

MINUTES
CHATHAM COUNTY BOARD OF COMMISSIONERS
WORK SESSION
AUGUST 04, 2008

The Board of Commissioners (“the Board”) of the County of Chatham, North Carolina, met in the Agricultural Building Auditorium, 45 South Street, located in Pittsboro, North Carolina, at 10:40 AM on August 04, 2008.

Present: Chairman George Lucier; Vice Chair Mike Cross; Commissioners Patrick Barnes, Carl Thompson and Tom Vanderbeck; County Manager, Charlie Horne; County Attorney, Jep Rose; Assistant County Manager, Renee Paschal; Finance Officer, Vicki McConnell; Public Works Director, David Hughes; and Clerk to the Board, Sandra B. Sublett

The Work Session was called to order by the Chairman at 10:42 AM.

Work Session Agenda

1. Energy Audit Power Point Presentation
2. Leadership Chatham Report: Business Incubator
3. Hudson Hills Follow-up
4. ~~SWAC Recommendation: Grazing Card~~
5. ~~High Speed Internet Update~~
6. Law Enforcement Grant
7. Heritage Point Easement Issue Discussion and Possible Action
8. Closed Session: Land Acquisition

Chairman Lucier noted that two items, Item #4 and Item #5, had been postponed. He stated that Item #4 would be back on the agenda on August 18, and the Board had already received an update from the County Manager on Item #5 and would wait for more information before receiving an additional update.

ENERGY AUDIT

The County Manager stated that Richard Self and Dave Hohns with Johnson Controls in Raleigh were present today to provide the preliminary findings of the Energy Audit and to discuss next steps, and would do so using a PowerPoint presentation.

Dave Hohns, with the help of Richard Self, stated the presentation would include a preliminary analysis on the water system and facilities in regards to energy consumption, and then provided some brief information regarding Johnson Controls. The PowerPoint presentation included the following points:

Key Concepts

- High probability for a self-funded project.
- Commitment for next step needed for Request for Proposal.
- Performance Contracting – a procurement vehicle that allows infrastructure improvements today that are guaranteed to be funded through savings or increased billable revenues, hence “self-funded” and no need for capital dollars.
- Legislation – General Statutes allows public entities to enter into guaranteed performance contracts, up to 20 years.
- Infrastructure improvements pay for themselves through increased billable revenues and the reduction in energy and operating expenses.
- Local Government Commission oversight and approval process.
- Alternative funding source.
- Results are guaranteed.

Stated Assumptions: Water

- Zero population growth (for baseline purposes).
- Average annual water rate increase of 1%.
- Unaccounted water at 10%.
- Operational savings of meter reading staff from 3 to 1.
- Operational savings of vehicles from 3 to 1 for reading.
- Reduction and/or elimination of rereads.
- Baseline year water revenue = \$5,133,000.

Chatham County Water System

- 10% uncollected billable water revenue annually; possible causes include: inaccurate customer meters, billing/accounting errors, line leakage, filter cleaning, and fire suppression.
- Number of water meters = 5,555.
- Expected system-wide meter accuracy gain in the range of 3.5% to 5.5%.
- Expected billable revenue gains¹:

Year	@ 3.5% accuracy gain	@ 4.5% accuracy gain	@ 5.5% accuracy gain
Year 1 billable revenue	\$146,000	\$183,600	\$220,400
Total billable revenue over 15 years	\$2,202,000	\$2,754,000	\$3,306,000

¹Assumes 98.5% guaranteed accuracy post-retrofit (per American Water Works Association standards).

Meter Reader Transition

- After selection of Partner, hire temporary meter readers when regular meter reader employees leave.
- Transition meter readers to other County positions.
- Work with local industry to place employees
- Hold a job fair to assist employees.
- Extend major medical insurance for any employee who has not found employment.

Chatham County Energy Savings

- Estimated energy savings of at least 15%.
- Probable measures:
 - Lighting retrofits in County Annex Building, Superior Court Building, Libraries, Sheriff's Department and other facilities.
 - HVAC building control repair and upgrades (including building automatic systems).
 - Building re-commissioning.
 - Detailed evaluation of rate schedules for proper rate schedule selection.
 - Maintenance and training programs.
 - Evaluation for Energy Star program.
- Additional measures to be evaluated:
 - Water treatment plants and pump station motor upgrades and variable frequency drives.
 - SCADA communications switching from land lines to narrowband where feasible.

