



City Council Retreat Agenda
January 13-14, 2022
The Kinsleeshop Farm – 2027 S. Chipley Ford Road

Thursday, January 13, 2022 (9:00am – 4:00pm)

1. Welcome Remarks & Introductions
2. Growth Report and Forecast
3. Panel Discussion – Growing a Healthy, Vibrant City

Lunch

4. Strategic Planning
5. Mission, Vision, and Core Values
6. Conclusion

Friday, January 14, 2022 (10:00am – 3:00pm)

1. Welcome Remarks & Introductions
2. Financial Report and Fund Balance Discussion
3. Capital Improvements Plan
4. Capital Improvements, Debt & Financial Planning

Lunch

5. American Rescue Plan Funds
6. Performance Based Pay Increases
7. Underground Electric Utilities
8. Summation and Conclusion

MEMORANDUM

TO: Mayor and City Council
FROM: Ron Smith, City Manager
DATE: January 7, 2022
SUBJECT: Retreat Information

The intent of this memo is to provide background information and context prior to our retreat next week. This is not a heavy review-before-you-come retreat, so I do not anticipate sending out much more in the way of preparation materials. Overall, we will be updating you on growth, providing you with information for future decision making, and asking for guidance for our strategic budget issues.

We will begin at 9:00 on Thursday, with breakfast at 8:30, and then at 10:00 on Friday at the Kinsleeshop Farm at **2027 South Chipley Ford Road**. Centralina is currently developing the agenda, but it will run parallel with the items detailed below and in this packet. Following this memo your information will correspond as a numbered topic, which is found on a colored sheet of paper.

1. **Growth Report and Forecast** – As we have done over the last few years, staff has gone through a major exercise that focused on current and future growth. The intent of the discussion is to drill down on the impacts of the development that is currently underway while also analyzing what to expect from the numerous inquiries we have and are receiving daily. Staff will present a series of maps that will show you where the development is occurring and how it will affect City services. The primary areas of impact are in Sanitation, Public Works, Police, and Fire. However, increased activity will lead to secondary impacts in other departments.
2. **Panel Discussion** – We have a panel of regional “experts” that will be at the retreat to talk—and answer questions about—growth, trends, and land use mix. One of our speakers had to cancel, which is unfortunate, as she was our regional residential expert and could have provided valuable insight. I encourage you to ask questions of them and try to get an understanding of both the impacts and the benefits to our community.
3. **Strategic Planning** – We are close to the culmination of several planning documents and in the process of some others. Staff will give you a short overview of each plan, and we will talk about how those will guide the future decisions of the Council.
4. **Staff Mission, Vision, and Core Values** – I have brought this to your attention previously, and it probably warrants some discussion as it relates to the Council’s mission and

strategic planning. Centralina will facilitate a strategic planning discussion, and we will talk about a process and the impact of the upcoming election.

5. **Financial Report and Fund Balance Policy** – As you know, we received a very favorable audit report. We are in a position where strategy is extremely important, considering the amount returned to fund balance, the availability of ARPA funds, state funds, and grant opportunities through the recently adopted infrastructure bill. At this point, we need to discuss your tolerances on how to use our excess fund balance, and later in the day talk about outside funding resources.
6. **Capital Improvement Plan** – This is the most granular part of our retreat. We have made headway in our capital projects, with the ongoing Fire Station 1 project, and the Warehouse (Operations Center) project just about to commence. However, as you will have heard, growth is causing us to consider other major building projects as well. I have attached the current CIP, as you have agreed to, and some other projects that have been recently discussed because of growth and overall need.
7. **Financial and Capital Planning** – Brian Roberts and I have recently met with Davenport Financial Advisors about assistance in our capital planning, funding, and debt management. With all the funds coming from outside sources, and the projects that will be undertaken, I believe it will benefit us to utilize outside expertise to make sure we get the most out of these funds and efficiently plan for the future. We will have a short presentation from Ted Cole with Davenport, who works with many local governments in North Carolina and Virginia.
8. **American Rescue Plan Act** – The City has been allocated \$8,700,000 in ARPA funds, of which \$7,700,000 remain (premium pay is the result of the difference). We have also received \$20,000,000 from the State for use toward infrastructure projects. This money is based on State ARPA funds but is passed through to the City. It is important that we determine the best way to allocate these funds. Unfortunately, we have been working under interim guidance since the summer and have only had vague guidance on the uses. Yesterday (1/7/22) the final guidance was released. We will take the beginning of next week to digest this information and have more for you at the meeting, but hopefully before.
9. **Performance Based Pay Discussion** – The City does not have a traditional pay-for-performance appraisal and increase process. At some point in the past a Standard Pay for Performance Increase (SPPI) was put in place that gives the same %, set by Council, to each employee that scores a satisfactory score on their performance evaluation. This has the effect of being equitable but does not promote or reward exemplary performance. We will be providing information on our past pay increases to help with this discussion.
10. **Underground Electric Utilities** – This is a continuation of the discussion that took place a few months ago about the possibility of running electric utilities underground.

I am looking forward to a strategic discussion next week. If you have any questions before our meeting, please let me know.

CITY COUNCIL RETREAT TOPIC #1

TOPIC: *Growth Report and Forecast*

1. Summary of Information

As we have done over the last few years, staff has gone through a major exercise that focused on current and future growth. The intent of the discussion is to drill down on the impacts of the development that is currently underway while also analyzing what to expect from the numerous inquiries we have and are receiving daily. Staff will present a series of maps that will show you where the development is occurring and how it will affect City services. The primary areas of impact are in Sanitation, Public Works, Police and Fire. However, increased activity will lead to secondary impacts in other departments.

2. Presenters and Content

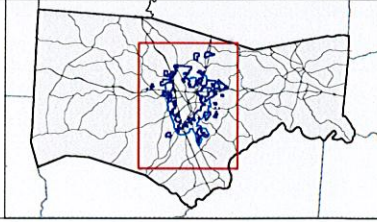
- a. *Ron Smith, City Manager* – Overview
- b. *Sherry Ashley, Planning Director* – Explanation of what growth is occurring in the Statesville area, pros and cons, concerns
- c. *Scott Harrell, Assistant City Manager* – Specific impacts on Sanitation and Public Utilities
- d. *Andy Weatherman, Fire Chief* – Specific impacts on fire protection and fire stations

