

**MOUNT AIRY, NORTH CAROLINA
REGULAR MEETING MINUTES
May 16, 2019**

MEMBERS PRESENT: Mayor David L. Rowe, Commissioners Jim Armbrister, Dean Brown, Shirley Brinkley, Jon Cawley, and Steve Yokeley

APPROVAL OF AGENDA:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed unanimously, the agenda was approved.

CONSENT AGENDA:

On motion by Commissioner Brown, seconded by Commissioner Brinkley and passed unanimously, the following items were approved by way of consent agenda:

- **APPROVAL OF May 2, 2019 REGULAR MEETING MINUTES:** _____
- **RESOLUTION 2019-078-SETTING PUBLIC HEARING FOR PROPOSED FY 2019-2020 BUDGET:**

RESOLUTION NUMBER 2019-078

RESOLUTION SETTING PUBLIC HEARING ON THE PROPOSED FISCAL YEAR 2019-2020 BUDGET

WHEREAS, the proposed fiscal year 2019-2020 budget for the City of Mount Airy has been presented to the Board of Commissioners (Presented May 16, 2019) and is available for inspection online (www.mountairy.org) and in the office of the City Clerk at the Municipal Building from 8:00 am to 5:00 pm weekdays; and

WHEREAS, North Carolina General Statute 159-12 states that before adopting the budget ordinance, the board shall hold a public hearing at which time any persons who wish to be heard on the budget may appear:

NOW, THEREFORE BE IT RESOLVED BY THE CITY OF MOUNT AIRY BOARD OF COMMISSIONERS MEETING IN OPEN SESSION THAT:

- Section 1. The Mayor and Board of Commissioners of the City of Mount Airy does hereby set a public hearing on the proposed fiscal year 2019-2020 budget for Thursday, June 6, 2019 at 7:00 pm in the Council Chambers and further authorizes the City Clerk to advertise said hearing.
- Section 2. The Mayor and City Clerk are authorized to execute all related documents.
- Section 3. This resolution shall become effective upon approval.

Approved and adopted this the 16th day of May, 2019.

- **RESOLUTION 2019-079-APPROVING MEMORANDUM OF UNDERSTANDING WITH SURRY COUNTY FARMER'S MARKET, INC.:**

RESOLUTION NUMBER 2019-079

RESOLUTION APPROVING MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF MOUNT AIRY AND SURRY COUNTY FARMER'S MARKET, INC.

WHEREAS, under the License Agreement between the City of Mount Airy and the USPS, the City is the owner of a license to use the parking lot of the USPS on Main Street (PID 5020-16-74-8365); and

WHEREAS, included under the License Agreement, the city has the authority to contract with private or nonprofit organizations for purposes of operating a farmer's market; and

WHEREAS, the Surry County Farmer's Market, Inc. (SCFM) operates a farmer's market on the United States Post Office (USPS) parking lot); and

WHEREAS, the SCFM is a private, nonprofit organization and is qualified to operate a public farmer's market. The SCFM will be in charge of the weekly market and shall also provide the appropriate insurance; and

WHEREAS, the farmer's market season generally runs from April 20th to November 1st with some flexibility allowed in starting and ending the season based on weather, vendor availability, and the like; and

WHEREAS, the market runs each Friday between the hours of 9:00 am and 1:00 pm during the market season, weather permitting; and

WHEREAS, it is staff recommendation for approval of said Memorandum of Understanding;

NOW, THEREFORE BE IT RESOLVED BY THE CITY OF MOUNT AIRY BOARD OF COMMISSIONERS MEETING IN OPEN SESSION THAT:

Section 1. The Board of Commissioners does hereby approve the Memorandum of Understanding between the City of Mount Airy and the Surry County Farmer's Market, Inc.

Section 2. The Board of Commissioners does hereby authorize the Mayor to execute said document upon review and approval by the City Attorney.

Section 3. This resolution shall become effective upon approval.

Approved and adopted this the 16th day of May, 2019.

(end of consent agenda)

SPECIAL PRESENTATIONS:

a) Recognition of Granite City Greenway Art Project Artists:

Darren Lewis recognized those artists who donated their time, supplies, and expertise to paint the manhole covers along the Granite City Greenway. Those artists are:

Crystal Wooten

Cathy and Laken Williams

Alicia and Cassidy Nave

Gin Denton

Seth McLendon

Myriah McComb

Lanie Fitzgerald

Cassie Hull

Tonya and Michael Senter

Cindy Brown

Heather Poteat and Melinda Cummings

Edwards Family

Girl Scout Troop 02320

Natalie Lowe

Cub Scout Pack 596

Bridgette and Brittney Slate

Jerry Atkins

b) Public Works Week Proclamation:

Mayor Rowe read the proclamation declaring the week of May 19-25, 2019 as National Public Works Week in the City of Mount Airy. Mayor Rowe then presented the proclamation to Jeff Boyles, Public Works Director.

PUBLIC FORUM:

Mayor Rowe: This is an opportunity for anyone in the audience to address the board. Please come up to the podium, state your name, address, and whether or not you reside in the city limits. You will be given three minutes to make your comments and the City Clerk will ring the bell to signal when your three minutes are up. I ask that you state your thoughts, facts, and opinions in a respectful manner. This shall not include name calling or defamation of anyone's character. After the public forum is closed, all items on the agenda will be for board discussion only—the audience will not be recognized for comments. I do ask that when the bell rings, please stop your comments. I don't want to have to gavel you. I now declare the public forum open.

Mayor Rowe declared the public forum open.

Mayor Rowe: Anyone wish to speak? All right, seeing no one who wishes to speak, I declare the public forum closed.

Mayor Rowe declared the public forum closed.

OLD BUSINESS:

a) Board Discussion and Consideration of Funding Adopt-A-Street Project-Commissioner Brinkley:

Commissioner Brinkley stated the Appearance Commission has requested \$1,000/year in the budget to start the Adopt-A-Street project in Mount Airy. She feels this is an outstanding opportunity for the city. She would like to take care of the funding of \$1,000/year for this project to be looked at each year to see how it is standing.

