

The Washington City Council met in a regular session on Monday, May 12, 2014 at 5:30pm in the City Council Chambers at the Municipal Building. Present were: Mac Hodges, Mayor; Bobby Roberson, Mayor Pro tem; Doug Mercer, Councilman; William Pitt, Councilman; Richard Brooks, Councilman; Larry Beeman, Councilman; Brian M. Alligood, City Manager; Cynthia S. Bennett, City Clerk and Franz Holscher, City Attorney.

Also present were: Matt Rauschenbach, Administrative Services Director/C.F.O.; Allen Lewis, Public Works Director; Lynn Wingate, Tourism Director; Gloria Moore, Library Director; Susan Hodges, Human Resources Director; Keith Hardt, Electric Utilities Director; John Rodman, Community & Cultural Resources Director and Tony Black, Washington Daily News.

Mayor Hodges called the meeting to order and Councilman Mercer delivered the invocation.

APPROVAL OF MINUTES:

By motion of Councilman Pitt, seconded by Councilman Mercer, Council approved the minutes of April 7, 14, 21-24, 28, 2014 as presented.

APPROVAL/AMENDMENTS TO AGENDA:

Mayor Hodges reviewed the requested amendments to the agenda:

- Add under New Business Item D: Approve - SunEnergy 1, LLC Ground Lease for Airport Hangar
- Add under New Business Item E: Adopt - Resolution Authorizing Advertisement of Offer to Purchase 507 West 2nd Street
- Move from Consent Item D: Purchase Orders >\$20,000 (**discussed after approval of Consent Agenda**)

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks Council approved the agenda as amended.

CONSENT AGENDA:

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council approved the consent agenda as amended.

- A. Declare Surplus/Authorize – Electronic Auction of Vehicle through GovDeals (Vehicle Numbers 130 ~ 2007 Crown Vic & 624 ~ 2004 Ford Explorer)
- B. Adopt – Budget Ordinance Amendment for a memorial to fallen Officer Alex Thalmann (\$2,500)

**AN ORDINANCE TO AMEND THE BUDGET ORDINANCE
OF THE CITY OF WASHINGTON, N.C.
FOR THE FISCAL YEAR 2013-2014**

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That the Estimated Revenues in the General Fund be increased in the amount of \$2,500 in the account Contributions- Police, account number 10-10-3431-8401, contributions to fund a memorial swing for Officer Thalmann.

Section 2. That account number 10-10-4340-1500, Maintenance/Repair Building portion of the Police department of the General Fund appropriations budget be increased in the amount of \$2,500.

Section 3. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 4. This ordinance shall become effective upon its adoption.

Adopted this the 12th day of May, 2014.

Attest:
s/Cynthia Bennett
City Clerk

s/Mac Hodges
Mayor

- C. Adopt – Budget Ordinance Amendment for Beaufort County Health Department donation (\$2,000)

**AN ORDINANCE TO AMEND THE BUDGET ORDINANCE
OF THE CITY OF WASHINGTON, N.C.
FOR THE FISCAL YEAR 2013-2014**

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That the Estimated Revenues in the General Fund be increased in the amount of \$2,000 in the account Beaufort County Contribution Recreation, account number 10-40-3612-8401, to provide funds for increased physical activity to address healthier outcomes for the citizens of Beaufort County.

Section 2. That account number 10-40-6121-7000, Non-capitalized Purchases portion of the Recreation Events & Facilities department of the General Fund appropriations budget be increased in the amount of \$2,000.

Section 3. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 4. This ordinance shall become effective upon its adoption.

Adopted this the 12th day of May, 2014.

Attest:

s/Cynthia Bennett
City Clerk

s/Mac Hodges
Mayor

- D. **Removed from Consent (discussed after approval of Consent Agenda)** Approve – Purchase Orders >\$20,000

APPROVE – PURCHASE ORDERS >\$20,000 (Item D from Consent Agenda)

Councilman Mercer expressed concerns regarding “sole source” providers and the number of bids received and why the specific vendors were chosen. Brian Alligood, City Manager explained that this is a sole source proprietary material and this is what we have been using in our rehab. Allen Lewis, Public Works Director explained there is no other vendor in the Southeast that can use this particular material. This material was used in the lining of the wet well and has held up well. Mr. Alligood explained we believe this material is the best product for our project. Mr. Alligood addressed Councilman Mercer’s concern with the underground wire purchase order and noted this had been recently bid out under the warehouse with a bid of \$7.98 per foot, then there was a requote and Westinghouse came in at \$6.75. Councilman Mercer asked did anyone else provide a bid? Mr. Alligood explained that Westinghouse could provide a lower cost than our own warehouse. We do not let the contractor bid the material, the contractor only bids on the labor. This request is only for material. The bid award should be in the June agenda packet.

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council approved the Purchase Orders as presented.

- *Requisition #14160, \$43,340, to Concrete Conservation, Inc. to rehab the manholes in basin 11 with 13th and Bridge St. basin, account 32-90-8210-4500. Sole source material/distributor.*
- *Requisition #14242, \$40,000, to Concrete Conservation, Inc. to rehab the manhole lining in basin 12, account 32-90-8200-4500. Sole source material/distributor.*
- *Requisition #14244, \$50,000, to Concrete Conservation, Inc. to rehab the manhole lining in basin 17 and 11, account 32-90-8210-4500. Sole source material/distributor.*
- *Requisition #14275, \$43,941.50, to Westinghouse Electric Supply, Inc. for High School Feeder project, account 35-90-8390-7400.*

COMMENTS FROM THE PUBLIC:

Ms. Norma Latham expressed concern with the lack of sidewalks on 15th Street and the safety of pedestrian traffic in Washington. Ms. Latham suggested the installation of additional stop signs, sidewalks and possibly lowering the speed limit in some areas. Ms. Norma Latham expressed concern with the lack of sidewalks on 15th Street and the safety of the pedestrian traffic in Washington. The City Manager explained that the proposed NCDOT project for the widening of 15th Street from Carolina Avenue to Respass Street, will possibly include the installation of the cross sections/crosswalks for the

sidewalks(City will have to pay for our share of the sidewalks). The City is currently working on updating the Pedestrian Plan and staff will provide a copy of this document to Ms. Latham.

SCHEDULED PUBLIC APPEARANCES:

**LEESA JONES – WASHINGTON RECOGNIZED BY THE NATIONAL PARK SERVICE
(request removed by applicant)**

CORRESPONDENCE AND SPECIAL REPORTS:

MEMO – BUDGET TRANSFER

The Budget Officer transferred the following funding between departments of the Electric Fund: \$1,600 from Substation Maintenance to the Meter Services department for the repair of truck #659.

From: 35-90-8370-1700 - \$1,600

To: 35-90-7250-1700 - \$1,600

MEMO – NC PUBLIC ACCESS GRANT - HAVENS GARDENS

The Parks and Recreation Advisory Committee have determined that the improvements to Havens Gardens be listed as a high priority on their project list. As part of the improvements the Advisory Committee, on a unanimous vote, recommended that a Pedestrian Walkway be added under the Park Drive/Hwy 32 Bridge from Havens Gardens to the City boat launch. This project has been listed as part of the City's Capital Improvement Plan.

The pedestrian walkway would offer a safer route for youth and families traversing Park Drive. The project is also listed as part of the current Comprehensive Recreation Master Plan as a linkage between the two parcels of property.

The NC Division of Coastal Management has issued an invitation to local governments in the 20-county coastal area that grant funding is available for Public Beach and Coastal Waterfront Access Projects for the upcoming 2014-2015 fiscal year. The Pedestrian Walkway would qualify as an eligible project.

This memo is to inform you that the Advisory Committee will begin to gather information on the possibility and the feasibility of constructing the pedestrian walkway at Havens Gardens. If the information gathering session proves to be positive, then the Committee would like to submit a pre-application in hopes of receiving financial assistance the Division of Coastal Management. As a Tier 1 County, any grant funding approved would require a ten (10) percent match by the City. An invitation letter from the Division of Coastal Management, a site plan of the proposed project, and a very preliminary budget as determined by Rivers and Associates is included in the agenda packet.

REPORT – APRIL LOAD MANAGEMENT

Load Management Device Installation Report

Project Start Date : October 2010		April 2014	Project to Date
Total Load Management Device Installations		104	2,743
Total Accounts Added with Load Management		61	1,969
Appliance Control Installations			
Air Conditioner / Heat Pump	69	2,053	
Auxiliary Heat Strip	28	1,046	
Electric Furnace	4	276	
Water Heater	50	1,597	
Total Encumbrances to Date			
Load Management Devices		\$	130,600
Contractor Installations		\$	280,000
Total Project Encumbrances		\$	410,600
Total Expenses to Date			
Load Management Device Purchases		\$	130,600
Contractor Installation Expenses	\$ 8,320	\$	270,770
Total Project Expenses		\$	401,370
Average Cost per Load Management Device Installed			
		\$	146.33
Average Installed Cost per Controlled Appliance			
		\$	80.73
Load Management Devices Remaining in Stock			
			757

REPORTS FROM BOARDS, COMMISSIONS AND COMMITTEES: NONE

APPOINTMENTS: NONE

OLD BUSINESS:

**APPROVE – LEASE AND MANAGEMENT AGREEMENT RENEWAL WITH
WASHINGTON TOURISM AUTHORITY**

The City of Washington currently has an agreement with the WTDA to lease and manage the Civic Center. That agreement expires on June 30, 2014. Attached is a proposed renewal of the lease and management agreement. The material aspects of the new agreement are the same as the previous agreement with the exception of the term, which is now one year; the City allocation amount, which has been reduced by \$5,000.00 to \$45,000.00; and the use of the facilities, which now includes the space previously occupied by the Beaufort County Arts Council. The WTDA Board has reviewed and approved the new agreement.

Councilman Mercer noted that he asked the City Manager to add to Section 6 the following phrase: “unless the City decides to use this space for City Purposes”. The agreement has been modified to reflect the change and copies have been provided to Council.

By motion of Councilman Beeman, seconded by Mayor Pro tem Roberson, Council approved the “Lease and Management Agreement” between the Washington Tourism Development Authority (WTDA) and the City for lease and management of the Civic Center during the 2014-2015 fiscal year.

**NORTH CAROLINA
BEAUFORT COUNTY**

THIS LEASE AND MANAGEMENT AGREEMENT (“Lease”) is made and entered into as of the 1st day of July, 2014 by and between the CITY OF WASHINGTON, a body politic and corporate, existing under the laws of the State of North Carolina (“City”), and the CITY OF WASHINGTON TOURISM DEVELOPMENT AUTHORITY, a Public Authority under the Local Government Budget & Fiscal Control Act (“TDA”), (collectively may be referred to as the “Parties”).

WITNESSETH

WHEREAS, the TDA was organized and established under the authority of North Carolina House Bill 592, Chapter 158, as ratified in the 1991 Session of the General Assembly of North Carolina, as later amended, and the City Charter and Code.

WHEREAS, the TDA operates subject to the provisions contained in the bill above referred to, as amended, the City Charter as well as City Code, and pursuant to by-laws adopted by the TDA for the operation of the TDA and the transaction of its business.

WHEREAS, the TDA’s purpose is to promote travel and tourism – to advertise or market an area or activity, publish and distribute pamphlets and other materials, conduct market research, and engage in similar promotional activities that attract tourists or business travelers to the area.

WHEREAS, the TDA has the authority to spend money that, in the judgment of the TDA, is designed to increase the use of lodging facilities, meeting facilities, or convention facilities in the City or to attract tourists or business travelers to the City.

WHEREAS, the TDA is authorized to contract with appropriate organizations or agencies to assist it in carrying out the above purposes.

WHEREAS, for the last eight (8) years the Parties have been party to Lease and Management Agreements, the most recent of which expires on June 30, 2014.

WHEREAS, the Parties have agreed to enter into this Lease whereby the City will continue to lease to the TDA the Washington Civic Center (“Civic Center”) as described in Exhibit A attached hereto in accordance with the terms and provisions of this Lease and the TDA will continue to manage the Civic Center.

NOW THEREFORE, in consideration of the rents hereinafter agreed to be paid, the mutual covenants and agreements hereinafter recited and for the benefit of the public and the citizens of the City and Beaufort County generally, the receipt and legal sufficiency of which consideration is hereby acknowledged, the City does hereby lease and demise unto the TDA and the TDA does hereby lease and take as tenant from the City those certain premises (hereinafter called the “Premises”) within the City and more particularly

described in Exhibit A attached hereto. Except as specifically provided for herein, the City reserves unto itself and the public generally the right to use the parking areas and driveways adjoining the Civic Center building as a means of ingress, egress and access to the adjoining property of the City on which the Peterson Building is located. Notwithstanding the foregoing, the TDA shall have the right to reserve the parking spots located to the North of the Peterson Building for specific periods of time as may be necessary in conjunction with specific Civic Center events after appropriate consultation and notice to any parties potentially affected thereby, including the City.

