

CITY OF EDEN, N. C.

The regular meeting of the City Council, City of Eden, was held on Tuesday, November 19, 2013 at 7:30 p.m. in the Council Chambers, 308 E. Stadium Drive. Those present for the meeting were as follows:

Mayor:	(absent)	John E. Grogan
Mayor Elect:		Wayne Tuggle, Sr.
Council Members:		Donna Turner
		Darryl Carter
		Jerry Epps
	(absent)	Gene Hagood
		Jim Burnette
		Jerry Ellis
City Manager:		Brad Corcoran
City Clerk:		Sheralene Thompson
City Attorney:		Erin Gilley
Representatives from Departments:		
News Media:		Katie Mann, Eden News
		Roy Sawyers, RCENO

MEETING CONVENED:

Mayor Elect Tuggle called the regular meeting of the Eden City Council to order and welcomed those in attendance. He explained that the Council meets the third Tuesday of each month at 7:30 p.m. and works from a prepared agenda; however, time would be set aside for business not on the printed agenda.

RECOGNITION:

Mayor Elect Tuggle recognized two members of Cub Scout Troop 555 (Wolf Club), Yeatts Culley and Bradley Jarrett along with their leader Sabrina Culley. The group met with Mayor Elect Tuggle a few minutes before the meeting to learn about city government.

INVOCATION:

Ms. Angie Toth, Pastor, Centenary United Methodist Church, gave the invocation followed by the Pledge of Allegiance.

RECOGNITIONS & PROCLAMATIONS:

- a. Presentation to Mayor Elect Tuggle & Mrs. Sylvia Grogan for Grogan Park by Gildan Activewear Distribution, Inc.

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Mayor Elect Tuggle recognized Mr. Nick Frietag, Vice President of Distribution, Gildan Activewear who was on hand to present a check for \$10,000.00 to Mayor Elect Tuggle and the late Mayor John E. Grogan's widow, Mrs. Sylvia Grogan. The donation will go towards funding the building of Grogan Park.

- b. Presentation to Mayor Elect Tuggle & Mrs. Sylvia Grogan for Grogan Park by City of Eden Employees.

Mayor Elect Tuggle also recognized the City Employees who collected donations in the amount of \$28,852.00 to toward Grogan Park. City Manager Mr. Brad Corcoran presented the check to Mayor Elect Tuggle and Mrs. Sylvia Grogan.

- c. Proclamation in Recognition of Former Council Member Bill Price – 100th Birthday.

Mayor Elect Tuggle recognized Mr. Bill Price and asked him to come forward. Mr. Price's nephew Preston Price accompanied Mr. Price to the podium. Mayor Elect Tuggle read the following proclamation in honor of Bill Price:

**William H. "Bill" Price
Proclamation**

WHEREAS, Bill Price was honored by friends and relatives on the occasion of his 100th birthday on November 15, 2013; and

WHEREAS, during a long and productive lifetime, Bill has demonstrated in countless ways his dedication to the welfare of others and has earned the respect and affection of people from all walks of life and all ages; and

WHEREAS, Bill was elected to represent Ward 2 and sworn in on May 7, 1968, serving five terms from 1968 until 1987, a total of 19 years; and

WHEREAS, Bill's wife Hazel was elected and sworn in on December 8, 1987, serving 3 terms which signifies that both Bill and Hazel Price, representing Ward 2 served the City of Eden for a combined total of 31 years; and

WHEREAS, the late Mayor Lawrence Cox said it best when describing Bill in 1987, "a lifelong resident, a longtime supporter of the community in projects participating in both charitable and service organizations. Always in the forefront of new ideas, new programs, and always with a consciousness of what is best in city government."

NOW, THEREFORE, I WAYNE R. TUGGLE, SR., by virtue of the authority vested in me as Mayor Elect of the City of Eden, do hereby deem it an honor and pleasure to extend this Certificate of Recognition to **William H. "Bill" Price** on the occasion of his 100th Birthday, with sincere congratulations and best wishes for many more happy, productive years.

IN WITNESS WHEREOF, I do hereby set my hand and caused the Seal of the City of Eden to be affixed this 19th day of November of the year of our Lord two thousand and thirteen.

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Wayne R. Tuggle, Sr.,
Mayor Elect

SET MEETING AGENDA:

Ms. Erin Gilley, City Attorney, noted that item 13g (*Consent Agenda*) has been revised. She explained that she had placed before them a copy and asked them to place this with the traffic study.

Mayor Elect Tuggle asked if they needed to vote on that or was it included to which Ms. Gilley explained that it was included with the ordinance that was already on the Consent Agenda.

A motion was made by Council Member Burnette seconded by Council Member Carter to set the agenda (*including the revised ordinance*). All Council Members present voted in favor of this motion.

PUBLIC HEARINGS:

- a. Public Comments Concerning the Closeout of the Community Development Block Grant 2010 Nantucket Mill Project (10-C-2229) to the North Carolina Division of Community Assistance.

In September, 2011, a grant agreement was executed with the North Carolina Department of Commerce so that the City of Eden could receive Community Development Block Grant assistance in the amount of \$600,000 to acquire, secure and address health and safety issues of the Nantucket Mill located at 104 Morgan Road. The Nantucket Mill building and the surrounding mill buildings meet the definition of blight. All activities served low and/or moderate income persons.

The North Carolina Department of Commerce, Division of Community Assistance, (DCA), requires grantees to hold a public hearing to gather public comment prior to the submission of closeout documentation.

Mayor Elect Tuggle called for a public hearing and asked Ms. Kelly Stultz, Planning & Inspections Director, to come forward.

Ms. Stultz explained that the Nantucket mill project was one that several members of their preservation community, city staff, and council have worked on for a number of years. They received a grant in order to purchase it in the name of a non-profit and stabilize the building in hopes of finding a developer. The current owners refused their offer as they began offering them more than it appraised in 2012 and it came to the place that the State required them to de-obligate the money. She assured them that any dollars spent by the City of Eden were reimbursed and they did not have to return them. She added that she was also sad to tell them that it happened and they were looking for other developers and sources of funding to keep the project alive.

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The history is as follows:

Background

The Nantucket Mill is a contributing structure in the Spray Industrial National Register District. It was formerly a part of a large textile complex with its roots beginning with John Motley Morehead. Governor Morehead brought the railroad to North Carolina and textiles to this area.

In the early part of the 20th century, there was a famous old time musician by the name of Charlie Poole. He worked in the Spray mills and lived in the adjacent mill villages.

Piedmont Folk Legacies is a private non-profit that began with a desire to preserve the local heritage of old time music, Charlie Poole and the textile industry in our community.

Pursuit of Redevelopment of the Nantucket

Piedmont Folk Legacies began its work toward preservation of the mill complex and pursuit of a multi-faceted re-use of the buildings. Their goal was, and is, to provide space for a museum, performance space and the opportunity for artisans to have a place to work. These efforts would be only a portion of the Nantucket and its environs.

Riverwalk Development, LLC was created to purchase the mills complex that includes the Nantucket Mill. They acquired the property in 2005. Around that time, Mr. Dennis Sparks began to talk with the City of Eden, on behalf of Riverwalk Development, LLC, about applying for grants to bring the project to fruition.

Time Line

- April 26, 2005 Riverwalk Development, LLC Development purchased the mill complex from B&S Warehouse and Storage LLC.
- April 26, 2005, First Bank of Madison recorded a deed of trust on the property in the amount of \$400,000.
- Since that date there have been releases and other documents filed with First Bank. It is our understanding that there remains \$212,000 owed on the property.
- Several meetings were held that included Mayor Grogan and Mr. Sparks and others involved with the project.
- In 2008, Piedmont Folk Legacies engaged Insight Architects to prepare a study to determine the possibilities for the entire mill complex.
- On the June 4, 2008 the Notice of Brownfields Designation was recorded in the Rockingham County Register of Deeds Office. Prior to this time both the Phase I and Phase II Environmental studies were completed. There are monitoring wells on the site and there are some restrictions on development of the site. At this time the Brownfields Designation does not allow for residential development on the site.
- On March 6, 2009, Piedmont Folk Legacies was deeded the remaining structures and property in the mill complex with the exception of the Nantucket Mill and parking areas.
- On April 23, 2009, the City of Eden applied for and subsequently received a grant for a market analysis and feasibility study of the Nantucket property from the NC Rural Center. The local match was \$4,000 by Piedmont Folk Legacies and \$1,000 in staff time by the City.
- In April 2009, the City of Eden designated the Nantucket site as a local historic landmark. One effect of this designation is that the ad valorem taxes due to the City and County are reduced by half so long as the historic character of the building is maintained.
- The final product from the Rural Center Grant was received by the City of Eden. This document was used as justification for the application to the Department of Commerce for the CDBG Contingency Grant.
- On September 2, 2010, the North Carolina Secretary of State's Office filed dissolution papers for Riverwalk Development, LLC.
- Prior to the application for the CDBG funds, an appraisal of the property was required. We received the results of that appraisal on February 23, 2011. The total value was \$39,800.00
- On April 25, 2011 the City of Eden submitted the application for the Contingency Grant.