Commissioner Armbrister asked about opportunities with NCDOT programs and what opportunities the Appearance Commission has found regarding sponsorships that will help offset the cost.

Allen Burton stated the NCDOT program is Adopt-A-Highway. He stated at the previous meeting that he does not feel good about asking for donations to sponsor this project from businesses/volunteers. If someone wants to give money to sponsor this street, then they are welcome to donate.

Barbara Jones stated that the volunteers who will be picking up trash will have to sign a release of liability waiver.

Commissioner Armbrister thinks it is a good idea but he needs more answers before he would go with it; however, he wouldn't mind seeing it on a trial basis for a year.

Commissioner Yokeley stated he has no problem with the city providing \$1,000 but thinks private individuals, groups, and businesses should be asked to sponsor this. He feels that would get more volunteers.

Commissioner Brinkley made a motion to appropriate \$1,000 for one year for the Adopt-A-Street project and evaluate it on a yearly basis. Commissioner Brown seconded it and it was approved by a four to one vote:

Vote Aye: Commissioners Brinkley, Brown, Yokeley, and Cawley

Vote Nay: Commissioner Armbrister

b) Board Discussion and Consideration of Mount Airy Park Place, LLC to Convey Certain Properties Within Spencer's Mill to the City of Mount Airy-Commissioner Brinkley:

Commissioner Brinkley: We discussed this at the last meeting and asked for it to come back for us to make some decisions. We need to do our housekeeping on this matter because the Park Place, LLC needs to be resolved. We have three people on this LLC that are volunteers and if something were to happen to these buildings, liability-wise, these three volunteers would be responsible. They would be liable if there were a death or an injury of any type. As a courtesy to them as well as being able to move forward with the area that we are trying to get developed, we need to dissolve this. I believe we had a unanimous vote to form the LLC and I believe it would be honorable to have a unanimous vote to get these properties removed so these volunteers can get on with their lives and not be uneasy about volunteering for something that was so important at the time. It has run its course and we don't need it anymore.

Hugh Campbell: I think the consideration before the board is directing Park Place, LLC to transfer the property that it owns or has control over within the Spencer's campus back to the ownership of the City of Mount Airy. As a refresher, I will remind you that this will require a four-to-one vote based on the previous rule that was adopted in August of last year-that any activity that is undertaken by the LLC is supposed to be at the direction of a super-majority vote of this board. That was a rule that you put in place at the same time that the "Spencer's Rule" super-majority vote was put in place-to govern the actions of the LLC as the property owner during the period of this redevelopment.

Commissioner Brinkley: Thank you. I am encouraging that we do it to be able to remove those three volunteers from the liability they are facing.

Mayor Rowe: What are the consequences of not doing this?

Hugh Campbell: I have been thinking about that and have come up with a few considerations.

1-Property Taxes. Because the property is in the hands of a private, tax-paying entity, there are property taxes to the city and the county that have to be paid annually. The city had loaned that money to the LLC to pay those taxes. It was always contemplated that would be the case that when the private developer came along, the properties would be sold to the private developer and those loans for the taxes to be paid would be recouped by the city. those taxes continue to accrue and if this property stays in the LLC, there will be taxes to be paid next year.

2-Liability of Volunteers. When this board started this process, there were three people-myself, Gene Rees, and Rodney Rosser-who volunteered to serve as the members and managers of Mount Airy Park Place, LLC. That was fine then, the idea was that it was short-term, that we were placeholders waiting for that developer to come along and take over the project. That developer hasn't materialized and here we are now with buildings that have been condemned and at least on paper, Mount Airy Park Place, LLC is the owner of those buildings. I would ask you to consider whether or not you would step in and be the member and the owner of these buildings but you have no money to repair and to protect-that is the reality of us who volunteered. We are sitting here with a potential premises liability that we didn't ask for. I know the city would stand behind us because that is what the city agreed to do, but nevertheless, that is an uncomfortable position to be in.

3-LLC's have run their course. They don't serve the purpose for which they were originally intended. That is to say that when the LLC's were put into place, the idea was there would be a single owner from December, 2017 to get the tax credits and develop these properties and have everything completed by December 31, 2020. That was the reason the LLC's were created-to hold title for those developers to come. We are now in the short rows and I don't think it would be feasible for a developer to come in with the condition the buildings are in and redevelop those and be completed by December 31, 2020. There is no practical reason to have the LLC's-there is no tax benefit or developer to come in to try to seize these particular tax credits.

4-Demolition. Demolition is on the agenda-that is a board decision. I do think if the board is contemplating demolition, the properties should be owned by the city so you have site control and can do the demolition. That is the will of the board, this is just a side issue.

The most compelling issues are 1-3. Those are the most compelling issues for the city to direct by a super-majority or unanimous vote that the properties that are owned or controlled by the LLC should come back to the city for future work.

Commissioner Brinkley: That was set up because of the tax credits, which no one could possibly get anything developed by the 2020 deadline.

Hugh Campbell: I don't think it would be a simple matter because there just isn't enough time left with the conditions that the buildings are in. I don't think that it could be done to get State approvals, to get the plans approved, and to have the development completed by that date. If they can't complete them, then the tax credit risk is too great for a developer to speculate on because there is a claw back that the developers would have to reimburse those tax credits if they aren't completed in the timeframe.

Commissioner Cawley: If we do this tonight, would that also change the requirement of the vote in the future to make it three-to-two?

Hugh Campbell: That was previously effectuated by a prior vote of this board. If a property is owned by the City, then we are back to the three-to-two majority vote.

Commissioner Cawley: Didn't one of the reasons we formed the LLC include that it would be a lot easier for them to buy and sell property-especially sell it than it is for the city?