The TDA has carefully inspected the Premises and acknowledges that the same is in satisfactory condition for its use. Except as may be specifically provided for hereinafter and for those certain improvements that may be specifically addressed hereinafter, the City shall have no obligation to make any improvements to the Premises whatsoever and the TDA agrees to accept the same in its present condition, “as is.”

TO HAVE AND TO HOLD said Premises unto the TDA upon the following terms and conditions.

1. **TERM.** The term of this Lease shall be for a period of one (1) year and will begin as of the 1st day of July, 2014 and shall end at 12:00 o’clock midnight on the 30th day of June, 2015, subject to the provisions herein.
 - a. **EXTENSION.** The TDA shall give notice at least six (6) months prior to the expiration hereof if it desires to continue this Lease. If the TDA gives the City notice of its desire to extend this Lease, the Parties shall renegotiate the same in good faith.
2. **RENT.** As consideration for the leasehold interest granted herein for this term, the TDA agrees to be responsible for all management and operations of the Civic Center, including supervision of all Civic Center staff as hereinafter defined.
3. **ALLOCATION BY THE CITY.** The City agrees to allocate \$45,000.00 as part of this lease to assist in the operation of the Civic Center and, to that end, agrees to pay the TDA the sum of \$3,750.00 per month on or before the 10th of each month beginning as of the 10th day of July, 2014. During the City’s budget process, TDA may make specific requests to address maintenance items other than those described in Section 13. Within its recognized budget constraints, the City will use its best efforts to provide funding to address such maintenance items.
4. **TERMINATION.** The TDA has the absolute right to terminate this Lease by providing the City six (6) months written notice prior to the end of this Lease (on or before December 31, 2014).
5. **CIVIC CENTER STAFF.** The employment of the TDA Director and Civic Center staff, including the specifics of all relevant employment terms and

relationships, shall be governed by an Interlocal Agreement entered into between the Parties, which Interlocal Agreement is, or shall be, incorporated herein by reference as if fully set forth.

6. **PAMLICO-TAR RIVER FOUNDATION LEASE.** The present lease between the City and the Pamlico-Tar River Foundation shall remain a direct lease between that entity and the TDA shall have no responsibility for the operation, maintenance, or liability associated with those premises so leased or any activities conducted thereon. The City may continue such lease as well as renew the same for so long as the City desires. However, in the event the lease between the City and the Pamlico-Tar River Foundation is terminated and not renewed, then, in that event, the TDA shall have the right of first refusal to include such space within the property leased hereunder, unless the City decides to use this space for City purposes.
7. **DEFAULT.**
 - a. The occurrence of one or more of the following events (hereinafter called "Events of Default") shall constitute a default by the TDA:
 - i. Failure to perform any provision of this Lease if the failure to perform is not cured within ten (10) days after written notice thereof has been given to the TDA and
 - ii. Dissolution of the TDA.
 - b. The occurrence of one or more of the following events of default shall constitute a default by the City:
 - i. Failure to perform any provision of this Lease if the failure to perform is not cured within ten (10) days after written notice thereof has been given to the City.
8. **REMEDIES UPON DEFAULT.**
 - a. The City shall have the absolute right upon default by the TDA to enter the Premises without notice to vacate (any such right to which is hereby waived by the TDA) and re-let them, changing any and all locks on the Premises, all without being liable for forcible entry, trespass, or other tort.
 - b. The TDA shall have the absolute right upon default by the City to vacate the Premises, return all keys to the City and have no further obligation to manage and operate the Civic Center.
 - c. In the event either party shall exercise the above described remedies upon default, the TDA shall promptly deliver any and all of the TDA records, including bookings, necessary for the City to continue the management and operation of the Civic Center.
9. **WAIVER.** No course of dealing or any delay on the part of either party in exercising any rights it may have under this Lease shall operate as a waiver of any of its rights hereunder nor shall any waiver of any prior default operate as a waiver of any subsequent default or defaults and no express waiver shall affect

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any condition, covenant, rule or regulation other than the one specified in such waiver and that one only for the time and in the manner specifically stated.

10. **USE OF PREMISES.** The TDA shall use the Premises to further the purposes of the TDA as stated in its by-laws and for such purposes as may be associated with civic centers, comparable to similar communities and regional activities. The TDA shall be responsible for the entire management of said facility and shall have the right to establish reasonable regulations and policies, including any and all rates applicable to rent the same and for activities taking place within the same. The TDA shall be responsible for promoting said facility pursuant to an updated, written One (1) Year Plan, which One (1) Year Plan will be submitted to the City on or before June 15, 2014. Upon receipt of said One (1) Year Plan by the City, it shall be attached hereto as Exhibit B and incorporated herein by reference.
11. **DISCRIMINATION.** The TDA, in its use, improvement, or operation of the Premises and facilities of the Civic Center, shall not, on the grounds of race, color, sex, or national origin, discriminate or permit discrimination against any person or group of persons in any manner prohibited by law and shall otherwise use the Premises in compliance with all other requirements imposed by or pursuant to Title VI of the Civil Rights Act of 1964 and as said regulations may be amended.
12. **OWNERSHIP OF CONTENTS.** On July 1, 2006, the City conveyed the contents then located in the Civic Center to the TDA and presented the TDA with a Bill of Sale for the same. The Parties acknowledge that ownership of the contents located in the Civic Center at the expiration of the initial term, earlier termination, or expiration of any subsequent term shall revert to and/or become the property of the City without compensation therefor and as further consideration for this Lease. In this regard, the TDA shall present a Bill of Sale for the same to the City at such time.
13. **MAINTENANCE.** The City shall be responsible during the term of this Lease for major structural maintenance of the Civic Center structure and building including decking, flooring, roofing, HVAC, plumbing and electrical systems. The TDA shall be responsible for all other maintenance whatsoever in connection with said facility. Notwithstanding the foregoing, in the event a maintenance or repair issue or need arises, the TDA may contact the City Manager's office at the City concerning said issue or need and, if the City is capable of assisting the TDA in addressing the issue or need with minimal cost or manpower, in its sole discretion, the City will provide such assistance to the extent such assistance does not produce a major disruption in the City's normal operations as well as responsibilities and so long as such assistance is practicable. Nothing herein shall be construed to limit the TDA's maintenance obligation(s) as described herein. The City shall maintain the landscaping and parking areas in connection with its routine maintenance of the Peterson Building.

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14. **ASSIGNMENT AND SUBLETTING.** The TDA shall not assign this Lease or sublet the Premises without the prior written consent of the City.
15. **UTILITIES AND OTHER SERVICES.** The TDA was made responsible for and paid any and all charges (\$2,448.87) for utilities incurred on the Premises during the month before the inception of the initial Lease term (June of 2006). The TDA has since been reimbursed for said payment by the City through a credit. Therefore, the TDA shall be responsible for and pay any and all charges for utilities as may be incurred on the Premises during the term of this Lease. The TDA shall not use or permit in the Premises any electrical device which, in the opinion of the electrical provider, will overload the building's electrical circuits.
16. **ALTERATIONS.** Other than routine improvements, repair and maintenance necessary to address ordinary, daily wear and tear, the TDA shall make no alterations, additions or improvements to the Premises without the prior written consent of the City. All alterations, additions and improvements made by, for or at the direction of the TDA shall become the property of the City and shall remain upon and be surrendered with the Premises as a part thereof at the expiration or earlier termination of this Lease without compensation therefor and as further consideration for this Lease. The TDA shall promptly pay and discharge any and all licenses, imposts, liens or other charges arising out of or in connection with the performance of any act required of or permitted the TDA hereunder and shall keep the Premises free and clear from any and all such liens or charges.

Upon receiving the prior written consent of the TDA, the City shall have the right, but not the obligation, to make alterations, additions, or improvements to the Premises and the same shall, when made, be the property of the City and shall remain upon and be surrendered with the Premises as a part thereof at the expiration or earlier termination of this Lease.

17. **CITY'S RIGHT OF ENTRY.** The City Manager or his designee shall have the right to enter and to grant licenses to others to enter the Premises for such lengths of time as the City shall deem reasonable a) to inspect the Premises; b) to exhibit the Premises to prospective tenants or purchasers of the Premises; c) after reasonable notice to the TDA, to make alterations, additions, improvements and repairs to the Premises or to the building and to store necessary materials, tools and equipment for such alterations or repairs; d) after reasonable notice to the TDA, for any purpose which the City shall deem necessary for the operation and maintenance of the Premises, including building, and the general welfare and comfort of its tenants; e) after reasonable notice to the TDA, for the purpose of removing from the Premises any placards, signs, fixtures, alterations or additions not permitted by this Lease or applicable regulation; and f) after reasonable notice to the TDA, to abate any condition which constitutes a violation of any covenant or condition of this Lease.

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18. **USAGE BY AND RATE FOR THE CITY.** The TDA agrees to allow any appropriate individual, group, or entity of the City to use the Premises as long as the same is not already reserved. Any such use by the City or its affiliates shall be consistent with the policies and procedures established by the TDA. The TDA agrees, as part of its rate structure, to provide a special rate for use by any appropriate individual, group, or entity of the City, which special rate shall not exceed 33% of the then current, full rate charged to other users of the Premises.
19. **INDEMNIFICATION OF THE CITY.** The TDA agrees to indemnify and defend the City and to save harmless the City, and the tenants, licensees, invitees, agents, servants and employees of the City against and from any and all claims by or on behalf of any person, firm or corporation arising by reason of injury to person or property occurring on the Premises or in the building occasioned in whole or in part by any act or omission on the part of the TDA or any employee, representative, agent, assignee or subtenant of the TDA, including any individuals who are actually City employees but who regularly perform functions for or duties assigned by the TDA such as the TDA Director and TDA staff or by reason of any unlawful use of the Premises or by reason of any breach, violation or non-performance of any covenant in this Lease on the part of the TDA to be observed or performed, and also by reason of any matter or thing growing out of the occupancy or use of the Premises by the TDA or any one holding under the TDA. The TDA agrees to pay the City promptly for all damage to the Premises or the building, which is not covered by insurance, and for all damage to tenants or occupants caused by the TDA's misuse or neglect of the Premises or the building or of its or their apparatus and appurtenances and the TDA agrees in any event to reimburse and compensate the City as additional rent within five (5) days of rendition of any statement to the TDA by the City for expenditures made by the City or for fines sustained or incurred by the City due to non-performance or non-compliance with or breach of or failure to observe any term, covenant or condition of this Lease upon the TDA's part to be kept, observed, performed or complied with.

The City shall not be liable to the TDA for any damage by or from any act or negligence of any co-tenant or other occupant of the building or by any owner or occupant of adjoining or contiguous property. Neither the City nor its agents shall be liable to the TDA or to any person, firm or corporation claiming through or under the TDA for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, glass, electricity, water, rain or snow or leaks from any part of the building or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by dampness or by any other cause of whatever nature, unless caused by or due to proven acts of negligence of the City. The City shall not be liable to the TDA or to any person, firm or corporation claiming through or under the TDA for any latent defect in the Premises or in the building.

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20. **INDEMNIFICATION OF THE TDA.** The City agrees to indemnify and defend the TDA and to save harmless the TDA, including all tenants, licensees, invitees, agents, servants, and employees of the TDA against and from any and all claims by or on behalf of any person, firm or corporation arising by reason of the City's negligent failure to adequately perform major structural maintenance of the Civic Center structure and building, including decking, roofing, flooring, HVAC, plumbing, and electrical systems. The indemnification provisions of this Section 20 shall not apply to any condition unless and until the TDA provides the City written notice that major structural maintenance is required for the Civic Center structure and building, including decking, roofing, flooring, HVAC, plumbing, and electrical systems.

21. **INSURANCE AND INSURANCE RATES.** Throughout the term of this Lease, City shall carry fire and extended coverage insurance insuring its interest in the building and the Premises, such insurance to be written by insurance companies and in amounts satisfactory to the City. Throughout the term of this Lease, the TDA shall carry fire and extended coverage insurance insuring its interest, if any, in improvements to or in the Premises, its contents, and its interest in its furniture, equipment, supplies or other property. Throughout the term of this Lease, the TDA shall carry public liability insurance insuring against all liability of the TDA and its authorized representatives including any liability whatsoever caused by any accident or other occurrence causing bodily injury or property damage to any person or property and arising out of and in connection with the TDA's use or occupancy of the Premises, such insurance to be written by insurance companies and in amounts satisfactory to the City. The TDA hereby waives any claim, right of action, or subrogation which it may have against the City for any loss or damage covered by such insurance.

The TDA shall not do or cause to be done or permit on the Premises anything deemed extra hazardous and the TDA shall not use the Premises or the building in any manner which will cause an increase in the premium rate for any insurance in effect on the Premises, building, or part thereof. If, because of anything done, caused to be done, permitted or omitted by the TDA or its agents, servants or employees, the premium rate for any kind of insurance in effect on the Premises shall be raised, the TDA shall pay the City on demand the amount of any such increase in premium. If the City demands that the TDA remedy the condition which caused any such increase in an insurance premium rate, the TDA shall remedy such condition within five (5) days after receipt of such demand.

