

May 6, 2016
Special Meeting of the City Council
Second Floor Conference Room – City Hall
8:00 a.m.

Present: Mayor Barbara G. Volk, Mayor Pro Tem Steve Caraker and Council Members: Ron Stephens, Jerry Smith and Jeff Miller

Staff Present: City Manager John F. Connet, City Clerk Tammie Drake, Assistant to the Manager Brian Pahle, Engineering Director Brent Detwiler, Utilities Director Lee Smith, Fire Chief Joseph Vindigni, Finance Director Lisa White, Public Works Director Tom Wooten

The purpose of the special meeting was to review the proposed budget for Fiscal Year 2016-17. Other topics may be discussed.

1. Call to Order: Mayor Volk called the meeting to order at 8:00 a.m. and welcomed those in attendance. A quorum was established with all five members in attendance.

2. Budget Review for Fiscal Year 2016-17: Mr. Pahle began by reviewing the agenda. The Council members then participated in deciding the amount the City will grant in special appropriations. The City received \$170,304 in requests and the manager recommended granting \$100,000.

The Council discussed the request of the Flat Rock Playhouse, the St. Gerard House, and Hendersonville Sister Cities.

The Council agreed by general consensus to the following special appropriations:

Special Appropriation Requests				
Organization	Prior Year FY14-15	Current Year FY15-16	Requested FY16-17	Council Appropriation
Agribusiness Henderson County (AgHC)	\$5,000	\$5,000	\$5,000	\$5,000
America In Bloom	\$0	\$500	\$700	\$700
Arts Council of Henderson County, Inc.	\$1,500	\$1,400	\$3,000	\$1,600
BRCC Educational Foundation, Inc.	\$0	\$400	\$3,250	\$1,200
Blue Ridge Community Health Services	\$0	\$0	\$10,000	\$6,000
Boy's & Girl's Club of Henderson County	\$15,000	\$15,000	\$20,000	\$20,000
Chamber of Commerce	\$10,000	\$10,000	\$0	\$0
Children & Family Resource Center	\$0	\$3,700	\$9,500	\$5,000
Community Partnership for Pets	\$10,000	\$9,000	\$20,277	\$11,900
Flat Rock Playhouse (The Vagabond School)	\$80,000	\$11,800	\$25,000	\$16,000
Hand On! - A Child's Gallery	\$2,000	\$600	\$2,400	\$2,000
Henderson County Heritage Museum	\$5,000	\$0	\$7,000	\$3,800
Henderson County Young Leaders Program (Camplify)	\$0	\$0	\$2,000	\$1,000
Hendersonville Little Theatre	\$0	\$800	\$10,000	\$3,000
Hendersonville Shuffleboard Club	\$1,200	\$880	\$1,200	\$1,200
Hendersonville Sister Cities, Inc. (HSC)	\$500	\$900	\$1,477	\$1,500
Hendersonville Symphony	\$2,000	\$2,000	\$10,000	\$3,000
Interfaith Assistance Ministry	\$0	\$3,000	\$5,000	\$4,000
Mainstay, Inc.	\$0	\$6,000	\$0	\$0
Mayor's Advocacy Council	\$500	\$500	\$500	\$500
Medical Loan Closet of Henderson County, Inc.	\$1,000	\$1,200	\$3,000	\$3,000
Mineral & Lapidary Museum	\$5,000	\$2,600	\$10,000	\$2,200
Pisgah Legal Services - Domestic Violence	\$1,500	\$1,500	\$10,000	\$4,000
St. Gerard House	\$0	\$0	\$6,000	\$2,400
Team ECCO	\$5,000	\$3,600	\$3,500	\$0
The Healing Place, Inc.	\$1,500	\$1,500	\$0	\$0
The Mediation Center	\$500	\$500	\$1,500	\$1,000
Total	\$147,200	\$82,380	\$170,304	\$100,000

Special Appropriation Requests - Full Funding List				
Organization	Prior Year FY14-15	Current Year FY15-16	Requested FY16-17	Council Appropriation
Henderson County Economic Investment Fund	\$0	\$50,000	\$50,000	\$50,000
Henderson County Partnership for Economic Development	\$15,000	\$15,000	\$15,000	\$15,000
Henderson County Planning Department	\$108,164	\$116,866	\$126,691	\$126,691
Henderson County Rescue Squad	\$10,000	\$10,000	\$10,000	\$10,000
Merchant's and Business Association	\$0	\$2,000	\$2,000	\$2,000
Mills River Partnership	\$66,130	\$66,130	\$63,500	\$63,500
Total	\$199,294	\$259,996	\$267,191	\$267,191

Water and Sewer Fund: Mr. Pahle explained Fountainworks helped develop value statements for the utilities department and made recommendations based on those priorities. Mr. Pahle reviewed expenditures, which are an estimated 3.1% decrease from last fiscal year. He also presented a long-term organization strategy for increased personnel. He recommended an increase of 4.5 positions: one new crew of two employees will follow the leak detection technician and repair leaks as identified to address the water loss ratio, one line maintenance crew leader, one facilities maintenance tech and 1.5 customer service specialists to answer the phones in customer service.