Hugh Campbell: I don't believe so because the idea would have been that any potential developer would have become a member of the LLC and the city would have come out of it. Park Place, LLC wasn't going to do anything and wasn't authorized to do anything without the super-majority direction of this board.

Commissioner Cawley: I thought that Park Place, LLC could have more control over selling property than the city would have.

Hugh Campbell: Not the way it was set up. I think the sole purpose of the LLC was for the tax credits. It didn't really have anything to do with the ability to sell property more easily than the city. It was simply to get it into the hands of a private entity controlled by the city to measure the activities of the LLC to simply access the tax credits. There was never any thought that the LLC could act dependently of this board.

Commissioner Cawley: I understand the LLC wasn't going to act independently, but I also understood at the time that the LLC approved by the city for purposes of the city's desire could sell a property without having to go through all the steps that the city would have to go through if we sell a property.

Hugh Campbell: That is a consideration.

Commissioner Brinkley: Another reason I wanted us to bring this up was because of the deterioration of the buildings-to remove it from the LLC so that if we did decide on demolition, the buildings aren't sellable now. That was one of the reasons to try to move forward because those buildings have deteriorated to the point that they aren't really usable now.

Hugh Campbell: We can't dissolve the LLC because it still owns those assets. If it were to dissolve, then those properties would pass, by law, to the three volunteer members of the

LLC. It needs to stay in place and convey the properties back to the city or some other owner. I am not advocating one way or another, but I do think that in terms of the taxes and the purposes for which the LLC was established, they are good reasons to convey the property back to the city. At this point, I don't see a reason for the LLC to continue to exist and hold on to this property given that under the current rules, it required a super-majority vote of this board for the LLC to sell property, which would be the exact requirement this board has under the Charter--the board can sell property by a super-majority vote. The super-majority requirement is the same whether the LLC is selling property or if this board was selling property.

Commissioner Brinkley: My concern is for liability--what the volunteers' responsibility would be if something were to happen to this piece of property that is with the LLC. I think it is unfair for us to keep it there because if there was a fire or an injury, you all are holding the bag and I don't think that is right.

Hugh Campbell: If any of the current members of the LLC were to resign, under the rule that was adopted, it would require a super-majority rule to replace those members. I do think the circumstances have changed from the standpoint that when we started this, it was a short-term commitment and the buildings had not deteriorated to the point they are now and we didn't have this structural information that we have now. I am speaking for myself--I will continue to stay on as a member of the LLC if necessary.

Commissioner Brown: If one of the other members are here, maybe they could speak on how they feel.

Gene Rees: I think this LLC was set up to provide continuity of ownership. Under the tax credit rules, if the city had owned property at that time and a developer came in at a later date, they would have received a less favorable tax treatment. In other words, the city couldn't have owned it previously and hand it to a developer at a later date and that developer receive maximum tax credits. The LLC was just a holding entity that could pass from whoever the members were at that time and replace them at a later date and those members could receive the maximum tax credit. This past December, the federal tax credit board put in some transitional rules for the tax credit programs and two rules are very important here. One--the project has to be placed in service by December 2020. Two--the meter starts running July 1, 2019. In hindsight, when Park Place, LLC and Spencer's Hospitality LLC submitted part two--the design application, that included the Barter Theatre, Dana's hotel and all these buildings were included in that development. When that submittal was done, the signature on the application is these LLC's to protect the tax credits for Dana and the Barter. That application hasn't gone forward and this Spencer's project is having to be brought back in and you decide what to tear down, if to tear down...whatever you decide to do. The unfortunate thing about that part two application being submitted is the LLC's are joined at the hip to that design. In order for you to either tear down all, part, or none of these buildings and do something later, you can't do it. You will have to hire another architect and go through this part two application all over again. Park Place can't decide tonight or next year to take a few buildings down or carve the cube out and go about your way--it will not be permitted. The only way to extricate all of these properties from the bounds of that part two application that was submitted two years ago is to unravel Park

Place LLC and Spencer's Hospitality LLC completely and get those properties back in the hands of the City. The City isn't bound by the same requirements as the LLC's.

Commissioner Brinkley made a motion directing Mount Airy Park Place, LLC to convey the property that it owns or has control over in the Spencer's Mill complex back to the City of Mount Airy. Commissioner Brown seconded it and it was approved unanimously.

c) Board Discussion and Consideration of Demolition of Certain Properties Within Spencer's Mill-Commissioner Brinkley:

Commissioner Brinkley: We discussed this before and you heard my response that we need to move forward with demolition. There is a condition that we need to always consider, that we are stewards of the taxpayers of the city. There is property that we have been told is dangerous and we have been told it could catch on fire, fall, etc. There are people's lives that are at stake and I think we need to look at this as a big picture. We need to do what would be expected of us if it were our own children living across the street or ourselves living there. We are talking about three different areas where there are families-the Housing Authority, houses on Franklin Street, and the apartments and condos on Virginia Street and Willow Street. We have heard the dangers and I would like for us to make a motion to remove the properties that were discussed last time by demolition. There is a lot that needs to be talked about when we start talking about demolition. We first need to make a motion that we are going to get rid of these properties and I don't recall exactly which ones they are. I think we need to get very serious about this if we are going to move forward with the Spencer's property. If the buildings aren't removed, we are setting ourselves up for liability.

Commissioner Armbrister: One thing, we haven't worked out how to pay for it. Those scenarios-the first scenario would be the Discount House and Finishing Room and the old bank, it was broken down for inspections cost and abatement cost. For those, the amount was \$325,000 demolition cost. Where is that coming from? Also mentioned is the cube building and the Reynolds building-they are mentioned in the demolition report. Is there opportunity that we will be demolishing those as well? If not, why would they be on here and also that brings the total to \$737,400 to include them. We need to identify which buildings, why, and where the money is coming from. I think it is premature without knowing where the money is coming from. I mentioned earlier on this that we have some potential pending sales on some properties and some other avenues and sources that we wouldn't have to touch our current budget funds. Those haven't been concreted yet so I can't really talk about those and know that we can do that-we haven't made a decision on it. I would have to vote against it due to the lack of knowing exactly which buildings, the total cost, and where the money is coming from. I would have to vote no at this time. I do want to see the initial ones demolished but I won't be comfortable in knowing how we are going to handle it before we do.