22. **FIRE OR OTHER CASUALTY.** In the event that before or during the term of this Lease, the Premises or the building shall be damaged by fire or other casualty which renders the building, the Premises or any part of the building or the Premises untenantable, the City within twenty (20) days of such fire or casualty or of receipt of written notice from the TDA of such damage (whichever shall last occur) shall have the right to either 1) serve written notice upon the TDA of the City's intent to repair said damage or 2) if said damage renders so much of the

Premises untenatable [in excess of fifty percent (50%) of the value of the premises] that repair would not be feasible, or if said damage shall have been occasioned by the act or omission of the TDA, its servants, agents, members or employees, serve written notice upon the TDA that this Lease is terminated, provided, however, that the City shall not so terminate this Lease unless such repairs cannot be made within a period of sixty (60) days or unless at the time such notice is given there remains less than one hundred eighty (180) days during the unexpired current term of this Lease. If the City shall elect to repair such damage, such repairs shall be commenced within fifteen (15) days of notice to the TDA of such election and such repairs shall be completed within one hundred eighty (180) days of notice to the TDA of such election.

The other provision of this Section 22 notwithstanding, the City shall have no obligation to replace or repair any property in the building or on the Premises belonging to the TDA or to anyone claiming through or under the TDA nor shall the City have any obligation hereunder to replace or repair any property on the Premises which the City shall have the right to require the TDA to remove from the Premises or any alteration, addition or improvement made to the Premises by, for or at the direction of the TDA.

23. **QUIET ENJOYMENT.** The City agrees that the TDA on paying the rent and performing all the terms and conditions of this Lease shall quietly have, hold and enjoy the Premises for the term aforesaid.

24. **NOTICES.** If to the TDA as follows:

Washington Tourism Development Authority
P.O. Box 1765
Washington, NC 27889

With copy to:

William P. Mayo, Jr.
Mayo & Mayo
102 W. 2nd St.
Washington, NC 27889

As to the City:

Attn: City Manager
City of Washington
P.O. Box 1988
Washington, NC 27889

With copy to:

Franz F. Holscher
Rodman, Holscher, Francisco & Peck, P.A.
P. O. Box 1747
Washington, NC 27889

25. **INTEGRATION AND BINDING EFFECT.** The entire agreement, intent and understanding between the City and the TDA is contained in the provisions of this Lease and any stipulations, representations, promises or agreements, written or oral, made prior to or contemporaneously with this Lease shall have no legal or equitable effect or consequence unless reduced to writing herein. This Lease shall be governed by and construed pursuant to the laws of the State of North Carolina.

26. **COMPLIANCE BY THE TDA WITH GOVERNMENTAL REGULATIONS.** The TDA shall comply with all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements and agreements with all governments, departments, commissions, boards, courts, authorities, agencies, officials, officers and other parties foreseen and unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Premises or any part thereof, or any of the adjoining property, or any use or condition of the Premises or any part thereof. The TDA shall comply with any and all local, State, Federal or other rules and regulations as well as all applicable environmental rules and regulations. In the performance of any acts required of or permitted by the TDA under any provision of this Lease, the TDA shall obey and comply with all lawful requirements, rules, regulations, and ordinances of all legally constituted authorities, existing at any time during the continuance of such performance in any way affecting the Premises or the use of the Premises by the TDA, including but not limited to all wetland regulations, CAMA regulations, or other governmental setbacks. Such compliance shall include compliance by the TDA with requirements of the Occupational Safety and Health Act, and all amendments thereto, as the same applies to the TDA's use of the Premises.

(Signatures On Following Page)

IN WITNESS WHEREOF, the TDA has caused this Lease to be signed by its Chairperson and the City has caused this Lease to be signed by its Mayor by authority duly given as of the day and year first written above.

**PRE-AUDIT CERTIFICATE
CITY OF WASHINGTON**

This Agreement has been pre-audited pursuant to N.C.G.S. § 159-28 in the manner required by the Local Government Budget and Fiscal Control Act.

Matt Rauschenbach
Matt Rauschenbach, Chief Financial Officer
City of Washington

**PRE-AUDIT CERTIFICATE
WASHINGTON TOURISM DEVELOPMENT AUTHORITY**

This Agreement has been pre-audited pursuant to N.C.G.S. § 159-28 in the manner required by the Local Government Budget and Fiscal Control Act.

Fred Watkins, III
Fred Watkins, III
Treasurer



By: *Cynthia S. Bennett* (SEAL)
Cynthia S. Bennett, City Clerk

CITY OF WASHINGTON

By: *Mac Hodges* (SEAL)
Mac Hodges, Mayor

**WASHINGTON TOURISM
DEVELOPMENT AUTHORITY**

By: *Jackie Woolard* (SEAL)
Jackie Woolard, Chairperson

**NORTH CAROLINA
BEAUFORT COUNTY**

The undersigned, a Notary Public of the County and State aforesaid, hereby certifies that JACKIE WOOLARD personally appeared before me this day, and being duly sworn by me, acknowledged that she is Chairperson of the WASHINGTON TOURISM DEVELOPMENT AUTHORITY, and that by authority duly given and as the act of the Board the foregoing instrument was signed by her.

Witness my hand and notary seal this 21st day of May 2014.

Angela G. Williams
Notary Public
My Commission expires: June 17, 2016

**NORTH CAROLINA
BEAUFORT COUNTY**

I, Reatha B. Johnson, a Notary Public of the State and County aforesaid, certify that CYNTHIA S. BENNETT personally appeared before me this day and acknowledged that she is City Clerk of the CITY OF WASHINGTON, a North Carolina municipal corporation, and by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by MAC HODGES, its Mayor, sealed with its corporate seal and attested by herself as its City Clerk.

Witness my hand and notary seal this 13 day of May 2014.

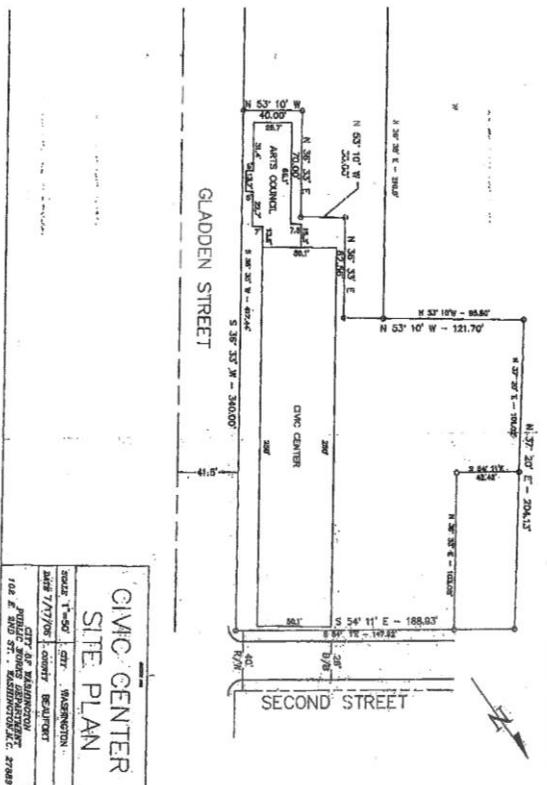
Reatha B. Johnson
Notary Public
My Commission expires: 12/14/2014



EXHIBIT "A"

BEGINNING at the intersection of the right-of-way lines in the southwest quadrant of the intersection of Gladden Street and West Second Street; thence from said beginning point so located, along the west side of the right-of-way of Gladden Street, South 36° 33' West 340 feet; thence leaving the sideline of Gladden Street and running North 53° 10' West 40 feet; thence North 36° 33' East 70 feet; thence North 53° 10' West 30 feet; thence North 36° 33' East 62.56 feet; thence North 53° 10' West 121.70 feet; thence North 37° 20' East 204.13 feet to the sideline of Second Street; thence with Second Street South 54° 11' East 188.93 feet to the point of beginning as shown on the attached map prepared by the Public Works Department of the City of Washington.

SAVING AND EXCEPTING, HOWEVER, that portion of the above described property which houses the Pamlico-Tar River Foundation. Said portion of the premises generally housing this organization would be the second floor in that portion shown on the attached map as "Arts Council".



**Exhibit B
One (1) Year Plan**

AUTHORIZE – THE MAYOR TO ENTER INTO A TWO YEAR CONTRACT WITH WASHINGTON PARK TO PROVIDE FIRE, RESCUE, AND EMERGENCY MEDICAL SERVICES

The City Manager explained that the current contract expires June 30, 2014. The annual payment was based on the total tax base value of Washington Park multiplied by the current fire tax rate for the Bunyan Volunteer Fire District and the emergency medical services tax rate for the Broad Creek Tax District. The contract renewal is based on 110% of the same calculation and includes a cumulative 2% increase/year in subsequent years. The basis of contract renewal has been reviewed with representatives

of the Washington Park Town Board. Councilmembers offered concerns and comments regarding the contract.

By motion of Councilman Pitt, seconded by Councilman Brooks, Council authorized the Mayor to enter into a two year contract with Washington Park to provide fire, rescue, and emergency medical services.

NORTH CAROLINA
BEAUFORT COUNTY

THIS CONTRACT is made and entered into effective as of the 1st day of July, 2014, by and between the TOWN OF WASHINGTON PARK, a municipal corporation organized under the laws of the State of North Carolina (hereinafter referred to as "TOWN"), and the CITY OF WASHINGTON, a municipal corporation organized under the laws of the State of North Carolina (hereinafter referred to as "CITY").

WITNESSETH:

WHEREAS, North Carolina General Statute § 160A-11, 160A-461, 160A-274, 160A-277 and 153A-250 authorize municipalities to contract for fire protection, rescue and emergency medical services, including ambulance services (hereinafter collectively referred to as "emergency services").

WHEREAS, the TOWN has negotiated with the CITY to obtain emergency services for the TOWN under the terms and conditions contained herein.

NOW THEREFORE, pursuant to said relevant statutory authority, and for and in consideration of the mutual covenants and agreements hereinafter contained and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto do hereby covenant and agree as follows.

A. **SERVICES.** The CITY agrees to provide emergency services to the extent of the certifications of the responding crew(s) within the corporate limits of the TOWN. Upon receipt of a request for emergency services in the aforementioned area, the CITY shall dispatch the appropriate primary resources, if available. The dispatched primary resources shall render said emergency services to the limit of their certifications and, in the event further medical treatment is required, transport those patients requiring further medical treatment via an EMS or other vehicle to the nearest hospital. If the appropriate primary resources are unavailable, the CITY shall follow the mutual aid protocol then in effect.

B. **EMS FEES.** There shall be an EMS fee for each person who is provided emergency medical services and/or transported by an EMS vehicle. Said fees shall be subject to change and approval by the Washington City Council. Said fees shall be billed and collected by the CITY through its standard medical billing procedure. All funds collected by the CITY for services rendered shall be retained by the CITY.

C. **INITIAL TERM.** The initial term of this Contract shall be for two (2) years, beginning on the 1st day of July, 2014 and ending on the 30th day of June, 2016 unless sooner terminated as provided for herein.

1. **AUTOMATIC RENEWAL.** This Contract shall renew automatically on the same terms and conditions as stated herein, for successive one (1) year terms, unless either party gives written notice of intent not to renew at least ninety (90) days before the expiration of the initial term or any successive one (1) year term.

D. **PAYMENT FOR EMERGENCY SERVICES.** The TOWN shall pay to the CITY \$37,231.38 for the first year of this Contract (July 1, 2014 through June 30, 2015). This amount is the product of the total tax base value for the TOWN (as defined herein) multiplied by 110% of the sum of the current fire tax rate for the Bunyan Volunteer Fire District and the current emergency medical services tax rate for the Broad Creek Tax District. The total tax base value for the TOWN is the amount provided to the CITY by the Beaufort County Tax Office; is all inclusive of the value of all real, personal, vehicle/auto, and public services companies, the latter value being an amount provided to the Beaufort County Tax Office by the North Carolina Department of Revenue; and is \$52,885,489 as of March 1, 2014. Similarly, the fire tax rate and emergency medical services tax rate referred to above are the rates (amounts) provided to the CITY by the Beaufort County Tax Office and are \$.0290/\$100 and \$.0350/\$100, respectively, as of March 1, 2014. The above formula, along with said amounts and rates as then provided by the Beaufort County Tax Office each year, shall be utilized by the CITY to calculate the amount the TOWN shall pay to the CITY. In addition to the amount calculated by said formula, a 2% cumulative increase shall be added to the amount for each successive year of this contract, including any extensions, in order to compensate for the annual increased cost of operations needed to provide this service. The contract calculation shall be made by the CITY and the CITY shall notify the TOWN of the amount due hereunder by June 30th of each year. Said payments shall be made no later than October 31st of each fiscal year in which this Contract remains in effect. In the event it becomes impractical to use said formula, for instance if either tax rate should no longer exist, the parties hereto shall meet and negotiate in good faith to reach an agreement as to the amount that shall be due from the TOWN to the CITY hereunder.

