

Bond Vote Questions To Council

EDITOR'S NOTE-The Herald asked members of the Kings Mountain City Council to respond to questions most asked by readers concerning the Feb. 7 bond referendum in Kings Mountain at which the city is asking voters to approve general obligation bond amounting to \$9.2 million for utility improvements. Here are their responses.

Q. Cities may reissue a percent of bonds or bond payments per fiscal year without a vote of the people. Is it the intent of the present administration to use this method to finance further projects?

A. Councilmember Fred Finger:
"A city may borrow without a vote of its citizens, up to two thirds (2/3) of the amount of principal paid on bonds. The prior year, for example, the City paid approximately, \$200,000 on what we owe on bonds for utilities. Of this amount about \$40,000 was interest on bonds and \$160,000 was principal. We could borrow, without a vote of the citizens, 2/3's of \$160,000 or about \$106,560 using this method."

At the present time, it is not the intent of the present administration to use this way to finance future projects."

Q. Is the \$9 million figure for the total bond package the maximum amount of bonds that can be issued by the city? If so, is this not tying the hands of future administrations?

A. Councilmember Fred Finger:
"No, therefore the \$9 million figure does not tie the hands of future administrations."



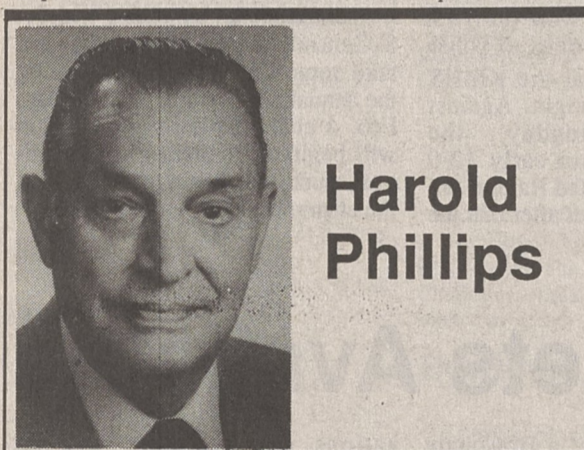
Norma Bridges

Q. Why design the electrical, water and sewer improvements to operate at capacity when capacity volumes are required only on a few days of the year?

A. Councilmember Norma Bridges:
"Good engineering practice is to design for peak capacity. The demand for utilities is 24 hours per day, 365 days per year. There must be some time when parts of the plant are down for routine maintenance, mechanical or electrical problems, and power outage. When this happens the plants are not operating at normal capacity, yet the normal demand for the service is still there. Peaks can vary depending upon the time of year. For example, hot-dry weather would raise water and electrical usage. In planning for the future growth of our City, we should design the system to handle peak capacity."

Q. Why cut a new transmission line into town? If cost is the reason, why not cut the size of the pipe?

A. Councilmember Norma Bridges:
"We looked at the option of a 24" line vs a 36" line, and the cost was \$3.5 million vs \$4.5 million. The extra \$1.0 million more cost would give us 2.26 times the water carrying capacity. However, neither line is much good without an expansion of the plant, which would cost another \$2.9 million. As you can see, to do both would cost either \$6.4 million for the 24" line or \$7.4 million for the 36" line in addition to the proposed improvements. The City Council did not feel that we could raise rates anymore at this time to make these improvements."



Harold Phillips

Q. The bond package is to be repaid with user fees. In the event there is a turn down in the economy or one or two industries close, how does the administration plan to offset the loss of that economy? Would you increase taxes? Would you increase rates to users?