Commissioner Cawley: We had certain buildings looked at because it was advantageous to have single structures sitting by themselves in order to sell those. All of a sudden, the sky is falling and if we don't get them taken down this week, we have decided that someone might die. We haven't examined those buildings that will be more likely to be sold if those other roof lines aren't touching them. Do we just assume those are all ok now? I know that Mr. Vaughn said last time there was a new roof put on one of the buildings in 2005. If the same

energy had been spent to examine those buildings, would they have also been condemned? Are we going to leave those standing-we are in such a hurry right now to get this demolition done that everything seems, to me, to be up in the air. We don't know how to pay for it and it doesn't seem to matter to anyone except the ones that it matters to. What if the other buildings aren't safe-are we sure they are? I would love to see a contract on several of the other properties before we demolish anything because tomorrow, someone could show up and say they would have liked it all as it was, I could have had more space under roof...I can fix a roof. I will remind everyone that several months ago, there was nothing wrong with any of these buildings as far as we were concerned and then in order to sell them, all of a sudden they are all dangerous and about to cave in, except the ones we want to sell individually...they are still good. That is too much of a coincidence for me.

Commissioner Brinkley: Buildings do deteriorate quickly when they aren't being lived in our used. We also have to consider the apartments that are being built-no one is going to rent them for \$1,200 a month if we have all this sitting there for those people to look at. He set up a plan as to what he thought he could get for each apartment and I feel he was assuming that the development would take place close by him. Now, he is left looking at this and his tenants will be looking at this so getting the people in that can pay what he was hoping to get is unlikely if they have this next door. There is danger here. Everything is hypothetical but we also have enough information to be able to make some educated guesses of what really could happen. I wouldn't want to live across the street from this knowing that something could fall...look at the old Koozies building, they have already had to wrap tape around that because of wind. In order for us to develop and have people do something here, we have sat on this and bickered about this forever. It is time for us to move forward and if it means demolition, the money would eventually come to us through revenue. We are going to start seeing some changes, but we won't start seeing them until we do a little better on our part to get rid of what we have been told is dangerous.

Commissioner Cawley: You didn't say it exactly this way, but you hinted at the fact that if we demolish, those apartments are going to rent for \$1,200.

Commissioner Brinkley: That is speculation.

Mayor Rowe: I think the PTRC commissioned Moore and Associates to do a structural assessment report on the cube building. You have demolition prices on what the board originally requested was for the Discount House, Finishing Room, and the old bank. The reason you have prices for the cube building and Reynolds building is because as long as the people were going to be here estimated what the cost would be to demolish what you asked for, it just made sense for them to give prices for the other while they were here in the event that if you decided to take them all down. That way, they wouldn't have to come back-it was just for your information only.

Commissioner Armbrister: That is superb. That is the type of report I want to see on these types of things. What is the opportunity for chance that we may need to deal with demolishing the cube or Reynolds building? Since they are on here, it makes me wonder is there potential for us to need to demolish those and include those figures in additional to the initial.

Mayor Rowe: No one knows about the Reynolds building. A couple of observations from Mr. Moore was it looked good to him but he didn't do any study. The others that we are talking about, when Mr. Vaughn first looked through them, he explained to me things he saw. When Mr. Moore did his study, his conclusion was it would cost more to fix than it would be to demolish. The Reynolds building hasn't been looked at other than the cost of demolishing. As far as the cost goes, you have a potential for selling the hotel for "x" amount, you have some hope that the county might contribute half the demolition cost, and there is some hope that MAD, Inc. will contribute a certain amount of money. With that, you have the potential of a cost between \$75,000 and \$25,000 and all of this is subjective. I don't think it would take all that much out of our fund balance to pay for it. It might have to come from fund balance but it would be restored if the other comes into play.

Commissioner Brinkley: Something that we need to remember is there was a structural assessment report done on the PTRC building and it was in good condition. We don't have to be concerned about the cube building at this point. The hotel building is safe-that one is marketable. Charlie said it got a new roof in 2005 and the building is structurally sound. The reason we had the engineer report done was because Charlie had concerns about the structural integrity. The only ones we are talking about demolishing are the ones that were condemned. I was looking back in the minutes, and Commissioner Armbrister did say he would support taking these buildings down at the last meeting.

Commissioner Armbrister: I will and I do...it is just the financing.

Commissioner Brinkley: I am just trying to get us to move forward. We have tried being cautious too many times. We don't know what is going to happen but the thing I am concerned about is being good stewards to the people around these buildings. That is my concern.

Commissioner Yokeley: The buildings that are being considered for demolition are the Discount House, the Finishing Room, and the old bank.

Commissioner Cawley: Wouldn't it make a lot of sense to have an exact price and know who is going to add money and what it is going to cost us?

Commissioner Brinkley: I agree with that. When we get ready to ask for a bid, we need to get service contract bids. The bid may not be the lowest price, but it would be a person who is familiar with demolishing old buildings like this. We have estimates, but how long does it take to get contract bids?

Commissioner Armbrister: He said some of them were actually submitted in that format and again, it totaled out \$325,000 for those buildings. What I need to know is where that is coming from. We need some people to lock it in. I am fine with demo, I just need to get that locked in before.

Mayor Rowe: I think we did determine that it doesn't have to be bid as long as you have a reasonable price from a contractor that can furnish bonds. Putting it out to bid will take months to do.

Commissioner Yokeley: We purchased this property five years ago and they were in good condition then and now, we are at the point that a structural engineer determined they needed to be demolished. Before long, we are going to be talking about demolishing all of these buildings and having nothing to show for it. I agree with Commissioner Brinkley-we need to make a decision tonight and move forward with demolishing the buildings.