3. Attachments

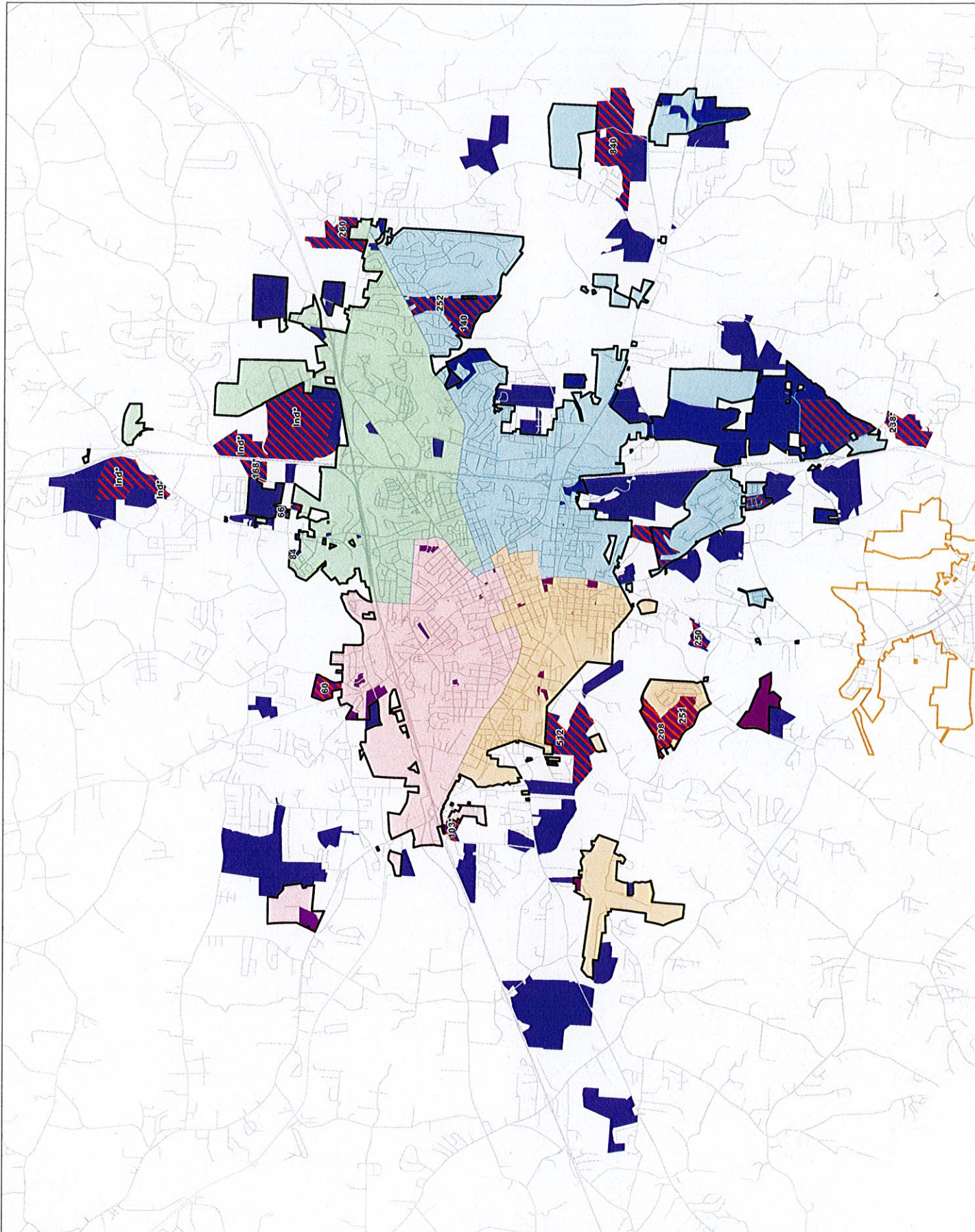
- a. Development Inquiries Map w/Police
- b. Development Inquiries Map w/Utilities
- c. Development Inquiries Map w/Sanitation Routes
- d. Development Inquiries Map w/Fire Station Response Areas

**Development Inquiries,
Statesville Police
Department Beats**

- Legend**
- Development Inquiries
 - Imminent or In Progress
 - Development Inquiry
 - SPD Police Beats
 - 1
 - 2
 - 3
 - 4
 - Streets
 - Parcels
 - Statesville
 - Troutman

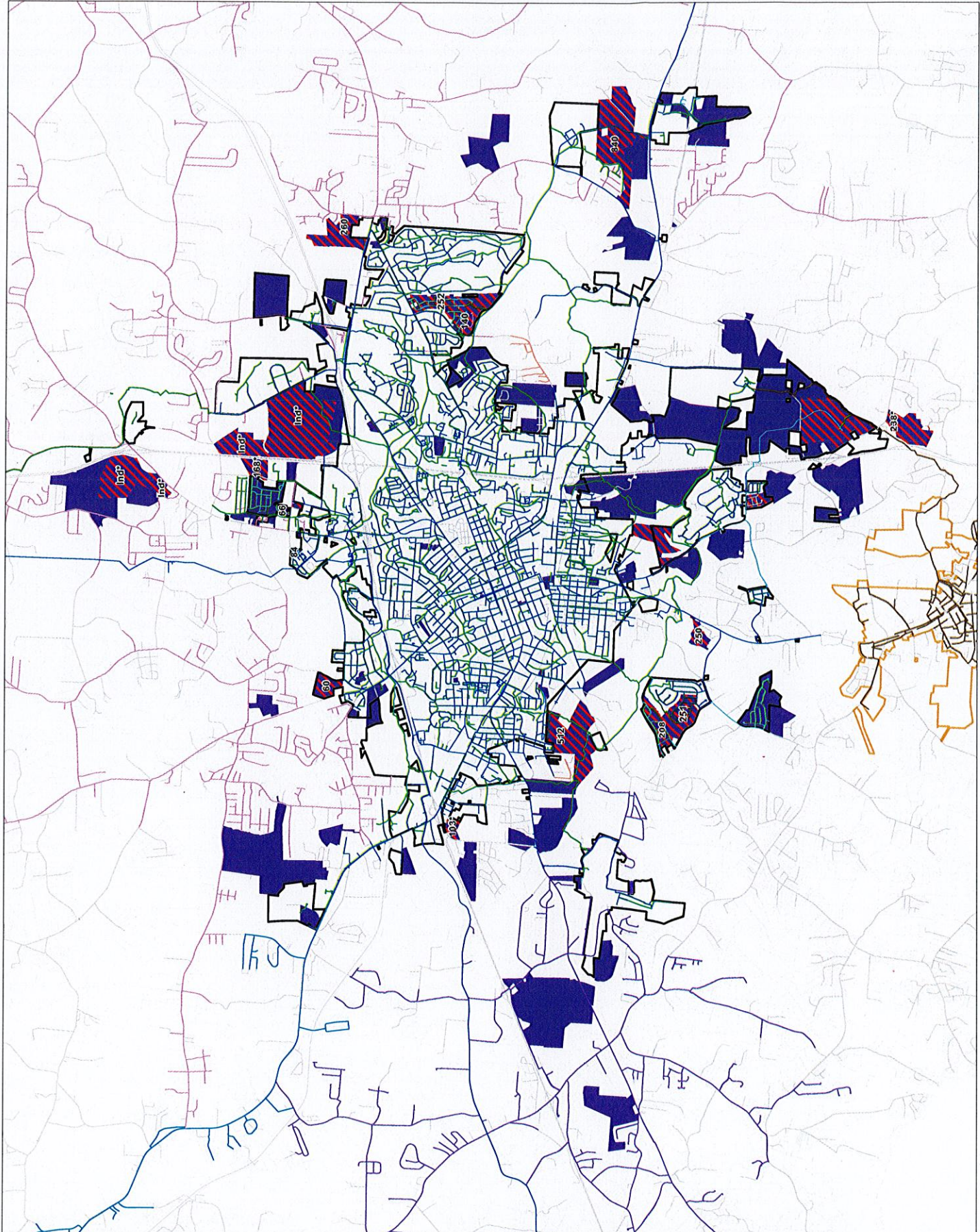
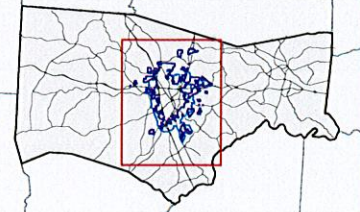


The map shows Development Inquiries in and around the City of Statesville. Development inquiries are defined as parcels where developers are currently in development. Statesville Police Beats are overlaid on the map for use by the Statesville Police Department. The information on this map is derived from the Statesville Police Department's GIS database. The City of Statesville is not responsible for determining the suitability for use or accuracy of the information on this map. Users will need to verify the information on this map with the appropriate agencies based on the GIS data.