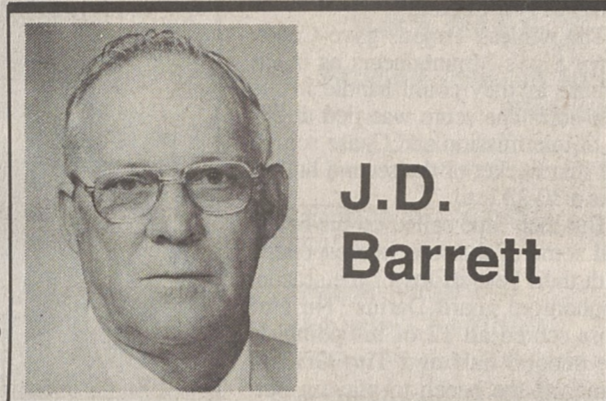
A. Councilman Harold Phillips:
"First, there would be less demand on the systems, and therefore while revenues might go down, so would some of the cost. In addition, not all industries would be cutting back, and some might want to add to their water and sewer allocations. For example, we have some industries and local governments who would like to buy more water right now. So, we should not have a major problem with revenues. If a choice had to be made between raising taxes or raising rates, rates should be raised because some of our customers are outside the city and would not contribute if taxes were increased."

Q. A comparison of proposed utility rates with surrounding cities are being publicized. Why do you feel that the average citizen is concerned with other cities they do not live in or pay taxes? Do you feel the average citizen is really concerned about the water and sewer rates charged in Shelby, Rock Hill, Gastonia, etc.?

A. Councilman Harold Phillips:
"Yes, Kings Mountain citizens are, and should be concerned because our industries compete with industries in those cities, and we need to make sure our rates are competitive with them. In addition, we compete with these other cities to attract new industries, and must remain competitive with them for that reason."



Fred Finger

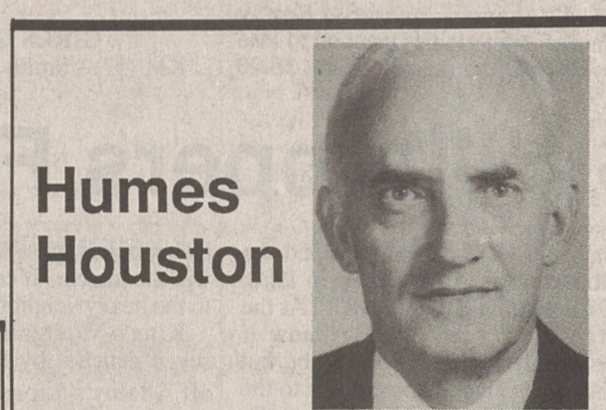


J.D. Barrett

A. Councilman J.D. Barrett:
"Paying as we go was considered, however the improvements need to be made now to keep our system up to date, be able to take on new customers, and meet state requirements in the waste water treatment. If we put \$1.0 million each year for the next 9 years into a separate fund, the cost of the project would have increased by about 8% per year by the time the special fund had sufficient funds for the needed projects."

Q. The city has only one transmission line to town, a 26 inch line. A proposed 36 inch transmission line was scrapped in the bond package. Why not consider a 24 or 30 inch new line, redesigning the transmission line to be feasible? Why build storage facilities at the lake (clearwell) if there is no way to get the water to town?

A. Councilman J.D. Barrett:
"A 36 inch cost is \$4.5 million.
A 24 inch cost is \$3.5 million.
The \$1.0 million difference buys a pipe that will supply 2.25 times the amount of water at the same pressure. The \$1.0 million difference still would not make this project affordable at this time.
Clearwell water is reserve - to pump into the system on a regular basis, but especially in an emergency. When the water treatment plant goes down it gives you more water to pump, therefore more time to find and correct problems plus maintenance and get back on line. An auxiliary generator is included, in case of power failure, to run pumps."



Humes Houston

Q. Once the improvements are in place does the city plan to proceed a more aggressive outside policy as far as utilities are concerned or stay with the present policy of improvements within the city limits only?

A. Councilman Humes Houston:
"The current policy is as follows:
Any development inside the city limits, the city will pay 1/2 the cost of water and sewer lines.
Any development outside the city limits, the developer pays the total cost for water and sewer."

