

CITY OF MOUNT HOLLY**MOUNT HOLLY CITY COUNCIL
WORK SESSION****JANUARY 3, 2006
CITY HALL**

The Work Session of the City Council of Mount Holly was called to order at 6:30 p.m. by Mayor Robert Whitt. The following were present:

Mayor Robert Whitt
Mayor Pro-Tem Phyllis Harris
Councilman Jerry Bishop
Councilman Jim Hope
Councilwoman Pat Hubbard
Councilman Frank McLean
Councilman David Moore
City Manager David Kraus
Assistant City Manager Danny Jackson
Assistant City Manager Jamie Guffey
Community Development Planner Greg Beal
Police Chief Benson Hoyle
Fire Chief Dale Oplinger
Street and Solid Waste Director Mike Santmire

The invocation was led by Councilman Frank McLean.

In discussion of topics on agenda, Mayor Whitt suggested moving ABC discussion up to #1 as Mr. Broome was present and had another meeting to attend after the work session. All in favor of doing so.

1. Discussion on ABC Store. Mr. Kraus presented amortization chart for loan for ABC Store, based on 10, 20 and 30 year loans at interest rate of 4.25%. Mr. Kraus stated he met with Mr. Hope going over numbers for ABC store, trying to cut back numbers for construction. Mayor Whitt stated he understands that the architect has given plans apparently specific enough to get estimate for completion. We do not have full scale construction drawings at this point. The building will be around 700k and land around 200k, total cost will be over 1 million. Mayor Whitt asked Mr. Kraus if this includes a construction contingency and design fees. Mr. Kraus stated it does include contingency, but not design fees. It does have an allowance for utility relocation fees. Mr. Kraus stated if building is built closer to YMCA drive, we will need to relocate electrical lines. He stated the Holiday Inn is planning an expansion as we speak and will be undergoing construction soon. Ms. Hubbard asked about legal fees to acquire property, etc. Mr. Kraus stated that is not included. Mr. Hope wants total spent thus far by next meeting.

Mr. Broome stated we have had three real good months, we want to continue on this. I cannot tell you at this point what we can do. At this point, we can afford the 4000k at this point per month but we need a few more months to determine regular revenue. So far, it has been beyond our expectations but we do not know if this will continue or not. We certainly would like to talk to the Council more about this, we are open to this. No decision has been made yet. In the last six months, the store has been up and running in our temporary location. The City Council will make a good decision. We are not in a hurry but do not want to wait forever either. Mr. Kraus stated the current lease is for 12 months with 6 month expansion. Mayor Whitt stated I cannot imagine Council wanting to go too much further without an agreement with you. Mr. Broome stated he agreed and would like to talk to Council with full ABC board representation – maybe in the next monthly meeting. Mr. Broome stated he wants to help the city, making this a joint effort. Mayor Whitt asked for any questions or comments from Council. Mayor Whitt thanked Mr. Broome for being here. Mr. Broome extended an invitation for any Council member to attend ABC meetings. Mayor Whitt stated Mr. Moore will be the ABC liaison as he has been appointed to that committee.

2. Presentation of Audit. TJ Wilson, partner of accounting firm, gave copies to Council of audit package (record keeper did not receive copy for city file). The audit went well. We had some challenges this year. The city purchased new software and changed the chart of accounts for city ledger system. We got all that worked through and should be smooth sailing going forward. He stated that on page 1 of the bound copy, our opinion is given on the financial statements. He stated pages 3 through 10 are management discussion and analyses for the year. Page 11 starts the financial numbers. This is the second year of the financial statements being produced in new format. Exhibit A and B, pages 11-13 is an attempt for the financial statements to be presented on basis of full profit business rather than the old governmental exhibits. This includes different divisions, example of ABC Board, Housing Authority, Water and Sewer, etc. He went over cash and investments being over 6.2 million dollars. Scrolling down, property taxes and other accounts receivable are notated. Sales tax due from other governmental entities noted as well. Capital assets are listed at 4.5 million for non depreciable funds. Depreciable net assets of almost 25 million. Total assets of approximately 37 million. Under liabilities of 716,000 for accounts payable, Deposits of 67,000, construction permits, etc of about 23,000. Principal amount of debt due in 2006 is a little over 1 million, long term of over 5 million. Total assets then being 29 million at the end of the fiscal year. He explained in detail the charts / columns related to accounts payable and accounts receivable. Then he explained the negative numbers relating to governmental activities, and positive for business type activities – net increase of 19,000 dollars. Mayor Whitt asked about the taxes in comparison to last year. TJ explained this page is on full accrual basis, modified accrual comparative recognizes receivables before collection, this is the difference. The two figures are within 100,000 of each other for each year. Mayor Whitt asked about 5 million in debts, TJ answered Page 39 in the footnotes, item 8 starts long term obligations. Page 14 and 15 details the balance sheet for accounting and reconciliation between modified accrual and full accrual basis. Under the undesignated fund balance, there is a little over 4 million dollars, that represents about 37% of operating expenses. They start sending you letters when it comes down to about 24%.

