that because that is how you will be most competitive.

Ms. Mazingo reviewed current items being considered for tax reform and Fiscal Year 2016 Appropriations.

Ms. Mazingo stated that the City cannot afford not to advocate. Elected officials are the best advocates. They are the experts and help make the local connection with State and Federal representatives and give them the tools for making their case. Set priorities, meet with Federal agencies, keep MOC's informed, deliver the right message, know deadlines and timelines, be persistent and patient and follow up.

Council members discussed how to begin this process and pricing. Ms. Mazingo suggested Council determine what their priorities are then she can present a proposal. Mr. Pressley asked if she had a list of grant writers that she could recommend. Ms. Mazingo replied she does and she will review the grant as well.

Council members directed Larry Pressley to assemble a priority list and forward to Ms. Mazingo. She will then present a proposal to City Council.

VII Transportation Updates Presentation - CTP, Funding, Bonus allocation

Sherry Ashley stated Council hired Kimley Horn to update the City's 1997 Thoroughfare Plan in September of 2014 (\$174,700). The plan includes five Land Use Focus Areas and a market study in addition to transportation updates. These five areas are as follows:

1. 1-77 and US 21 North
2. Area between Jane Sowers, Old Mocksville Road, US 64, 1-77 & 1-40
3. Broad Street
4. Amity Hill, Murdock Road & Barium Springs
5. Stamey Farm Road

A "Draft" State of the City report was received by staff on Wednesday, February 5, 2015. An updated schedule is as follows:

- February — Needs Assessment
- February-April — Comprehensive Transportation Plan
 - Street Design Priority Matrix
 - Cross Sections
 - NCDOT CTP Map
 - April — Technical/Management Committee Meeting
- #2
 - May-June — Land Use Focus Areas
- Stakeholder Interviews
- Suitability Assessment
- Market Analysis
- Focus Area Land Use Strategies
 - June — Technical/Management Committee Meeting #3
 - June — Community Survey
 - June — Community Workshop #1
 - July-August — Strategic Corridors
 - July-August — Implementation Priorities
 - Near-Term Project Sheets
 - Action Plan
 - August — Technical Management Committee Meeting #4
 - August — Community Workshop #2
 - September — Draft Report
 - October — Final Report
 - October — Adoption

Mrs. Ashley gave an update on general transportation issues and reviewed the "Draft" Charlotte Regional Transportation Planning Organization Map.

1. State Transportation Improvement Program (STIP)
 - U-5779 NC 115, Old Wilkesboro Road to Hartness Road (Program for planning and environmental study)
 - U-5799 US 21, SR 1933 to Fort Dobbs Road (Program for planning and environmental study)
2. Bonus Allocation Funds (BA)
 - 1-77 and Broad Street Improvements (\$30 million)
3. Surface Transportation Program-Direct Apportionment Funds (STPDA)

- Shelton Avenue Multi-Use Trail from Gamer Bagnal Boulevard to Amity Hill Road (\$603K STP-DA funds/\$150K City)
4. Transportation Alternative Funds (TA)
- US 21 Greenway Connection from Duke Energy Substation to Pump Station Road parking lot (\$1 million TA funds/\$600K City, Carolina Thread Trail, etc.)

VIII Project Updates

Amity Hill Road/Municipal Services Center

Sherry Ashley stated the City rezoned this corridor, NC 115/Shelton Avenue, from B-2, B-5, R-5MFM and HI to H 115 March 3, 2009. This rezoning included 118 parcels. The Statesville Downtown & NC 115 Streetscape Land Use Master Plan was adopted October 5, 2009. There are three new businesses along the corridor, Dollar General, Skinners and Dental Clinic. Acquisition of property for the realignment of Amity Hill Road is in the final stage. August 28, 2013 the City held its first stakeholders meeting to build a support group for the district. Stakeholders discussed the background of rezoning, reviewed and overview of the master plan, and the realignment of Amity Hill Road. There was interest from the group for further information. On October 10, 2013 the City held a second stakeholders meeting to review the specific zoning regulations for the H-115 District. On December 3, 2013 Phil Mills, owner of Wagner Hardware, held a third meeting at the Depot. Mr. Mills agreed to be the facilitator for the stakeholder group. This meeting focused on the 100 ft. right-of-way for the future streetscape and how it might affect the properties along the corridor. Future work milestones are design and construction of the road realignment and the design and construction of a government Services Center (Fire, Police, EMS, etc.). Staff hopes to have continued community input. There is potential for Surface Transportation Program-Direct Attributable funds in the amount of \$603,000 with a \$150,000 match for a Shelton Avenue Multi-Use Path/Carolina Thread Trail portion of Q segment.

Rest Area Sewer Update

Scott Harrell stated the Survey Phase is nearing completion and the Design Phase is underway. The majority of the force main route has been finalized. The Exit 54 lift station location has been selected and will be on DOT property. DOT is reimbursing expenses on a monthly basis. Staff is reviewing City policy regarding future service connections. The construction completion goal is April 2016.

3rd Creek Wastewater Treatment Plant

Joe Hudson stated that construction continues for the Third Creek Wastewater Treatment Plant expansion project and is progressing on schedule. The Contractor, Adams-Robinson Enterprises of Dayton, Ohio, has made substantial progress on the project. The Contractor has billed for over \$15,000,000 of the roughly \$20,800,000 construction amount (with contingency). The major cast-in-place concrete structures have been completed including the Oxidation Ditches, Clarifiers, Influent Pump Station, and Chlorine Contact Tank. Equipment, pumps, and controls are being installed. Major site work, piping, and electrical conduits are being completed. The overall project is anticipated to be started-up and placed into service in July 2015.

