

INTRODUCTION

The City of Bessemer City is exploring the feasibility of annexing seven separate areas. Six of the areas are along Costner School Road. The 7th area is a single parcel on 11th street. The seven areas are shown on the attached map. Annexation is the procedure whereby the corporate limits of a municipality are extended to encompass additional land, which as identified by the applicable statutes, is "urban in character."

North Carolina law states that if an unincorporated area meets certain "standards" of urban development, the municipality can annex this area so long as municipal services are provided to the area on "substantially the same basis and in the same manner" as such services are provided within the rest of the municipality prior to annexation.

The objectives of this study were threefold:

- 1) To survey the proposed areas mentioned above in order to determine if they each meet the statutory standards for annexation,
- 2) To analyze the proposed areas from a cost-revenue standpoint (i.e., to compare the costs of providing municipal services, including necessary capital improvements, with the projected revenues which the City would receive if the area were annexed), and
- 3) To provide the City with the necessary information to implement an orderly program of annexation.

This report analyzes the feasibility of annexing the areas in question. The method of annexation studied was the "standards and services" method. Under this form of annexation, the area must conform to specific statutory requirements. This study has determined all seven of the areas meet these requirements, that the necessary provision of services to the areas will be provided, and that the City of Bessemer City can annex the seven areas in full accordance with all applicable statutory requirements.

SECTION I - DETERMINATION OF ELIGIBILITY REQUIREMENTS

Analysis of the proposed annexation areas was conducted to determine whether they qualified for annexation based on the North Carolina General Statutes Chapter 160A, Article 4A, Part 3. The land use survey of the area was originally conducted by Ms. Nadine Bennett, a staff person of the Centralina Council of Governments (hereinafter referred to as "COG"). The survey was conducted in June 2003 using the most up-to-date Gaston County tax maps. Ms. Bennett recorded, on a lot-by-lot basis, all existing uses of land as seen from an automobile. This data was later correlated with tax information provided by Gaston County. The results of the survey are shown on the attached map.

For the purpose of determining annexation eligibility, the parcels are divided into seven separate areas (as shown on Map 1 and in the following chart).

Area 1		Area 2	Area 4
3722706527	3527713991	3527525176	3527515794
3527624608	3527720009	3527526199	Area 5
3527710267	3527720190	3527527292	
3527622540	3527623340	3527529233	3527510024
3527621540	3527710900	3527528306	Area 6
3721785772	3527711900	Area 3	
3527613472	3527712901		3526497637
3527625072	3527712992	3527422373	3526498648
3527722141	3527616483	3527414998	3526498814
3527723583	3527720540	3527416935	Area 7
3527711563	3527625370	3527417973	
3527722421	3527619562	3527419930	3516824732
3527723417	3527617367	3527510990	
3527720336	3527618361	3527512825	
3527624570	3527616521	3527511623	
3527618468	3527615881	3527510468	
3527628365	3527615683	3527521181	
3527624351	3527616683	3527419720	
3527714608	3527617684	3527418576	
3527625477	3527618685	3527417773	
3527617817	3527619686	3527417528	
3527618818	3527710686	3527415628	
3527619819	3527711687	3527412789	
3527627008	3527712687		
3527627098	3527723172		
3527629009	3527629345		

Each of the seven proposed annexation areas meet the requirements of GS 160A-48 and thus qualify for annexation based on the satisfaction of the following standards:

1. Each of the seven areas is adjacent and contiguous, as defined by GS 160A-48, as of the time the annexation proceeding began.
2. At least one-eighth (12.5 percent) of the external boundaries of each of the seven areas abuts the Town's primary corporate limits. This computation was made using lot information provided by Gaston County and COG's ArcInfo GIS system.