Commissioner Armbrister: I would say make a decision on how to pay for it also.

Commissioner Yokeley: That should be discussed later in the meeting.

Commissioner Brinkley: We need to make a decision on demolishing.

Commissioner Yokeley: We know the cost. Now, we need to determine how to pay for it and there are some other things that we need to determine the same. There are things that are absolutely needed and we need to determine how to pay for it.

Commissioner Cawley: So we are voting on something not knowing how we are going to pay for it.

Commissioner Brinkley: I think later on, we will probably have a clearer picture of how much money it is going to cost us because it is in the red...\$325,000 isn't written in stone.

Mayor Rowe: It isn't written in stone but the person who gave the low price is a well known demolition contractor who I have a great deal of confidence in. I think their price is reliable. It is an estimate but I think this is a reliable price. What we don't know about is the asbestos abatement. We don't know if the county is going to help, we don't know about the sell of the hotel, we don't know if MAD, Inc. would contribute...

Commissioner Brinkley: If we have a possibility of developers wanting to come in, they know we have made a commitment to get rid of these buildings. The more likelihood of us getting developers to come in are better than us sitting here and not do anything.

**Commissioner Brinkley made a motion to move forward with demolition of the properties within Spencer's Mill (JC Penney Building, Finishing Room, Discount House, and the Old Bank Building). Commissioner Yokeley seconded it and it was approved by a three to two vote:
Vote Aye: Commissioners Brinkley, Yokeley, and Brown
Vote Nay: Commissioners Cawley and Armbrister**

d) Board Discussion of Proposed Elimination of ETJ-Commissioner Yokeley:

Commissioner Yokeley asked what benefit would eliminating the ETJ have for city residents and city property owners.

Andy Goodall stated he wasn't sure. He doesn't know how many people realize that the city controls zoning outside city limits. A lot of those who live outside city limits that he spoke with didn't know the city controlled zoning over their property. The one thing that would be a benefit would be if there was a zoning case that was in the ETJ and the board made a decision that the person in the city limits didn't like...they do have the ability to vote the board members out during that next election. That might be a benefit to the citizens.

Commissioner Brinkley asked why Mount Airy citizens didn't receive the letter that those in the ETJ received about this public hearing.

Andy Goodall stated they followed State Statute requirements. When the ETJ was established, notices had to go to all affected property owners in the ETJ. Those letters did

not go to city residents. There were 2,781 letters were mailed out, if letters were also sent to city residents, that would be an additional 4,500 letters. Staff followed what the School of Government sent out by their interpretation of the State Statutes, which was first class mail to the property owners within the ETJ and newspaper notification. Andy distributed information to the Board in regards to the ETJ.

Commissioner Yokeley doesn't feel this is being transparent to the city citizens. He asked how many other municipalities in N.C. have voluntarily eliminated their ETJ.

Andy Goodall stated the only one he could find that voluntarily eliminated their ETJ in its entirety is Gastonia. Asheville, Weaverville, and Boone have all had theirs removed but it was done by State Legislature. There are quite a few municipalities that have removed portions of their ETJ. Forest City had a public hearing and it was about 50/50 wanting to stay and wanting to eliminate. They elected to send it back to their Planning Board and they elected to keep the ETJ but reduced it to 1/8-mile. Surry County has zoning, so regardless, someone is going to tell you what you can do with your property, it is just a matter of are you going to an office in Mount Airy or an office in Dobson. From conversations with the County's Planning Department, they will work to implement a residential zoning district that mimics the city's R-20 but as far as commercial, he doesn't feel they will be able to mimic some of the city's standards for commercial. Giving up portions of the ETJ is common but relinquishing an entire ETJ is not.

Commissioner Yokeley stated they have heard comments about it being obsolete, unfair, and unconstitutional...has the US Supreme Court ruled on ETJ?

Andy Goodall stated the US Supreme Court hasn't but N.C.'s Supreme Court has and they ruled it is legal. North Carolina is not the only state that uses ETJ.

Mayor Rowe asked about the Planning Board.

Andy Goodall stated the Planning Board is made up of five members in city limits and four members in the ETJ. The Board of Adjustment is the same except they have two alternate members-one in city limits and one in the ETJ. When this was deliberated in the Planning Board meeting, they discussed whether to relinquish the entire thing, give up portions, or keep and they ultimately voted to keep the entire ETJ as is. It was a six to one vote and that one vote had a stipulation that the county put back zoning as it is now.

The Public Hearing for the ETJ discussion is scheduled for Monday, May 20, 2019 7:00 pm at the Mount Airy High School Auditorium.

DISCUSSION OF FUNDING FOR CAPITAL IMPROVEMENTS PLAN-COMMISSIONER YOKELEY:

Commissioner Yokeley: The Board voted to demolish three buildings that is going to cost approximately \$325,000 and we have known for years that there are capital needs in the city that haven't been met. We have had a capital improvement plan but never had a plan on how to fund it. I think it is time we develop a plan and stick to it. I would like to ask Doug Carter, Financial Advisor to help us.