**Development Inquiries,
Statesville Water &
Sewer,
Other Utility Entities**

- Legend**
- Development Inquiries
 - Imminent or In Progress
 - Development Inquiry
 - Statesville Water Lines
 - TRC Water Lines
 - Statesville Sewer Mains
 - TRC Sewer
 - West Fredell Water Lines
 - IWC Water Lines
 - EU Water Lines
 - Aqua Water Lines
 - Trouman Sewer Lines
 - Streets
 - ▭ Parcels
 - ▭ Statesville
 - ▭ Trouman



This map shows Development Inquiries in and around the City of Statesville. Development Inquiries are parcels that have been identified by utility entities as having potential for development. Utility entities include Statesville Water and Sewer, Trouman Sewer Lines, and other utility entities. Parcels are outlined with orange hatched marks. Development inquiries are outlined with red hatched marks. The development has been discussed by the City of Statesville and the utility entities. The number of residences in each development is indicated by the number of parcels in the development. The information on this map is from a database accessed using a Geographic Information System (GIS). The City of Statesville cannot guarantee the accuracy of the information contained on this map. Each user of this map is responsible for determining the appropriateness of the information for their intended use or purpose. City departments will not necessarily approve applications based solely on this map.

0 1 Miles

January 1, 2022
Development Inquiries December 2021

CITY COUNCIL RETREAT TOPIC #2

TOPIC: *Panel Discussion*

1. Summary of Information

As a follow up to our discussion about impending growth, we will have a facilitated discussion about trends, impacts, land use mix, etc.

2. Presenters and Content

- a. *Michelle Nance* – Regional Planning Director, Moderator
- b. *Kathleen Rose*, President/CEO, Rose Associates – Market Analysis
- c. *Jenn Bosser*, President/CEO, *Iredell County Economic Development Corp.* – Workforce Housing
- d. *Sherry Ashley*, *Planning Director* – Specific requests of Statesville

3. Attachments

- a. Speaker Bios



Michelle E. Nance, AICP
Regional Planning Director, Centralina Regional Council

Michelle E. Nance, AICP is the Regional Planning Director for the Centralina Regional Council, providing planning services to nine counties in the greater Charlotte region.

Michelle directed the creation of the Charlotte region's growth framework, *CONNECT Our Future*, co-founded the Centralina Health Solutions Center, led a team to develop the greater Charlotte region's freight mobility study, and recently completed the creation of a two state, 12 county regional transit plan, *CONNECT Beyond: A Regional Mobility Initiative*. Michelle holds a Master of Public Administration and BS in Urban and Regional Planning from East Carolina University. She is a past president of the NC Chapter of the American Planning Association and was honored as one of the 2017 50 Most Influential Women in the Charlotte region and was named 2017 Woman of the Year by the Mecklenburg Times.



Kathleen Rose, CCIM, CRE
President/CEO

Ms. Rose is President and Chief Executive Officer of Rose & Associates Southeast, Inc. Ms. Rose combined decades of experience as a development expert and real estate analyst to build a unique consulting practice which assists public, private and institutional clients in market feasibility, project positioning, site selection and economic development. Ms. Rose has managed the analysis, planning, development, and strategic positioning of over 400 real estate and economic development projects throughout the eastern United States.

She holds the Certified Commercial Investment Member (CCIM) designation of the Commercial Investment Real Estate Institute of the National Association of Realtors. After receiving the designation in 1989, she went on to serve on the Institute's Faculty and as Chair of regional and national executive committees. She also holds the coveted designation of Counselor of Real Estate (CRE) of the National Association of Realtors and serves as Chair of the CRE Consulting Corps. Ms. Rose is also a member of the Urban Land Institute (ULI) and has served on Advisory Services Panels for ULI, including the Daniel Rose Center for Public Policy, published in a wide variety of institute project documents. She is also member of the International Economic Development Council (IEDC), which confers the CeCD Designation (Certified Economic Developer) and is pending certification.

Ms. Rose is a quoted expert and has authored several articles for a wide variety of industry trade publications and presented at meetings and conferences, covering topics including retail, development, urban planning, economic development, and related subjects. Her work in real estate, community and economic development has resulted in being recognized by Business Today as a top business woman in the Lake Norman region in 2010 and The Charlotte Business Journal as among the top 25 businesswomen in 2011. She was also awarded 2020 "WLI Champions in Real Estate" of the ULI Charlotte District Council.

To provide case studies for the firm's work, Ms. Rose has also partnered in private development projects, including South Main Square in downtown Davidson, NC, a mixed-use revitalization project which was the catalyst for forming the arts district, including a local incubator to serve as a public-private partnership model for entrepreneurial development, which received the North Carolina Centralina Council of Government Award in 2014 for "Growing the Economy".

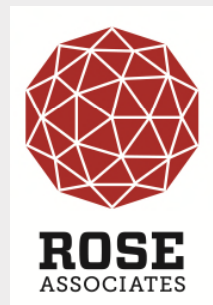
Profile

Years of Experience: 30+

Education: University of Vermont – Nursing 1981;
University of Hartford –
Appraisal/Real Estate 1985

Licenses: NC Broker #185643

Certifications/Designations:
CCIM (Certified Commercial
Investment Member) - 1989
CRE (Counselor of Real Estate) -
2011





Jenn Bosser, CEcD (Bo-zer)
President & CEO
Iredell County Economic Development Corporation

Jenn Bosser is the president & CEO of Iredell County Economic Development Corporation and has been in the role since August 2019. During her tenure in Iredell, she has developed and implemented a economic development strategy focused around 6 Key Pillars: Existing Industry & Retention, Workforce Development & Talent, Business Recruitment, Product Development, Marketing & Communications, and Collaboration & Community. She has over 20 years experience working in a variety of leadership roles within economic development and the nonprofit community. She started her career in Washington, DC working in for the Washington, DC Economic Development Partnership, Destination DC, and Hard Rock Café.

She moved to North Carolina in 2005 and has held a variety of positions at the local, county, region, and state levels, which has given her a unique perspective towards the importance of partnership, collaboration and communication, to deliver on a strong economic development strategy.