E. **CANCELLATION.** Either party may cancel this Contract with a ninety (90) day written, cancellation notice signed by the Mayor of the CITY or TOWN desiring cancellation and delivered to the Mayor of the other. In the event either party cancels this Contract effective on a date other than a Contract anniversary date (July 1), the payment for emergency services required hereunder for that particular year 1) if not already paid, shall be pro-rated and paid by the TOWN to the CITY on the date the cancellation is effective, or 2) if already paid, shall be pro-rated and the CITY shall reimburse the TOWN accordingly on the date cancellation is effective.

F. **EFFECT.** Upon acceptance and execution of this Contract by both parties, all previous emergency services contracts between the CITY and the TOWN for said areas shall be null and void.

IN WITNESS WHEREOF, after due authority given, the TOWN has caused this Contract to be signed in its name by its Mayor, and attested by its Clerk, and the CITY has caused this Contract to be signed in its name by its Mayor, and attested by its Clerk.

1 Contract for Fire-EMS Services to Washington Park - Adopted by Washington City Council on 5/12/14

2 Contract for Fire-EMS Services to Washington Park - Adopted by Washington City Council on 5/12/14

PRE-AUDIT CERTIFICATE

This contract has been pre-audited per North Carolina General Statute 159-28 in the manner required by the Local Government Budget and Fiscal Control Act.

Dennie Dale
Dennie Dale, Finance Director
Town of Washington Park

ATTEST:

Dennie Dale
Dennie Dale, Clerk

TOWN OF WASHINGTON PARK
Thomas Richter
Thomas Richter, Mayor
Jeff Peacock
Jeff Peacock, Mayor pro tem

COUNTY OF BEAUFORT
STATE OF NORTH CAROLINA

Reatha B. Johnson, a Notary Public of the State and County aforesaid, certify that DENNIE DALE personally appeared before me this day and acknowledged that she is the Clerk of the TOWN OF WASHINGTON PARK, a North Carolina municipal corporation, and by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by THOMAS RICHTER, its Mayor, sealed with its corporate seal and attested by herself as its Clerk.

WITNESS my hand and official seal, this the 20 day of May, 2014.

Reatha B. Johnson
NOTARY PUBLIC


My Commission expires: 12/31/14

CITY OF WASHINGTON, a North Carolina municipal corporation, and by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by JAY MACDONALD HODGES, its Mayor, sealed with its corporate seal and attested by herself as its City Clerk.

WITNESS my hand and official seal, this the 13 day of May, 2014.

Reatha B. Johnson
NOTARY PUBLIC

My Commission expires: 12/31/14



PRE-AUDIT CERTIFICATE

This contract has been pre-audited per North Carolina General Statute 159-28 in the manner required by the Local Government Budget and Fiscal Control Act.

Matt Rauschenbach
Matt Rauschenbach, Chief Financial Officer
City of Washington

CITY OF WASHINGTON
Jay Macdonald Hodges
Jay Macdonald Hodges Mayor



COUNTY OF BEAUFORT
STATE OF NORTH CAROLINA

Cynthia S. Bennett, a Notary Public of the State and County aforesaid, certify that CYNTHIA S. BENNETT personally appeared before me this day and acknowledged that she is the City Clerk of the

3 Contract for Fire-EMS Services to Washington Park - Adopted by Washington City Council on 5/12/14

4 Contract for Fire-EMS Services to Washington Park - Adopted by Washington City Council on 5/12/14

NEW BUSINESS:

**ADOPT - RESOLUTION AUTHORIZING ADVERTISEMENT OF OFFER TO
PURCHASE 507 WEST 2ND STREET**

On July 23, 2012, Council awarded the demolition contract for the structure located at 507 West 2nd Street to the lowest responsible bidder, subsequently, the vacant property was declared surplus. An offer to purchase the vacant lot was received on May 9, 2014 in the amount of \$2500.

By motion of Councilman Mercer, seconded by Councilman Brooks, Council adopted the resolution authorizing the advertisement of an offer to purchase certain property located at 507 West Second Street.

**RESOLUTION AUTHORIZING THE ADVERTISEMENT OF
AN OFFER TO PURCHASE CERTAIN PROPERTY**

WHEREAS, the City Council of the City of Washington ("City") desires to dispose of certain surplus real property of the City.

NOW, THEREFORE, BE IT RESOLVED by the City Council that:

1. The following described real property, having an address of 507 West Second Street, has been declared to be surplus to the needs of the City:

That certain tract or parcel of land lying and being in the City of Washington, Beaufort County, North Carolina, more particularly described as follows:

IT BEING that Lot One (1) containing 0.09 acres as shown on survey map entitled "Survey for Timothy M. Evans" prepared by Waters Surveying dated December 3, 2009 and being that same property deeded to the City of Washington by deed dated January 27, 2010 recorded in Book 1710, Page 461, Beaufort County Registry, to which survey map and deed reference is herein made for a more complete and adequate description.

2. The City Council has received an offer to purchase the property described above for the sum of two-thousand-five hundred dollars (\$2500.00). Said offer, including additional terms, is available for public inspection in the office of the Purchasing Agent, 203 Grimes Road, Washington, NC 27889.
3. Any person desiring to submit an upset bid shall submit an upset bid within ten (10) days of the date the notice provided for herein is published. Any such upset bid shall raise the offer by not less than ten percent (10%) of the first one thousand dollars (\$1,000.00) and five percent (5%) of the remainder of said offer or any subsequent upset bid. Any person making an upset bid and any subsequent upset bid must deposit with the Purchasing Agent a sum equal to five percent (5%) of the upset bid or any subsequent upset bid.
4. The City Council proposes to accept said offer, subject to the amendments stated herein, unless a qualifying upset bid shall be made.
5. The Purchasing Agent shall cause a notice of such offer, subject to the amendments stated herein, to be published in accordance with North Carolina General Statute § 160A-269.
6. If a qualifying upset bid is received, the Purchasing Agent is directed to re-advertise the offer at the increased upset bid amount and to continue with this process until a ten (10) day period has passed without receipt of a subsequent qualifying upset bid.

Adopted this 12th day of May, 2014.

Attest:

s/Cynthia Bennett
City Clerk

s/Mac Hodges
Mayor

PUBLIC HEARING ON ZONING: NONE

PUBLIC HEARING: ACCEPT/ADOPT – ACCEPT RECOMMENDATION OF THE PLANNING BOARD AND ADOPT AN ORDINANCE TO AMEND CHAPTER 40, ARTICLE XVI, SECTION 40-415, SPECIAL PROVISIONS FOR CERTAIN SIGNS, OF THE CODE OF ORDINANCES OF THE CITY OF WASHINGTON

Mayor Hodges opened the public hearing and John Rodman, Community & Cultural Resources Director explained that the Planning Board had a request to modify the City Code to allow illuminated message signs. The Planning Board made a recommendation that the message only change once an hour. Therefore, the request has been made by the Planning and Development Department for a text amendment to Section 40-415, Signs of the City of Washington Zoning Ordinance. The proposed amendment is an addition to the existing sign ordinance to address use of Electronically Illuminated Signs/Screens.

Comments from the public: Kevin Rawls, representing WIMCO and Washington Eye Center stated he is in favor of the request and would like this change to be approved. Councilman Beeman asked the logic behind the message changing only once an hour. Mr. Rodman explained being this is a new concept for Washington, the Planning Board felt the time frame was appropriate.

There being no further comments from the public, Mayor Hodges closed the public hearing.

By motion of Mayor Pro tem Roberson, seconded by Councilman Beeman, Council accepted the recommendation of the Planning Board and adopted the ordinance to amend Chapter 40, Article XVI, Signs, Section 40-415, Special Provisions for Certain Signs, (j) of the Washington City Code.

Ordinance to Amend Chapter 40, Zoning, Article XVI, Signs, Section 40-415. Special Provisions for Certain Signs

WHEREAS, NCGS 160A-385 authorizes local governments to amend ordinances regulating land use within their jurisdiction; and

WHEREAS, the amendment set out below is made in accordance with NCGS 160A-364; and

WHEREAS, the amendment set out below is intended to promote the public health, safety, and welfare by amending the City Code to define and regulate electronically illuminated signs and to add prescribed conditions for such uses.

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That **Chapter 40. Article XVI. Signs, Section 40-415 Special Provisions for Certain Signs** shall be amended to include the following addition:

Section 40-415. Special Provisions for Certain Signs

- (j) *Electronically Illuminated Signs. Signs that contain a fixed, non-flashing message screen are permitted provided that screen changes occur no more than once every hour. In addition, no more than fifty (50) percent of the maximum allowable sign area of any free-standing or wall sign may be designated as an electronic illuminated sign/screen, up to a maximum sign area of fifty (50) square feet. Brightness of said signs/screens shall not be at an intensity that would impair the vision, day or night, of oncoming traffic. All such signs shall be reviewed and approved by the zoning administrator prior to installation consistent with the requirements of this article.*

Section 2. This Ordinance shall become effective upon its adoption.

Section 3. All Ordinances or parts in conflict herein are repealed.

Adopted this 12th day of May, 2014.

Attest:

s/Cynthia Bennett
City Clerk

s/Jay MacDonald Hodges
Mayor

PUBLIC HEARING: ACCEPT/ADOPT – ACCEPT RECOMMENDATION OF THE PLANNING BOARD AND ADOPT AN ORDINANCE TO AMEND CHAPTER 40, ARTICLE X, SECTION 40-261 PROVISION FOR FLOOD MANAGEMENT, OF THE CODE OF ORDINANCES OF THE CITY OF WASHINGTON

Mayor Hodges opened the public hearing and John Rodman, Community & Cultural Resources Director explained that the Planning Board had a request from FEMA – Division of Emergency Management to modify the City Code regarding the Flood Hazard Ordinance. The wording in ordinance came directly from FEMA. New flood hazard data associated with the updates for Pitt County's flood map maintenance process will become "Effective" on July 7, 2014; at least one of the updated FIRM panels includes changes in the Special Flood Hazard Area (SFHA) to the City of Washington. Because these updated panels have data that will be changing in our jurisdiction, we will need to amend our Flood Damage Prevention ordinance (FDPO) to reflect this new data. After the public hearing if Council desires to proceed with the text amendment, the attached ordinance needs to be adopted.

There being no comments from the public, Mayor Hodges closed the public hearing.

Councilman Mercer expressed concern regarding a portion of the ordinance reading “Future revisions to the FIS and DFIRM panels that do not change flood hazard data within the jurisdictional authority of the City of Washington are also adopted by reference and declared a part of this ordinance”. His concern is that some changes can be made without Council reviewing the changes and he is opposed to that and would like that phrase removed from the amendment. Mr. Rodman explained that FEMA recommends that this phrase be included in the ordinance. FEMA prepares seamless flood maps, which include the entire county, not individual jurisdictions, i.e. Washington, Chocowinity, Belhaven. If the phrase is removed, if any changes were made to the flood map for any jurisdiction other than Washington such as Belhaven, then FEMA requires that Washington accept and approve that map change for Belhaven, etc.

Mayor Hodges and Councilman Brooks questioned how other municipalities manage the changes. Mr. Rodman explained that Beaufort County and the City of Greenville have to adopt the ordinance, but he is unsure what wording is included in their ordinance. Mayor Pro tem Roberson commented about flood insurance and the Community Rating System.

A motion was made by Councilman Mercer to approve the recommendation of the Planning Board and adopt the ordinance to amend Chapter 40, Article X, Flood Damage Prevention, Section 40-261, Provisions for flood management, (b) of the Washington City Code with the amendment that the phrase “Future revisions to the FIS and DFIRM panels that do not change flood hazard data within the jurisdictional authority of the City of Washington are also adopted by reference and declared a part of this ordinance” be removed from the presented ordinance amendment. The motion was seconded by Councilman Beeman. Voting in favor of the motion: Mercer, Pitt, Beeman; Opposed: Roberson and Brooks.

The City Manager explained that an ordinance requires a 2/3 majority approval, thus requiring a second reading of the ordinance in June.

PUBLIC HEARING – FISCAL YEAR 2014-15 BUDGET

Mayor Hodges opened the public hearing and called for comments from the public.

Doug Doscher explained that he is a member of the Waterfront Docks Advisory Committee and expressed the importance of Wi-Fi on the waterfront and the benefit it would have to boaters. Mayor Pro tem Roberson and Councilman Mercer expressed that Wi-Fi is available at Brown Library, Peterson Building & Civic Center and further noted that boaters can utilize their own “hot spots”. Mr. Doscher expressed that boaters will improvise and find ways to access Wi-Fi.

Chris Furlough expressed that Wi-Fi was a luxury a few years ago, but is now a standard in the traveling world. Mr. Furlough noted that he is President of WHDA and thanked Council for their continued financial support. He is also Chairman of the Arts Council Capital Campaign and asked Council to consider additional funding for the Arts Council.