Doug Carter: The first contract that you executed with our firm, which was based upon conversations with city staff, there was a strong objective to look at a true CIP (Capital

Improvements Plan) defining the capital needs, prioritizing them, looking for methods to pay for them, and looking at appropriate timing. Also, as part of that contract, we were to work with you on financial policies of the city. An example of one of those policies is appropriate fund balance that should be set aside for the operations of the city-what would that policy be, how would it be enacted, how would it be annually discussed and approved, and then would that, because you have accumulated reasonable fund balance levels, would there be amounts that remain that you could put in a pay-go fund as a means to have cash to help fund your capital needs. You were presented a ten-year study for both the general fund and for utilities. In the general fund, it was between \$24 million and \$25 million in capital needs in the next 10 years. For the enterprise fund, it was approximately \$18 million. A total of close to \$42 million over a ten-year period. What I would say to you is, we really have started a process because of the contract. I have met with Pam Stone and others so there has been a lot of data gathered. Some of these assets will have such long lives that we could borrow for 20 or more years. At some point in time, I would like to sit down with you and explain how capital budgeting works, various means that you could borrow or acquire funds, grants may/may not be available, here is where you would want to have cost-sharing with others, etc. We began that process and are ready to go forward with it, fully engaging the City Commission. In my opinion, we need to get the operating budget done and then step into the capital budget. We spend a great deal of our time talking to elected officials about the importance of allocating revenues between operations and capital. You own capital assets-they depreciate, so you have to do major maintenance on them. You grow and change as an entity; therefore, you have to add new assets. I think where we need to come to as a group, is to say we have resources-are we properly allocating the amount of resources necessary to acquire capital as needed and to sustain and upkeep the capital that we currently have. The allocation in your current budget does not meet that.

Commissioner Yokeley: How long do you think the first meeting that you would come and discuss everything with us will be?

Doug Carter: I think it will take two or three shorter meetings instead of packing everything in one day. Mount Airy is not the only municipality that is behind on capital planning. Once you start a process, it should occur every year. I am encouraged that you have accumulated enough fund balance that I believe there is some money to have a decent pay-go fund. I would really like to see that set up. As your advisor and what is good policy, if we ever go out to get a rating to do any financing we might have to do, all of those things are very important for that.

Commissioner Yokeley: Can we start the meetings mid-July?

Doug Carter: From my point of view, yes.

Commissioner Brinkley: I would like for us to get started on something. I have watched government go at a snails pace getting things done and I would like to see us move along in a manner that makes sense to a lot of us.

Commissioner Cawley: Right now, our operations budget takes up all of our revenues. Is the only answer to raise revenues?

Doug Carter: I think we were beginning to look at the operating budget. You have a few debts/payments you make now that will trail off in the future so those do create capacities for you in the future so you have some things that can give you some capacities in the future.

Bottom line is if you have to have new assets and to properly maintain the ones you have, you either have to increase your revenues or you have to deal significantly on operations. We need to talk at some point about fees-you can raise your fees that can create additional revenues. You also need to do a prioritization process.

Commissioner Yokeley made a motion to begin the Capital Improvements Plan (CIP) process with the first meeting to be held mid-July, 2019. Commissioner Brinkley seconded it and it was approved by a four to one vote:

Vote Aye: Commissioners Yokeley, Brinkley, Brown, and Cawley

Vote Nay: Commissioner Armbrister

ORDINANCE 2019-038-PROJECT ORDINANCE AMENDMENT #1 FOR SPENCER'S DEVELOPMENT PHASE I INFRASTRUCTURE PROJECT:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed unanimously, the following ordinance was approved:

**ORDINANCE NUMBER 2019-038
PROJECT ORDINANCE AMENDMENT #1
FOR
SPENCERS DEVELOPMENT PHASE I INFRASTRUCTURE PROJECT**

WHEREAS, the City of Mount Airy adopted a project ordinance for the Spencer's Development Phase I Infrastructure Project on January 17, 2019; and

WHEREAS, it is necessary to amend this project ordinance to reflect the water and sewer portion of project costs for infrastructure being funded by the Water and Sewer Fund:

BE IT ORDAINED by the Board of Commissioners of the City of Mount Airy, North Carolina, that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the project ordinance is hereby amended as follows:

Section 3.

The following amounts are appropriated for the project:

Economic and physical development	\$ _____ -
	\$ _____ -

Section 4.

The following revenues are anticipated to be available to complete this project:

Transfer from General Fund	\$ (498,111)
Transfer from Water and Sewer Fund	\$ <u>498,111</u>
	\$ _____ -

Adopted this the 16th day of May, 2019.

ORDINANCE 2019-039-BUDGET ORDINANCE AMENDMENT FOR SPENCER'S DEVELOPMENT PROJECT PHASE I WATER/SEWER INFRASTRUCTURE:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed unanimously, the following ordinance was approved:

**ORDINANCE NUMBER 2019-039
BUDGET ORDINANCE AMENDMENT**

WHEREAS, the City of Mount Airy adopted the 2018-19 budget on June 18, 2018; and

WHEREAS, it is necessary to amend the budget ordinance in order to provide funding from the Water and Sewer Fund for the Spencer's Development Project phase I water and sewer infrastructure; and

WHEREAS, General Statute 159-15 of the North Carolina Government Fiscal Control Act provides authority to amend a current municipal budget:

NOW, THEREFORE, be it ordained that authorization is hereby given to make the following adjustments:

	Increase <u>(Decrease)</u>
Section 1. <u>General Fund Appropriations</u>	
Transfer to Capital Projects Fund	<u>(498,111)</u> <u>(498,111)</u>
Section 2. <u>General Fund Revenue Estimates</u>	
Appropriation of Fund Balance	<u>(498,111)</u> <u>(498,111)</u>
Section 9. <u>Water & Sewer Fund Appropriations</u>	
Transfer to Capital Projects Fund	<u>498,111</u> <u>498,111</u>
Section 2. <u>Water & Sewer Fund Revenue Estimates</u>	
Appropriation of Fund Balance	<u>498,111</u> <u>498,111</u>

Adopted this the 16th day of May, 2019.

ORDINANCE 2019-040-PROJECT ORDINANCE AMENDMENT FOR SPENCER'S DEVELOPMENT PROJECT:

On motion by Commissioner Yokeley, seconded by Commissioner Brinkley and passed unanimously, the following ordinance was approved:

**ORDINANCE NUMBER 2019-040
PROJECT ORDINANCE AMENDMENT
FOR
SPENCERS DEVELOPMENT PROJECT**

WHEREAS, the City of Mount Airy adopted a project ordinance for the Spencer's Development Project on September 1, 2016; and

WHEREAS, it is necessary to amend this project ordinance to reflect costs being paid by a transfer from the General Fund in place of borrowing:

BE IT ORDAINED by the Board of Commissioners of the City of Mount Airy, North Carolina, that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the project ordinance is hereby amended as follows:

Section 3.