Area	City Limits	Annexation Boundary	Total Boundary	Percent Contiguity
1	1360.5	7102.87	8463.37	16.1%
2	497.41	1149.2	1646.61	30.2%
3	823.17	4723.62	5546.79	14.8%
4	209.93	641.32	851.25	24.7%
5	214.56	660.18	874.74	24.5%
6	350.51	766.15	1116.66	31.4%
7	64.38	406.61	470.99	13.7%

3. No part of the areas to be annexed is included within the boundary of another incorporated municipality.
4. The areas to be annexed are developed for urban purposes in that:
 - a. At least sixty (60) percent of the total number of lots and tracts are used for residential, commercial, industrial, institutional or governmental purposes. A survey of the areas conducted by Ms. Bennett determined the following:

Area	Residential*	Vacant	Total	Percent Developed
1	40	12	52	77%
2	5	0	5	100%
3	12	4	16	75%
4	1	0	1	100%
5	1	0	1	100%
6	2	1	3	66%
7	1	0	1	100%

*Lots were considered as being developed for residential purposes if they contained a habitable dwelling unit and were five (5) acres or less in area.

- b. At least sixty (60) percent of the total of residential and undeveloped acreage consists of lots and tracts three acres or less in size

	AREA 1	AREA 2	AREA 3	AREA 4	AREA 5	AREA 6	AREA 7
Total Acreage	33.32	1.93	13.54	1.04	1.02	1.71	.32
Lots 3 Acres or Less	33.32	1.93	9.93	1.04	1.02	1.71	.32
% of Lots 3 Acres or Less	100%	100%	73%	100%	100%	100%	100%

This computation was made by use of the most up-to-date tax maps and records of the area furnished by Gaston County for determination of lot boundaries and measurements made from tax maps using ArcInfo computer mapping technology.

5. The external boundary of each of the proposed annexation areas consists of lot lines and streets.

SECTION II - MUNICIPAL SERVICES

Under the requirements of North Carolina annexation statutes, municipal services must be extended to a newly annexed area on substantially the same basis and in the same manner as such services are provided within the annexing municipality as of the effective date of annexation. The following information will set forth the existing levels of service in Bessemer City and the plans for extending these services on substantially the same basis and in the same manner to the areas being considered for annexation. Because the seven areas are in close proximity, and because the impact of each individual annexation would be minimal, they are being considered together for purposes of this municipal services plan.

The area proposed for annexation contains a total of 79 parcels. Of these 79 lots, 62 are developed. According to 2000 US Census figures, 2.55 persons per household was the average household size in the City of Bessemer City in all detached single-family dwelling units. The occupancy rate for single-family residences was 93.5 percent. The proposed annexation area is, therefore, estimated to have a population of 148 persons (62 X 0.935 X 2.55). For purposes of this report, the current population of Bessemer City is 5,131, based on the 2001 estimate of the North Carolina Office of State Planning. The annexation of the proposed area would result in an increase of the City's population by approximately 148 persons, or 2.9%

A. Law Enforcement

Police protection in the proposed annexation area, as well as Bessemer City, is currently provided by Gaston County. The Gaston County Police Department is headquartered at 2300 Remount Road in Gastonia. There is a substation of the Gaston County Police Department located at 132 West Virginia Avenue. Twelve full-time patrol officers and four administrative staff operate out of this substation. There will be no change in police protection as a result of this annexation.

According to the 2003-2004 budget, Bessemer City currently contributes \$300,000 to the Gaston County Police Department. This translates to approximately \$58 per capita. This contribution, therefore, can be expected to increase by \$8,584.

B. Fire

Fire protection in the six annexation areas along Costner School Road is currently provided by the Agricultural Center Volunteer Fire Department. Fire Protection in Area 7 is provided by

Crowder's Mountain Volunteer Fire and Rescue. Fire protection in the City of Bessemer City is currently provided by the Bessemer City Volunteer Fire Department (VFD). If the proposed area is annexed, it will also receive service from the BCVFD. The BCVFD has 25 volunteers, with a five-to-ten minute response time. The VFD headquarters is located at 119 West Washington Street.

Costs for the Bessemer City VFD will likely increase as a result of this annexation. In FY 2003-2004, the City budgeted \$4,000 (\$0.78 per capita) for supplies. Therefore, the costs for supplies could be expected to increase by \$115 (148×0.78). There are currently 33 miles of road covered by the Bessemer City VFD. The proposed annexation will increase this by approximately three-quarters of a mile (2.3%). An additional \$7,700 (\$233/mile) was budgeted for vehicle and equipment maintenance and automotive supplies. Costs for maintenance should therefore be expected to increase by \$175.