Estimated First Year Project Benefit – at various pre-retrofit meter system accuracies:

Benefit	@ 95% accuracy (3.5% gain)	@ 94% accuracy (4.5% gain)	@ 93% accuracy (5.5% gain)
Billable Revenue Increase	\$146,800	\$183,600	\$220,400
Energy Savings	\$ 30,000	\$ 30,000	\$ 30,000
Meter Mat'l, Truck and Fuel Savings	\$ 32,610	\$ 32,610	\$ 32,610
Meter Reading Savings (3 to 1)	\$ 32,370	\$ 32,370	\$ 32,370
Total Annual Benefit*	\$241,780	\$278,580	\$315,380

*Does not include inflation.

Overall Proposed Scope

- A bundled performance-based solution that includes:
 1. A water meter upgrade program.
 2. Automated meter reading (AMR) system upgrade.
 3. Lighting retrofits in County Annex Building, Superior Court Building, Libraries, Sheriff's Department and other facilities.
 4. HVAC and Control upgrades.
 5. Annual measurement and ongoing consulting services.
 6. Annual staff training.

Benefits and Financial Impact

- Improves customer service.
- Reduction in unaccounted-for water.
- Reallocation of manpower to priority needs.
- Increased billable revenue.
- Smart Growth Initiative – reduces future operational costs.
- Extend equipment lifecycle.
- Reduce overall maintenance.
- Solution is self-funding.
- Guaranteed results.

Next Steps

- Advertise a Request for Proposal (RFP) to select the most qualified business partner; would include a sharing of information/MOU (Memorandum of Understanding) and an RFP/Project Development Agreement.

Chairman Lucier stated that seemed like a practical approach to energy savings and water savings.

The County Manager stated that he agreed that the RFP would be the next logical step in the process, and believed that was the appropriate way to proceed.

Commissioner Vanderbeck asked about the cost to the County to develop the engineering studies, and if that fee would be credited back to the County if Johnson Controls was chosen. Mr. Hohns stated that was correct. He stated that if for whatever reason the Board decided not to use their firm, then there would be costs related to the engineering aspects. Commissioner Vanderbeck stated that whatever information was obtained would be the property of the County, once they paid those costs. Mr. Hohns stated that was correct, noting that if they were the firm to move forward with the project, then the costs would be rolled in with the overall cost.

Mr. Self stated that if for some reason the project did not self-fund, or if the Local Government Commission did not approve it, then there would be no liability on the part of the County.

Commissioner Vanderbeck stated he agreed they should move forward with the RFP process, particularly since the initial outlook seemed to indicate there would be savings. He asked what the estimated savings would be once the engineering costs were folded in. Mr. Hohns stated the engineering costs had not yet been determined, but believed the savings could be anywhere from \$40,000 to \$90,000.

Commissioner Vanderbeck moved, seconded by Commissioner Thompson, to proceed with the Request for Proposals (RFPs) and advertise for bids. The motion carried five (5) to zero (0).

Chairman Lucier thanked Mr. Hohns and Mr. Self for the informative presentation.

Commissioner Vanderbeck asked that copies of the PowerPoint presentation be provided to the County's Utilities Department. Mr. Hohns stated the PowerPoint presentation had been provided electronically.

LEADERSHIP CHATHAM REPORT: BUSINESS INCUBATOR

Assistant County Manager, Renee Paschal, stated that the team members had participated in the Chamber of Commerce's Leadership Chatham program; that for nine months they visited various places in the County and talked with business leaders as well as some of the County Commissioners; and, that their last task was a group project and they chose a business incubator which they would present to the Board today.

Andy McMahan introduced the team members and stated that the PowerPoint presentation would outline a project overview of a small business accelerator rather than an incubator, in order to support businesses already established in order to accelerate their businesses. The PowerPoint presentation was provided by Mr. McMahan, Ron Newcomb, Angel Dennison, Holly Coleman, and Diane Reid, as follows:

Supporting Demographics - Questions

- Is there evidence that Chatham County could support an incubator?
- Are there entrepreneurial candidates?
- Is there an entrepreneurial culture?