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- On August 22, 2011 the Grant Agreement and Funding Approval documents were signed by the Department of Commerce and they were received by the City of Eden and signed by our Mayor on September 1, 2011.
- **The Mayor's signature on these documents obligated the City to adhere to all policies and requirements both Federal and State that are associated with the CDBG Program.**
- Mr. Carlton Harlow, our contact with Riverwalk disputed the results of the Davis appraisal of the property and a review appraisal was ordered. This was done by Ben Edwards and concurred with the original appraisal.
- On April 16, 2012, after several meetings and discussions with Mr. Harlow, an offer to purchase the Nantucket site was submitted to Mr. Harlow in the amount of \$90,000.
- Mr. Harlow was still not happy with the numbers and would not take the offer. At this time he engaged a third appraiser to review the property.
- This appraisal was not finished at the time of Mr. Harlow's death and the process was stopped.
- From April 2012 until the grant was defunded by the State, we continued to search for solutions so that the property could be saved and adaptively reused.
- In May of 2013, the Department of Commerce declared the grant as non-performing. The City was required to submit an Action Plan to them by May 31, 2013 in order to have the funds unfrozen.
- The State did not respond to that plan until July 22, 2013. They did not give us any more time due to the delay nor would they consider doing so.
- Senator Berger's office was contacted by Piedmont Folk Legacies hoping to gain more time for the grant. They were unsuccessful.
- On Friday October 4, Mayor Pro Tem Wayne Tuggle submitted a letter to the Department of Commerce asking that the funds of the Contingency Grant be de-obligated.
- The search for other funding began last week.

Nelson Offer to Purchase

In April of 2013 Mr. Garen A. Nelson, of Reid Development Company submitted an offer to purchase the Nantucket Mill and its environs not currently owned by Piedmont Folk Legacies. Mr. Nelson had agreed to purchase the property for the balance due on the First Bank loan and all City and County taxes.

As a part of the Action Plan submitted to the State to try and continue the grant in May 2013, we presented Mr. Nelson's offer. Mr. Nelson asked if he could handle the project by using his own company for stabilization and repair of the building. This is in direct violation of the State's Procurement Policy but I agreed to ask if it would be possible and you can see that I did in the Action Plan. Additionally, Mr. Nelson made the offer in one company name and wanted to do the repair work in the name of Nelco Recycling and Aggregate Co. The answers received in both instances were absolute negatives.

At the time of the approval of the Action Plan, the State deleted funding for acquisition of the property from the grant. They had already indicated that we could not offer more than the appraised value and since Nelson offered full price they said we did not need acquisition funds.

Mr. Nelson's offer expired at the end of August 2013.

Conclusion

The preservation and re-use of historic properties is never quick nor simple. The City has been working on this project since the mid-nineties and will continue to do so.

During the time between the offer to Mr. Harlow and today, the building has continued to deteriorate. It is in great peril. The City currently has an active nuisance violation concerning the grounds.

The State of North Carolina is serious about the management of grant funds and the City of Eden has no ability to amend those policies.

It is the sincere hope of City Staff that the Nantucket can be saved and new life injected into this area. We are willing to work with the owners and Piedmont Folk Legacies toward that end.

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Mayor Elect Tuggle asked if anyone would like to speak in favor or in opposition of this request. As no one came forward to speak, he declared the public hearing closed.

A motion was made by Council Member Epps seconded by Council Member Ellis to approve the closeout. All Council Members voted in favor of this motion.

- b. Consideration of a Zoning Text Amendment Request and Adoption of Appropriate Ordinances to Amend Section 11.24(k)(5) to Allow Antique Shops, Consignment Shops, Used Merchandise Sales, Flea Markets, Bakeries and Contractor Offices as Permitted Uses in the Business-Shopping Center District and to Amend Section 11.29 to Add the Definition of Flea Markets. Request submitted by Jonathan Wise and the Planning Board. The request was amended by the Planning Board. ZONING CASE Z-13-03.

The City has received a zoning text amendment request from Jonathan Wise and the Planning Board to amend Section 11.24(k)(5) to allow antique shops, consignment shops, used merchandise sales, flea markets, bakeries and contractor offices as permitted uses in the Business Shopping Center District and to amend Section 11.29 to add the definition of Flea Markets. Staff recommended that the text amendment be approved as amended.

The Planning Board considered this request at their regular meeting on October 22, 2013 and recommended that the amendment be approved as amended.

Mayor Elect Tuggle called for a public hearing and asked Ms. Kelly Stultz to come forward.

Ms. Stultz explained that as they look at these facilities it was imperative that they consider broadening the uses that are allowed to make these areas more likely to be developed to create foot traffic and new business. They had a request to allow antique shops, consignment shops, used merchandise sales, flea markets, bakeries and contractor offices as permitted uses in the Business Shopping Center District and to amend Section 11.29 to add the definition of Flea Markets.

She explained that all of that was requested by the applicant and staff decided to insert bakeries in there and the Planning Board agreed. One of the things that Mr. Wise (*applicant*) asked to be able to do was to have flea market tables outside and to store his contractor's stuff outside. The staff and the Planning Board were both reluctant to allow that as a use by right in anything zoned Business Shopping Center in this community. They recommended that the City Council approve it without this stuff allowed outside until such time as they could get back to the Planning Board and they may send a recommendation to Council about creating a special use process that could accommodate that.

She explained that earlier today she had a conversation with Mayor Elect Tuggle about the flea market that already exists and she did not know how it happened but it was not provided for in any of their zoning districts so she knew that if you think about everywhere that was zoned business shopping center across the community they did need to give great

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care about what happens in those parking lots while encouraging new businesses to go in. She closed by stating that staff recommended approval as amended.

Mayor Elect Tuggle noted that it talked about storage of building and equipment. He questioned what that would include.

Ms. Stultz replied that it could be anything from work trucks to backhoes and they have to consider all kinds of heavy equipment that will be used by a contractor plus building materials stacked and stored.

Mayor Elect Tuggle added that he knew they have to be very aware of unintended consequences as when you do for one you have to do for somebody else and it may end up being an awful looking situation.

Ms. Stultz pointed out that it could be fine in one place and not in the other.

Council Member Burnette noted that with this definition it does not include any outside storage.

Ms. Stultz agreed and added that she had put it out on the Planner's list serve to see what other people do and most every definition she received, this was how they handle it.

Council Member Ellis asked if this was to be mainly on the inside of the mall.

Ms. Stultz replied absolutely.

Council Member Ellis asked if it was going to be all through the mall or located...to which Ms. Stultz explained that if they allow it as a use by right it will not only be allowed at the mall but in the remainder of the old Walmart building or in any empty building, the former Goodwill Store at Kingsway in any of those places as a use by right but nothing could be outside.

Mayor Elect Tuggle stated that she had said flea market and asked if she had considered anything inside of that area (*at the Eden Mall*).

Ms. Stultz replied no and explained that he has and will continue to have businesses that will rent a permanent spot and stay there but what it will allow was for folks to have a consignment or temporary business and people can come and rent a spot.

Council Member Burnette questioned why she added bakeries to this.

Ms. Stultz replied that they had a request for one and while she could see absolutely no reason not to do it, they were already mixing in with Business Shopping Center and just decided to clear that up.

Mayor Elect Tuggle commented that there was a bakery there because he had recently bought a cake.

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Ms. Stultz explained that it was retail sales and she felt comfortable allowing it but the way their ordinance was constructed it works a lot better if they specifically added it.

Council Member Ellis pointed out that they have a very prominent business and questioned what if he decided to go all the way throughout the mall there.

Ms. Stultz explained that the mall was not under single ownership. The former Kmart building and the Belk's building was owned independently from the main body of the mall. She added that where Peebles was formerly located and the other small stores and common areas, they were owned by the current owners.

Council Member Turner asked if she could talk about the flea markets just a little more. They have a pretty prominent existing flea market in Eden and it was not currently permitted but it has always been there.

Ms. Stultz replied that in her opinion it was a legal nonconforming use and that was the opinion of the zoning officer before her. She added that it came to be sometime in the 80s when Gibson's closed down.