Most recently she worked at the City of Raleigh as a Senior Economic Developer, where she was successful in the recruitment and expansion of major tech companies including Pendo, Infosys, Citrix, Red Hat, and Bandwidth. She served as the first Executive Director of the Research Triangle Cleantech Cluster (RTCC), where she grew the industry-led membership organization focused on the cleantech economy in the Research Triangle Region. From 2010-2015, Bosser served as assistant executive director for Wake County Economic Development, where she developed and implemented the regional economic development strategy focused on targeted industry cluster recruitment, the creation of a national media and public relations campaign, and the creation Work in the Triangle, a talent attraction initiative that received national awards and recognition as a model in economic development. From 2005-2010, she served as vice president of executive engagement and enterprise strategy for the North Carolina Technology Association (NCTA), a statewide organization with over 700+ members, where she oversaw marketing, communications, events, and fundraising.

She has held a number of positions on nonprofit boards, Community Workforce Solutions, a nonprofit that helps individuals with disabilities with skills training and placement in the workplace, She served as Past President of Triangle Commercial Real Estate Women and was recipient of the CREW Excellence Award in 2014 & 2018. She is a graduate of the Leadership Raleigh Class of 29, was a winner of the Triangle Business Journal's 40 under 40 aware, and recognized as a 40 under 40 Rising Star in Economic Development at the International Economic Development Council's Leadership Conference 2012.

She currently is a board member on the Centralina Economic Development Council and Charlotte Regional Business Alliance's Economic Development Advisory Council. She serves as an Ex-Officio Board member of Greater Statesville Chamber of Commerce and the Mooresville-South Iredell Chamber of Commerce. She is also the managing director of the South-Iredell Community Development Corporation, an entity that oversees marketing and development of the Mooresville Business Park East.

She received her Bachelors of Arts degree in communications/public relations from Towson University and is a graduate of Oklahoma University's Economic Development Institute. She is a licensed North Carolina Real Estate Broker and is a Certified Economic Development Professional as recognized by the International Economic Development Council.

She is most proud of her husband and three boys (7, 12, 14).

CITY COUNCIL RETREAT TOPIC #3

TOPIC: *Strategic Planning*

1. Summary of Information

We have had conversations about strategic planning over the last year, but with no real results. However, there are several planning processes we have been pursuing that could ultimately be the basis of a true strategic planning process. Staff will give an overview of each of the plans/analyses for your information.

2. Presenters and Content

a. Sherry Ashley, Planning Director – Land Development Plan Update

The City of Statesville's current Land Use Plan was adopted back in 2004/2005. The purpose and importance of a Land Use Plan is that it is the long range policy document that guides decision making in relation to land development, capital investments/priorities and community programs for the city into the future. Because the current plan is over 15 years old and conditions within the city have changed substantially, the plan needed to be updated. The city hired Clarion to assist with this update. After 19 months of research, interviews, surveys and public meetings, the 2045 Land Development Plan was presented to both the Planning Board and City Council on October 4, 2021. The plan was delayed by the Planning Board at their October 26, 2021 meeting due to public comments received. Therefore staff is working with Clarion to provide changes/comments to the plan to address the additional public comments received. The new adoption schedule includes revisions being presented to the Planning Board on February 22, 2022 and City Council tentatively March 21, 2022. Once the 2045 Land Development Plan is adopted, amendments will be proposed for the Unified Development Ordinance to further implement the goals and policies of the 2045 Land Development Plan.

b. Richard Griggs, Recreation and Parks Director – Route 2 Recreation

The Route 2 Recreation, Statesville Recreation and Parks Comprehensive Master Plan, is a long-range planning document that is meant to help shape the direction, development and delivery of the City's Recreation and Parks facilities over the course of the next 10 years. This comprehensive plan considers previous planning documents, department goals, existing conditions, and an assessment of needs to provide a framework for the department vision, recommendations, and prioritization strategies.

The development of Route 2 Recreation is based on the acknowledgment that providing excellent recreation and parks facilities and program opportunities for a diverse, growing population will be a critical component of accomplishing the City's overarching goals. The community was involved in providing input and helping to set priorities to maximize the effectiveness of the department and its resources. This plan will provide a focused direction for development and delivery of the City's recreation and parks services for current and future residents, ensuring that Statesville continues to be a desirable community for people to live, work and play.

c. *Kenny Roberts, Civic Center Director – CC Market Analysis*

The Market Analysis conducted by the consultant team GreenPlay, LLC and Woolpert, Inc. looked principally at the market, trends, and operations of the Statesville Civic Center and whether the needs of the community are currently being fulfilled. The analysis was conducted in three key areas; 1) Identify: current facility offerings and operations, review of demographics in a 50-mile radius, and review of existing plans, budgets and policies and procedures, 2) Evaluate: facility space and inventory of resources, and the strengths and weaknesses of operations 3) Recommendations: present the findings from the virtual meetings held with focus groups and key stakeholders, and Civic Center staff input. A summary of the following is included:

- Strength of the Civic Center
- Weaknesses/Challenges
- Additional activities that should be offered
- New amenities that should be offered
- How should the improvements be financed
- List of key Partners & Stakeholders
- Key Issues
- Priorities

These findings and recommendations should provide guidance for the development of the annual operating and the Capital Improvement Plan budget for the Civic Center. Additionally, the analysis should lay the groundwork and direction for the development of the Master Plan which is planned in 2022. The goal is to develop a strategic plan for the operations, renovations, and expansion of the Civic Center that will better meet the needs and demands of the community in future years.

d. *Scott Harrell, Assistant City Manager – Wastewater Treatment Plan Modeling*

McGill Associates was engaged to update wastewater volume projections for the Third Creek Wastewater Treatment Plant (WWTP). After reviewing plant flow data

and evaluating residential & industrial growth potential in the plant's service area, McGill has projected the Third Creek WWTP will have an average daily flow of about 3.8 million gallons per day (MGD) by 2041. That volume includes current allocations to industries and the Town of Troutman. With a plant capacity of 6.0 MGD, that leaves about 1.2 MGD that can be leveraged in service agreements with other entities. McGill is currently developing flow projections for the Fourth Creek WWTP; we anticipate having those results to share at the retreat.

e. *John Maclaga, Electric Utilities Director* – Electric Strategic Plan

The Electric department is facing growth and cost pressures simultaneously. On one hand we have significant growth, especially to the South of the City and are expanding main lines and preparing to serve these areas, but growth is, as Sherry has shown, happening all over, including “spot” developments of individual houses on lots that have long sat vacant. On the other we have supply chain issues putting upward pressure on materials costs in excess of regular inflation, some items as much as four times more expensive with lead times increasing--for transformers we can wait past 60 weeks. Additionally, we have areas of the City we must reinvest in to replace old poles, old wire, voltage conversion, etc. Tomorrow I can go into more detail about Electric as a business and how I frame it in my mind under the four dimensions of Safety, Rates, Relationships and Reliability.

f. *Andy Weatherman, Fire Chief* – Station Location Analysis

In early 2020 the Fire Department underwent a location analysis to relocate Station 1. Since that time, we have had tremendous growth interest and we need to undertake a study for the entire City, factoring in growth.

We are beginning an in-depth study of the response needs of the city, which will include a current base map with the city limits, fire district area, and fire stations. Statesville drive time analysis (NFPA 1710 4- minute travel or preferred travel time objective) including auto/mutual aid drive time capability in Statesville, including gaps and overlaps. ISO mileage extent analysis for engines and ladders and 5-mile including auto/mutual aid distance extent into Statesville with gaps and overlaps. This will also include population density analysis, demand density analysis, risk categorized by land use or zoning, flood, and railroad crossing for the CRR section. This study will start on January 18, 2022.