Supporting Demographics

- Chatham residents are well educated: 77.9% have high school diplomas (27th in NC); and, 27.6% have a bachelor's degree or higher (10th in NC).
- Chatham residents have high incomes: rank 3rd in per capita personal income and 8th in median household income.

Prevalence of Small Business

- 61% of Chatham businesses have fewer than 5 employees.
- 89% have fewer than 20 employees.
- 2004 – 3,414 businesses had zero employees: 38.8% increase from 1999; only business category to decline were those employing over 100 people.

Entrepreneurial Interviews - Basic Business Needs

How many respondents thought we needed:

- Physical location for their office 3 of 5
- Business services location 5 of 5

Office Needs:

- Receptionist, data entry personnel 3 of 5
- Copy/fax machine, WiFi 4 of 5
- Conference room, etc. 2 of 5
- Credit/debit card terminal 5 of 5
- Receiving/shipping warehouse 1 of 5

Expertise and Services

Business Expertise

- Banking assistance, legal, tax advice 5 of 5
- Small business loan program 3 of 5
- HR advice 4 of 5
- Standard business forms 5 of 5

Service providers:

- PR, marketing services 5 of 5
- Advertising, graphics, signage 5 of 5
- Website design and optimization 5 of 5
- Call center/answering service 2 of 5

Location

Location – most important feature:

- Downtown 4 of 5
- Within 7 miles from home 2 of 5
- General access to town 2 of 5
- Proximity to restaurants 0 of 5

Other suggestions:

- Contacts to County offices, knowledge of requirements.
- Group health, life, business insurance.

Opposition

Four respondents were opposed to an Accelerator. Reasons:

- Resources already available; lots of successful small business owners.
- Unfair competition between discounted services and those who made it on their own.
- Taxes will increase to pay for subsidized operations.

Long-Term Goals

- The Chatham County Economic Development Strategic Plan recommends fostering entrepreneurship through:
 - Education.
 - Training and technical assistance.
 - Providing access to capital.
 - Providing access to networks.
 - Improving entrepreneurial culture.
- Plan suggests the business incubator as a possible means to achieve these goals.

Industries of Interest

The Strategic Plan suggests attracting the following industry clusters:

- Architectural and engineering services.
- Technical and research services.
- Basic health services.
- Pharmaceuticals.
- Information services.
- Higher education and hospitals.
- Renewable energy.

Financing Options

- Angel investors.
- Venture capital firms.
- Government grants and loans, including Small Business Administration and Small Business Innovation research.
- Chatham County Small Business Loan Program.
- Others.

Best Practices

Services Offered

- Office space.
- Consulting services.
- Conference room.
- Computers, copiers, etc.

Application Process/Screening

- Require a business plan from each firm.
- Board of directors/manager should provide guidance on plan; determine if it's viable.
- Must be consistent with goals and focus of the business accelerator.

Standards for Graduation

- Time limit.
- Job creation or income quotas.
- Firm requires additional space.
- Compliant with additional accelerator standards.

Information on Various North Carolina Incubators:

- The Nussbaum Center for Entrepreneurship
 - Private non-profit based in Greensboro.
 - Supports non-retail emerging businesses.
 - Provides office and light manufacturing space, counseling, receptionist, copier, fax, mailboxes and data entry services.

- Midway Business Center
 - Focused on helping low-income, minority, women-owned businesses; located in Chapel Hill.
 - Must develop a business plan and work with incubator staff.
 - Maximum occupancy of three years.
 - Shared conference room, access to computers, fax machine, and copier.
 - Funded by SBA loans, Orange County loan fund, Carrboro Revolving Loan Fund.
 - Partnered with Kenan-Flagler Business School and UNC Law School.
- The Ben Craig Center
 - Partnership with UNC-Charlotte.
 - Clients typically enter with 2-5 employees and funding between \$250,000 and \$1.5 million.
 - Provides office space, consulting, and access to staff experienced in sales, marketing, accounting and leadership.
- First Flight Venture Center
 - Located in Research Triangle Park and specializes in emerging technology firms.
 - 16,000 square feet of office and laboratory space can service up to 25 firms.
 - Shared conference room, furnishings, copier, receptionist, consulting services and network access.