Last year was about 34%. He went on to explain page 16, 17 – total expenditures over revenue of 1.2 million dollars. Net change in fund balance was decrease in over 500,000. Page 19 has statement of net assets with main fund being water and sewer operations, total assets of almost 23 million and total current liabilities of 1.3 million, non-current of almost 3 million, net assets of 18 million. Page 20, is the operating statement for proprietary funds. Operating loss of 360,000. Mayor Whitt asked does that reflect that this balance should balance itself out – I know that we gave A&E a discount on water – is that what this is? TJ and Mr. Kraus answered no. It does show a positive net result of 210,000 – but operations show a loss. Mayor Whitt asked does that operating loss show the cost of the line going out to EG? TJ answered no. Ms. Hubbard asked about 821,000 in depreciation and amortization – those are not cash just book numbers? TJ said that is correct. TJ stated the next page is a cash flow statement and basically the third line from the bottom shows what you want to see, cash going down 310,000 in total. You do have principal payments on debt which are not reflected in your operating expenses. As most of you probably are aware, we have had a history of operating losses in that area. This year did not represent a full year of the rate increase, only ½ of the year included that increase. Page 23 starts the detailed foot notes. Page 51 through about page 79 are the detailed schedules for general fund and operating funds that we will provide by department and expenditure type. On page 80, this shows property tax information. Total of 195,000 in receivables from citizens. Page 81 gives more of a detail of the levy itself. Net levy was 3,330,000. Uncollected taxes of 102,000 by July of 2005. Total collection of 96% of what was built. Vehicles were at a 84% of collection rate. TJ passed around one sheet, trend analysis, attached. He explained the general fund details on this page as well as water and sewer fund information and property tax trends. Mr. Kraus stated the trend of the levy decreasing is very ominous. He stated a part of that decrease might be associated with the Clariant issue, where they added 50 million to the base and then had to take it out. TJ stated overall the general fund balance has been approximately 37% and is a sound, financial number. There is a little room to go down, but you don't want to go down much. Mayor Whitt stated Council may want a work session just with you.

3. Discussion of Inner Basin Transfer. Discussion of Inner Basin Transfer, by Catawba River Keeper. I am here to present potential impacts on town of Mount Holly by physical removal of water before it gets to your intake is water you will not have available for you for quality of life The second is because that water is removed – clean water from this will not flow into Lake Wylie. This was a declared impairment by NC Division , requiring total maximum daily load that keeps down pollution. This impairment was because of excess nutrients – potentially meaning that TMDL, potentially meaning skyrocketing cost of waste water treatment. In lower Catawba lakes, SC almost sued NC because NC issued permit to Charlotte Meck Utility to discharge into Sugar Creek and make their way to SC. SC already had a SC TMDL in place. The two parties met in Davidson to hammer out negotiated settlement to avoid court- City of Charlotte had to place 66 million worth of additional treatment infrastructure at all plants. That is your future, in the long term, if Lake Wylie continues to be impaired and stays on that list and clean water is removed before it gets to Lake Wylie. That is why this affects you directly even though the action is in Concord and Cornelius. At the end of this presentation, I will be asking you to take resolution against allowing this action to take place. Concord and