The following amounts are appropriated for the project:

Economic and physical development	\$ (151,800)
	<u>\$ (151,800)</u>

Section 4.

The following revenues are anticipated to be available to complete this project:

Proceeds from debt	\$ (388,900)
Transfer from General Fund	\$ 237,100
	<u>\$ (151,800)</u>

Adopted this the 16th day of May, 2019.

ORDINANCE 2019-041-BUDGET ORDINANCE AMENDMENT FOR SPENCER'S DEVELOPMENT PROJECT:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed unanimously, the following ordinance was approved:

**ORDINANCE NUMBER 2019-041
BUDGET ORDINANCE AMENDMENT**

WHEREAS, the City of Mount Airy adopted the 2018-19 budget on June 18, 2018; and

WHEREAS, it is necessary to amend the budget ordinance in order to provide funding for the Spencer's Development project that were originally planned to be funded with borrowing; and

WHEREAS, General Statute 159-15 of the North Carolina Government Fiscal Control Act provides authority to amend a current municipal budget:

NOW, THEREFORE, be it ordained that authorization is hereby given to make the following adjustments:

	<u>Increase (Decrease)</u>
Section 1. <u>General Fund Appropriations</u>	
Transfer to Capital Projects Fund	<u>237,100</u>
	<u>237,100</u>
Section 2. <u>General Fund Revenue Estimates</u>	
Appropriation of Fund Balance	<u>237,100</u>
	<u>237,100</u>

Adopted this the 16th day of May, 2019.

BOARD TO DISCUSS NCDOT BIKE AND PEDESTRIAN PLAN UPDATE-COMMISSIONER ARMBRISTER:

Commissioner Armbrister stated they have had discussions about the needed sidewalk on Renfro Street between Elm Street and Independence Blvd. He received some information about the NCDOT Bike and Pedestrian Plan. He would like staff to research this to see what they have in terms of potential assistance for the needed sidewalk. There is potential for NCDOT to remark the roadway and change the traffic pattern and not lose lane volume. This would be less expensive than the construction of the walkway.

Barbara Jones stated that Martin Collins has done a little research on this.

Martin Collins stated one of the questions he has would be is the board looking to build. Commissioner Armbrister said according to the different type plans, the city qualifies for an overall plan, but an overall plan isn't needed since this is a small area. He feels someone should contact them to check on available grants for any part of this that would help. He would like the NCDOT to help us decide what would be reasonable for this area.

Martin Collins stated the city adopted a pedestrian plan in 2013 so the city isn't eligible for another. The city could apply for an update or a bicycle plan. Within the list of projects in the pedestrian plan, the city has not done many of those projects. He isn't sure the city would have a very good application for an update. In speaking with the Council of Government, the city could apply for an update; however, he isn't sure it would be much benefit. The city has a long list of projects but the challenge is funding them.

Commissioner Armbrister would like staff to communicate with NCDOT directly asking them to look at it and come up with opportunities/ideas they may have.

Jeff Boyles stated he did reach out to the City's NCDOT representative and he instructed Jeff to speak to the Council of Government. He also spoke to NCDOT about getting rid of the center lane on Renfro Street and they felt it was too short of a transition to make that change-NCDOT wants to keep the turning lanes.

Commissioner Armbrister thanked Jeff and stated he is fine with staff speaking with the Council of Government regarding this matter.

CITY MANAGER TO PRESENT THE PROPOSED FY 2019-2020 BUDGET:

Barbara Jones: Good evening everyone. In accordance with NCGS 159-11, the proposed budget for FY 2019-2020 is submitted. The FY 2019-2020 budget is based on information presented and discussed during our board retreat on February 27-March 1, 2019, along with two budget work sessions in April to meet the objective of the board. The proposed FY 2019-2020 budget plan is balanced in accordance with State Statutes and attempts to address the service priorities. Although it doesn't fund all requests made by the departments, it does address some top priority needs of the city and is set to maintain a high level of service for the City of Mount Airy citizens and corporate partners. As stated in the budget message, the annual budget, as defined by the NCGS, is a working plan. The proposed General Fund budget calls for appropriations of the following: the General Fund is \$12,647,820; the Powell Bill funds are \$384,793; the Drug Funds are \$25,000; transfer of Occupancy Tax is \$495,000; you have a combined total in the General Fund of \$13,552,613. This is a decrease of 21% from the FY 2018-2019 adjusted budget and a decrease of 6% from the FY 2018-2019 original budget. This budget reflects a tax rate of \$0.60 per \$100 valuation of property-no change in your tax rate. The proposed budget appropriates the planned use of \$9,838 from the General Fund Balance, \$71,043 from Powell Funds, and \$17,000 from Drug Funds making a combined total of \$97,881 from Fund Balance.

Operations-your operations are proposed with an overall decrease of 12.57% from the FY 2018-2019 adjusted budget. Our General Fund capital outlay is being proposed to be funded at \$552,563. Water and Sewer capital is being proposed at \$542,000, which is a total of \$1,094,563.

Personnel-in the General Fund, personnel costs are budgeted at \$8.7 million and there are no pay increases included in this proposed budget. The proposed budget doesn't include any new positions or increase in part-time hourly pay. The proposed FY 2019-2020 General Fund budget contains 138 full-time positions and 231 part-time positions. We are 11 full-time positions less than we were in 2008. We removed five swim officials and three part-time seasonal positions in the Parks and Recreation Department. We performed a review of the historical budget of the amounts for personnel and we adjusted the budget to reflect vacancies and we have calculated that at 98%, not the 96% previously discussed. A 5.1% projected increase in health insurance is included and dental/vision rates remain the same. State Retirement has an increase of 1.2%, effective July 1, 2019. The base rate for general and fire employees is 8.95% and sworn police officers is 9.70%. We do have 5% to the 401K for law enforcement personnel only, which is required by law. The city does not contribute to the 401K for the general employees.