Funding – NC Incubators

- Nussbaum Center for Entrepreneurship – private non-profit corporation.
- Ben Craig Center – non-profit business incubator in partnership with UNC-Charlotte.
- Midway Business Center – SBA-backed loans, Good Work, Orange County Loan Fund, Carrboro Revolving Loan Fund.
- First Flight Venture Center – State funding ending in 2001

Size – NC Incubators

- Nussbaum Center for Entrepreneurship – 30,000 square feet; capacity of 50.
- Ben Craig Center – 50,000 square feet; spaces range from 1,000 to 2,500 square feet; capacity of 25.
- Midway Business Center – 6,000 square feet; spaces range from 120 to 500 square feet; capacity of 3 offices and 2 retail spaces.
- First Flight Venture Center – 16,000 square feet; office and laboratory space.

Costs per Square Foot – NC Incubators

- Nussbaum Center for Entrepreneurship - \$11 - \$13 per square foot; 12-month leasing period; allow for space upgrade at no change to tenant.
- Ben Craig Center - \$16.50 per square foot.
- Midway Business Center - \$15 - \$22 per square foot; as well as conference room, access to computers, tax, copier.
- First Flight Venture Center – Average stay: research/lab-based businesses – 5 years; information technology businesses – 1.5 to 3 years; current occupancy: 35, with largest company having 1,000 employees.

Graduates – NC Incubators

- Nussbaum Center for Entrepreneurship – 130 graduates with 80% success rate.
- Ben Craig Center – 102 graduates – 80-% viable of graduation.
- Midway Business Center – information not available.
- First Flight Venture Center – 3 to 5 per year for past 5 years.

Jobs/Economic Impact – NC Incubators

- Nussbaum Center for Entrepreneurship – revenue > \$161.5 million; added tax revenue > \$4.5 million; > 1,300 jobs created.
- Ben Craig Center – venture capital > \$149 million; economic activity generated annually \$104 million; > 1,100 jobs created.
- Midway Business Center – information not available.
- First Flight Venture Center – 80 companies; 500-800 direct jobs created in last five years.

Recommendations

- Our study suggests that an accelerator might be of value to Chatham County's economy.
- There is evidence that talented entrepreneurs have established enterprises that might benefit from an incubator.
- Most interviewees expressed support for the concept.
- The NC Small Business Technology Development Center (SBTDC) has conducted over 25 incubator feasibility studies over the past decade. Given their expertise and our preliminary findings, the Leadership Chatham class of 2008 recommends that Chatham County contract with the SBTDC for a full-fledged feasibility study.
- We also recommend that the class funding of \$500 for our project become the seed money for the feasibility study.
- The development of an incubator – whether a physical building, service center, or virtual space – is consistent with the entrepreneurship focus of the Economic Development Strategic Plan. Therefore, the Chatham County Economic Development Commission will work to secure funding for the feasibility study, including investing in the project, if the Board of Commissioners and the EDC Board deem it appropriate.

Chairman Lucier stated he found it interesting that the reasons people had stated that they did not want an incubator were the very reasons why such a program would work. Ms. Reid agreed.

Chairman Lucier stated they had also heard from Nancy Blair in Harnett County regarding an incubator some months ago, and believed the Board was enthusiastic at that time as well; that it was clear that the EDC needed to weigh in with their thoughts and analysis of such a program; that in addition to the types of businesses listed in the program he believed that tourism and organic farming should be a part of the focus; and, that whatever they did should be consistent with the most realistic opportunities for Chatham County. Ms. Dennison agreed, noting it should also be consistent with whatever funding was available for certain industries.

Mr. McMahan stated that he was personally interested in a small farm incubator project, and believed that fit the character of Chatham County and was very doable. He stated that such an incubator project could allow someone who could not afford to buy farm land to rent the land as well as tractors and other necessary equipment.

Chairman Lucier stated he believed that was a good idea.

Commissioner Vanderbeck stated that support services for such an endeavor was important, noting he believed NC State had support services for farms, and was running a facility where individuals could obtain quarter-acre lots for small farm incubators so that people could decide whether or not their interest was such that they could move on to larger farms. He stated that regarding business plans that CCCC had a program where they helped people develop small business plans, adding he believed the service was free of charge. Commissioner Vanderbeck agreed that the EDC needed to weigh in on this, and that he would support moving forward with a feasibility study.