Council Member Turner asked if she was permitting other places for flea markets to which Ms. Stultz explained that anything in Business Shopping Centers can have it but none of them can have it outside, as long as they leave the permitted uses this way.

Mayor Elect Tuggle added that they just have to be careful about one shopping center as opposed to another. You could end up with what may be a lot of storage in one and you may be okay and you end up going to another one that you may be trying to develop and you end up with a bunch of storage out there and you could not get anybody to come in.

Ms. Stultz stated that they always talk about this with amendments to the text of the ordinance. They were not site specific so you have to include in your mind every single parcel zoned business shopping center and they have a number of them.

Council Member Burnette asked that with this definition would this allow tables to be set up in the walking areas.

Ms. Stultz explained that so long as they meet fire code and the fire staff has inspected what he has in there.

Council Member Ellis asked if they would be taken down weekly.

Ms. Stultz replied that would be up to the owner. She explained that it was private property and the owner needed to do whatever he can to make the best business sense with it. She added that she was sure he enjoys the foot traffic from the folks who exercise there and be reluctant to do anything to them but he would have that right because it was not public space but private space.

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Mayor Elect Tuggle asked if anyone would like to speak in favor or in opposition of this request. As no one came forward to speak, he declared the public hearing closed.

A motion was made by Council Member Ellis seconded by Council Member Burnette to deny this request. Action on the motion was as follows: Council Members Ellis, Burnette, Epps and Carter voted in favor of this motion. Council Member Turner voted in opposition. This motion to deny carried.

- c. Consideration of a Zoning Map Amendment Request and Adoption of an Ordinance to Rezone Property located on Hubbard Street from Residential-20 to Residential-Suburban. Request submitted by Thomas H. Ferguson, Authorized Representative. The request was amended by the Planning Board to include additional properties. ZONING CASE Z-13-04.

The City has received a zoning map amendment request filed by Thomas H. Ferguson, Authorized Agent for property on Hubbard Street. The request is to rezone the property from Residential-20 to Residential-Suburban.

The Planning and Inspections Department recommends approval of the map amendment request as amended to include three additional properties. At their October 22, 2013 regular meeting, the Planning Board voted to recommend that the City Council approve this request as amended.

Mayor Elect Tuggle called for a public hearing and asked Ms. Kelly Stultz, Planning & Inspections Director, to come forward.

Ms. Stultz explained that this request is to rezone property located in the Extra Territorial Jurisdiction from Residential-20 to Residential-Suburban. This property was zoned R-20 at the time of original zoning of the ETJ in 1979. R-20 was applied to a large portion of the ETJ as a holding zone in order for the zoning pattern to evolve. The R-S district was not created until after the ETJ was established.

The R-S district is designed to encourage the continued use of land for low density residential and agricultural uses. The property in question is located in just such an area. Since the 1990's we have rezoned a great deal of property in the ETJ to R-S. There was a rezoning in the subject area in 2006.

With this precedent in mind, staff would like to recommend that this request be amended to include parcels 7070-05-08-0735, 7070-05-08-9767 and 7070-05-08-5495. Additionally, we request that a zoning study be done on this area to make district designations more closely adhere to the Land Use Plan.

Mayor Elect Tuggle asked if anyone would like to speak in favor or in opposition of this request. As no one came forward to speak, he declared the public hearing closed.

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A motion was made by Council Member Burnette seconded by Council Member Turner to accept the recommendation to amend the zoning map. All Council Members voted in favor of this motion.

- d. Consideration of a Request for Local Historic Landmark Designation of the Bullard-Ray-Harrington House, located at 650 Washington Street. The request was submitted by the property owner, Jean D. Harrington. LOCAL HISTORIC LANDMARK CASE HPCL-13-01.

Staff has received a request from Jean D. Harrington, property owner, for Local Landmark Designation of the Bullard-Ray-Harrington House located at 650 Washington Street. The Historic Preservation Commission held a public hearing to consider this request at their October meeting. The Commission recommended in favor of the request. Comments (attached) have also been received from the State Historic Preservation Office, as required by the N.C. General Statutes. Staff recommends in favor of the request.

Mayor Elect Tuggle called for a public hearing and asked Ms. Kelly Stultz, Planning & Inspections Director, to come forward.

Ms. Stultz explained that the request was submitted by Jean D. Harrington, property owner. The property is listed individually in the National Register of Historic Places, and is a contributing structure in the Leaksville Commercial Historic District, a National Register district. The house remains in excellent condition and no significant alterations have been made since the National Register nomination was prepared.

The Bullard-Ray-Harrington House is one of Rockingham County's most important historical houses. It is associated with John Hall Bullard (1808-1870), an industrialist who moved to Leaksville to operate John Motley Morehead's Leaksville textile mill, which has been cited as "one of the most important 19th century industrial sites in North Carolina". The original L-plan house dates to the early 1840's. Bullard's grandson, John Bullard Ray, was responsible for the Colonial Revival re-design and expansion of the house during the early 20th century. The house retains some of the original Greek Revival woodwork detailing on the exterior. The house is a very good example of the Colonial Revival style, in particular the wraparound porch. It is believed to be the only remaining domestic structure related to the mill.

The house sits on a sloping wooded lot, and is the only surviving residence in the Leaksville Commercial Historic District. The original portion of the two-story frame house is a substantial Greek Revival dwelling that underwent a major remodeling and expansion in the Colonial Revival style between 1908 and 1915. The house received two rear additions at this time.

The original portion of the house includes the main two-story block, two rooms deep and one room wide, and an adjoining two-story section to the southwest that is recessed behind the main block, with one room on each floor. Both of these sections have hip roofs. There is a central interior chimney, that may have originally provided fireplaces for the four rooms in the main block, but only one fireplace remains today. There is no indication of a

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chimney for the recessed section. The foundation is mortared, random course stone that is very low in the front but several feet high at the rear of the residence.

In front of the recessed section, and under the present wrap-around porch, is a well lined with the same stonework. The first story of the original section underwent considerable change during the early 20th century, but the plain original features remain largely intact on the second story. These include heavy unadorned corner posts and the surrounds framing the windows. The windows probably contained six-over-six sash when first built, but the lower panes were replaced with single panes, probably during the early 20th century remodeling. The second story windows on the façade are asymmetrically placed in a manner typical of the Greek Revival style. The lower story windows are larger one-over-one sash openings. The most notable feature of the house is the broad wrap-around porch which was added as part of the early 20th century remodeling. The porch extends across the full façade and the northwest side elevation. A beveled handrail with plain square balusters runs between fluted Doric columns. The entrance to the main block features a gable-roofed portico which has been enclosed to form a vestibule. The porch area in front of the recessed section has been enclosed to form a sunroom.

At the time of the early 20th century remodeling, two wings were added to the rear of the residence: a broad two-story wing directly adjoining the recessed portion of the house, with one large room on each floor; and a one-story kitchen wing at one corner of the addition, but separated from the original main block by a narrow porch. Both additions have hip roofs and rest on tall foundations. The basement of the two-story has an entrance at ground level which is covered by a gable-roofed canopy supported by brackets. There are broad three part windows with one-over-one sash on the rear of the two-story addition.

Two small wings which were added to the rear of the 20th century addition during the 1950's do not detract from the integrity of the house. The porch between the main block and the kitchen addition has also been enclosed, but this does not detract from the integrity of the house.

Based upon the historical and architectural significance of the property and the above information, staff recommends in favor of the designation of the Bullard-Ray-Harrington house as a local historic landmark.

Mayor Elect Tuggle asked if anyone would like to speak in favor or in opposition of this request. As no one came forward to speak, he declared the public hearing closed.

A motion was made by Council Member Epps seconded by Council Member Carter to approve the request. All Council Members voted in favor of this motion.

AUDIT PRESENTATION – ROUSE, ROUSE, PENN & ROUSE:

- a. Presentation of the 2012-2013 Audit by Rouse, Rouse, Penn & Rouse.

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A copy of the entire Audit Report is located in the office of the Director of Finance and the City Manager.

Ms. Judy Rouse began by asking the Council to turn to page one of the Audit Report and look at the first paragraph. She explained that they have audited the accompanying financial statements as of June 30, 2013 and the related notes to the financial statements which collectively comprise the city's basic financial statements as listed in the table of contents.

She then referred to page 2 in the middle of the page and noted that in their opinion, based on their audit, the financial statements referred to above present fairly in all material respects in financial position of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Eden, North Carolina as of June 30, 2013 and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund and auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. So the important thing is you have a clean opinion on the financial statements.