Per G.S. 160A- 49.1, Bessemer City is obligated, if requested by either Agricultural Center or Crowder's Mountain VFD, to negotiate a five-year contract for the provision of fire services in the annexation areas. Upon the expiration of such contract, or if the VFD chooses not to enter into a contract with the City, the City is liable to pay the VFD a proportionate amount of its debt that existed at the time of the adoption of the resolution of intent. If such a contract is mutually agreed upon, the City would be responsible for annually paying the VFD for each year of the contract the loss of revenue that the VFD would incur as a result of the annexation. The Agricultural VFD receives funding in Gaston County of \$0.043 per \$100 assessed property valuation. Crowder's Mountain receives \$.064 per \$100 assessed property valuation. If requested, the City will need to make a good faith effort to negotiate a contract for fire protection services to the area proposed for annexation. If a five-year contract for services is agreed upon, Bessemer City must pay annually for five years the loss of revenue to each VFD as a result of this annexation. The total assessed valuation Areas 1-6 is \$6,380,623. Therefore, the City would have to pay the Agricultural VFD \$2,710 ($\$6,302,153 \times .00043$) each year for five years. The total assessed valuation in Area 7 is \$78,470. Therefore, the City would have to pay Crowder's Mountain VFD \$50 per year for five years. If first responder service is provided, the City will only pay half of the amount stated above for each of the five years. It is assumed that the City would pay the VFDs the full amount of the contract. At the end of the five-year contract period, Bessemer City is responsible for paying the VFDs the proportionate amount of debt that the VFD had at the time of the adoption of the Resolution of Intent. The payment is based on the ratio of the assessed valuation of the annexation area to the assessed valuation of the entire VFD. At the time of writing, debt information had not been received from the VFDs.

C. Street Maintenance

The City is responsible for the maintenance and upkeep of all municipal owned property, including maintenance on designated streets and sidewalk construction and maintenance.

Costner School Road will remain State maintained. The City currently maintains 11th Street, Costner Drive, Arc Street and Todd Drive will be taken over by the City. This will increase the City-maintained road mileage by approximately six-tenths of a mile. In FY 2003-2004, the City budgeted \$25,000 (\$758/mile) to the Public Works department for departmental supplies and maintenance and repair of equipment and vehicles. Costs to the City will therefore increase by approximately \$455.

D. Street Lights

The proposed annexation area is served by Duke Power. For the purpose of this report, it is assumed that the installation of street lights will be placed at intervals of three-hundred linear feet apart, as per the City's policy. Street lights most commonly used in the residential neighborhoods are of the 7,500 LMV variety. Duke Power does not charge the City for installation. Monthly electric charges for each light run \$7.67 apiece, or \$92 per light annually.

Using the ratio of one street light per three hundred linear feet of street, there would be a maximum of 14 new streetlights required in the area. The resulting annual cost to the City would be \$1,288.

E. Sanitation

The City of Bessemer City currently sub-contracts its solid waste collection service with Waste Management. Curbside refuse pick-up service is provided to all residences within the corporate limits of Bessemer City on a once-per-week basis. Recycling is offered as well. The current cost to the City for such service is \$7.05 per customer per month (\$85 annually). As there are 62 households in the annexation area, costs to the City will likely increase by \$5,270 annually.

The City is also responsible for paying the landfill costs related to sanitation services. In FY 2003-2004, Bessemer City budgeted \$60,000 for such fees. This amounts to a cost of \$11.69 per person annually. Therefore, costs to the City can be expected to increase by \$1,730 as a result of this annexation.

According to G.S. 160A-49.3, the City will need to make a good faith effort to provide all solid waste firms operating in the annexation areas a copy of the Resolution of Intent at least twenty days prior to the public hearing. North Carolina law also states that the City must offer to

provide compensation to any such firm which, as a result of the annexation, suffers a loss of fifty or more residential customers, or a monthly average revenue from non-residential customers of \$500 or more. Economic loss is defined as twelve times the average monthly revenue for the three-month period prior to the adoption of the Resolution of Intent.

G.S. 160A-49.3 also says that if an annexing community contracts with a hauler which was providing service in an annexation area ninety days prior to the adoption of the resolution of intent, the amount paid to such hauler shall be at least 90% of the amount paid for under those existing arrangements. Said contract shall be for at least a two-year period.