Debt-included in the proposed budget in the General Fund is a fire truck in the amount of \$36,000.

Special Agency Appropriations-these are budgeted for a total of \$216,150. Surry Arts Council-\$87,500; Mount Airy Museum of Regional History-\$10,000; Mount Airy Public Library-\$103,650; Mount Airy Rescue Squad-\$7,500; Mount Airy City Schools-\$7,500.

Water and Sewer Fund-The proposed FY 2019-2020 Water and Sewer Fund budget calls for appropriations of \$5,984,963. This is a decrease of 23.5% from the FY 2018-2019 adjusted budget and a decrease of 8.19% from the FY 2018-2019 original budget. The proposed use of Fund Balance from your Water and Sewer Fund is \$210,947. No pay increases are included in the Water and Sewer Fund. The proposed water and sewer rates will remain the same-no change in the water and sewer rates.

Also included as part of your message is the annual Fee Structure. You will see that in the back of your book as always.

Municipal Service District (MSD)-the proposed FY 2019-2020 MSD budget reflects that the MSD tax rate remains the same at \$0.21 per \$100 valuation of property within the boundaries of the MSD.

Recommendations-it is my recommendation that the Board and staff work together to accomplish the following (and this goes back to what you just agreed to with Mr. Doug Carter):

*Develop and officially adopt a written Fund Balance Policy and authorize monies beyond that level to be placed in a fund for capital expenditures along with a plan of correction should the fund fall below the required amount. That is something you just voted on and something that we have all talked about as far as recognizing what the needs are and prioritizing those needs. We have had a capital improvement plan for years, so what you decided tonight is to develop a way to fund and prioritize those things.

* Adopt a service change by moving to an automated trash and brush collection system. The proposal will eliminate the use of rear-loader vehicles for residential trash collection; replace three rear-loader trucks with two automated side-loader vehicles (same as the recycling truck) to enhance safety of the employees; purchase 95-gallon carts for all residential customers for brush; eliminate four positions in our Sanitation Division through attrition. The upfront cost will be approximately \$1.2 million.

*Authorize city staff to begin the process of a loan/grant with Surry Yadkin Electric for a fire truck using the same process we have in the past for the most recent new fire truck. That will hopefully be at a 0% or a very minimal percent interest rate.

In conclusion, I want to extend my appreciation to all city staff who have worked with me in preparation of the budget document, especially Pam Stone. The document before you is a cooperative, team effort, and it does continue to provide a high level of services to the community. I appreciate you as commissioners and Mayor, to review the budget and I look forward to reviewing the budget with you and receiving your guidance and instruction on how to plan for the future of the community.

As part of the NC General Statute, I want the following to be in the minutes:

The FY 2019-2020 proposed budget has been submitted to the governing body on this the 16th day of May, 2019 and is available for public inspection in the office of the City Clerk. A public hearing on this document will be held on June 6, 2019 at 7:00 pm here in the Council Chamber at the Municipal Building.

Thank you for the opportunity to serve this great city and to work with this great staff and all city employees. The Board sets policy, we as manager and management work to carry out those policies and budget, but we have to always remember and recognize that it is the employees who hit the ground running and do the jobs. They are the ones out there in sub-temperature weather, rainy, cold, snow, etc. We always need to remember that even though we do not always see them, they are the spokes that make this wheel work. As I stand here tonight, I want to recognize and give appreciation to every employee in the City of Mount Airy because I feel we have quality employees providing quality service and they always go the extra mile.

REMARKS BY OFFICIALS:

Commissioner Brinkley: Great recognition tonight for the artists who painted the manholes on the Greenway.

Appreciate what has been accomplished at the meeting.

Pains her to hear what a great job city staff does and then to hear no raise. Something needs to be done to fix that.

Appreciates working with the Mayor and Board.

Commissioner Armbrister: Funding for the trash pickup is not a small deal. He also looks for enterprising individuals to introduce and run these programs. A lot of problems could be solved as a community without tipping into community coffers every time.

Commissioner Yokeley: Agrees with Commissioner Brinkley regarding the need for city employee pay raises. More specifically, in addition to a minimum salary of \$24,000, he would like to include 2% salary increases for all city employees.

Commissioner Brown: Great meeting.

Great job of the artists who painted the manholes on the Greenway.

Agrees that the city employees do need raises.

Commissioner Cawley: Recognized the recent passing of David Hatcher, veteran and POW. In the 1970s, people could support POW's and wear bracelets with their name/hometown engraved on it. His was John McCain and his sister's was David Hatcher.

Great to live in a place where people want to visit.

Talking about a lot of things in the budget, but the constant dominate thing being talked about for the last five years has been Spencer's.

Barbara Jones: Recognized that this week is Law Enforcement Week.

Hugh Campbell: No comments.

Mayor Rowe: Attended the Police Week program. It was a great program.

David Hatcher was an extraordinary man. Mr. Hatcher had a huge impact on his life.

CLOSED SESSION:

On motion by Commissioner Brinkley, seconded by Commissioner Armbrister and passed unanimously, the board entered into closed session pursuant to NCGS 143-318.11(a)(4) Economic Development.

OPEN SESSION:

On motion by Commissioner Brinkley, seconded by Commissioner Armbrister and passed unanimously, the board entered back into open session.

RECESS:

On motion by Commissioner Brinkley, seconded by Commissioner Yokeley and passed unanimously, the meeting was recessed to May 20, 2019 7:00 pm for Extraterritorial Jurisdiction (ETJ) Public Hearing in the Mount Airy High School Auditorium.

Approved and adopted this the 6th day of June, 2019.

David L. Rowe, Mayor

ATTEST:

Melissa N. Brame, City Clerk