Ms. Reid stated that there were a lot of variations in the physical space of the four incubators they had studied, from new construction to a 100-year old mill that had been renovated. She stated there was not one proper physical location that was necessary, and that a physical location may not even be necessary. Ms. Reid stated that virtual space may even be able to serve more businesses. She stated that a hybrid may be some conference room space or other space that was convenient to, for instance, the County permitting sites, and such space would not necessarily have to house business tenants but was used as needed.

Commissioner Thompson stated that looking at the four incubators and the 80% success rate, were those graduates actually from facilities that housed their businesses at an incubator site. Ms. Reid replied yes. Commissioner Thompson stated he believed it was significant to have physical space so that people would have an actual place to work.

Chairman Lucier asked if the EDC would look at this at its next meeting. Ms. Reid stated she did not believe they would have adequate time at the next meeting, but the EDC had an all-day retreat scheduled for September and they would look at it at that time. Chairman Lucier

stated once the EDC had analyzed the proposal and formed recommendations, then the Board could consider action.

Commissioner Thompson stated that he believed that they as Commissioners had an obligation to promote small businesses, and if they looked at the economic situation in the County as far as job losses, he believed it was important that they pursue initiatives to increase the number of small business in the County. He stated when you recruited larger businesses you sometimes had a "hit or miss" situation, and he believed that small businesses generated a larger number of employees and tended to stay in the area. Commissioner Thompson stated having an incubator in the County would be a win-win for all, and strongly endorsed the idea.

Chairman Lucier stated he believed they all liked the idea of an accelerator, noting the number of single-person businesses in the County; that there were a large number of very talented people living in the County; and, that an accelerator was the right way to go.

Commissioner Vanderbeck stated he believed they should begin the process, perhaps with help from the EDC or the Chamber of Commerce.

Gerald Totten stated he was a member for a number of years with a Retired Executives Corp and they had bankers, marketers, business managers and others that would come in a help write a small business plan. He suggested that perhaps such an organization or group of people could be located to help with this initiative, or even that the County recruit from its population to form such an organization, noting the number of educated retirees living in the County.

Commissioner Vanderbeck stated that Gary Kidler from SCORE was connected with the community college and would be a good resource. He asked what the date was of the EDC retreat. Ms. Reid responded September 9th.

Rita Spina asked had any thought been given to the possible connection between the Arts Incubator and this initiative. She stated there was a possibility that a facility could be formed that would serve the needs of both. Ms. Reid said that had not yet been studied.

Commissioner Vanderbeck stated that could be explored during the feasibility study.

LAW ENFORCEMENT GRANT

The County Manager stated this was the third year of a three-year grant cycle, and Captain Gardner would explain the process and the next steps.

Captain Charles Gardner stated that the Governor's Highway Safety Commission grant was a three-year grant, and they were currently beginning the third year of that grant. He stated that the first year of the grant required no local matching funds; that the second year required 25% matching funds; that the third year required 50% matching funds; and, that the fourth year required that the County completely fund 100% or remove the position. Captain Gardner stated that they had been very successful in their efforts regarding patrolling highways, and setting up checkpoints. Captain Gardner stated that they would like to have the grant continued because of its benefits and its contribution to safety for the public. He stated that continuation of this grant would also allow their deputies to allocate their time to other priorities.

Chairman Lucier stated what they were being asked to do was accept continuation of the grant for the third year using funds already budgeted. Captain Gardner stated that was correct.

The Finance Officer stated it was a requirement of the grant that the Board of Commissioners approve it each year.

The County Manager stated a resolution had been provided that was prepared by the NC Governor's Highway Safety Program for the Board's acceptance.

Commissioner Thompson asked what the cost was for the third year. The County Manager replied \$29,311.19.

Commissioner Barnes moved, seconded by Commissioner Thompson, to adopt the **NC Resolution Governor's Highway Safety Program Local Governmental Resolution #2008-38**, attached hereto and by reference made a part hereof. The motion carried five (5) to zero (0).