3. **Attachments** – None

CITY COUNCIL RETREAT TOPIC #4

TOPIC: *Mission, Vision and Core Values*

1. Summary of Information

I have brought this to your attention previously, and it probably warrants some discussion as it relates to the Council's mission and strategic planning. Centralina will facilitate a strategic planning discussion and we will talk about a process and the impact of the upcoming election.

2. Presenters and Content

- a. *Ron Smith, City Manager* – Why the Mission, Vision and Core Values

3. Attachments

- a. "Welcome" Flier



MISSION: To provide excellent public services to all who live, work, and play in our community.

VISION: The City of Statesville will be renowned as a vibrant, inclusive community by serving with integrity, ensuring equity, and promoting a high quality of life.

WELCOME

W

Warmth & Compassion

We will serve all citizens with respect, showing genuine concern for the welfare of the whole community.

E

Engagement & Communication

We actively seek out ways to inform citizens about City matters and garner their input on how to improve services.

L

Leadership & Integrity

We will strive to maintain the public's trust and confidence in all areas of our organization's administration and activities.

C

Collaboration & Innovation

We will continually partner with local organizations and government agencies to develop good ideas that have a lasting, positive impact on our community.

O

Opportunity & Progress

We understand that economic growth is essential for the well-being of our city, recognizing the importance of developing in a manner that mutually benefits all residents.

M

Management & Responsibility

We will be a well-managed city that takes responsibility for achieving results and holding ourselves accountable for our actions.

E

Equality & Inclusivity

We recognize the benefit of diversity in our community and workplace and strive to create an environment in both where everyone feels equally welcomed and valued.



CITY COUNCIL RETREAT TOPIC #5

TOPIC: *Financial Report and Fund Balance Discussion*

1. Summary of Information

The City is in a fortunate situation that we have recently experienced. Revenues have far exceed expenditures, outside funding is in abundance, and determining the best way to allocate those dollars, rather than looking for ways to fund needs is now one of our biggest priorities. This topic will include an overview of the audit, begin our conversation about financial planning, and focus on a fund balance policy.

2. Presenters and Content

- a. *Brian Roberts, Chief Financial Officer* – Audit overview, proposed Fund Balance Policy

3. Attachments

- a. Proposed Fund Balance Policy
- b. Fund Balance Information Spreadsheet



Fund Balance and Net Position Policy

Process Overview

The City of Statesville (City) will maintain a fund balance in the General Fund in accordance with generally accepted governmental accounting principles and North Carolina law.

The City will maintain an unassigned General Fund balance adequate to meet the unexpected fiscal needs of City operations, and to permit orderly adjustment to changes resulting from fluctuations in revenue sources.

The City will also maintain a net position in the Enterprise Funds adequate to meet the unexpected fiscal needs of operations and allow for future growth in system opportunities.

Purpose

The City is committed to wise stewardship of all public funds entrusted to its care. The City's Fund Balance is the accumulated difference between assets and liabilities within governmental funds. The City's net position is the accumulated difference between assets and liabilities within business-type activity (Enterprise) funds. This responsibility includes the establishment and maintenance of adequate cash balances and reserves. A sufficient fund balance/net position allows the City to:

- Meet its contractual obligations
- Provide funds for new and existing programs
- Mitigate negative revenue implications
- Mitigate economic downturns, fund disaster or emergency costs
- Provide funds for cash flow timing discrepancies
- Fund non-recurring expenses
- Maintain its creditworthiness

Statutory References and Authoritative Guidance

N.C. Local Government Commission Fund Balance Guidelines

N.C. General Statute 159-8a - Legal Definition of Available Fund Balance

N.C. General Statute 159-26 - Accounting System

N.C. General Statute 159-34 - Annual Independent Audit

OMB Circular A-133 - Internal Control Requirements

GASB – Governmental Accounting Standards Board

- Fund Balance Reporting & Government
- Fund Type Definitions

GFOA – Government Finance Officers Association

General Fund

In accordance with N.C. General Statute 159-8a, Available Fund Balance is defined as the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts.

In accordance with GASB Statement No. 54, Fund Balance for the General Fund will be classified as follows:

- *Non-spendable*: Inherently non-spendable; cannot be spent because of form or need to remain intact (legal or financial reasons)
- *Restricted*: External enforcement of use (creditors, grantors, contributors, state or federal laws or regulations, limitations by governing body legislation)
- *Committed*: Self-imposed Internal limitations on use (as deemed by the City Council, requires legislation to remove or change use)
- *Assigned*: Internal limitations based on intended use (determined by legislation, City Council, City Manager)
- *Unassigned*: Equals total fund balance minus non-spendable, restricted, committed, and assigned.

Significant Policies

Through good fiscal management, the General Fund's fund balance will be maintained at a level sufficient to provide for the resources to meet operating cost needs, to provide for unforeseen needs of an emergency situation, and to permit orderly adjustment to changes resulting from termination or significant reductions in revenue sources. As such:

The minimum of unassigned General Fund - Fund Balance to General Fund actual Expenditures and Transfers Out will be greater than 30%.

Based on the recommendation of the N.C. Local Government Commission, The City will always maintain 8% of the subsequent year's budget in unassigned fund balance.

Unassigned Fund balance in excess of 30% of actual General Fund Expenditures and Transfers Out can be assigned to debt service, capital outlay and grant opportunities with a cap equivalent to 15 cents on the property tax rate.

If Unassigned Fund balance falls below the minimum 30% of actual General Fund Expenditures and Transfers Out at the end of the fiscal year, a replenishment period will commence.

To return the General Fund – Unassigned Fund Balance to the minimum 30% of actual General Fund expenditures, replenishment of fund balance will be budgeted over the next two fiscal years beginning with the subsequent year's adopted budget.

The replenishment period can be extended to three years if deemed appropriate by the City Council.

General Fund - Fund Balance will not be appropriated to support the on-going operations of the City except in extreme emergency situations.

General Fund - Fund Balance will be used for items considered non-recurring in nature and the unavailability of fund balance would not create a structural imbalance to the City's budget.

Procedures

Projections of the General Fund expected year-end fund balance will be performed on an on-going basis to ensure sufficient fund balance will be available at year-end so that the unassigned fund balance will be maintained at 8% in accordance with the recommendation of the Local Government Commission.

Fund Balances reported in the Annual Comprehensive Financial Report will be used to determine the amount available for appropriation in the subsequent fiscal year.

Enterprise Funds

Enterprise Funds do not use the term "Fund Balance", instead using the term "Net Position".

The following classifications, defined by governmental accounting standards, serve to enhance the usefulness of net position information:

- *Net investment in capital assets*: represents the net amount invested in capital assets (original costs, net of accumulated depreciation and net of capital-related debt).
- *Restricted*: represents the amount of net position for which limitations have been placed by creditors, grantors, contributors, laws, and regulations. Internal actions through enabling legislation (which is legally enforceable) and constitutional provisions may also lead to restricted net position.
- *Unrestricted*: represents the amount of net position that is not restricted or invested in capital assets, net of related debt.