Kannapolis are in Cabarrus County – they are situated in Rocky River Basin, contributory of Yadkin, Pee-Dee River. During the drought, they had a very hard time meeting the needs for water use for their municipalities, they started searching for alternatives to meet future water demands and in that they had four alternatives including this inner basin transfer. This would pipe water from one watershed to another, very unnatural. She presented the four possibilities, including the preferred alternative asking for 48 million gallons per day, for 38 million from Catawba and 10 million from Yadkin, Pee-Dee. The state law governing inner basin transfers requires them to list alternatives, and they did list two including one to put in new water line beneath their city and pump back up to their water source and recycle their water and not use inner basin transfer. The next was still applying for inner basin getting water from Lake Norma land returning to McAlpine Creek as wastewater. She went over each alternative in detail, explaining how each would affect our city / local lakes and water supply. The preferred alternative, only included one page of financial information. The estimated cost was 70.2 million dollars. As we analyze the preferred alternative, they did not include any information including route of the water line. They did not provide information on how large of a diameter of pipeline this would require. What puzzles us is this would require easements from thousands of property owners. As we looked further into this, we saw again this same language, here the cost is 37.3 million with no additional cost analyses. Why was this so much cheaper? In this impact statement, one thing that is helpful is to illustrate that the preferred alternative is the cheaper choice. This does not add up for them, we cannot make this make sense she stated. They did not describe environmental impacts or routing information and that is required. The other thing that we found is that there is no modeling done to determine the impact on the Yadkin Pee-Dee. We wanted to see if they accurately presented to the public the impact it would have on the Catawba River basin and its citizens. Again we found no construction impacts, outdated information prior to drought, The state is making them correct this. Initially, the state has made them run four model runs. We want to present this to FERC (the regulatory commission). A lot of the cities have stated they want to wait until new water and lake levels are correctly notated prior to approving this. Duke Power has a tremendous amount of complexity arising with new white water activities, etc and we need to be aware of the effect on the lake before we agree to anything. The preferred alternative was the most consumptive, requested more water than any other alternative. We believe it is the most expensive. Rather than having water out of one resource, they propose two that doubles the infrastructure cost, doubles land acquisition cost, doubles right of way needs, etc. Our analysis is that it would be the most important and finally, it will have the most direct impact to the environment, and tremendous and most expensive impact on Lake Wylie. For the volume of waste flow allowed in the South Fork, it needs clean water from Catawba to equal this out. She explained the NC Certification Application and they sent out a limited public notice from the state. Now we have a petition process that has deadlines. The marine commissions noted concern that they were not notified about this application for inner basin transfer. NC has not agreed to open a public comment period. The EMC is appointed by the governor and by house of representatives and senate and they can take information at any time. We ask that you send resolution directly to them. She explained the procedural concerns for this IBT (inner basin transfer). The applicants spends a lot of time working with the people in Raleigh, we the ones affected had one hearing in August,

none held here locally. There is concern about how this has been handled by the state. We have a tremendous amount of concern. The wastewater impact is not included in IBT application and the cities effected need to know this. When TMDL is passed, the implantation is born by the local governments. One pertinent question is whether Concord / Kannapolis is going to help Mount Holly with costs for water quality / wastewater. In conclusion, out of the 400 pages of application, they continuously stated how hurt their communities were by the drought, but never took into consideration our problems that arose from this as well. They did not fairly note the impact on our lakes / rivers as well. She turned over the rest of her presentation to the local marine commissioners. She presents council with resolutions from local counties, cities for council review prior to their making a resolution. The marine commissioners stated we have purposes for the commission and water quality is number one and water quality is monitored by an environmental group in Charlotte, land use and environment around lake is monitored, wildlife is an issue and protection and providing safety for those people on and around the lake. We will present our information to body of EMC. We are concerned about several things – growth, water usage. Textile usage is a factor as well as drought. If we take Lake Norman, with those million dollar homes, etc, they don't want to lose the water levels. We have to look at all of this. As a gate keeper, if they want 38 million, how do we monitor how much they actually take? Mayor Whitt thanked all those presenting for being here. Ms. Beck stated the York County Council made a real interesting observation that the water that is in York County provides for an economic engine that draws business to that area, as they lose water, Concord and Kannapolis becomes more of a competitor. We don't want this same problem. I don't see any way this can help Mt. Holly. Record keeper stated she hopes Council will take action at next regular meeting.

4. Discussion of Strategic Plan. Mr. Kraus stated possibility of facilitator to determine best course of action. We have contacted institute of government and are following up on any information they give. Mr. McLean and Mr. Moore are in support of a facilitator. Ms. Hubbard stated she supported this as well. Ms. Harris stated one way or the other, majority vote is okay with me. Mr. Bishop stated okay. Mr. Hope stated a facilitator is okay if they have knowledge of this area. Mayor Whitt there is someone in Davidson who is retired who might be able to help us. Mr. Kraus stated there may be an opening in the end of January and early February, Ann Davidson. Mr. Hope stated you did have someone in mind that is qualified. Mr. Kraus stated this is from the Institute of Government. Mayor Whitt stated this should be put in a work session for just that purpose. Mayor Whitt stated this should be a separation session, just for that one session. Mr. Hope stated let's meet her schedule.