There being no further comments from the public, Mayor Hodges closed the public hearing.

Councilman Mercer explained that Council had four lengthy budget work sessions and tasked the staff with presenting a balanced budget. Council agreed upon a balanced budget at the conclusion of the last work session. Unless there is further discussion, he will make a motion to adopt the budget as presented.

ADOPT – BUDGET ORDINANCE FOR FISCAL YEAR 2014-2015, SET AD VALOREM TAX RATE AND USER FEE SCHEDULE

The Budget Ordinance for Fiscal Year 2014-2015, totaling \$59,758,023. This ordinance appropriates the following amounts in the funds listed for operational expenses during the fiscal year:

General Fund	\$14,128,504
Water Fund	3,036,749
Sewer Fund	3,195,289
Storm Water Management Fund	630,755
Electric Fund	36,392,286
Airport Fund	309,751
Solid Waste Fund	1,298,071
Cemetery Fund	326,948
Library Trust Fund	700
Cemetery Trust Fund	2,000
Public Safety Capital Reserve Fund	166,970
Economic Development Capital Reserve Fund	156,000
Water Capital Reserve Fund	0
Sewer Capital Reserve Fund	0
Facade Fund	20,000
Internal Service Fund	<u>94,000</u>
Grand Total	\$59,758,023

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council adopted the Budget Ordinance for Fiscal Year 2014-2015, set the 2014 Ad valorem Tax rate at \$0.50 per \$100.00 value with \$.01929 designated for the Public Safety Capital Reserve, and set the user fee schedule included in the appendix of the budget.

**CITY OF WASHINGTON, NORTH CAROLINA
BUDGET ORDINANCE FOR FISCAL YEAR 2014-2015**

BE IT ORDAINED by the City Council of the City of Washington, North Carolina, as follows:

Section 1. The following amounts are hereby appropriated for the operation of the City of Washington government and its activities for the fiscal year beginning July 1, 2014, and ending June 30, 2015, according to the following schedules:

Schedule A. General Fund

General Government	
City Council	56,075
Mayor	12,885
City Manager	320,506
TDA Director	107,993
Human Resources	309,709
Finance	528,087
Purchasing	138,131
Information Systems	259,519
Billing	166,381
Customer Services	626,093
Planning/Zoning	354,582
Code Enforcement	296,869
Legal	145,000
Economic Development	149,500
Miscellaneous	876,363
Debt Service	260,327
Contingency	0

Public Safety	
Police	2,961,864
E-911 Communication	398,415
Fire	766,227
Emergency Medical Services	1,612,933
Public Works	
Administration	77,297
Municipal Building	166,842
Equipment Services	129,691
Street Maintenance	460,298
Powell Bill	316,047
Street Lighting	128,500
Storm Water Improvements	308,712
Parks & Grounds Maintenance	530,360
Cultural and Leisure	
Brown Library	435,551
Recreation Administration	155,451
Recreation Events & Facilities	176,075
Senior Programs	203,305
Waterfront Docks	127,400
Civic Center	147,867
Aquatic Center	310,599
Agency Contributions	<u>107,050</u>
Total General Fund Appropriations	\$14,128,504

Schedule B. Water Fund

Debt Services	0
Miscellaneous	906,099
Administration	109,075
Water Meter Services	259,558
Water Treatment	1,345,284
Water Distribution Maintenance	278,993
Water Distribution Construction	127,750
Contingency	<u>9,990</u>
Total Water Fund Appropriations	3,036,749

Schedule C. Sewer Fund

Debt Service	350,871
Miscellaneous	725,324
Administration	106,741
Wastewater Collection Maintenance	247,275
Wastewater Collection Construction	213,698
Wastewater Treatment	1,208,363
Wastewater Stations	340,563
Contingency	<u>2,454</u>
Total Sewer Fund Appropriations	3,195,289

Schedule D. Storm Water Management Fund

Debt Service	517,085
Operations	103,361

Nutrient Control	7,100
Contingency	<u>3,209</u>
Total Storm Water Management Fund Appropriations	630,755

Schedule E. Electric Fund

Debt Service	391,635
Miscellaneous	2,173,876
Administration	314,814
Utility Communications	283,295
Electric Meter Services	565,255
Purchase Power	27,389,868
Substation Maintenance	1,188,038
Load Management	208,902
Power Line Maintenance	1,387,423
Power Line Construction	2,438,143
Contingency	<u>51,037</u>
Total Electric Fund Appropriations	36,392,286

Schedule F. Airport Fund

Operational Expenses	309,751
Contingency	<u>0</u>
Total Airport Fund Appropriations	309,751

Schedule G. Solid Waste Fund

Debt Service	23,936
Solid Waste Operations	1,274,135
Contingency	<u>0</u>
Total Solid Waste Fund Appropriations	1,298,071

Schedule H. Cemetery Fund

Debt Service	6,752
Operational Expenses	320,196
Contingency	<u>0</u>
Total Cemetery Fund Appropriations	326,948

Schedule I. Library Trust Fund

Administration Charges to General Fund for Library Operations	<u>700</u>
Total Library Trust Fund Appropriations	700

Schedule J. Cemetery Trust Fund

Administration Charges to Cemetery Fund for Operations	<u>2,000</u>
Total Cemetery Trust Fund Appropriations	2,000

Schedule K. Public Safety Capital Reserve Fund

Transfer to General Fund	<u>166,970</u>
Total Public Safety Capital Reserve Fund Appropriations	166,970

Schedule L. Economic Development/Capital Reserve Fund

Transfer to General Fund	153,500
Contingency	<u>2,500</u>
Total Economic Development/Capital Reserve Fund Appropriations	156,000

Schedule M. Water Capital Reserve Fund

Transfer to Water Fund	<u>0</u>
Total Water Capital Reserve Fund Appropriations	0

Schedule N. Sewer Capital Reserve Fund

Transfer to Sewer Fund	<u>0</u>
Total Sewer Capital Reserve Fund Appropriations	0

Schedule O. Facade Fund

Economic Development-Facade Grant	<u>20,000</u>
Total Facade Fund Appropriations	20,000

Schedule P. Internal Service Fund

Worker's Compensation Claim Payments	<u>94,000</u>
Total Internal Service Fund Appropriations	94,000

Total Appropriations for all Funds	\$59,758,023
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Section 2. It is estimated that the following revenue will be available during the year beginning July 1, 2014, and ending June 30, 2015, to meet the foregoing appropriations according to the following schedule:

Schedule A. General Fund

Ad Valorem Taxes	4,359,618
Other Taxes & Licenses	2,506,319
Unrestricted Intergovernmental Revenue	1,894,749
Restricted Intergovernmental Revenue	672,658
Permits & Fees	90,170
Sales and Services	909,175
Investment Earnings	40,000
Miscellaneous	35,161
Transfers From	902,965
Administrative Charges	2,325,906
Long Term Debt Issued	0
Fund Balance Appropriated	<u>391,783</u>
Total General Fund Revenues	14,128,504

Schedule B. Water Fund

Water Charges	80,360
Sales and Services	2,930,000
Interest Earnings	8,000
Miscellaneous	1,000
Installment Note Proceeds	0
Rents	17,389
Transfer from Water Capital Reserve	0
Fund Balance Appropriated	0
Total Water Fund Revenues	<u>3,036,749</u>

Schedule C. Sewer Fund

Wastewater Charges	29,273
Sales and Services	3,000,000
Interest Earnings	10,000
Assessments	8,397
Loan Proceeds	0
Fund Balance Appropriated	147,619
Total Sewer Fund Revenues	<u>3,195,289</u>

Schedule D. Storm Water Management Fund

Interest Earnings	1,500
Storm Water Charges	495,209
Interest Rebates (RZEDB)	82,688
Other Fees	8,500
Fund Balance Appropriated	42,858
Total Storm Water Management Fund Revenues	<u>630,755</u>

Schedule E. Electric Fund

Electric Charges	34,461,978
Sales and Services	499,600
Interest Earnings	22,000
Miscellaneous	73,000
Installment Note Proceeds	1,175,000
Administration Charges From Other Funds:	
Water	107,060
Sewer	53,648
Total Electric Fund Revenues	<u>36,392,286</u>

Schedule F. Airport Fund

Rentals	60,533
Sales & Services	167,555
Interest	400
Grants	0
Transfer from General Fund:	
General Fund	81,263
Fund Balance Appropriated	0
Total Airport Fund Revenues	<u>309,751</u>

Schedule G. Solid Waste Fund

Interest Earnings	1,000
Solid Waste Tax	5,500
Fees	1,250,247
Fund Balance Appropriated	<u>41,324</u>
Total Solid Waste Fund Revenues	1,298,071

Schedule H. Cemetery Fund

Interest Earnings	0
Sales & Services	159,908
Transfer from G/F	165,040
Adm. Charges from Cemetery Trust	<u>2,000</u>
Total Cemetery Fund Revenues	326,948

Schedule I. Library Trust Fund

Interest Earnings	<u>700</u>
Total Library Trust Fund Revenues	700

Schedule J. Cemetery Trust Fund

Interest Earnings	<u>2,000</u>
Total Cemetery Trust Fund Revenues	2,000

Schedule K. Public Safety Capital Reserve Fund

Transfer From General Fund	166,970
Fund Balance Appropriated	<u>0</u>
Total Public Safety Capital Reserve Fund Revenues	166,970

Schedule L. Economic Development /Capital Reserve Fund

Payments From Other Funds	<u>156,000</u>
Total Economic Development/Capital Reserve Fund Revenues	156,000

Schedule M. Water Capital Reserve Fund

Impact Fees	0
Interest Earnings	0
Fund Balance Appropriated	<u>0</u>
Total Water Capital Reserve Fund Revenues	0

Schedule N. Sewer Capital Reserve Fund

Impact Fees	0
Interest Earnings	0
Fund Balance Appropriated	<u>0</u>
Total Sewer Capital Reserve Fund Revenues	0

Schedule O. Façade Fund

Transfer from G/F	<u>20,000</u>
Total Façade Fund Revenues	20,000

Schedule P. Internal Service Fund

Payments from Funds	44,000
Fund Balance Appropriated	<u>50,000</u>
Total Internal Service Fund Revenues	94,000

Total Estimated Revenues for all Funds \$59,758,023

Section 3. There is hereby levied the following rate of tax on each one hundred dollars (\$100.00) valuation of estimated taxable property listed for taxes as of January 1, 2014, for the purpose of raising the revenues from property taxes, as set forth in the foregoing estimates, and in order to finance the foregoing appropriations:

General Fund
Total Rate per \$100 of
Valuation of Taxable Property .50

Such rate of tax is based on an estimated total assessed valuation of property tax for the purpose of taxation of \$865,681,702 with an estimated rate of collections of ninety-three percent (94.21%).

Section 4. Some estimates of revenue other than the property tax exceed the amount actually realized in cash from each source in the preceding fiscal year, but the facts warrant the expectations that in each case the estimated amount will actually be realized in cash during the budget year.

Section 5. Appropriations are authorized by department totals. The Finance Officer is authorized to reallocate departmental appropriations among various line item objects of expenditures and revenues as necessary during the budget year. The City Manager is authorized to reallocate appropriations among the various departmental totals of expenditures within the General Fund, Water Fund, Sewer Fund, Electric Fund, Storm Water Management Fund, Airport Fund, Solid Waste Fund, and Cemetery Fund as allowed by North Carolina General Statute 159-15. Any such transfers between departments shall be reported to the City Council at its next regular meeting following the transfer and shall be entered into the official minutes of the City of Washington.

Section 6. Copies of this ordinance shall be filed with the Finance Director of the City of Washington, to be kept on file by him for his direction in the disbursement of City funds.

Section 7. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 8. This ordinance shall become effective July 1, 2014.

Adopted this the 12th day of May, 2014.

Attest:
s/Cynthia Bennett
City Clerk

s/Mac Hodges
Mayor

DISCUSSION – PRONAMICS PEAK SHAVING GENERATOR

Brian Alligood explained that he met with Bob Heuts, Keith Hardt as well as Kevin Boyd of Pronamics on April 30, 2014 to discuss a number of issues regarding power supply to the facility. One discussion item was the ability of Pronamics to participate in the City's generation load management program.

The City has installed, owned, and operated diesel generators on industrial and large commercial customer properties for use in our peak shaving activities. For the ability to operate these generators on customer properties a monthly credit is offered to the customer if their electrical load is reduced during our billing demand period. Although the City is limited in the amount of total general peak shaving generation installed, the Pronamics project will not affect our generation limit due to additional NCEMPA generation allocation for economic development. The estimated cost for a peak shaving generator at Pronamics is \$250,000. Based on the estimated generation size and our current rate

schedule the credit to Pronamics will be approximately \$10,000 annually. The net savings to the city (including customer credits, fuel and O&M) before debt service will be approximately \$35,000. The debt service on the installed cost is approximately \$53,000 per year for five years. The difference in the annual savings and debt service expense can be recovered with the NCEMPA Economic Development rider and potential job creation grants.