Enterprise funds receive most revenues through charges for consumption-based fees and user fees. Consumption-based charges (such as electric service) fluctuate based on many factors including weather and seasonality. Fixed fees (such as hangar rents) are mostly static and have lower predictability risks. In addition, Enterprise funds rely heavily on capital assets including system infrastructure and equipment that may need to be replaced immediately in the event of failures.

The level of reserves available to the City plays a part in the credit rating of the City. The rating agencies assign higher ratings in part for those communities that show ability to access funds in emergency situations. The way a community shows ability to do so is to have a history and forecast of liquidity and fund balances for unforeseen events.

Significant Policies

Through good fiscal management, the City will achieve and maintain a minimum unrestricted net position in each Enterprise Fund based on actual Expenditures and Transfers Out as follows:

- **Electric Fund – 70%**
- **Water and Sewer Fund – 70%**
- **Civic Center Fund – 70%**

- **Stormwater Fund – 70%**

Proposed budgets will maintain these levels of reserve. The 70% threshold represents 250 days of average operations.

Please note, the Airport Operating Fund is excluded from this policy at this time. Due to the current unrestricted fund balance, debt, and lack operations history, it is not recommended.

To return the Enterprise Funds Unrestricted Net Position to the minimum 70% of actual expenditures, replenishment of Net Position will be subject to a restoration plan budgeted over the next five fiscal years beginning with the subsequent year's adopted budget.

CITY COUNCIL RETREAT TOPIC #6

TOPIC: *Capital Improvements Plan*

1. Summary of Information

Staff uses two versions of a Capital Improvements Plan. The first is the comprehensive list that is found in the budget books. The second is a much shorter list that details the top major projects, in this case construction projects. As we grow, both lists are expanding. We have two major projects underway, the construction of Fire Station 1 and the Warehouse (Operations Center).

We will review where we are relating to these projects, validate the prioritization, and discuss the next phase of major projects that we see on the horizon. The week of January 3rd was used to review capital budgets from all departments, and some of those results will be brought forward in this conversation.

2. Presenters and Content

- a. *Ron Smith, City Manager* – Capital projects
- b. *Brian Roberts, Chief Financial Officer* – Capital projects

3. Attachments

- a. Current Capital Improvements Plan (top projects)

Priority	Project	Estimated Cost	New Construction or Renovation	Included in Capital Improvement Plan?	Year Planned or Needed	Reasons for Request	Consequences of Waiting	Cost of Waiting	Funding Stream	Debt Recommended?	Divisions or Departments Served	Other Information
1 (a)	The garage component of this project is tied with Fire Station #1 as the highest project priority. The entire Facility is high priority, but not as high as the garage alone or Fire #1.	\$ 20,000,000.00	New construction at current location	Yes, 2023 and beyond	Some parts of this project are needed immediately (garage). Others are important but not as crucial. However, doing the project at once would move lower level needs closer to the top of the priority list.	Buildings are old and inadequate. Some employees are housed in modular units/trailers. No room for expansion, space not efficient, not safe, and cannot accommodate the work. Equipment is subject to the elements. Garage: This building was built in the '70s, and has not been expanded. Our fleet has increased exponentially since that time and we cannot increase staff because of space limitations. Many times staff must work outside on vehicles, regardless of weather.	No way to increase efficiency or staff at garage. No room for new out vehicles in the elements, limited staff, ie stormwater, and equipment could be seeing maintenance needs. premature aging.	Cost of contracting for garage services, leaving out vehicles in the Stormwater/ Water and Sewer elements, limited maintenance needs.	General Fund/Electric/ Stormwater/ Warehouse, Engineering	Possibly not. Because there are three enterprise funds that would benefit, the project may be accomplished with no new debt, or a minimal amount.	Garage, Electric, Sanitation, Streets, W&S, Stormwater, Warehouse, Engineering	If this project moves forward, we will move the Engineering and Public Works staff to the Ops Center from the City Office Building.
1(b)	This project is as high a priority as the garage.	\$ 8,000,000.00	New	Yes, FY2022	This project was planned for FY2020, as it was included in the Municipal Services Center.	This is the City's oldest fire station (1952), and has environmental, space, and structural issues.	This station needs renovations to bring it in line with current standards, and the roof is currently being repaired.	Interior renovations have been estimated between \$1-\$1.5m.	General Fund	Fire		
2	New Fire Station #5 - North side of town, ideally near McClure Park.	\$ 6,000,000.00	New	Yes, split between FY2023 and FY2024	Needed now if Council determines the service level is currently unacceptable.	There are documented coverage issues in certain northern areas of the City, although the need is not such that you could move other projects from this list.	Possible life and/or property damage based on the increased response time due to the lack of a northern station.	The cost of waiting will be that it is possible multiple stations will be needed in other areas in the future. All may hit at one time unless they are spread out.	General Fund	Yes	Fire	We are beginning to see significant development interest in this area.
3	Fire Station #2 - West side of town, ideally near I-40 and Front Street.	\$ 6,000,000.00	New	Yes, split between FY2025 and FY2026	2025	This station was built in 1962 and has roof issues. With an increase in female fire fighters, this station will need some renovations to accommodate for privacy.	Roof renovations, and possibly in the wrong location based on demographics.	Only renovation costs.	General Fund	Yes	Fire	The proposed location of the new Station #1 gives us great flexibility in locating a new Station #2.

4	Police Department Patrol Division (expansion at HQ)	\$ 6,000,000.00	Expansion	Yes, 2025	2025	<p>We have been told by NCDOT Rail Division that the Depot should be available to the City for the foreseeable future. However, the current HQ is at capacity, with no growth potential unless expanded.</p>	<p>The Depot is not the most efficient or best space for a patrol division.</p>	<p>No significant cost other than the very reasonable lease payment.</p>	General Fund	Yes	Police	<p>A police presence has been publicly noted as a need in S. Vt since 2006.</p>
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Total
w/combined projects (Warehouse and PD HQ)
\$ 46,000,000.00

CITY COUNCIL RETREAT TOPIC #7

TOPIC: *Capital Improvements, Debt and Financial Planning*

1. Summary of Information

Brian Roberts and Ron Smith have met with Ted Cole, with Davenport Financial, a firm that works with many local governments in NC and Virginia. The intent of the meeting was to discuss assistance with future capital and debt planning. Because of the number of projects spread across our funds, as well as the different funding mechanisms currently at our disposal, we both feel that utilizing outside assistance in our efforts will benefit the City of Statesville. Mr. Cole will come to the meeting to give a brief overview of the firm, as well as identify some key performance factors within our financial strategy that we may want to examine.

2. Presenters and Content

- a. *Ted Cole, Davenport*

3. Attachments – None

CITY COUNCIL RETREAT TOPIC #8

TOPIC: *American Rescue Plan Funds*

1. Summary of Information

The City has been allocated \$8,700,000 in ARPA funds, of which \$7,700,000 is remaining (premium pay is the result of the difference). We have also received \$20,000,000 from the State for use toward infrastructure projects. This money is based on State ARPA funds but is passed through to the City. It is important that we determine the best way to allocate these funds. Unfortunately, we have been working under interim guidance since the summer and have only had vague guidance on the uses. Yesterday (1/7/22) the final guidance was released. We will take the beginning of next week to digest this information and have more for you at the meeting, but hopefully before.