5. Discussion on Appointments. Mr. Kraus stated as you know you have to make an appointment to the planning commission coming up – only two in the ETJ. We will probably appoint another in –city planning commission member in January as the Michael's are moving. Mr. Kraus stated we did not do appointments this year. We need to have appointments for spring fest, etc. Mayor Whitt asked about odd appointment dates / renewal months, etc. Mr. Jackson stated this is not a set date, just a three year term from start date. Mrs. Hubbard asked about names for those who have expressed interest. Mr. Kraus stated we have two eligible candidates that live within the ETJ. Mr. Jackson

stated we have nine positions, seven inside, and two ETJ. One inside and one outside will be needed. Mayor Whitt stated with regard to appointments, David Moore has been appointed to ABC. COG, TAC, Image Committee to County will be set up. I am going to set up a beautification committee, land use, utility, construction, archives, storm water, and public safety committees. I want them to bring information to the table, real working committees. I am looking forward to this. Hopefully most of this will be done by the next committee.

6. Update on Citizens Center. Mr. Kraus stated he has three sets of photos – Where we stand on this, is we need to start making decisions. We need detailed cost estimates, which we should have within the next few weeks. In terms of outside of building, when we removed the brick façade, we found the brick underneath was painted, David Creech has given us information about these painted mills. The thought was that to remove the paint would be too expensive, historically it would be better to retain it as a painted mill. As you can see, they kept the windows and bricked them in. We did have some problems with roof leakage. Where they tore down part of the building, they way they sealed the hole did not completely seal and that is being done as original contract. Mayor Whitt stated we will have a cost estimate like ABC board and right now we are incurring no additional expense at this time? Mr. Kraus stated we are incurring minor architectural costs. The gas line had to be turned off in order to do this construction. The sprinkler system was turned off and drained. Once gas is hooked back up, heat will be back on and sprinklers will be back up. Mr. Hope asked about power bill. Jaime stated it is around 1200 per month. Mr. Hope stated gas is in addition to this. Mr. Kraus stated in the interim, the fire and the police departments have used it for training. Ms. Hubbard asked what do we need to do about tour for painted mills. Mr. Kraus stated we need to pick a date. Mayor Whitt asked are we at the point of not being able to sandblast or chemical peel? Mr. Kraus stated it would be more cost effective to paint, but the architect should talk to you about this. Mayor Whitt stated if they set that up, someone will come. Ms. Hubbard asked do we need tours or can we just go by on our own and look at them? Mr. Whitt stated photographs will be fine.

7. Discussion on Council Retreat. Mayor Whitt asked do we have block-out times for any people? Mr. Kraus stated February 8 – 10, you are in Asheville. Mayor Whitt stated February should be starting point. Mayor Whitt asked about 3rd weekend in February – 17-18- Mr. Kraus stated in previous years we have discussed upcoming budget. Ms. Harris asked about location. Mayor Whitt stated not in downtown MH – maybe Hickory, Greenville. Mayor Whitt asked for any objections for one night out? All okay. Mayor Whitt and Mr. Kraus will set this up.

8. Discussion of Storm Water. Mayor Whitt stated I have gotten some calls from Stonewater Bay, and Kendrick Farms. David and I have been out there and we made Kemp ride with us and we saw numerous violations at Stonewater Bay. It looked like they were trying to take care of business at the other subdivision (Kendrick Farms) much more so than previously. Mr. Kraus stated INENCO reports indicated Kendrick Farms was doing better, but Stonewater is getting progressively worse in regard to environmental and storm water infrastructures. The County does not do soil and erosion

control in storm water. They feel since it was created before ordinance, they feel the state should control it. The state has one inspector to handle five regions. One of the biggest complaints of the subdivisions, is obstruction of roads, driveways, etc. Police Chief Hoyle stated there are two ordinances that we can work with. One is 1341 is a streets type ordinance and it reads that you cannot block or obstruct a sidewalk in general. Another ordinance, 16:2, reads that as long as you leave a ten foot passage in a street, then it is not blocked. The problem is the ten foot buffer may be there, it is inconvenience more than blockage. The construction workers are being ugly to residents, etc. We told them they will create new laws if they don't learn to treat the residents better. Mr. Kraus stated the builder feels the residents are upset as it was sold to New South. Residents feel they have spent a lot of money and should not have to deal with debris and porta-potties on side walk, etc. Some of the lots prevent passage with dumpsters, port-a-johns, etc. Mr. Jackson stated we are caught in the middle of the construction owners, property owners, etc. Mr. Kraus stated we will have them clear off sidewalks and then it starts all over again when new contractor comes in. Same situation as Ryan Homes. Mayor Whitt asked have you enforced anything? Mr. Kraus stated they clean streets twice per week and we enforce keeping sidewalks kept clean. Mayor Whitt stated one resident could not even back out of a driveway. Mr. Kraus stated we told that homeowner to call the police when this happens. Mr. Kraus stated the environmental side has to be dealt with, the nuisance side will be there. Mayor Whitt stated we do not enforce erosion control with silt being washed down storm drains? Mr. Kraus stated this is left up to the County for the most part. Certainly, we can talk to the County and discuss going back into the business ourselves. Mr. Hope asked do we have this in all of our developers? No. For example, Robert Yadco was fined \$5000 for dumping concrete in a basin at Deerfield. Several developments we went through were cleaner / more updated than Stonewater Bay. Mayor Whitt asked does the County collect money to enforce this? Mr. Kraus stated yes. Mayor Whitt asked on our water bill, the fee for storm water, what is that? Mr. Kraus stated for public education, illicit discharge detection. It certainly could go toward erosion control. Mr. Jackson stated 150.00 charged by county over an acre. Under an acre is exempt. That is an ordinance adopted county wide and by the city. Mr. Kraus stated while drafting, this is so it would not be burdensome to the homeowner. Ms. Hubbard stated we have no acre lots, no wonder we have no help. Mr. Hope stated the development like that falls in a different specification, total acreage, not per lot. The one acre applies only if you as a homeowner are doing something in your yard, etc. Mayor Whitt stated to Mr. Barfield that it looked as though they were making progress. Mr. Barfield stated there are two different aspects, grading comes from state, but once it is subdivided there is a different procedure. Mayor Whitt asked for report from Mr. Owens by Mr. Kraus tomorrow.