Councilman Mercer stated he felt very strongly that the City should allow Pronamics to purchase their generator and then allow them to include their generator in our peak shaving program. He continued by stating Pronamics should be the owner of the equipment which would allow them to have the higher credit being they are the owner. Councilmembers discussed the various aspects of the peak shaving generator program including the credit for a City owned vs. industry owned generator. Mr. Hardt explained the City has not installed any new City owned generators in about 5 years.

Council requested payback information (City owned vs. business owned) and the potential for grants for peak shaving generators and also requested the total operating cost for City owned generators. Mr. Alligood explained that we can't enter into a contract with a specific industry, it will have to be an across the board adjustment. Pronamics is looking for confirmation that the peak shaving program will stay in place. Staff will provide the requested information at the June meeting.

By motion of Councilman Mercer, seconded by Councilman Beeman, Council agreed to continue this item until June 9th.

AWARD/APPROVE – AWARD BID TO BUILD A NEW 3RD STREET BATHROOM AT THE BASEBALL FIELD AND REPAIRS TO JC TAYLOE DUGOUTS AND APPROVE CORRESPONDING PURCHASE ORDER TO LYONS CUSTOM BUILDERS (\$57,930)

Mayor Pro tem Roberson requested staff insure that there will not be a problem with drainage on the property, he further requested that the restroom facilities be handicap accessible. Brian Alligood explained that the project will be in compliance with the proper building codes including ADA compliance. Mayor Pro tem Roberson inquired about the accessibility of the entryway to the restrooms, questioning a concrete entryway or rock entryway. Project to be completed in 75 Working Days.

Councilman Mercer commented that the original project was to repair the 3rd Street facilities and did not include the John Cotton Tayloe facilities. The JC Tayloe facilities are school property. Mr. Alligood noted that when the last hurricane came through the dugouts at JC Tayloe were damaged and the City advised the school they could not be used and subsequently, the City cut the tops off of the dugouts. In the process of going through the current project, it was decided that we needed to reestablish the dugouts that the City took down due to safety concerns. Council members questioned if the facility would be ready for this year's playing season. Councilman Beeman said the facility should be ready for the Fall baseball season.

By motion of Councilman Pitt, seconded by Councilman Beeman, Council awarded the bid to build a new 3rd Street bathroom at the baseball field on 3rd Street with a concession room, repair JC Tayloe Dugouts, and approve corresponding purchase order to Lyons Custom Builders.

BID TABULATION

Bid for: 3rd Street Bathroom
Date: May 2, 2014

Item	Description	Horizon Contractors	Turning Point	Lyons Custom Builders	Mosley Construction
1	3rd Street Bathroom	\$49,200.00	\$65,671.04	\$38,000.00	\$55,979.00
2	Optional Concession Room	\$15,100.00	\$16,902.76	\$12,530.00	\$11,431.00
3	Option 3 Dug Outs	\$6,800.00	\$11,607.00	\$7,400.00	\$6,410.00
	Total	\$71,100.00	\$94,180.80	\$57,930.00	\$73,820.00

Recommendation: Lyons Custom Builders to do entire job.

APPROVE – SUNENERGY 1, LLC, GROUND LEASE FOR AIRPORT HANGAR

SunEnergy I, LLC is requesting to lease a ground site and construct an approximately 3,000-4,000 square foot hangar at Warren Field to locate its corporate aircraft. The hangar and any needed improvements will be constructed at SunEnergy's expense. The proposed lease rate, consistent with other current leases, is \$0.63 per square foot and includes a CPI adjust every 5th year. The initial lease term is twenty (20) years with a right to renew for an additional twenty (20) years based on good faith negotiations regarding rent increase. The material aspects of this agreement are

comparable to existing agreements at the airport. Mr. Alligood noted the hangar is adjacent to Mr. Hill's hangar and based on the same amount per square foot. Essentially the only difference in the two leases are, the term limits and arbitration language. Staff is comfortable with the hangar lease and our goal is to increase aircraft at Warren Field. Councilman Mercer noted that the hangars need to be placed as close together as possible. Council asked for clarification regarding improvements to the hangar and Mr. Alligood explained this is covered under Page 5 Section 7 A.1. Mayor Pro tem Roberson questioned Page 10 (Insurance) and Mr. Alligood and Mr. Holscher explained this section. Discussion was held regarding Page 14 (Attorney Fees) and Mr. Holscher noted the Judge will determine the "reasonable sum".

By motion of Councilman Pitt, seconded by Councilman Mercer, Council approved the "Hangar Ground Site Lease Agreement Requiring Hangar Construction" between SunEnergy 1, LLC and the City for the ground lease and construction of a hangar at Warren Field.

NORTH CAROLINA
BEAUFORT COUNTY

RECEIVED MAY 19 2014

HANGAR GROUND SITE LEASE AGREEMENT
REQUIRING HANGAR CONSTRUCTION

THIS HANGAR GROUND SITE LEASE AGREEMENT ("Lease") is made, entered into, and executed in duplicate originals as of the 14th day of May, 2014, by and between THE CITY OF WASHINGTON, a body politic and corporate under Chapter 160A of the North Carolina General Statutes, ("LESSOR") and SunEnergy 1, LLC, a North Carolina limited liability company ("LESSEE").

WITNESSETH:

That, pursuant to Chapter 63 of the North Carolina General Statutes, including but not limited to North Carolina General Statute § 63-53 and other relevant statutory authority, and for and in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, and in consideration of the mutual covenants contained herein as well as the valuable consideration paid and to be paid, LESSOR does hereby demise and lease unto LESSEE, and LESSEE does hereby accept from LESSOR, that certain tract or parcel of land ("hangar ground site") lying and being at Warren Field Airport ("Airport") in Washington Township, Beaufort County, North Carolina, and more particularly described according to the general Airport plan as follows:

Containing approximately 3,000-4,000 square feet and being the footprint upon which LESSEE will construct a hangar, exclusive of all taxiways, access ramps, parking areas or other paved surfaces or grounds, and particularly described in Exhibit A attached hereto and incorporated herein by reference.

TO HAVE AND TO HOLD said land and premises together with all privileges and appurtenances thereto belonging to it, LESSEE, upon the following terms and conditions:

SECTION ONE
Use of Airport

Subject to the express conditions contained in Section 7, Part B hereof, LESSOR grants LESSEE the non-exclusive use, in common with others similarly authorized, of the Airport, together with all adequate space and facilities consisting of sufficient ground area to permit the efficient taxiing, servicing, taking off; equipment; improvements and services which have been or may hereafter be provided at or in connection with the Airport from time to time, including, but not limited to, the landing field and any extensions thereof or additions thereto, roadways, runways, aprons, taxiways, floodlights, landing lights, beacons, signals, radio aids, and any and all other conveniences for flying, landing, and takeoff.

LESSOR grants LESSEE the non-exclusive right, in common with others similarly authorized, to load and unload persons and property as is customary in said Airport so long as the

normal routine of Airport operations is not interfered with or made burdensome and to install, maintain, and operate radio communications, meteorological and aerial navigations and such other equipment and facilities, in, on or about the premises herein leased, as may be necessary and convenient for LESSEE's operation so long as all applicable city, county and governmental regulations are complied with.

LESSOR grants LESSEE, its employees, customers, passengers, guests, and other licensees or invitees (collectively, "LESSEE's permittees"), the non-exclusive use, in common with others similarly authorized, of all public space in the terminal building of the Airport as well as all additional public space that may hereafter be made available therein and any additions thereto, including, but not limited to, the lobby, passenger lounges, waiting rooms, hallways, rest rooms, rooms for flight personnel and other public and passenger conveniences.

SECTION TWO

Acceptance, Maintenance and Use of Hangar Ground Site

LESSEE agrees to accept the hangar ground site, and the grounds immediately adjacent thereto, in the physical condition in which the same now is. LESSEE further agrees to maintain the hangar ground site and grounds immediately adjacent thereto in at least a like condition during the term of this Lease, normal wear and tear excepted; provided, however, LESSOR reserves the right to install such concrete as it desires. Said maintenance shall include mowing, if applicable, such that any grass shall not reach a height of more than six (6) inches and other customary upkeep. LESSEE further agrees to maintain the hangar ground site and grounds immediately adjacent thereto in a clean, neat and orderly manner so as to promote the use of the Airport, and further agrees to abide by such reasonable requests as may be made by LESSOR for the proper use and maintenance of the Airport to the end that the general welfare of the public may be promoted and served thereby, and that there not be permitted any accumulation of non-aviation equipment or discarded junk or the discharge of hazardous or regulated chemicals onto the Airport. LESSEE further agrees to surrender the hangar ground site and grounds immediately adjacent thereto back to LESSOR in as good a condition as the same now is, ordinary wear and tear excepted, upon termination of this Lease. The parties expressly understand that LESSOR may develop the grounds immediately adjacent to the premises; in which case, the maintenance obligation described herein shall decrease as directed by LESSOR. As used herein "grounds immediately adjacent" shall mean the areas between the hangar and the taxiway located generally to the West, adjacent premises leased to another lessee located generally to the North, the fence located generally to the East, and the amount of area to be established by LESSOR that extends generally to the South.

LESSEE agrees to construct an aircraft hangar containing approximately 3,000 - 4,000 square feet on the hangar ground site as specified in Section 7, subparagraph B, subparagraph 1 of this Lease as well as to construct any necessary foundation, aircraft parking apron, paved access to and from the hangar and taxiway, rear access (paved or graveled), and/or automobile parking lot as may be specified in Section 7, subparagraph B, subparagraph 1.

LESSOR shall make any and all necessary improvements to the ditch that is currently located parallel to the taxiway to enable LESSEE to perform the construction required hereinabove.

The hangar ground site is to be used only for aircraft related operations and limited to the storage of private aircraft owned or leased by LESSEE as well as for the repair and maintenance of LESSEE's private aircraft or aeronautical equipment only. Only licensed and airworthy private aircraft owned or leased by LESSEE may occupy the hangar that is to be hereafter constructed by LESSEE on the hangar ground site (spare aircraft parts excepted). No other use of the hangar ground site will be permitted without a separate written agreement between the parties. Specifically, LESSEE shall not offer or permit any commercial sale, repair service or other aeronautical services, including the rebuilding, restoring, or maintaining of a succession of aircraft, to be offered to, rendered in, on or from any hangar or hangar ground site without a separate written agreement between the parties. Aircraft to be hangared at the hangar ground site may be inspected, upon reasonable advance notice, by a representative of LESSOR prior to signing this Lease and during the Lease period. Should an aircraft become unairworthy during the Lease period, a determination by LESSOR may terminate this Lease.

Notwithstanding the foregoing, LESSEE shall be permitted to allow LESSEE's guests to store, temporarily, their privately owned or leased aircraft in the hangar that is to be hereafter constructed by LESSEE. The length of temporary storage allowed hereby shall not exceed thirty (30) days for any one such visit and shall be limited to three (3) visits per guest in any one year. All such aircraft must be licensed, airworthy and properly insured.

SECTION THREE Parking Space

LESSOR grants LESSEE and LESSEE's permittees without charge, adequate vehicular parking space located as near as practicable to the hangar ground site. LESSOR shall designate the area to be used, which area shall be maintained and kept in good order and condition by LESSOR.

SECTION FOUR Right of Ingress and Egress

LESSEE shall have at all times the full and free right of ingress to and egress from the hangar ground site and facilities referred to in this Lease for LESSEE and LESSEE's permittees. Such rights also extend to persons or organizations supplying materials or furnishing services to LESSEE, to include vehicles, machinery and equipment reasonably required by such persons or organizations.

SECTION FIVE Term

The term of this Lease shall be for twenty (20) years, beginning on the Rent Commencement Date (as hereinafter defined) and ending on the anniversary of the Rent

Approved by City Council on May 12, 2014

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SECTION SEVEN Rights, Privileges, Obligations, and Responsibilities

A. In its use of the Airport and related facilities, LESSEE is granted the following specific rights and privileges:

(1) LESSEE has the right to add any additional capital improvements on the hangar ground site under the exclusive control of LESSEE, including the right to install, maintain, and remove additional adequate storage facilities and appurtenances for the purpose of carrying out any of the activities provided for herein, subject to advance approval from LESSOR as well as any other conditions herein generally or particularly set forth. All improvements so added by LESSEE will be and become the property of LESSOR at the termination of this Lease without cost to LESSOR. Any improvements that involve alterations to other Airport premises under the non-exclusive control of LESSEE shall be subject to approval in advance by LESSOR and all improvements so added by LESSEE will be and become the property of LESSOR at the termination of this Lease without cost to LESSOR.