Capital Expenditures: Mr. Pahle reviewed the upcoming major capital projects and NCDOT reimbursements. Mr. Connet explained staff looked for and discussed possible vulnerabilities in the system and those became the

highest priorities for funding: the French Broad water intake, WWTP generator, sludge drying system, etc. After discussion of the priorities, **Council agreed to fund the generator for the Wastewater Treatment Plant in this year's budget.**

Debt Service: Mr. Pahle estimated an approximately \$1.4 million decrease in debt service by fiscal year 2018-19. He recommended utilizing these funds for the additional personnel and capital needs.

Revenues: Mr. Pahle provided a year-to-year comparison for revenues. He estimated revenues for the next year as approximately \$14.9 million. He recommended a rate increase because revenues are lagging behind expenditure growth. He reviewed three factors under consideration: rates need to be addressed so revenues maintain pace with expenditures, stakeholders expressed a discrepancy between outside/inside rates so the rate increase differs, and the declining block rate which is not encouraging sustainable practices.

Mr. Pahle recommended a rate study be done by a professional consultant in the next two years or so. He reviewed the revenue model. He reviewed the customer impact of the recommended rate increases and discussed the difference between inside/outside rate. Mr. Lee Smith explained residential rates are on an inclining block for water which was required for State Revolving loans. Mr. Pahle explained the intention is to be incremental in the rate increases to lessen the impact on customers. He explained currently there is approximately a 65 percent rate difference between inside/outside customers. He recommended an increase of 3 percent for inside rates and an increase of .5% for outside rates.

Declining Block: Mr. Pahle explained the declining block for commercial users has been a tool for economic development in the past but it is not seen as environmentally friendly. Mr. Connet recommended increasing the rates gradually to bring the rates to a unified rate. Mr. Pahle suggested a 1.5 percent increase for 40,000+ gallons. Mr. Lee Smith discussed costs stating the larger users require bigger infrastructure to pump more water. He stated the trend seems to be less water use, recirculation, more water conscience, etc. **The Council agreed by consensus to move away from the declining block rate structure.** Staff will speak to the Partnership for Economic Development about possible effects and will prepare and present a policy, i.e., no more than 50 percent difference for inside or outside customers, etc. for Council's consideration over ten and fifteen year periods.

Financial Sustainability: Mr. Pahle recommended strategically adjusting water and sewer rates to prevent fund balance reliance and create a financially sustainable future. Engineering Director Brent Detwiler commented the master plans will have an effect on capital needs.

Environmental Services Fund: Mr. Pahle explained this fund is driven by user fees. He reviewed the estimated budget for next year. He stated fund balance is needed for stormwater projects: Fourth Avenue and Maple Street. He explained the ESF base charge was created to fund stormwater type services: street sweeper. He stated the City does not have a revenue source to fund personnel for the issuance and enforcement of stormwater permits nor the NPDES stormwater permits. He stated staff has identified a vast array of projects ranging in size and cost.

City Engineer Brent Detwiler addressed the Council and explained NPDES Phase II program. There are six minimum measures required by the State for the discharge of water. He stated much of it hinges on (re)development, post construction stormwater management, etc. that is permitted by the City. He explained another permit requirement that is lacking is to walk the streams to map outfalls, identify illicit discharges, etc. on a continuous basis. He provided maps of the blue line streams located within the City and extraterritorial jurisdiction. He stated public education is also a component of the permit as is the inspection/review of all City facilities. There is approximately 115 stream miles in the City; 39 stream miles are in the extraterritorial jurisdiction. Mr. Detwiler stated they are requesting a full-time position in order to meet all of the permit obligations including the inspection of existing BMPs. Discussion followed on the requirements of the NPDES program permit.

Mr. Pahle explained sanitation relies on the base charge and fund balance to function. He recommended an increase of \$2 on sanitation fees to make this fund financially sustainable. Additionally, he recommended expanding the stormwater fee to all water customers instead of only those who receive sanitation services. This will provide funding for personnel growth so the Federal mandates of the permit may be met. He reviewed options for the increase and recommended the increase expand to everyone who receives a water bill in the City and the extraterritorial jurisdiction. This charge also expands to commercial businesses. Mr. Connet explained there are many old stormwater systems that impact private and public property. Mr. Pahle reviewed the customer impact of the \$2 monthly increase which provides approximately \$126,711 in new revenue. After discussion, **the Council agreed by general consensus to the \$2/month increase.**

General Fund:

Revenues: Mr. Pahle provided a year-to-year comparison and expects a 2.86% increase in revenues. Staff's goal continues to be to keep expenditures low.

Expenditures: Mr. Pahle anticipates a 1.63 percent expenditure growth. Personnel/benefits in increasing 3.58 percent mainly due to additional fire inspection personnel, medical insurance premium increase, merit increases and market increase. There was discussion of the merit increases.

Operating: Mr. Pahle reported a small decrease of \$206,804 is expected. This includes a transfer to Tracey Grove bridge replacement project of \$58,000.

Capital: Mr. Pahle estimated an increase of \$432,454 or 80.75 percent. He reviewed the manager's recommendation for financial sustainability.