The Eden ABC Store Financial Statement is also presented in this report (see pages 15-16 and 46) as the ABC Store is a component unit of the City of Eden.

General Fund

The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

If you refer to page 72, you will note near the bottom of the page that the Fund Balance in the General Fund decreased from \$8,915,309 to \$8,443,021 a decrease of \$472,288 or approximately 5.30%. The main reason for this decrease is the decrease of cash and cash equivalents (near the top of the page) by \$509,481 or approximately 6.81% from \$7,485,579 to \$6,976,098. In addition, near the bottom of the page, the information indicates that the Fund Balance available for Appropriations or called the "unassigned" fund balance equals \$6,344,004 which is actually an increase of \$275,392 or approximately 4.54% when compared to the June 30, 2012 total of \$6,068,612. This is due to the fact that \$708,800 is listed at the bottom of the page as "assigned – subsequent year expenditures" for June 30, 2012 and is now \$0 for June 30, 2013. The \$708,800 that had already been assigned prior to June 30, 2012 for use during FY 2012-13 was for the \$518,200 in General Fund fund balance appropriated, the \$162,700 in Powell Bill fund balance appropriated, and the \$27,900 in Occupancy Tax fund balance appropriated. As each of you is aware, there is no General Fund fund balance appropriated for use during FY 2013-14.

Ms. Rouse provided a presentation of different pie charts to describe her comments above. The presentation included General Fund fund balances from 2013, 2012, and 2011.

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As you may remember, the City Council voted back in 1998-99 to keep an unassigned fund balance, equal to at least three months operating expenses. On page 88 near the middle of the page it indicates that the total expenditures during FY 2012-13 for the General Fund amounted to \$14,338,022. One-twelfth of that amount is \$1,194,835. As such, three months operating expenses would equal \$3,584,505. The amount unassigned at June 30, 2013 (\$6,344,004) is actually \$2,759,499 over that threshold. According to the most recent data available from the State Treasurer's Office, the 2012 statewide average for municipalities was 42.64% of General Fund expenditures or \$6,113,733 and the statewide average for municipalities without electricity were 41.66% of General Fund expenditures or \$5,973,220. The 2012 statewide average for municipalities without electricity with a population ranging from 10,000 to 49,999 was 51.11% of General Fund expenditures or \$7,328,163. Eden's unassigned balance of \$6,344,004 on hand on June 30, 2013 equals approximately 44.25% of General Fund expenditures (\$14,338,022) for FY 2012-13.

Council Member Burnette stated that in looking from 2011 to 2013 under the expenditures, there was a \$1.2 million difference in 2011-2012 and probably about another \$700,000 from 2012-2013. He noted that the expenditures are going up that much and asked if their revenues were going up at the same rate.

Ms. Rouse replied that they have a little increase this year in franchise tax revenues and added that she would probably answer some of that as she continued to go through the expenditures.

On page 74 you will find the Revenues for the General Fund. At the bottom of the page you will note that the budget revenues were \$13,349,800 and the actual revenues were \$13,356,170 for a favorable variance of \$6,370. Overall, the revenues for the General Fund were up slightly from the prior year (\$13,326,639) by \$29,531 or approximately 0.22%. In the current June 30, 2013 financial statements it indicates on page 73 that the actual current year taxes (top of the page) went up slightly from \$5,297,610 for 2012 to \$5,324,823 for 2013 which is an increase of \$27,213 or approximately 0.51%. You will also note that payments in lieu of taxes from MillerCoors, Duke Energy & A.C. Furniture (middle of the page) increased by \$74,545 or approximately 11.29% from \$660,424 for the period ending June 30, 2012 to \$734,969 for the period ending June 30, 2013.

Near the bottom of page 73 you will see the restricted intergovernmental revenues. It should be noted that this group of revenues decreased by \$167,698 or approximately 19.45% from \$861,997 for the period ending June 30, 2012 to \$694,299 due to less restricted grant funds being received during FY 2012-13.

At the bottom of page 74 you will find the miscellaneous revenues within the General Fund. You will note that the "street repair reimbursement" line item went from \$0 during FY 2011-12 up to \$69,596 for FY 2012-13. This significant increase is due to the fact that the City received a reimbursement check from Gildan for the street resurfacing work that was completed on Edgewood Road.

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Ms. Rouse noted in response to Council Member Burnette's earlier concerns that she thought they were pretty much in line with what was budgeted in each of the areas.

Mr. Corcoran added that there were really about 4 reasons why the expenses this past year were a lot higher than the previous year. He asked them to remember that the Council had agreed to do about a \$600,000 in additional street resurfacing and that was why in the previous year budget they allocated the \$780,000. Secondly the police department had not purchased vehicles in many years and the audit reflects \$435,000 for that. Third, if they look under the performance incentives agreements that were in place with their industries, those increased about \$86,000 this year and fourth, just the cost of street lights increased about \$20,000.

Council Member Burnette stated that with those incentives, they did pay out more but they should receive more to which Mr. Corcoran replied that was right and that was reflected in the ad valorem taxes.

On page 88 you will find the Total Expenditures for the General Fund. Near the middle of the page you will note that the total budgeted operating expenditures were \$14,880,600 and the total actual expenditures for the General Fund amounted to \$14,338,022. This was a favorable variance of \$542,578 or approximately 3.65%. Overall, the expenditures for the General Fund were up from the prior year (\$13,623,229) by \$714,793 or approximately 5.25%. Some of the reasons for this increase are as follows. First, in the Street Department (page 84) it notes that \$599,051 was spent during the past year for c/o improvements which was the additional street resurfacing projects. This was an increase in spending of \$547,532 compared to the \$51,519 that was spent in this line item during FY 2011-12. Second, in the Street Department (page 84) it indicates our expenses associated with street lights increased by \$18,715 from \$292,996 to \$311,711. Third, in the Parks, Recreation and Facility Maintenance Department (page 87) it illustrates that total spending for Capital Outlay items equaled \$89,772 for FY 2012-13 compared to just \$24,544 during FY 2011-12. This represents an increase in spending of \$65,228. Fourth, under the Special Appropriations budget (page 88) it shows that total special appropriations spending for this past year increased by \$109,175 from \$214,062 for the period ending June 30, 2012 to \$323,237 for the period ending on June 30, 2013. The most significant reason for this increase was an increase in expenses related to performance/incentive agreement payments in the amount of \$86,454 (\$51,092 to \$137,546).

As each of you is aware, the General Fund is reimbursed by the Water and Sewer Fund for expenses within the General Fund that are related to Water and Sewer activities but charged to the General Fund. Page 107 (near the top of the page) indicates that the Water & Sewer Fund reimbursed the General Fund for these utility service fees in the amount of \$1,101,842 which is an increase of \$54,698 or approximately 5.22% from the \$1,047,144 that was reimbursed during FY 2011-12.

We are extremely pleased to report that there were NO departments/divisions within the General Fund that exceeded the budgeted amount of funds during FY 2012-13. An examination of the various operating departments/divisions reveals the following:

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<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
Governing Body Page 75	\$ 51,000	\$ 37,177	\$ 13,823	\$ 38,350

Reimbursement from W/S Fund is at 50% so this total is actually 50% of total costs attributable to this Department

Administration Page 75	\$ 149,800	\$ 136,874	\$ 12,926	\$ 132,649
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Reimbursement from W/S Fund is at 50% so this total is actually 50% of total costs attributable to this Department

Finance/HR Page 76	\$ 236,100	\$ 219,756	\$ 16,344	\$ 216,482
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Reimbursement from W/S Fund is at 55% so this total is actually 45% of total costs attributable to this Department

<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
Legal Page 76	\$ 66,700	\$ 56,302	\$ 10,398	\$ 56,163

Reimbursement from W/S Fund is at 50% so this total is actually 50% of total costs attributable to this Department

Planning Page 77	\$ 623,600	\$ 591,181	\$ 32,419	\$ 772,918
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Economic Dev. Page 78	\$ 372,700	\$ 328,958	\$ 43,742	\$ 261,718
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Engineering Page 79	\$ 74,100	\$ 63,417	\$ 10,683	\$ 60,933
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Reimbursement from W/S Fund is at 75% so this total is actually 25% of total costs attributable to this Department

Information Tech. Page 80	\$ 152,300	\$ 121,254	\$ 31,046	\$ 99,833
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Reimbursement from W/S Fund is at 50% so this total is actually 50% of total costs attributable to this Department

Public Bldg. Ser.	\$ 69,600	\$ 65,943	\$ 3,657	\$ 63,368
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Page 80