B. In its use of the Airport and related facilities, LESSEE accepts the following obligations and responsibilities:

(1) LESSEE, at its own expense, shall construct a new hangar facility and make other site improvements at the hangar ground site in accordance with LESSEE's proposed site plans as the same may be modified, supplemented, or amended and only if said site plans, modifications, supplements, or amendments are accepted by LESSOR. Said site plans including sketch and/or specifications are attached hereto or will be attached hereto as Exhibit "B" and incorporated herein by reference. LESSEE, at its own expense, shall construct any paving, including for access, from the existing taxiway to the leased premises; any aircraft parking apron; any automobile parking lot; and any paving or graveling to gain access to the rear of the hangar from any existing pavement or gravel. All such paving or graveling shall be completed in accordance with the site plans, including specifications, approved by LESSOR. On or before six (6) months from the effective date of this Lease, LESSEE shall submit the site plans, including specifications, to LESSOR and shall complete construction of such improvements within twelve (12) months of LESSOR's written approval thereof, which written approval shall not be unreasonably withheld or delayed. The date of LESSOR's written approval of LESSEE's site plans shall be the Rent Commencement Date. In the event LESSEE makes any such improvements without LESSOR approval or inconsistent with LESSOR's approval, then, upon notice to do so, LESSEE shall remove or alter the same consistent with said notice, or, LESSOR, at its option, may cause the same to be removed or altered to the satisfaction of LESSOR and LESSEE shall pay the cost thereof to LESSOR as additional rent. If LESSEE fails to comply with such notice within thirty (30) days or to commence to comply and diligently pursue compliance to completion, LESSOR may affect the removal or alteration and LESSEE shall pay the cost thereof to LESSOR as additional rent.

LESSEE expressly agrees in the making of any and all improvements that, except with written consent of LESSOR, it will neither give or grant, nor purport to give or grant any lien upon the hangar ground site or upon any improvements thereupon or which is in the process of

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Commencement Date that is twenty (20) years after the Rent Commencement Date, unless sooner terminated as provided for herein. LESSEE shall have the right to renew this Lease on substantially the same terms and conditions for one additional term of up to twenty (20) years by providing written notice to LESSOR of LESSEE's intent to renew this Lease. Such notice shall be provided by LESSEE to LESSOR at least ninety (90) days before the expiration of the initial term and shall specify the length of the additional term [up to twenty (20) years]. Notwithstanding LESSEE's right to renew, prior to any such renewal herein provided, the parties shall conduct good faith negotiations in order to consider any modification of this Lease and enter a new written agreement. Notwithstanding anything hereinabove to the contrary, LESSEE's right to renew as described herein is subject to the parties reaching a written agreement concerning an increase in rent to an amount that is similar to the amount then being paid to the City by tenants occupying hangars that are owned by the City.

SECTION SIX Rental

LESSEE agrees to pay LESSOR for the use of the premises, facilities, rights, services, and privileges granted in this Lease the sum of sixty-three cents (\$0.63) per square foot of hangar space that is to be hereafter constructed by LESSEE for approximately 3,000 - 4,000 square feet per year (annual rent to be determined based on a final site plan for the hangar), due and payable each year in one lump sum, beginning on or before the Rent Commencement Date (as hereinafter defined) and on or before the same date each and every year thereafter until the termination of this Lease. The annual rental amount due hereunder (initially \$0.63 per square foot of hangar space per year) shall be reestablished following every fifth year to reflect the average adjustment in the Consumer Price Index (BLS - CPI all items, Southeastern Region) over the previous five year period. The readjusted annual amount due hereunder shall be applicable for the next five years until the next readjustment consistent herewith. The rental amount shall also be adjusted to reflect any change in the square footage of the hangar space after initial construction of the same by LESSEE and during the period of this Lease. Any change in the rental amount attributable to a change in square footage shall be applicable beginning with the first, full year following such change in square footage and in each succeeding year thereafter. As used herein, square footage will be based upon the footprint of the hangar that is to be hereafter constructed by LESSEE.

LESSEE shall receive a credit for the actual amount of expense LESSEE incurs solely for contracting for the paving necessary to gain suitable access to the hangar from the current taxiway. LESSEE shall provide an estimate and verification of expenditure for this particular paving, for approval and acceptance from LESSOR, which approval and acceptance will not be unreasonably withheld, delayed or conditioned. Said credit shall be in lieu of and applied to the rental amount due hereunder and no rent shall be due hereunder until said credit amount has been exhausted. It is expressly understood by the parties that any expenses associated with any additional paving including foundation, aircraft parking apron, other paved access, rear access (paved or gravel) and/or automobile parking lot contemplated hereunder and performed by LESSEE shall be at LESSEE's sole expense and shall not be included in said credit amount.

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construction or repair, nor allow any condition to exist or situation to develop whereby any party would be entitled, as a matter of law, to a lien against said hangar ground site and improvements thereon, and LESSEE will discharge any such lien within thirty (30) days after notice of filing thereof. Notice is hereby given by LESSOR to all persons that no lien attaches to any such improvements.

Any and all improvements constructed or made by LESSEE on the hangar ground site shall be constructed and made in accordance with airport industry standard practices. LESSEE further covenants and agrees that any and all improvements constructed by LESSEE on the hangar ground site shall correspond in design and appearance with other facilities constructed or to be constructed on the Airport, will be in accordance with any existing Airport plan adopted by LESSOR, and shall be subject to the approval of the City of Washington Building Inspector.

(2) The use and occupancy of the hangar ground site and the use and maintenance of the grounds immediately adjacent thereto by LESSEE shall be without cost or expense to LESSOR. It is understood and agreed that LESSOR is not obligated to furnish any utility services such as light, water, sewer and gas to LESSEE during the period of occupancy. If LESSOR operates or maintains utility services to the hangar ground site, it will continue to furnish such utility services at the request of LESSEE provided that LESSEE shall assume and pay for necessary meters for measuring said service and the charges for providing such service.

LESSEE shall save LESSOR harmless of and from any and all costs or charges for utility services furnished to or required by LESSEE during the term hereof and shall provide, at its own cost or expense, such services as may be necessary or required in the operation and maintenance of the hangar ground site to any and all storm and sanitary sewers, water, and utility outlets at its own expense and shall pay for any and all service charges incurred or used on the hangar ground site.

(3) LESSEE shall maintain and be responsible for all repairs to the hangar following its construction by LESSEE on the hangar ground site. LESSEE agrees, at its own expense, to cause the hangar ground site and the buildings, improvements, appurtenances thereto, including grounds immediately adjacent thereto, to be maintained in a presentable condition and equal in appearance and character to other similar improvements on said Airport. All tools, machines, parts and maintenance equipment shall be stored inside the hangar.

(4) LESSEE agrees, at its own expense, to cause all waste, garbage and rubbish to be removed from the hangar ground site and agrees not to deposit the same on any of the Airport premises, except LESSEE may temporarily deposit the same on the hangar ground site in an approved container or enclosure in connection with their collection or removal. LESSEE agrees that it will not allow the accumulation of rubbish, waste, foul material, contaminant, or otherwise create an unhealthy or hazardous condition on the hangar ground site.

(5) LESSEE will not suffer or permit to be maintained upon the outside of any improvements located on the leased premises any billboards or advertising signs unless previously approved in writing by LESSOR. Notwithstanding the foregoing, a "SunEnergy 1" company identification sign will be permissible on the hangar ground site without LESSOR's

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prior approval, provided, however, that LESSEE will adhere to any rules and regulations regarding size, type, and permits if applicable.

(6) LESSEE will make no unlawful, improper or offensive use of the premises.

(7) Any and all improvements to, use of, or activities upon the hangar ground site shall conform to and be consistent with the then current Airport plan as well as the minimum standards, rules and regulations adopted for the Airport by LESSOR, as amended. It is expressly agreed that LESSOR's approval of any plans for, inspections of, or acceptance of, any improvements, including such materials, equipment or work undergone by LESSEE shall not constitute or be construed as (a) a guarantee by LESSOR of the quality of fitness of such materials, equipment or work; (b) relieve LESSEE of the duty of supplying good and sufficient materials, equipment or work; or (c) waiver of any obligations elsewhere in this Lease imposed upon LESSEE for maintaining the demised premises in good condition and repair, or repairing, rebuilding, or replacing the same due to damage or destruction by fire or other casualty. It is covenanted and agreed that, in the approving of plans and specifications, making of inspections, or accepting any improvements contemplated hereunder, LESSOR is acting for and on its behalf and not as an agent of LESSEE.

(8) LESSEE, in its use, improvement, or operation of the premises and facilities of the Airport including hangar ground site, shall not, on the grounds of race, color, sex, or national origin, discriminate or permit discrimination against any person or group of persons in any manner prohibited by law and shall otherwise use the premises in compliance with all other requirements imposed by or pursuant to Title VI of the Civil Rights Act of 1964, as may be amended.

SECTION EIGHT Taxes and Assessments

LESSEE shall be responsible for and promptly pay before default any and all real and personal property taxes or special assessments, if any, that may be levied or assessed against the hangar ground site or any improvements or other property situated thereon, it being the mutual intention of the parties that LESSOR shall not be required to pay any taxes on either real or personal property by reason of permitting LESSEE to use said real property as herein described. LESSEE also agrees to indemnify LESSOR against any loss or liability resulting from any and all claims or liens in connection with such taxes and assessments.

LESSEE must verify, if requested, that the hangared aircraft, including any spare parts or other equipment, are listed on the tax rolls of Beaufort County, North Carolina, for the current year.

SECTION NINE Maintenance and Utilities

Except as otherwise specified herein, during the term(s) of this Lease, LESSOR shall maintain and keep in good repair so much of the Airport premises as are not under the exclusive

Approved by City Council on May 12, 2014

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Federal Aviation Administration, Navy Department, Civil Aeronautics Administration, and the State of North Carolina, or their respective replacement administration/agency or other successor. LESSOR shall, to the extent permitted by law, use its best efforts to cause any such agreements or assurances to include provisions protecting and preserving the rights of LESSEE in and to the premises, and to compensation for the taking thereof, interference therewith and damage thereto, caused by such agreements and/or assurances or by actions pursuant thereto by LESSOR or the other parties named hereinabove.

SECTION TWELVE Indemnification

LESSOR shall stand indemnified by LESSEE as hereinafter provided. It is expressly understood and agreed by and between the parties hereto that LESSEE herein is and shall be deemed to be an independent contractor, responsible to all parties for its respective acts or omissions as well as the acts or omissions of LESSEE's permittees and LESSOR shall in no way be responsible therefor. It is further agreed that, in the use of the Airport, the maintenance, erection, or construction of any improvements thereon, and the exercise or enjoyment of the privileges herein granted, LESSEE agrees to indemnify and save harmless LESSOR from any negligence of LESSEE or LESSEE's permittees.

LESSEE agrees to indemnify LESSOR against any and all liability for injuries to persons or damage to property caused by LESSEE's, or LESSEE's permittees', negligent use or occupancy of the leased premises; provided, however, that LESSEE shall not be liable for any injury, damage, or loss occasioned by the negligence of LESSOR or its agents or employees; and provided further that LESSOR shall give to LESSEE prompt and timely notice of any claim made or suit instituted which in any way, directly or indirectly, contingent or otherwise, affects or might affect LESSEE, and LESSEE shall have the right to compromise and defend the suit to the extent of its own interest.

SECTION THIRTEEN Insurance

LESSEE shall procure and maintain in force necessary liability insurance coverage for the leased premises and LESSEE'S activities thereon, including those activities of LESSEE's permittees, in the minimum amount of \$1,000,000.00 for personal injury, death and property damage, including any environmental damage as well as any damages related to or arising from any hazardous material or product, resulting from each occurrence and \$1,000,000.00 aggregate to indemnify and hold harmless LESSOR from any and all liability of claims for loss, damage, or injury to persons or property caused or occasioned by the use of the leased premises by LESSEE or LESSEE's permittees during the term of this Lease. All insurance shall be carried by a responsible company and shall be in a form satisfactory to LESSOR. LESSOR shall be furnished any and all copies of all insurance policies obtained by LESSEE in compliance with this requirement on or before LESSEE begins occupancy. LESSEE agrees to maintain sufficient coverage on a current status and that all such insurance policies obtained by LESSEE in compliance with this requirement name LESSOR as additional insured and provide a thirty (30)

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control of the individual operators or lessees, including, but not limited to the terminal building; vehicle parking areas and all roadways, runways, aprons and taxiways. Subject to the conditions expressly set forth in Section 7 Part B hereof, LESSOR shall also maintain and operate all sewage and water facilities, electrical and electronic facilities and such other appurtenances and services as are now or hereafter connected with the operation of the Airport.

SECTION TEN Rules and Regulations

LESSEE agrees to comply with all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions, assurances and requirements of and agreements with all governments, departments, commissions, boards, courts, authorities, agencies, officials, officers and other parties, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Airport including leased premises or any part thereof, or any of the adjoining property, or any use or condition of the premises or any part thereof. Further, LESSEE shall comply with any and all local, state, federal or other rules and regulations as well as all applicable environmental rules and regulations, including, but not limited to, such rules and regulations regulating hazardous or similar substances or conditions, their storage and disposal.