F. Administrative Services

Although the City does not anticipate the need to increase the administrative staff as a result of the proposed annexations, additional costs related to day-to-day services are anticipated. These costs are largely related to line items in the budget including communication, administrative supplies, and similar expenses. In all, the City budgeted \$21,500 for these type expenses in FY 2003-2004. This amounts to a per capita cost of \$4.19. Therefore, costs can be expected to increase by \$620.

G. Water and Sewer Services

Bessemer City can expect a change in water and sewer revenues as a result the proposed annexation. Water service is already provided to the annexation area. City officials report that sewer lines are currently under construction and will serve the Areas 1-6 in the manner set forth in the current sewer policy by the time that the annexation takes effect. Area 7 is already served by sewer.

It is believed that 46 of the residences in the proposed annexation area are currently on City water. According to City staff, the average monthly residential bill for these services is \$47.70 or \$572 annually. If annexation occurs, these bills would be cut in half, therefore cutting City revenue by \$23.85 a month per residence (a total of \$13,165). Since these areas do not have access to sewer currently, no loss of sewer revenue is anticipated.

Only Area 7 is currently on City sewer. The average monthly sewer bill is \$84.90 outside of the City limits. The amount will be cut in half if the parcel is annexed. Therefore, the city can expect a loss of \$42.45.

H. Sewage Treatment

The City of Gastonia currently treats sewage for the City of Bessemer City. Gastonia charges \$2.68 per 1000 gallons per month. It is estimated by City officials that the proposed

annexations will result in an additional 90,000 gallons of water to be treated. This will result in an increased cost to the City of \$2,894.

SUMMARY
ANNUAL COSTS
ANNEXATION STUDY AREA

<i>Services</i>	<i>Costs</i>
Police	\$8,584
Fire	\$3,050
Street Maintenance	\$455
Street Lights	\$1,288
Sanitation	\$7,000
Administration	\$620
Water & Sewer (Loss in Revenue)	\$13,207
Sewage Treatment	\$2,894
Annual Cost	\$37,098

Note: Total for Fire includes five-year contract payment with Volunteer Fire Districts. After the five years, this figure would be reduced. At the end of the five-year period, Bessemer City will begin debt payment to the Agricultural VFD.

The City plans to finance the extension of its municipal services to the proposed annexation area in the manner described using existing tax revenues and reimbursements and the additional tax revenues and reimbursements generated by the annexation as summarized in the following section.

SECTION III - PROJECTED REVENUES

A detailed study of revenues was completed as part of the economic analysis of the areas proposed for annexation. The revenues generated to the City as a result of the proposed annexation fall into seven major categories: (1) ad valorem taxes, (2) franchise taxes, (3) Powell Bill funds, (4) local option sales taxes, (5) cable TV franchise fees (6) beer and wine sales, (7) sanitation fees, and (8) utilities. (At this time, a number of these reimbursements may be being held by the State.) Each of these revenue sources is described below.

1. Ad Valorem Taxes

The proposed annexation area has an assessed valuation of \$6,380,623. This figure was obtained by adding the most current reported total assessed real property values assigned by Gaston County for all lots in the annexation area.

The aggregate assessed value figure, when multiplied by the City's FY 2003-2004 tax rate of \$0.41 per \$100 of assessed value and the City's current collection rate of 93%, is \$24,329.

NOTE: The City can expect to receive additional tax revenues from personal property, most notably motor vehicles. However, accurate data for this is not currently available, therefore no estimate is provided. The City should be aware that it will receive additional revenue if the proposed area is annexed.

2. Franchise Taxes

Approximately 3.09 percent of gross utility (electric, gas, and telephone) sales tax receipts collected by the State annually are reimbursed to municipalities based on the sales of service within their respective boundaries. It is difficult to determine a citywide ratio for anticipated revenues as a result of annexation due to the varied usage of these utilities by non-residential customers. A more reasonable (and conservative) approach towards estimating franchise tax revenues which the City would likely receive as a result of the annexation would be to estimate the average monthly electric and telephone bills per household and compute receipts from those estimates. For purposes of this study, it is estimated that the average household monthly electric bill to be \$100 and the average monthly telephone bill to be \$20 (the latter assumption also takes into account the fact that not all homes have telephone service). Given that there are an

estimated 62 occupied households in the annexation area, the estimated annual increase in franchise revenues as a result of the annexations is \$2,758 ($62 \times 12 \times \120×0.0309).