10. Discussion of Streetscape. Mr. Kraus stated this is as much about awnings as this is about streetscapes. Mr. Kraus handed out pictures of downtown in 1920s and 1950s. Recommendation from staff is if we replace awnings we remove, we should require those awnings to be of this historic character. We have discussed with Greg the possibility of amending development standings for awning structures. Mr. Hope asked why was this not addressed earlier? Mr. Kraus stated WK Dickson stated they would only originally remove two awnings that had posts in sidewalks, Somewhere in construction they have

required other awnings to be removed and just removed them without notice. We have a contractor who removed them, and engineer who stated it was not responsible and businesses we need to be fair to. Mayor Whitt stated we need to reimburse property owners, and then seek city reimbursement from engineering , construction group, but we get to choose the awning type. If they do not follow our awning requests, they will not be reimbursed. Average cost will be 2000 dollars for each awning. In addition, the companies that do the awnings, said they will offer discount if we use just one company. Mayor Whitt stated it seems we need all owners on board that are affected. Mr. Kraus stated yes if Council so directs. Mr. Moore stated we need to be fair. Mr. Hope stated we have a liability and we need uniformity to match streetscape. Ms. Hubbard stated we did not do anything about Central, for Charlie's, Elizabeth's and other side of pet store. City Café awning is off right of way. Ms. Hubbard stated Reggies' did totally different awnings. Mr. Kraus stated we would not affect them. Mr. Hubbard stated if they have existing awnings, not damaged, we can give them the name but we are not responsible for providing awnings for them. Mr. Hope stated yes I agree our liability stops there. Ms. Hubbard stated if we get a discount, we could send letter to all others interested with contact name and number. Mayor Whitt asked how many are affected? Mr. Kraus stated 5. Mayor Whitt stated you talk to the business owners, make suggestions and we discuss the findings at further time. Council reached consensus and will discuss at later date after owner opinion is obtained.

ROUND TABLE

Councilman Moore – On the streetscapes, as far as planting, when will that start? That needs to be done very soon. He also stated the police car that rolled, he was asking about a report on that and who investigated etc? Mr. Hoyle stated High way Patrol investigated. And the Insurance Company took the car. I informed them it was insured under fleet insurance. The settlement check of 17,500 will be mailed next week. That car was six months old per Jaime. Mr. Moore asked can I get a copy of that report so I can pass it on. Chief Hoyle agreed.

Councilman McLean – nothing further.

Councilman Hope- I would like staff to go into closed at next meeting for update on personnel.

Councilman Bishop – Two trees at Park have not been cut down at Tuck that are dead. At Riverfront, I have had complaints about sprinklers coming on and it ices the entire intersection. Mr. Kraus stated we will contact homeowner's assoc.

Councilwoman Harris – nothing further.

Councilwoman Hubbard – nothing further.

Mayor Whitt – Bryan sent an email to me about Flag outside of City Hall – he was concerned it was never taken down and if not we should light it. Mr. Bishop stated it

should be lighted if it flies all night. Mr. Kraus stated then it should be taken down at night if we don't have a light put in. Mr. Kraus stated he would look into this. Mr. Bishop **MOVES** to adjourn. **SECONDED** by Mr. Moore. Motion carries.

Meeting adjourned by Mayor Whitt at 8:36 p.m.

Clerk

Mayor

jmb