Reimbursement from W/S Fund is at 20% so this total is actually 80% of total costs attributable to this Department

Environ. Services	\$ 72,000	\$ 63,339	\$ 8,661	\$ 60,172
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Page 81

Reimbursement from W/S Fund is at 65% so this total is actually 35% of total costs attributable to this Department

Police	\$4,558,100	\$4,461,145	\$ 96,955	\$4,090,647
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Pages 82 – 83

<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
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Fire	\$1,747,500	\$1,708,173	\$ 39,327	\$1,667,425
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Page 83

Street	\$1,923,200	\$1,887,122	\$ 36,078	\$1,436,572
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Page 84

Powell Bill	\$ 476,000	\$ 466,979	\$ 9,021	\$ 462,049
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Page 84

City Garage	\$ 318,000	\$ 285,102	\$ 32,898	\$ 268,531
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Page 85

Reimbursement from W/S Fund is at 35% so this total is actually 65% of total costs attributable to this Department

Solid Waste	\$1,867,300	\$1,835,684	\$ 31,616	\$2,074,687
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Page 86

Recreation	\$1,195,300	\$1,167,114	\$ 28,186	\$1,117,845
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Pages 87

Special Approp.	\$ 398,100	\$ 323,237	\$ 74,863	\$ 214,062
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Page 88

Debt Service	\$ 529,200	\$ 519,265	\$ 9,935	\$ 528,825
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Page 88

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital Projects) that is legally restricted to expenditures for special purposes. The City had three (3) Special Revenue Funds during FY 2012-13: Emergency Communications Fund, Municipal Service District Tax Fund, and the Community Development Block Grant Fund.

The Emergency Communications Fund accounts for the E911 monies that are received and includes expenditures related to the E911 system for emergency communications. It had a June 30, 2013 fund balance of \$16,032 (page 90) which is a decrease of \$50,858 or approximately 76.03% when compared to the June 30, 2012 fund balance of \$66,890.

The Municipal Service District Tax Fund includes the tax that was voted on by the Washington Street and Draper Village Merchants and is designated for various projects within those areas. It had a June 30, 2013 fund balance of \$5,730 (page 90) which is a decrease of \$4,114 or 41.79% when compared to the June 30, 2012 fund balance of \$9,844.

The Community Development Block Grant Fund (page 96) includes the revenues and expenditures related to three different grants. These include: Holland Street, Stone Creek Apartments, and Nantucket Mill. With each of these grants, the revenues are received from the funding agency and then expensed within three days.

Additional information concerning the Special Revenue Funds can be found on pages 89 thru 96.

Water & Sewer Fund – Enterprise Fund

The Water & Sewer Fund is used to account for the City's water and sewer operation. The Fund Balance in the Water and Sewer Fund for the period ending June 30, 2013 was \$6,975,203. This is a decrease of \$1,964,065 or approximately 21.97% when compared to the June 30, 2012 total of \$8,939,268. This is calculated by taking the fund balance at June 30, 2012, \$8,939,268 and then subtracting the expenditures over revenues and other financing sources number found at the bottom of page 108 which is equal to \$1,964,065. On June 30, 2011 the Fund Balance in the Water and Sewer Fund equaled \$11,333,437. Due to insufficient revenues to meet our ongoing capital improvement needs we have used a total of \$4,358,234 in fund balance during just the past two years (\$11,333,437 down to just \$6,975,203). This is a reduction of approximately 38.45% in just the past two years.

Page 97 includes the Comparative Balance Sheets for the Water & Sewer Fund comparing the period ending June 30, 2013 to the period ending June 30, 2012. Near the bottom of this page it indicates that the net assets in the Water & Sewer

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Fund decreased by \$340,504 or approximately 0.73% from \$46,575,930 to \$46,235,426. The information at the top of the page indicates that the combined cash & investments decreased by \$1,717,240 or approximately 22.52% from \$7,624,704 in the prior year down to \$5,907,464 for FY 2012-13. Near the top of the page you will also note that the total current assets decreased by \$2,320,055 or approximately 23.28% from \$9,967,441 in the prior year compared to \$7,647,386 for FY 2012-13. Near the middle of the page you will note that the capital assets net of accumulated depreciation increased by \$1,386,376 or approximately 2.83% from \$49,008,506 to \$50,394,882.

At the bottom of page 97 you will note that the total assets of the Water and Sewer Fund went down from \$58,975,947 to \$58,042,268. The total assets includes the entire water and sewer infrastructure, including all of the water and sewer lines throughout the city. It should be noted that we have taken another year of depreciation on all of our assets. Once a specific improvement is put into operation the auditors start depreciating it. The middle of page 98 illustrates this fact. You will note that the depreciation expense decreased from \$2,617,333 during FY 2011-12 to \$2,478,535 during FY 2012-13.

Also, at the bottom of page 97 you will see where our total liabilities (things that were owed by the Water and Sewer Fund) decreased by \$593,175 or approximately 4.78% from \$12,400,017 to \$11,806,842.

The Income Statement for the Water & Sewer Fund is on page 98. Starting at the top of the page the Water & Sewer Fund total operating revenue amounted to \$6,949,331 for FY 2012-13 compared to \$6,998,736 for the prior year. This was a small decrease of \$49,405 or approximately 0.71%.

Near the bottom of page 98 it indicates that the capital contributions increased by \$965,004 or approximately 111.06% from \$868,909 to \$1,883,913 due to an increase in the number of grants the City received during the course of FY 2012-13. New grants included in the June 30, 2013 figures that were not recognized in the June 30, 2012 figures include the CWMTF Grant - Northern Smith River (\$742,183), Rural Center Grant – Matrimony Creek (\$40,000) and Duke Energy Reimbursement (\$138,934). In the middle of that same page it notes that the total operating expenses increased by \$245,690 or approximately 2.90% from \$8,484,184 to \$8,729,874. Also in the middle of the page is the line item entitled, other post-employment benefits. You will note that it realized an increase of \$21,813 or approximately 363.91% from \$5,994 to \$27,807. As each of you may remember, we are a Phase II government and FY 2008-09 was the first year we had to include the post-employment benefits. Near the bottom of the page it indicates that the non-operating deductions: interest expense decreased from \$414,631 to \$379,946 due to a reduction in the interest expense. Obviously, as we continue to pay off debt, the corresponding interest expense will continue to decrease.

Near the bottom of page 98 it indicates that the Water & Sewer Fund realized a net income loss of (\$340,504) compared to a net income loss of (\$945,997) in the prior year. It is important to point out that this reduction in net income reflects the reduced usage on the part of our customers. Without the rate increase that took effect on January 1, 2013 this

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loss would have been more significant. Future planning will require us to be mindful about the reduced usage patterns and actions that will be needed to make sure the revenues being generated on an annual basis is sufficient enough to pay for all of our annual expenses. As an enterprise fund, it is absolutely imperative that our water and sewer rate structures be established so as to generate the level of revenues that are needed on an annual basis to cover all of our operational, capital and debt related costs.

The bottom of page 107 indicates that total capital outlay expenses increased by \$285,662 or approximately 7.98% from \$3,579,248 during FY 2011-12 to \$3,864,910 during FY 2012-13 due to our ongoing efforts in reference to a number of much needed improvement projects including the Dry Creek Sewer Project, Northern Smith River Sewer Project, East Kuder Street Sewer Project, Mega Park Sewer Line Project, Tanyard Branch Outfalls Project, the Matrimony Creek Project and numerous water construction upgrade projects.

The top of page 108 indicates that total debt service expenses decreased by \$25,347 or approximately 1.86% from, \$1,366,050 during FY 2011-12 to \$1,340,703 during FY 2012-13.