3. Powell Bill Funds

The latest NCDOT statistics indicate that Powell Bill funds are distributed on a statewide basis at an average of \$1,816.88 per mile of City maintained roads and \$23.51 per capita. As the annexation area has an estimated population of 148 persons, the increase in Powell Bill funds is estimated to be \$3,479. The City plans to take over an additional six-tenths of a mile of road as a result of this annexation and can therefore expect an additional \$1,090.

4. Local Option Sales Tax

Projected sales tax revenues for the City of Bessemer City for FY 2003-2004 are estimated to be \$280,000. Sales tax receipts to communities in Gaston County are distributed among municipalities proportionately based on per capita ratio. The addition of 148 people to Bessemer City represents a population increase of 2.9%. Although this is a substantial figure and will likely result in an increase in the amount of local option sales tax revenues reimbursed to the City, it is difficult to state how large of an increase will result. It is doubtful, however, that an 2.9% increase in local option sales tax revenues will be realized due, in part, to substantial population increases and associated development taking place in other municipalities in Gaston County and in unincorporated areas. The actual increase, from a conservative standpoint, could increase by perhaps one-half that figure or 1.45%. This results an increase of local option sales tax receipts of $0.0145 \times \$280,000$ or \$4,060.

5. Cable TV Franchise Tax

The City of Bessemer City estimates that it will receive approximately \$33,000 in cable TV franchise fees in FY 2003-2004. This results in a per capita revenue of \$6.43. Estimated cable television franchise revenues for the proposed annexation area is therefore estimated to be \$952.

6. Beer and Wine Sales

Reimbursements for beer and wine sales are made based on the annual period ending on March 31. The most recent distribution made to local governments in which beer and wine (fortified and unfortified) were sold received reimbursements at a rate of \$4.36 per capita. Based on this figure, the estimated increase as a result of the proposed annexation is \$645.

7. Sanitation Fees

The City of Bessemer City collects a total of \$5.46 per month per household (\$2.81 for a landfill charge and \$2.65 for recycling). This translates into an annual assessment of \$66. The amount of revenue therefore estimated from the proposed annexation area is \$4,092.

8. Sewer and Water

As mentioned earlier in the report, sewer exists in Area 7 and is currently being extended to the remaining areas. Bessemer City does not require that residents tap on to City sewer. The average monthly sewer bill is \$42.45. If sewer service is available and residents choose not to connect, each such household is assessed a monthly fee of \$10. For purposes of this report it is assumed 15 of the 62 residences will immediately hook-on to the sewer. Thus, additional revenues of \$13,161 [(46 X \$10 X 12)+(15 X \$42.45 X 12)] are anticipated. In addition for those who do choose to hook on to the City sewer, the City charges a tap fee of \$1,237. Therefore, there will be an additional \$18,555 in revenue the first year.

Households in the proposed annexation area will also not be required to tap on to City water. However, for those who choose not to tap on, there is a minimum charge of \$8 per month. As there are 16 households within the proposed annexation area that are not currently on City water, and are not likely to connect, the amount of water revenue estimated for the area is \$1,536 (16 X \$8 X 12).

SUMMARY
ANNUAL REVENUES
ANNEXATION AREA

<i>Services</i>	<i>Revenue</i>
Property Tax	\$26,160
Franchise Fees	\$2,758
Powell Bill	\$4,569
Sales Tax	\$4,060
Cable Franchise	\$952
Beer and Wine	\$645
Sanitation	\$4,092
Water & Sewer	\$14,697
Total Annual Revenue	\$57,933
Total One-Time Revenue	\$18,555

ANNUAL REVIEW
COST / BENEFIT ANALYSIS
(Excluding One-Time Revenues)

Annual Revenues	\$57,933
Annual Costs	(\$37,098)
Net Revenues	\$20,835