Centralina will be providing an overview/tutorial of allowable uses, and City staff will provide projects that we have had previous conversations about funding with these resources.

2. Presenters and Content

- a. *Geraldine Gardner, Centralina Executive Director* – Education and guidance
- b. *Ron Smith, City Manager* – Project history
- c. *Matthew Pierce, Assistant to the City Manager* – Analysis of the updated guidance

3. Attachments – None

CITY COUNCIL RETREAT TOPIC #9

TOPIC: *Performance Based Pay Increases*

1. Summary of Information

We have been asked to give an update on this topic. This came up at our last retreat, but with the turnover in HR and availability of funds we have not pursued a new system. Stacey Everette, HR Director, will go through the plan for implementing a new process, but it will likely be for implementation in FY2024. We will talk about the reasons why and how a new sustained system could work.

2. Presenters and Content

- a. *Stacey Everette, HR Director – Plan for a performance-based system*

3. Attachments

- a. Everette Memo
- b. Power Point about Performance Based Systems
- c. Recent History of Pay Increases

Memo

To: City Manager's Office
From: Human Resource Department
Date: January 5, 2022
Re: Recommend 3% Cost of Living Allowance (COLA)

The City of Statesville strives to lead the market in compensation would like to begin the Journey to becoming an "Employer of Choice", per the 2019 Classification and Compensation Assessment. The best employers acknowledge that employees are their most important assets in achieving the best results we need to succeed in local government.

This is the reason we are recommending a 3% cost-of-living allowance for all employees to continue to build and sustain an engaged workforce with the implementation of the Cost-of Living Allowance. We understand that a competitive salary, based on the cost of living in Statesville is appealing to both applicants and current employees. It also promotes a healthy work-life balance when our employees are able to afford basic life necessities.

The COLA recommended is only one piece of the compensation puzzle. The city's compensation plan along with the benefit package makes the city very competitive in the market. But, to quantify the value of the city's organization's benefit package that aims to build and sustain an engaged workforce the Human Resources Department is in the processes of developing a "Total Rewards" package and a Pay-for-Performance Program. The total rewards package will **include** five elements: compensation, benefits, career development, rewards & recognition and work-life balance.

If a COLA is approved, the current salary structure will shift by 3%, which is another step to towards becoming an Employer of Choice.

The city of Statesville is currently in the second year of the pay study that will be implemented in July 2022 for 1/3 of our employees. The 3rd year of the pay study is scheduled to begin in August/September 2023.

CITY OF STATESVILLE
PROPOSED
PERFORMANCE MANAGEMENT PROGRAM

Success Through People (STP)

WHAT IS PAY-FOR-PERFORMANCE?

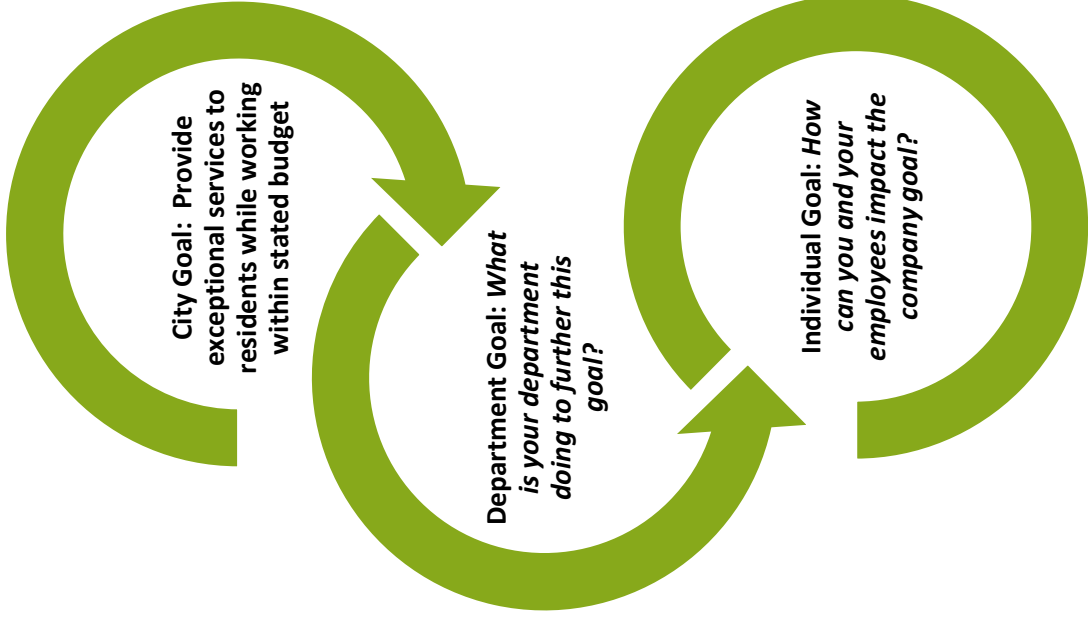
Pay-for-performance refers to performance-based pay programs where an employee is incentivized and rewarded for achieving their goals.

Performance management is the continuous process of improving performance by cascading goals.

What are cascading goals?

Cascading goals are goals that are translated from one level of the organization to the next. This ensures that everyone from the Mayor to the front line employee is completely aligned and knows exactly what tasks need to be completed and how they will be measured.

1. City Council – Develop Mission, Vision, Values and Strategic Plan
2. City Manager – Develop City Objectives that are broad action areas for departments
3. Department – Develop strategies with concrete actions to be taken
4. Individual goals– performance advisor develops SMART goals for each employee, based on their position. Supervisor and above, should participate in the development of their SMART goals.



WHY IMPLEMENT A PAY-FOR-PERFORMANCE SYSTEM?

NO AMBITIOUS TOP PERFORMER WANTS TO REMAIN AT A COMPANY LONG-TERM WITHOUT ADVANCEMENT AND THE OPPORTUNITY TO DEVELOP SKILLS.