LESSEE agrees to observe and obey the rules and regulations with respect to the use of the Airport premises, including hangar ground site; provided, however, that such rules and regulations shall be consistent with all rules, regulations, and orders of the Federal Aviation Administration; and provided further, that such rules and regulations shall not be inconsistent with the provisions of this Lease or the procedures prescribed or approved from time to time by the Federal Aviation Administration with respect to LESSEE's use of the Airport premises, including hangar ground site. LESSEE further agrees to indemnify and hold LESSOR harmless for any and all damage of any kind arising from LESSEE's failure to comply with the aforementioned rules and regulations, including, but not limited to, the cost of clean-up, restoration fees, mitigation costs, and attorney's fees caused or occasioned by LESSEE and LESSEE's permittees.

LESSEE agrees to abide by and cooperate with LESSOR in the enforcement and implementation of applicable Airport security regulations, safety plan standards, and measures as may be adopted by LESSOR.

SECTION ELEVEN Subordination

This Lease shall be subject and subordinate to the provisions of any existing or future agreement between LESSOR and the United States, the State of North Carolina, or any agencies thereof, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal or state funds for the development or operation of the Airport or as a condition precedent to the acquisition of the Airport facilities by LESSOR. It is specifically understood by LESSEE that this Lease is subject to the recapture clause and other conditions of grant agreements and/or assurances with the

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day written notice to LESSOR of termination, material change in the terms thereof or non-renewal of such policies.

The minimum amount of insurance due hereunder (initially \$1,000,000.00) shall be reestablished following every fifth year through good faith negotiations regarding the same. Said readjustment(s) shall be applicable for the next five (5) years until the next readjustment consistent herewith. Notwithstanding the foregoing, the minimum amount of insurance due hereunder shall not be less than \$1,000,000.00 at any time during the period of this Lease.

SECTION FOURTEEN Termination and Default

A. This Lease shall expire at the end of its original term or renewal term, as the case may be, unless sooner terminated as provided for herein. No holding over by LESSEE after the expiration or earlier termination of this Lease shall operate to extend or renew this Lease for any further term whatsoever; but LESSEE will, by any such holding over, become the tenant at will of LESSOR. After any written notice by LESSOR to vacate the hangar ground site, continued occupancy thereof by LESSEE shall constitute LESSEE a trespasser.

B. This Lease shall be subject to termination by LESSEE in the event of any one or more of the following events:

(1) The abandonment of the Airport as an airport or airfield for any type, class, or category of aircraft.

(2) The default by LESSOR in the performance of any of the terms, covenants, or conditions of this Lease and the failure of LESSOR to remedy, or undertake and diligently pursue to remedy, such default for a period of thirty (30) days after receipt of notice from LESSEE to remedy the same.

(3) Damage to or destruction of all or a material part of the premises or Airport facilities necessary for LESSEE's use of the hangar ground site.

(4) The lawful assumption by the United States, the State of North Carolina, or any authorized agencies thereof, of the operation, control or use of the Airport, or any substantial part or parts thereof, in such a manner as to restrict substantially LESSEE from using the hangar ground site for a period in excess of ninety (90) days.

C. This Lease shall be subject to termination by LESSOR as hereinafter provided in the event of any one or more of the following events:

(1) LESSEE fails to make any payment of rent when due and such failure continues for fifteen (15) days after LESSOR notifies LESSEE in writing of such failure.

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(2) LESSEE abandons the hangar ground site for a period in excess of ninety (90) days, allows the hangar subsequently constructed thereon to remain vacant for a period in excess of ninety (90) days, or fails to have the aircraft or equipment stored in the hangar listed on the rolls of Beaufort County at any time during any term.

(3) LESSEE files a voluntary petition in bankruptcy including a reorganization plan; makes a general or other assignment for the benefit of creditors; is adjudicated as bankrupt or if a receiver is appointed for the property or affairs of LESSEE and such receivership is not vacated within sixty (60) days after the appointment of such receiver.

(4) The default by LESSEE in the performance of any of the non-monetary terms, covenants, or conditions of this Lease, and the failure of LESSEE to remedy, or undertake and diligently pursue to remedy, such default for a period of thirty (30) days after receipt of written notice from LESSOR to remedy the same.

D. In the event LESSEE fails to remedy any default in the time and manner herein provided for, LESSOR, at its option and without any other notice, demand, or legal proceeding, may terminate this Lease, require LESSEE to vacate, enter the hangar ground site, and eject LESSEE therefrom or may pursue any other lawful right or remedy.

SECTION FIFTEEN
Surrender of Possession: Title to Improvements and Repairs

Upon expiration of the original term or renewal term, as the case may be, of this Lease or upon earlier termination under any circumstances, LESSEE'S rights to use the premises, facilities, and services described in this Lease shall cease, and LESSEE shall vacate the premises without unreasonable delay. Upon expiration of the original term or renewal term, as the case may be, of this Lease or upon earlier termination under any circumstances, LESSEE shall have no further right or interest in any of the leased premises or the improvements thereon. It is mutually agreed that title to any and all improvements, including hangar, currently situated, hereafter erected, or hereafter constructed upon the premises shall remain the property of LESSEE for so long as this Lease shall remain in effect, but such improvements, including hangar, shall revert to or become owned and possessed by LESSOR upon the expiration or earlier termination of this Lease, without any additional payment or consideration to LESSEE therefor, free and clear of all claims on the part of LESSEE on account of any construction, repair, or improvement work. The vesting of title in LESSOR at the time specified is a part of the consideration for this Lease. LESSOR shall not be liable to LESSEE or LESSEE'S contractors or subcontractors for the value of such improvements, including hangar, currently situated on, hereafter erected, or hereafter constructed upon the premises.

SECTION SIXTEEN
Inspection by Lessor

LESSOR may enter the premises now or hereafter leased exclusively to LESSEE at any reasonable time, upon reasonable advance notice to LESSEE, for any purpose necessary or incidental to the performance of its obligations under this Lease. LESSEE will provide access to

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SECTION NINETEEN
Governing Law

This Lease has been entered into in the State of North Carolina, County of Beaufort, and all questions with respect to the construction and performance of this Lease and the rights and liabilities of the parties hereto shall be governed by and construed pursuant to the laws of the State of North Carolina. The parties agree that the exclusive venue for any legal action initiated or concerning this Lease, or arising in any way from or out of this Lease, shall be brought in Beaufort County Superior Court, North Carolina. The parties hereto hereby submit to the jurisdiction of said Court and waive any right they may have to venue in any other jurisdiction.

SECTION TWENTY
Severability

Any covenant, condition, or provision of this Lease that is held to be invalid by any court of competent jurisdiction shall be considered deleted from this Lease, but such deletions shall in no way effect any other covenant, condition or provision of this Lease, so long as such deletion does not materially prejudice LESSOR or LESSEE in their respective rights and obligations contained in the valid covenants, conditions, or provisions of this Lease.

SECTION TWENTY ONE
Effect of Waiver

The waiver of any breach, violation or default in or with respect to the performance or observance of the covenants and conditions contained herein shall not be taken to constitute a waiver of any such subsequent breach, violation or default in or with respect to the same or any other covenant or condition hereof.

SECTION TWENTY TWO
Arbitration

Intentionally omitted.

SECTION TWENTY THREE
Effect of Lease

All covenants, conditions, or provisions in this Lease shall extend to and bind the legal representatives, successors and assigns of the respective parties. This Lease is in lieu of any lease heretofore executed between the parties hereto and any such prior lease is hereby terminated and no longer in effect.

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the hangar ground site including the hangar subsequently constructed thereon for inspection by LESSOR. This inspection may be made at least semi-annually with a fire department official. Any discrepancies or violations must be corrected within thirty (30) days or this Lease may be terminated.

SECTION SEVENTEEN
Assignment and Subletting

LESSEE shall not at any time sell the hangar that is to be hereafter constructed by LESSEE on the hangar ground site or sublease, assign, or in any manner surrender personal control of any part of the property or rights herein leased without a written agreement concerning the same with LESSOR, which written agreement shall not be unreasonably withheld or delayed. Provided, however, that the foregoing shall not prevent the assignment or subletting of such rights to any corporation with which LESSEE may merge or consolidate, or which may succeed to the business of LESSEE, or to the United States Government or any agency thereof. It is recognized that the interest of all parties will be promoted and served by the increased use of the Airport facilities and it is not the intention of this provision to so restrict this use, but rather to insure that the same is accomplished with the view of serving the public interest vested in LESSOR.

SECTION EIGHTEEN
Notices

Notices provided for in this Lease shall be sufficient if sent by registered mail, postage prepaid, and addressed as follows:

TO LESSOR: City of Washington
Attn: City Manager
Post Office Box 1988
Washington, NC 27889

TO LESSEE: SunEnergy 1, LLC
Attn: Kenny Habul
192 Raceway Drive
 Mooresville, NC 28117

Any notice so given to either party hereunder shall be conclusively considered to have been received on the third business day following the proper mailing thereof. Each party shall give written notice to the other of any change of address at least thirty (30) days in advance of the date such change is to become effective, whereupon the address so given shall control.

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SECTION TWENTY FOUR
Attorney's Fees

In the event any action is filed in relation to this Lease, the unsuccessful party in the action shall pay to the successful party, in addition to all sums that either party may be called on to pay under this Lease, a reasonable sum for the successful party's attorney's fees.

SECTION TWENTY FIVE
Entire Agreement

This Lease shall constitute the sole agreement between the parties hereto and it is understood that the provisions contained herein shall not be altered, modified or changed in any manner except by written agreement executed by LESSOR and LESSEE, and no oral contract, agreement, or informal memorandum shall have the effect of so modifying, altering or changing this Lease. Any prior understanding or representation of any kind preceding the date of this Lease shall not be binding on either party except to the extent incorporated in this Lease.

Notwithstanding anything herein to the contrary, this Lease shall be interpreted and, if necessary, amended, to insure and preserve its compliance with any applicable Federal obligation. If LESSEE refuses to effectuate any amendment that may be required to insure and preserve compliance with any applicable Federal obligation, such refusal shall constitute an event of default and this Lease may be terminated as a result thereof upon notice from LESSOR to LESSEE.

SECTION TWENTY SIX
Modification of Lease

Any modification of this Lease or additional obligations assumed by either party in connection with this Lease shall be binding only if in writing signed by each party or an authorized representative of each party.

IN WITNESS WHEREOF, each party to this Lease has caused it to be executed by their duly authorized officers and/or agents on the date indicated below.

PRE-AUDIT CERTIFICATE

This Lease has been pre-audited pursuant to North Carolina General Statute § 159-28 in the manner required by the Local Governmental Budget and Fiscal Control Act.

 (SEAL)
Matt Rauschenbach, Chief Financial Officer
City of Washington

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LESSOR:
CITY OF WASHINGTON
Brian M. Alligood
Brian M. Alligood, City Manager

ATTEST:
Cynthia S. Bennett
Cynthia S. Bennett, City Clerk

DATE: 5/13/14

LESSEE:
SUNENERGY 1, LLC
Kenny Habul
By: Kenny Habul, CEO & President
DATE: 5/14/14

STATE OF NORTH CAROLINA
COUNTY OF BEAUFORT

I, *Reatha B. Johnson*, a Notary Public of the State and County aforesaid, do here certify that CYNTHIA S. BENNETT personally appeared before me this day and acknowledged that she is the City Clerk of the CITY OF WASHINGTON, a body politic and corporate, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Manager, sealed with its corporate seal and attested by herself as its City Clerk.

WITNESS my hand and Notary seal, this the 13 day of May, 2014.

Reatha B. Johnson
NOTARY PUBLIC

My Commission Expires: 12/14/2014



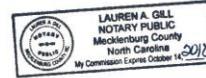
STATE OF NORTH CAROLINA
COUNTY OF TREDELL

I, *Lauren Gill*, a Notary Public of the County and State aforesaid, certify that Kenny Habul, who is personally known by me or has produced satisfactory evidence of identity, appeared before me this day and acknowledged that he is the CEO and President of SunEnergy 1, LLC, a North Carolina limited liability company, and that by authority duly given and as the act of the company, the foregoing instrument was signed by him, as CEO and President.

WITNESS my hand and official seal, this the 14th day of May, 2014.

Lauren Gill
NOTARY PUBLIC

My Commission expires: 10/14/18



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EXHIBIT A



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ANY OTHER ITEMS FROM CITY MANAGER: NONE

**ANY OTHER BUSINESS FROM THE MAYOR OR OTHER MEMBERS OF COUNCIL:
DISCUSSION – MAY COMMITTEE OF THE WHOLE MEETING**

Staff anticipates that the only item on the Committee of the Whole agenda would be the grant and project updates, which generally do not generate much discussion.

CLOSED SESSION – NONE

ADJOURN

By motion of Councilman Pitt, seconded by Councilman Brooks, Council adjourned the meeting at 7:45pm until June 9, 2014 at 5:30pm in the Council Chambers at the Municipal Building.

Cynthia S. Bennett, CMC
City Clerk