4th Creek Wastewater Treatment Plant

Mr. Hudson stated the City received Clean Water SRF funding in the amount of \$4,800,000 at zero-interest for improvements to the Fourth Creek WWTP. This project has just started. A lot of the equipment has been ordered and staff is now waiting on the vendors to build them. Staff expects most of the equipment to begin arriving in April. The project includes aerator replacements, Clarifier No. 1 equipment replacement, Sta-Lime (bio-solids) system improvements, electrical motor control center units, variable frequency drives (VFDs) for influent pumps and waste pumps, flow meter replacements, and a SCADA (control) system. The Contractor, MB Kahn Construction of Columbia, South Carolina, is preparing major

equipment submittals in advance of construction at the plant. The overall project is expected to be completed in December 2015.

IX Advanced Metering Infrastructure Presentation – Update and Next Step(s)

Kent Houpe stated Smart Grid is a term that encompasses many aspects of grid modernization. Grid modernization refers to the opportunities to update technology being used to monitor and efficiently manage today's electric grid, water infrastructure and utility business. Advanced Metering Infrastructure (AMI) refers to systems that measure, collect and analyze energy usage from advanced devices such as electric and water meters through various communication channels including radio, phone, fiber optic or power line.

Using AMI electric and water meters would mean that a meter reader would not have to get in a customer's backyard to read a meter. The City could turn your Electric service on (or off) by pressing a button in the office. Each electric meter could tell you when it was not receiving any power from the system. The City would receive a notice if someone tried to tamper with your meter.

Intelahome Customer Portal would allow customers to know each day how much electricity or water they used. A customer could find out how much they used since their last bill and get an estimate of what their next bill will be. A customer could get all this information by phone, internet or smart device.

Pre-pay metering would enable a customer to never have to pay a deposit to establish a new service. A customer would never have to worry about late fees or reconnect fees. A customer could decide when and how much to pay for their electric service and the City would not need to mail a utility bill. Pre-pay metering works with an AMI meter with remote disconnect. Daily readings are used to deduct from the account balance. A Low Balance notice is sent to the customer and the meter cuts off at \$0. The customer is able to pay any amount to get their service back on.

Outage Management - Enterprise Management Software will let staff know if a tree falls on an electric line at 2:00 a.m. and knocks out power to a neighborhood or if power is restored to the neighborhood and one or more customers are still out of power.

In September 2012 Electricities issued a Smart Grid RFP on behalf of its members with 45 vendors responding. All vendors responding to the RFP were evaluated and a short list of potential vendors and solutions for consideration was developed. Electricities negotiated economies of scale with vendors and assisted with evaluation of vendors and technologies. Business cases are being prepared for 15 members that will show potential costs and benefits. The objectives of the business cases are to determine economic feasibility of offering AMI and to accurately capture the quantifiable costs and benefits of potential offerings. A city-specific cost/benefit analyses through direct input from individual cities will be developed.

Some things that must be considered are:

- Modernized infrastructure
- Creates opportunity for improved customer service
- Creates opportunity for new services
- Some customers may have privacy concerns
- Some benefits may require policy changes (Pre-Pay would require substantial policy changes).

Statesville's AMI Pilot Deployment Objectives are a 6 - 8 month deployment of pilot program. Approximately 100 electric and 25 water meters for a select group of customers were replaced. Build a small RF comlink to establish and test communications. Work with Electricities on Group Pricing and report the results to Council at completion

Statesville's has 13,800 electric meters system wide. The Pilot project will use 100 Single Phase meters with Remote Disconnect. System wide there are 13, 000 water meters and the Pilot project will install 25 in assorted sizes.

The benefits of Smart Grid are:

- 15 minute interval data from all electric meters and hourly data from water meters
- Reduced unbilled water and energy losses
- Tamper notification on meters and LM switches as it happens.
- Outage and restoration notifications
- Improved voltage monitoring & control
- Reduced misreads and special reads (lower field costs)
- Remote disconnects and re-connects (reduced labor costs)
- Support for new rate structures and services e.g., Prepay
- Improved Customer Service
- Improved analytics and distribution system planning
- Extreme weather problem avoidance
- Improved Safety for employees, i.e. Reduces exposure for every meter that doesn't have to be opened

The anticipated benefits for customers are:

- The will be able to manage their own energy usage and costs
- New and improved customer service
- Improved outage response time and information
- Offer new programs and services

In summary AMI technology is becoming the industry standard. In concert with ElectriCities, Statesville is making a big leap in technology. Consistent with other utilities, the City may realize operational cost savings while offering enhanced customer service as well as real time usage benefits to its customers. The estimated AMI System Investment is \$5,800,000.

The next step a "Complete Assessment" will provide the analysis and information necessary for the first decision point on whether to proceed with the project. It aids in the identification of the underlying business reasons that are motivating the effort and reveals the critical success factors. The fundamentals include: Project goals and objectives, discovery and current State development, business case development, implementation strategy, final assessment report and onsite presentation. The first pass Business and System Requirements will be developed.

Council member M. Johnson said Council needs the data of how much the system will save to justify spending this much. Mr. Houpe said that is why staff would like to do a Complete Assessment. Mr. Pressley said staff will most likely bring the request for funding for this to Council in March.

Mayor Kutteh adjourned the Retreat meeting at 3:35 p.m. The Pre-Agenda Meeting was called to order at 3:45 p.m.




Constantine H. Kutteh, Mayor

Attest:


Brenda Fugett, City Clerk