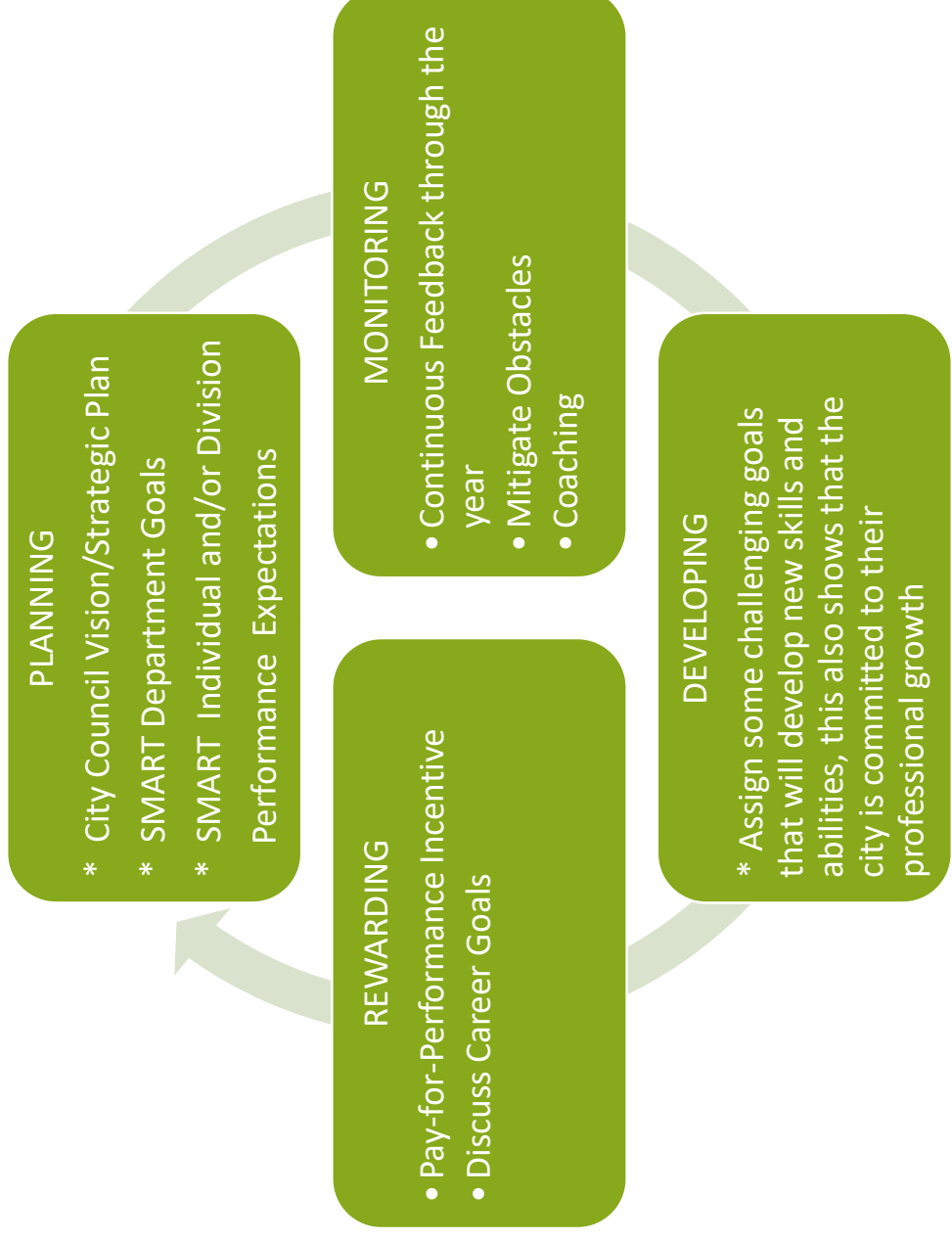
The city wants to move away from the current box-ticking exercise to a meaningful coaching and employee development program that includes the following.

- **Honest and regular feedback and reviews** — Frequent feedback and coaching will help employees overcome challenges and identify opportunities for learning and performance improvement. Employees want regular insights into their work and the better-informed employees are regarding their performance, the better able they are to improve and excel.
- **Employee recognition** — An effective performance management system should prioritize employee recognition and reward. Employees should feel valued and appreciated for the work they do and the effort they put in. If employee recognition is not a priority, this will most likely have a negative bearing on our voluntary turnover.
- **Employee Development** - We don't want employees dreading performance discussions and feel they are being judged. We will focus on coaching employees rather than tearing them down. The performance discussion will be a two-way conversation, supportive and encouraging. If an employee has areas of opportunity (weakness) that need to be addressed
- **Employee Coaching/Mentoring** -Tell the truth, with compassion! Employees respect honest feedback, performance appraisal's should NEVER be a SHOCK at the end of the year when it is too late for the employee to achieve their goals.

BENEFITS OF A PERFORMANCE MANAGEMENT SYSTEM

- Standard performance management process across the organization.
- Links performance management to “pay for performance” which strengthens the business.
- Enables managers to differentiate between performers and reward those who perform at higher levels.
- Assists managers in assessing employee potential.
- Consistent practice to support salary planning; sound basis for compensation decisions.
- Provides means for “raising the bar” on overall performance goals and expectations.
- Provides means for communication between employee and supervisor.
- Provides an avenue to begin “Succession Planning” for the future, identify potential successors and identifying gaps in skillset that need to be developed.

WHAT ARE THE STAGES OF A PERFORMANCE MANAGEMENT CYCLE?



WHAT ARE SMART GOALS?

SMART goals are based on facts not opinions

Specific Clearly states what outcome, result or behavior is to be achieved.

Measurable Includes measurable results

Achievable A realistic expectation given time and resources to accomplish

Relevant Improves the city in some way

Time-Bound When is it expected to be completed

PERFORMANCE MEASUREMENTS – 5 BASIC CATEGORIES

- **Exceptional Performance:** Performance consistently exceeds established standards and the expected performance level of other employees in similar positions.
- **Exceeding Expectations:** Performance frequently exceeds established standards and is well above the normal expected performance level of other employees in similar positions.
- **Developing Expectations:** Performance consistently meets or occasionally exceeds established standards and normal performance levels of other employees in similar positions.
- **Not Meeting Expectations:** Performance marginally meets established standards and is below the expected performance of most employees. Immediately develop a (Performance Improvement Plan (PIP)).
- **Unacceptable:** Performance fails to meet established standards and is well below the performance level of other employees in similar positions. Employees evaluated at this level be considered as having marginal job performance. Immediately schedule a conference (HR, Supervisor and Dept Head) to decide course of action.

NEXT STEPS

- Evaluate Performance Evaluation Software to purchase and implement
- Develop a timeline of implementation
- Input Employee Information
- Job Descriptions, updated and loaded into the system
- Meet with Supervisors, Managers, Dept heads to decide on assigned factors for each job position
- Develop and rollout training for Performance Advisors
 - Performance Evaluation Software and process
 - Setting SMART goals, giving positive and constructive feedback.,
- Develop and rollout training for ALL employees

Summary

It is our goal to build a performance driven culture by recognizing and rewarding performance.

This performance management program will provide:

- Ability to motivate, retain and attract top performers.
- Establishes specific measurable goals and objectives that reduces bias and subjective evaluations
- Allows us to accurately evaluate our employees through review of factual data over the entire review period
- Establishes a formal method for communicating both positive and constructive information, thereby providing opportunity for improvement in targeted areas of performance and behavioral concern

History of City Increases

Date	COLA Increase	SPPI (Merit)	Across the Board Increase or Pay Study Adjustment	Bonus and/or other
10/1/20	N/A		2.5%	Retro to 7/1/2020
7/1/19	N/A			\$984 full-time EE's
				2.5% across the board increase retro back to 7/1/2020
7/1/18	N/A	2.5%		
12/4/17	N/A	1.5%		
7/1/17	N/A	1.5%		Merit Bonus to top performers only
7/1/17	N/A	2.5%		
7/1/16	N/A		1.5%	
7/1/15	N/A	2.0%		
7/1/14	N/A	3.5%		

CITY COUNCIL RETREAT TOPIC #10

TOPIC: *Underground Electric Utilities*

1. Summary of Information

We have been asked to give an update on this topic. John Maclaga has talked to Council a few times previously about this topic. He will give an overview, in as much depth as necessary, to the Council.

2. Presenters and Content

- a. *John Maclaga, Electric Utility Director*

3. Attachments – None