I am very pleased to report that there is NO department/division within the Water & Sewer Fund as budgeted for in the FY 2012-13 budget document that exceeded the budgeted amount of funds. An examination of the various operating departments/divisions reveals the following:

<u>Department</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
Water Resources Page 102	\$ 365,400	\$ 338,014	\$ 27,386	\$ 342,439
Billing & Coll. Page 103	\$ 379,100	\$ 342,693	\$ 36,407	\$ 396,167
Water Filtration Page 104	\$1,225,100	\$1,173,480	\$ 51,620	\$1,204,763
C & D Page 105	\$1,404,900	\$1,335,828	\$ 69,072	\$1,393,759
Waste Treatment Page 106	\$1,106,950	\$1,080,122	\$ 26,828	\$1,211,246
Water Construction Page 107	\$ 57,000	\$ 45,465	\$ 11,535	\$ 4,900
Sewer Construction Page 107	\$ 831,500	\$ 770,353	\$ 61,147	\$ 221,892

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Non Departmental	\$1,194,400	\$1,137,577	\$ 56,823	\$1,085,691
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Page 107

Capital Outlay	\$5,094,300	\$3,864,910	\$1,229,390	\$3,579,248
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Page 107

Debt Service	\$1,341,200	\$1,340,703	\$ 497	\$1,366,050
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Page 108

Mayor Elect Tuggle commented that this question continuously comes up all the time about the administrative orders for the EPA. He pointed out that even though they have averaged spending double what communities of their size has spent he thought on the average about \$4 million a year for the last 7 years, if he was not mistaken. He stated that what bothered him was that they were going to be under a compliance order to follow through with this administrative order and could be fined \$37,500 a day for non-compliance. He stated that they have already raised water and sewer rates a number of times and are still falling short. All of that was for all the capital money that they have put into the water and sewer over the years and it was still not enough and they were going to give them five years and it could cost us \$30 million. He asked if she and Mr. Rouse had much of a discussion about where the city needed to go to try to deal with \$30 million over the next 5-7 years max.

Mr. Rex Rouse replied that one thing on the other side was they have talked about the total remaining commitment. He explained that this commitment has reduced and was right much lower now than it was last year at this time. The remaining commitments on these scheduled through 2016 was right at \$9 million (which was a lot of money but it was down from last year). He explained that a lot of this was covered by grants and the details as to how much will be funded by grants was also on page 44 and 45. He added that to him it was not going to be something that they cannot handle. He explained that they did not have a lot of debt and he did not think that the \$11 million in debt that they have right now was too great for a town this size.

Ms. Rouse added that the legal debt margin was something like \$72 million but they did not want to get anywhere close to that.

Mayor Elect Tuggle noted that still, whatever debt that they have they obviously have to have enough money to pay the debt that they do have and that really gets into water and sewer rates and those types of things and when you are put under an administrative order for non-compliance of \$37,500 a day you have to do what the EPA requires you to do no matter what. It was a real dilemma.

Ms. Rouse agreed and added that this last year they were fortunate to get all that much in grants. When talking about the amount the city paid \$3.8 million in capital outlay and received \$1.8 million in grants to pay that.

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Mayor Elect Tuggle pointed out that if they fall short on grants along the way then it was that much more.

Ms. Rouse agreed and explained that it was a risk because grants were not easy to come by. For some of these grants there was a payback on them but you do not have to pay any interest and some of them are called loan forgiveness which in her opinion was the same thing as a grant.

Council Member Turner asked the City Manager if she was correct in that some of these were down because they thought that was all the engineering that they could do for a certain period of time.

Mr. Corcoran explained that they had to cut back because again the problem was, if you look at the operating revenues coming in versus the operating expenses, it was about even. There was no money really for capital outlay items. So the grants was what has allowed them to get back. The other thing was the EPA Administrative Order was really just the tip of the iceberg. He noted that they were going to have a special meeting in February on the future of the Water and Sewer Fund but what they were going to see is in addition to the EPA Administrative Order which could be somewhere around \$30 million, if you look at the other existing ongoing needs whether it was the water or wastewater plant, collection and distribution lines, that was millions and millions of dollars as well. He explained that they could borrow the money but there was no doubt that to pay for this, there was no problem with that but you have to bring in enough money to pay the debt service on that new debt. He stated that there was no doubt there will be some tough decisions ahead.

Ms. Rouse then began discussing the Self-Insurance Fund.

Self-Insurance Fund – Internal Service Fund

On July 1, 1995, the City began its self-insured insurance coverage program. The City carries a reinsurance policy for payment on all specific claims in excess of \$50,000 once the one-time aggregating specific corridor of \$ 75,000 has been met unless the reinsurance carrier has assigned a pre-determined laser on a specific employee due to an existing condition. The lifetime maximum per covered individual is currently unlimited and the maximum reimbursement for the aggregate coverage is \$1,000,000 annually.

The comparative balance sheet of the Self-Insurance Fund is shown on page 110. This year the retained earnings showed an increase of \$150,055 or approximately 109.42% from the previous year. You will note that we ended FY 2012-13 with a surplus of \$287,197 compared with a surplus of \$137,142 in FY 2011-12, \$220,399 in FY 2010-11, \$286,236 in FY 2009-10, \$177,230 in FY 2008-09 and \$63,032 in FY 2007-08.

The income statement can be found on page 111. The operating revenues decreased this year from \$2,324,056 for the year ending June 30, 2012 to \$2,139,385 for the year ending June 30, 2013. This translates into a decrease of \$184,671 or approximately 7.95%.

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Page 111 (near the middle of the page) indicates that operating expenses decreased from \$2,407,532 for the year ending June 30, 2012 to \$2,339,560 for the year ending June 30, 2013. This translates into a decrease of \$67,972 or approximately 2.82%. On this same page you will note that Insurance claims went down from \$1,972,777 in FY 2011-12 to \$1,900,416 in FY 2012-13 for a reduction of \$72,361 or approximately 3.67% while the total fixed costs increased by \$4,389 or approximately 1.01% from \$434,755 in FY 2011-12 to \$439,144 in FY 2012-13.

Over the course of the past thirteen (13) years it is clear that remaining self-insured has proven to be the best financial decision for the City when compared to the bids that have been previously received in terms of switching to a non-self-insured plan and the actual costs being encountered.

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains two fiduciary funds: The Pension Trust Fund and the Agency Fund - Runabout Travel Club Fund.

The Pension Trust Fund accounts for the Law Enforcement Officers Special Separation Allowance. This is a public employee retiree system pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

As of December 31, 2012, the most recent actuarial valuation date, the plan was 6.28% funded. The actuarial accrued liability for benefits was \$1,156,517, and the actuarial value of assets was \$72,606, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,083,911 (page 49 and 68). This represents a decrease of \$83,738 or approximately 7.17% when compared to the previous year total of \$1,167,649. The unfunded actuarial accrued liability (UUAL) equaled \$1,403,677 on December 31, 2009.

It is very important to note that most municipalities fund their separation allowance on a pay as you go basis which is what we have been doing. The fund balance on June 30, 2013 equaled \$6,863 (page 114) which is an increase of \$283 or 4.30% from the amount on hand as of June 30, 2012 which was equal to \$6,580. As each of you are aware, the City Council previously authorized the use of existing fund balance to offset actual expenses thereby bringing down the available fund balance since the City is committed to funding this ongoing obligation on an annual pay as you go basis.

Other information related to the Pension Trust Fund can be found on pages 113 – 115 and in the notes to the financial statements on pages 47 - 50 and pages 68 – 69.

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The Agency Fund – Run-About Travel Club Fund is custodial in nature and does not involve the measurement of operating results. The Run-About Travel Club Fund accounts for money deposited with the City of Eden Parks and Recreation Department for those individuals participating in the programs of its department sponsored club. Page 116 shows the statement of changes in assets and liabilities for this fund. The fund balance on June 30, 2013 equaled \$16,048 which is an increase of \$147 or approximately 0.92% from the amount on hand as of June 30, 2012 which was \$15,901. Again, this is merely a fund for its members, contributing monies for scheduled activities and trips.

Capital/Fixed Assets

The Governmental Capital/Fixed Assets can be found on page 42. At the bottom of the page you will note that on June 30, 2013 the fixed assets totaled \$19,600,289 net of depreciation. On June 30, 2012 they totaled \$18,717,261 for a positive difference of \$883,028 or approximately 4.72%. The Business-like Capital/Fixed Assets can be found on page 43. A review of pages 42 and 43 indicates the City of Eden's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totals \$69,995,171 which is an increase of \$2,269,404 or approximately 3.35% compared to the June 30, 2012 combined figure of \$67,725,767. These assets include buildings, roads, and bridges, land, machinery and equipment, park facilities, and vehicles.

A concern that was expressed in audits prior to my arrival was the lack of an efficient fixed asset program. During the latter part of FY 2001-02 the City Council adopted the policy to depreciate assets over \$ 5,000, tracking assets over \$1,000 and making the departments responsible for keeping up with the supplies under \$1,000. This system is still working efficiently for the City. Furthermore, the City acquired a new fixed assets program during FY 2002-03 that allows us to track all of our assets more appropriately.

The infrastructure assets have now become a required part of the fixed asset records due to GASB 34. Retroactive reporting of all major general infrastructure assets for the City of Eden was initiated as a component of the audit beginning in FY 2006-07 as required by GASB 34.

Additional information on the City's capital/fixed assets can be found on pages 36-37 and 42-43 in the notes to the financial statements.