Debt Service: Funds will be moved to debt service fund to pay for three notes.

Discussion of projects: There was discussion about funds for roads, the pay and classification study, and needed repairs for the Whitmire Center. Mr. Connet suggested Council have a discussion for long-term plan for the building.

The Council agreed by general consensus to the Manager's recommendations.

Fire Inspection Program: Fire Chief Joseph Vindigni presented a revised fire inspection fee schedule that is based on square footage of the buildings required to be inspected. The total remaining revenue is estimated at \$176,750 with the removal of the \$50 business registration fee. Recurring expenditures yearly are estimated at \$173,458; start-up costs will be approximately \$45,000, including new personnel, and is included in the proposed budget). Mr. Vindigni explained re-inspections will be done on life safety issues. There was discussion of performing inspections on buildings owned by Henderson County. Mr. Connet stated the Department of Insurance will have to make a ruling on whether each jurisdiction may perform their own inspections.

Other Considerations (long-term): Mr. Pahle recommended the Council fund the fire engine replacement (currently 24 years old), at a cost of \$700,000. The debt financing of that engine begins in FY 17-18. Strategic planning will address a quick response vehicle for medical calls versus sending fire engines.

Pay & Classification Study: This study occurs in FY 16-17; costs will begin in FY 17-18 and may be implemented over three years.

New Police Station: A new station will require financing and a revenue source to pay the note. Costs are unknown.

Berkeley Mills Park Project: Upgrades will require debit financing and a revenue source to pay the note. The estimated cost of \$1,000,000.

Municipal Options Sales Tax: There is still discussion on a ¼-cent sales tax on every dollar of sales. This generates approximately \$1.4 million and could replace pennies on the property tax rate.

Motor Vehicle Registration Fee: The Legislature authorizes municipalities to charge motor vehicle registration fee up to \$30, the first \$5 may be used for any purpose and the remainder must be used for streets/ transportation. **No interest was expressed by the Council to implement this fee.**

Downtown Fund and Seventh Avenue Funds: Mr. Pahle reviewed the budgets for these funds.

There was discussion of the Seventh Avenue district, repainting the bulb-outs, and funding the façade renovation/restoration grants. Mayor Pro Tem Caraker stated he has been encouraging private sector involvement. Mr. Connet stated the City is attempting to promote the idea of one downtown with two sub districts and marketing the districts together but emphasize the individual personalities.

Revenue Highlights: The sales tax revenues have increased and the distribution method has changed. HSAD moved the funds to the Seventh Avenue Fund.

Expenditure Highlights: The Tourism Development Authority is moving closer to the fabrication/installation of wayfinding signage. The electrical panels will be upgraded, the bulb-outs will be repainted and banners installed. Mr. Pahle reported there is no funding mechanism for the downtown avenue improvements which are estimated at \$700,000 per avenue from King to Church Streets.

The Council further discussed parking on Seventh Avenue. Mr. Pahle will update the customer impact sheet and send it to the Council.

Mr. Connet updated the Council on the Publix project stating the City is trying to assist them but they have not been able to satisfy the no-rise requirements as far as improvements on the property.

3. New Business: Mr. Connet presented a resolution exempting the City from the Mini Brooks Act, NCGS 143 64.31, to solicit architectural services relating to the recruitment of a hotel project downtown. Adoption of the resolution will keep the project moving. **Mayor Pro Tem Caraker moved City Council to adopt a resolution exempting the City of Hendersonville's use of Architectural Services from the Operation of NCGS 143-64.31. A unanimous vote of the Council followed. Motion carried.**

Resolution #16-0515

A RESOLUTION EXEMPTING THE CITY OF HENDERSONVILLE'S USE OF ARCHITECTURAL SERVICES FOR THE DOWNTOWN HOTEL PROJECT FROM THE OPERATION OF G.S. 143 64.31

WHEREAS, N.C.G.S. § 143 64.31 requires the initial solicitation and evaluation of firms to perform architectural, engineering, surveying, construction management at risk services, and design build services (collectively "design services") to be based on qualifications and without regard to fee; and

WHEREAS, the City proposes to enter into one or more contracts for architectural and similar design services for work on the Downtown Hotel Project; and

WHEREAS, N.C.G.S. § 143 64.32 authorizes units of local government to exempt contracts for design services from the qualifications based selection requirements of N.C.G.S. § 143 64.31 if the estimated fee is less than \$50,000; and

WHEREAS, the estimated fee for design services for the above described project is less than \$50,000.

NOW, THEREFORE, BE IT RESOLVED that the City Council the Hendersonville City Council exempt and it does hereby exempt above described project from the operation of N.C.G.S. § 143 64.31.

Section 1. The above-described project is hereby made exempt from the provisions of G.S. 143-64.31.

Section 2. This resolution shall be effective upon adoption.

Adopted this sixth day of May 2016.

/s/Barbara G. Volk, Mayor

Attest: /s/Tammie K. Drake, City Clerk

4. Adjournment: The meeting adjourned at 11:35 p.m. upon unanimous assent of the Council.

Barbara G. Volk, Mayor

Tammie K. Drake, City Clerk