HUDSON HILLS FOLLOW-UP

Public Works Director David Hughes stated that Glenda Cain had spoken at the last meeting regarding the lack of water pressure in her neighborhood; that they had installed some pressure recorders at strategic locations; that they had found there was some variation in the pressure; that the worst days were Tuesday morning and Saturday morning from midnight to six AM; that Ms. Cain's water pressure had never fallen below 60 psi; and, that the pressure at the pump station had never fallen below 45 psi, which was plenty of pressure. Mr. Hughes stated that Briar Chapel representatives had indicated that they irrigated on Wednesdays and Sundays, so there was some disconnect. He said they had placed a recorder at Briar Chapel and their water pressure dropped on Tuesdays and Saturdays as well; and, they therefore believed there was a correlation in the drop in water pressure that Ms. Cain had reported, although her pressure had never dropped below an acceptable level. Mr. Hughes said they would now attempt to determine when Briar Chapel was actually irrigating as opposed to when they said they were irrigating.

Chairman Lucier stated that in Ms. Cain's letter she indicated that she had lost all pressure a number of times. Mr. Hughes responded they believed that was due to a couple of switches going out at the pump station, which had been repaired. He stated that occasionally they experienced power failures that may account for low pressure as well. Chairman Lucier asked would they continue to monitor and work on the situation. Mr. Hughes stated they would. He indicated that Ms. Cain's letter stated she was at the highest point in the County, which was incorrect. Mr. Hughes noted that the tank was at 730 feet, and Ms. Cain's home was at 560 feet.

Commissioner Cross asked had the water pressure fallen below 60 psi on Tuesday and Saturday at the noted times. Mr. Hughes responded yes, noting the lowest suction pressure at the pump station was 45 psi; that many places were below that level; and, that because Ms. Cain's house was boosted up her house was never below 60 psi.

Commissioner Vanderbeck asked when the water tank at Briar Chapel was completed, would that help alleviate whatever was happening. Mr. Hughes stated that it would cause less drain on the pressure.

Chairman Lucier asked when that tank would be on line. Mr. Hughes responded in a couple of months.

Commissioner Vanderbeck asked would they directly follow up with Ms. Cain. Mr. Hughes stated they would.

HERITAGE POINT EASEMENT ISSUE

Mr. Hughes stated he believed this issue was beginning to be worked through, noting that attorneys were now involved and they were moving forward.

Commissioner Barnes asked when they would be able to put that out to bid. Mr. Hughes stated that depended on when the easement issue was worked out and the easement document fully executed. He stated they could have the bids advertised within a couple of weeks after that.

Jep Rose, County Attorney, stated that there were some issues with the homeowners association, who had voluntarily agreed to grant the easement. He stated the delay was in the wording of some of the restrictions, and hoped that something would be resolved in the next week or so.

Commissioner Barnes stated he was receiving daily calls from people asking when it would be put out to bid, and he would be relieved when that happened. Mr. Rose stated it could be put out to bid now if the Board was comfortable that the easement would be forthcoming.

Commissioner Barnes stated by the time they advertised and received the bids, he believed the easement issue would be resolved. Mr. Hughes stated he would follow up with the Engineer regarding the timeframes. Commissioner Barnes stated he would like to see them move forward as quickly as possible. Mr. Hughes stated that there were two different alignments in Heritage Hills, and the exact alignment would have to be determined. Commissioner Barnes stated the alignment at the top of the hill was the preferred alignment, which was what the plans had actually shown and what everyone had agreed to.

CLOSED SESSION

Commissioner Vanderbeck moved, seconded by Commissioner Barnes, to go out of Regular Session and convene in Closed Session for the purpose of discussing land acquisition. The motion carried five (5) to zero (0).

REGULAR SESSION

Commissioner Thompson moved, seconded by Commissioner Cross, to adjourn the Closed Session and reconvene in Regular Session. The motion carried five (5) to zero (0).

ADJOURNMENT

Commissioner Thompson moved, seconded by Commissioner Cross, to adjourn the meeting. The motion carried five (5) to zero (0), and the meeting was adjourned at 12:34 PM.

George Lucier, Chairman

ATTEST:

Sandra B. Sublett, CMC, Clerk to the Board
Chatham County Board of Commissioners