However, industrial prospects are subject to negotiation, depending upon the economic benefit to the community weighed against the cost to extend water and sewer lines.

The city pays for extension of electric and gas lines inside the city; and will pay for them outside the city if the revenues from new customers will repay the cost of extension within a reasonable time period.

The present city council intends to continue this policy. This policy encourages planned growth on the fringes of the city, which can ultimately become a part of the city by annexation."

Q. What's going to happen to the funds that you say are presently subsidizing water and sewer (electric and gas)?

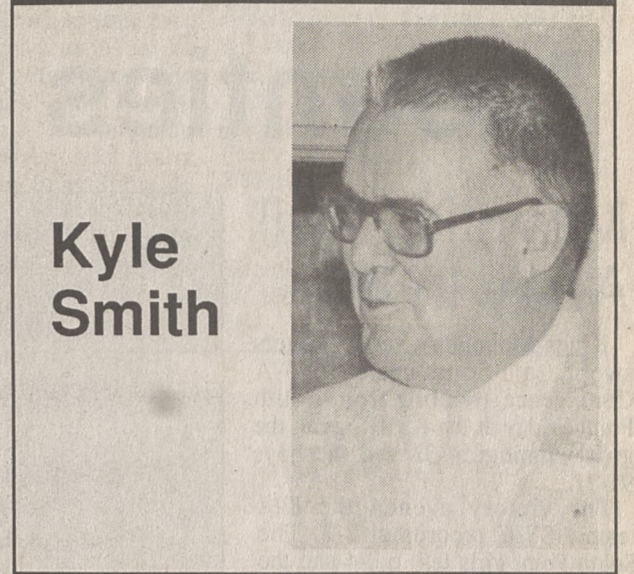
A. Councilman Humes Houston:
"The subsidy for the current year was budgeted at \$475,000. In the future, \$230,000 of that would be needed to pay the Electric bonds' principal and interest. Therefore, the subsidy would be reduced to \$245,000 annually. It was not stopped completely because water and sewer rates would have had to raise still higher to generate that amount. The city does want to end the rest of this subsidy eventually, but it needs to be phased out to keep water and sewer rates at a reasonable level."

Q. In the event the bond issue fails, have you considered setting up a separate fund and let the increased rates go into the fund along with the budgeted items and pay for the improvements as you go rather than go to revenue bonds?

Q. Why cut out a new transmission line into town? If cost is the reason, why not cut the size of the pipe?

A. Mayor Kyle Smith:
"A new 36" line was going to cost 4.5 million dollars. We figured that was not feasible at this time and still keep the rates reasonable.
We looked at cutting the size of the pipe to 24". A 24" line would cost 3.5 million dollars saving a million dollars. A 36" line would carry 2.26 times the amount of water a 24" line carries."

The long range plans should be the 36" line when we can reasonably afford it. We still feel that at the present time to provide a safety factor we need to build more storage tanks in town in case the existing line breaks. That is the reason for the 5.0 million gallon storage tank."



Kyle Smith

Q. Is the \$9 million plus figure the maximum the city can sell bonds? Once those bonds are passed in February, can the city come back next year and ask citizens to pass another \$3 million bond issue?

A. Councilman Al Moretz:
"No, that is not the maximum the city can borrow. \$3 million additional more would not approach the maximum bond allowable amount but there are not any plans at this time for requesting additional bonds."

Q. The city pumped 7 million gallons of water at capacity 16 days last year, the new improvements are designed for maximum capacity every day. Why not cut the design and cut the cost? Kings Mountain's usage per day of water is a little over 5 million gallons and pumping capacity is 8 million. Why not pick an average day of water usage and design the plant for average usage?

A. Councilman Al Moretz:
"Water systems are designed for peak conditions to prevent interruption of service, to allow for downtime to perform necessary maintenance, and to allow for growth."

PLONK BROTHERS

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