Long-Term Debt

The details of long term debt can be found on pages 55 - 65. Page 64 gives a detailed schedule which summarizes the City's annual requirements to amortize all long-term debts outstanding. On page 64 it shows that the total outstanding principal debt for the City at June 30, 2013, was \$13,010,410 compared to \$13,089,920 on June 30, 2012. This is made up from two numbers, the Governmental Activities debt which is \$2,056,434 and the Water & Sewer debt which is \$10,953,976.

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The information concerning the specific installment purchases and capital lease purchases (pages 55 – 63) indicates that three of the sixteen obligations will be paid off prior to June 30, 2015, three additional obligations will be paid off prior to June 30, 2016 and four of the obligations will be paid off prior to June 30, 2017.

The bottom of page 63 indicates that the legal debt margin for the City as of June 30, 2013 equaled \$72,216,161 up from \$71,537,133 on June 30, 2012. As each of you are aware; the N. C. General Statutes limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within the government's boundaries.

Analysis of Current Tax Levy

Page 118 is an analysis of the current tax levy for the year ending June 30, 2013. Near the bottom of the page you will note that the total property tax valuation is \$902,702,018. This is higher than the total property tax valuation as of June 30, 2012 which was \$894,214,160.

The current year tax collection rate was 97.12% down slightly from last year's rate which was 97.18%, the FY 2010-11 collection rate which was 97.14%, the FY 2009-10 collection rate which was 97.06%, the FY 2008-09 collection rate which was 96.60% and the FY 2007-08 collection rate which was 95.40%.

The property excluding registered motor vehicles collection rate equaled 98.36% which is up slightly from last year's rate which was 98.29%. The FY 2010-11 collection rates equaled 98.09%, the FY 2009-10 collection rate was 98.05%, the FY 2008-09 collection rate was 97.68% and the FY 2007-08 collection rate was 97.23%.

Interest Income

The \$71,879 in interest income earned on investments during FY 2012-13 (loose handout included with audit document) has decreased from last year's total of \$102,793 by \$30,914 or 30.07%. Unfortunately, the total amount of interest income earned continues to be significantly less than it was several years ago due to the weakened economy. Just six years ago our interest income earned during FY 2007-08 equaled \$744,987. Information for the past five years reveals the following:

<u>Fund</u>	<u>Year Ended 06-30-2013</u>	<u>Year Ended 06-30-2012</u>	<u>Year Ended 06-30-2011</u>	<u>Year Ended 06-30-2010</u>	<u>Year Ended 06-30-2009</u>
General	\$ 34,261	\$ 48,657	\$ 47,135	\$ 90,351	\$ 161,585
Special Revenue	\$ 93	\$ 149	\$ 308	\$ 143	\$ 1,532
Water & Sewer	\$ 37,260	\$ 53,760	\$ 42,866	\$ 88,979	\$ 197,122
Self Insurance	\$ 230	\$ 219	\$ 788	\$ 403	\$ 300
Police Pension	<u>\$ 35</u>	<u>\$ 8</u>	<u>\$ 231</u>	<u>\$ 74</u>	<u>\$ 395</u>
Total	\$ 71,879	\$102,793	\$ 91,328	\$ 179,950	\$ 360,934

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Construction Commitments

Last year there was a new addition to the “notes to the financial statements” entitled, *Construction Commitments*. This information is outlined on pages 44 and 45 of the audit document. A total of four (4) projects are highlighted on page 44 with a combined total cost of \$9,849,106. Of this total \$4,500,000 (see page 45) will be received in the form of grants and principal forgiveness loans. This leaves a balance of \$5,349,106 to be funded through low interest loans and revenues from the Water and Sewer Fund. Page 44 indicates that as of June 30, 2013 \$862,447 of the \$9,849,106 in identified costs had actually been spent with the remaining commitment being equal to \$8,986,659.

Management Letter

The first item outlined in the auditor’s management letter deals with audit adjustments. The number of audit adjustments in the General Fund for the period ending June 30, 2013 was 14 with 5 of those adjustments proposed by city personnel. The number of audit adjustments in the Water and Sewer Fund for the period ending June 30, 2013 was 6 with 1 of those adjustments proposed by city personnel. We will continue as a staff to do what we can to keep the number of audit adjustments to a bare minimum.

In the management letter the auditor’s state, *“The City’s staff continues its trend of having few adjusting entries necessary to bring the City’s financial statements in conformity with generally accepted auditing standards and Government Auditing Standards. We continue to stress the importance of the accounting personnel attending Local Government Commission and Institute of Government classes to keep abreast of new accounting and auditing issues related to the City’s business”*.

The second area discusses actuarial studies. Section 2. A. discusses the actuarial study of the Police Separation Allowance. The audit management letter states, *“We commend the city administration for monitoring the funding progress of the police separation allowance and should continue to do so”*. We intend to keep monitoring the Police Pension Trust Fund and will continue to have actuarial studies done each year. Section 2. B. deals with the city continuing to monitor the cost of a study made of other Post Employment Benefits to comply with GASB Statement 43, Financial Reporting for Postemployment Benefits Other than Pension Plans and GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The potential liability for other post employment benefits was initially implemented into the FY 2008-09 audit report and the audit management letter states that *“the long range cost to the City should continue to be analyzed for consideration in the budgeting process for the City of Eden in the future”*. We will continue to monitor this potential liability and will examine the feasibility of factoring the long range cost into the annual budgeting process.

The third and final area addressed in the management letter deals with the water and sewer rates for contract customers. Now that the audit is completed we are already moving forward with computing the new figures for MillerCoors and Dan River Water.

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Ms. Rouse closed the audit report by asking if there were any other questions.

Mayor Elect Tuggle recognized the city's Finance Department for their work and Ms. Rouse agreed that they did a terrific job and all the departments were very cooperative.

REQUESTS AND PETITIONS OF CITIZENS:

Mr. Roger Hodge, 625 Fisher Street, came forward to speak to Council.

Mr. Hodge explained that he had attended a meeting about 6 or 7 years ago because he had a problem with drainage and when he left here he thought that everything was going to be fixed. He stated that he had asked for curb and gutter and up on Victor Street there was a water drain and the city's water comes onto his property and he had put in a 12 inch pipe. The city had a 21 inch water main to bust and needless to say the 12 inch pipe would not hold it and it washed it out of the ground. He stated that he had spent about \$3,000 more down there but his main concern was that he had been living there about 10 years. He paid between \$1800 and \$1900 a year in taxes and not one time has the street sweeper been down his street. He stated that if they go over there right now, they have weeds this tall, the city did not mow the ditches, and the road has grass 27 inches out in the road, the grass was covering the road.

He stated that he got absolutely nothing there. He noted that they did have one super good employee and that was the skinny black gentleman that wears glasses that picks the garbage up. He was a real good employee, but as far as the rest of the service he got down there it was basically nothing. He stated that he was just tired of paying all these taxes and not getting one thing and he was appalled when he went out around town and saw where they have put this money out here on these little curb crossings so people can get from one side of the road to another and there was nothing wrong with the road. He pointed out that was just like the mural they had painted on the side of a building up there. No telling how much money was wasted on that thing and it offended most of the black people because it pictured slaves pushing a boat. He was also appalled at the little private parking lot that the city put right there in front of Phil Price's business down there where he lives.

He stated that he was tired and plus, at the very bottom of the street the drain had a 15 inch pipe in it and it will not take it. He owned 3 houses up there. Getting back to the city's water coming off of Victor Street and onto his property, that was supposed to have been fixed. Ms. Amos (Engineering) told him that she was going to have to get permission for them to take that line across where it needed to go to get off his property. He bought the rest of the land so they would not have a problem with that and she told him that he could basically forget it. He asked what the City Council meeting was for. If they all tell him yes, this was this and then somebody else was going to override them, then that was no good. He asked what he should do, quit paying taxes and tear his houses down. He stated that he felt sorry for everybody who lives on that street because they get nothing.

Mayor Elect Tuggle stated that he appreciated him coming in and telling them this. He stated that they would try to work with him.

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Mr. Hodge asked how about getting somebody out there to clean the ditches up and put some...to which Mr. Corcoran commented that they would go back to the minutes and find where he had attended the meeting here six years ago and find out exactly what the Council did and he would get with Ms. Amos and get an update from her and also check on everything else and he would send out a report to the Council with all of his findings.

Mayor Elect Tuggle asked if he would make contact with Mr. Hodge.

Mr. Corcoran replied yes, they could get him a copy, clearly he said several things and he would check into it and see what was what.

Mr. Hodge asked if Council Member Gover was there.

Mayor Elect Tuggle explained that Council Member Gover had passed away.

Mr. Hodge explained that Council Member Gover was the one man who helped him out on getting all this approved and he even got a bill passed where the city would pay for any time that there was water on private property you can get an application and the city would go 50/50 with you up to \$4,000.

Mayor Elect Tuggle explained that they would check those things out, he had made himself clear on what his concerns were, and the City Manager will get back to him.

UNFINISHED BUSINESS:

There was no unfinished business scheduled.

NEW BUSINESS:

There was no new business scheduled.

REPORTS FROM STAFF:

There were no Monthly Reports at this time.

CONSENT AGENDA:

- (a) Approval and adoption of minutes: October 15, 2013.
- (b) Request for Consideration of a Resolution for Council Approval of the 2012 Local Water Supply Plan.

The Eden City Council is requested to consider a resolution to give their formal approval to the 2012 Local Water Supply Plan prepared by Water Plant Superintendent Dena Reid. This 2012 Local Water Supply Plan was submitted to the North Carolina Department of Environment and Natural Resources' Division of Water

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Resources for approval on February 12, 2013. The Division of Water Resources has completed their review of this plan and given provisional status pending submittal of a Resolution of Approval by the Eden City Council. We request that Council grant their approval to this Local Water Supply Plan so that it can be resubmitted for final approval and final acceptance by the Division of Water Resources.

It is our understanding from the Division of Water Resources that the governing body of the governmental unit has a requirement to formally accept these plans once every five years. Our Local Water Supply Plan is updated each year by April 1, and submitted to the Division of Water Resources.

RESOLUTION FOR APPROVING LOCAL WATER SUPPLY PLAN

WHEREAS, North Carolina General Statute 143-355 (I) requires that each system that provides public water services or plans to provide such services shall, either individually or together with other systems, prepare and submit a Local Water Supply Plan; and

WHEREAS, as required by the statute and in the interests of sound local planning, a Local Water Supply Plan for City of Eden, has been developed and submitted to the Eden City Council for approval; and

WHEREAS, the Eden City Council finds that the Local Water Supply Plan is in accordance with the provisions of North Carolina General Statute 143-355(I) and that it will provide appropriate guidance for the future management of water supplies for __City of Eden__, as well as useful information to the Department of Environment and Natural Resources for the development of a state water supply plan as required by statute;

NOW, THEREFORE, BE IT RESOLVED by the Eden City Council of City of Eden that the Local Water Supply Plan entitled, City of Eden Local Water Supply Plan 2012 dated February 12, 2013, is hereby approved and shall be submitted to the Department of Environment and Natural Resources, Division of Water Resources; and

BE IT FURTHER RESOLVED that the Eden City Council intends that this plan shall be revised to reflect changes in relevant data and projections at least once every five years or as otherwise requested by the Department, in accordance with the statute and sound planning practice.

This the 19th day of November, 2013.

Name: Wayne R. Tuggle, Sr.
Title: Mayor Pro Tem

(c) Approval and Adoption of Budget Amendment #4.

In June of 2013, you approved a budget amendment to allocate fund balance from the General Fund and Water and Sewer Fund to cover any prior year claims that were incurred in fiscal year 2012-2013 but paid after year end. We agreed that after all the claims have come in and been posted to fiscal year 2012-2013, any fund balance that was not needed will be moved back to the appropriate funds. After the audit has been completed, the Self Insurance Fund ended with a fund balance of \$150,055 at June 30, 2013. The attached budget amendment allocates the Self Insurance fund balance back to the General and Water & Sewer funds.

Subject: Budget Amendment # 4

	Account #	From	To	Amount
Self Insurance Fund				
Revenues				

November 19, 2013

City of Eden, N. C.

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Fund Balance Appropriated	15-3991-99100	\$	-	\$ 150,000.00	\$ 150,000.00
Self Insurance Fund Expenditures					
Transfer to General Fund	15-4145-97000	\$	-	\$ 120,000.00	\$ 120,000.00
Transfer to W/S Fund	15-4145-98000	\$	-	\$ 30,000.00	<u>\$ 30,000.00</u>
					<u>\$ 150,000.00</u>
General Fund Revenue					
Contribution from Self Insurance	10-3984-94000	\$	-	\$ 120,000.00	<u>\$ 120,000.00</u>
General Fund Expenditures					
Special Approp Holding Account	10-9920-99999	\$	-	\$ 120,000.00	<u>\$ 120,000.00</u>
Water & Sewer Fund Revenue					
Contribution from Self Insurance	30-3984-98300	\$	-	\$ 30,000.00	<u>\$ 30,000.00</u>
Water & Sewer Fund Expenditures					
Special Approp Holding Account	30-9920-99999	\$	-	\$ 30,000.00	<u>\$ 30,000.00</u>

To allocate Self-Insurance fund balance @ 6/30/13 to the General Fund and Water & Sewer Fund.

Adopted and effective this 19th day of November, 2013.

Attest:

Sheralene Thompson, City Clerk

Wayne Tuggle, Mayor Pro-Tem

(d) 2013 Autocar Garbage Truck Financing (5 Years).

In the 2013-2014 Budget, City Council approved to purchase a new garbage truck for the Solid Waste department and it has been set up in the budget to be financed. On October 29, 2013, I requested bids from our local banks for the financing and received the following quotes:

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Carter Bank & Trust	1.75%
Home Savings	1.79%
BB&T	1.83%
NewBridge Bank	2.31%

The lowest quote is from Carter Bank & Trust at 1.75%. The annual payments will be approximately \$53,975 which is within the budgeted amount. I respectfully ask that Council approve Carter Bank & Trust as the successful bid.

(e) Confirm the Amount of Indebtedness of Demolition Costs to be collected in the Same Manner as Special Assessments.

The following property has been the subject of a housing code action and the structure situated on the property has been demolished pursuant to an Ordinance adopted by the Eden City Council. The cost of the demolition is noted as follows:

1032 Sharpe Avenue	2,615.52
109 Short Morgan Street	2,300.00

This particular lien is collected in the same manner as special assessments. We need for you to formally establish this lien and then to authorize legal action. When we appear in court, your formal action will be proven through the minutes.

(f) Adopt Order of Collection for Nuisance Abatement Fees to be collected as Delinquent Property Taxes.

The attached is a list of properties which have had nuisance violations and the costs associated with the abatement of the violation (copies of the invoices have been delivered to the City Clerk with the Order of Collection).

These particular liens are collected in the same manner as delinquent property taxes. We need for you to formally establish these liens and then to authorize legal action. When we appear in court, your formal action will be proven through the minutes and the execution of the attached Order of Collection.

(g) Traffic Study Request in Reference to No Parking Signs on Gresham Street South of Hay Street, Approval of Recommendation and Adoption of Ordinance.

A traffic study was received from Council Member Jerry Epps in reference to placing No Parking signs on Gresham Street south of Hay Street.

Gresham Street is a short, curvy, one-way residential street that travels from Victor Street to Lee Street. This section of Gresham Street has four residences on the southeast side that are close to each other (see attached). The one-way street (along with the closeness of the residences) makes it difficult for motorists to back out into the roadway when other vehicles are parked on the roadway.

The Police Department’s recommendation would be to create a no parking zone along both sides of Gresham Street from sixty feet south of Hay Street, to 370 feet south of Hay Street.

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A motion was made by Council Member Turner seconded by Council Member Ellis to approve the Consent Agenda items. All Council Members present voted in favor of this motion.

ANNOUNCEMENTS:

- a. December 7th, 2013 – Draper Volunteer Fire Department – Children’s Christmas Parade – 11:00 a.m.

CITIZENS ACADEMY GRADUATION:

Mayor Elect Tuggle asked each of the Citizens Academy participants to come down to receive their certificate. The following participants came forward: Tiffany Hjerpe, Will Flynt, Philip Raeburn, Alexandra Lucas, Betty Merritt, Lynn Stevens, Jacob Scales, Obera Harris, Katie Mann, Buzzy Lawson, Angela Hampton, Hope Gilley and Virginia Lynn.

He then recognized the City of Eden Planning & Inspections Department for being voted Favorite Session and the Director of Information Technology, Mr. Kevin Taylor for being voted Favorite Instructor.

After the meeting was adjourned a reception was held.

ADJOURNMENT:

A motion was made by Council Member Burnette seconded by Council Member Turner to adjourn. All Council Members present voted in favor of this motion.

Respectfully submitted

Sheralene S. Thompson, CMC
City Clerk

ATTEST:

Wayne Tuggle, Sr., Mayor Elect