

May 4, 2018
Special Meeting of the City Council
Second Floor Conference Room – City Hall
8:00 a.m.

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

Staff Present: City Manager John F. Connet, City Clerk Tammie Drake, Assistant Manager Brian Pahle, Finance Director John Buchanan, Water/Sewer Budget & Management Analyst Adam Murr, Fire Chief Joseph Vindigni

The purpose of the special meeting was to review the proposed budget for Fiscal Year 2018-19. 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 2018-19:

Special Appropriations: The result of the Council members votes for special appropriation requests are as follows:

Organization	Council Appropriation
Agribusiness Henderson County (AgHC)	\$5,000
America In Bloom	\$0
Arts Council of Henderson County, Inc.	\$1,580
BRCC Educational Foundation, Inc.	\$1,500
Blue Ridge Community Health Services	\$3,920
Blue Ridge Humane	\$8,000
Blue Ridge Literacy Council	\$1,580
Boy's & Girl's Club of Henderson County	\$15,600
Carolina Concert Choir	\$300
Chamber of Commerce	\$0
Children & Family Resource Center	\$5,900
Flat Rock Playhouse (The Vagabond School)	\$12,900
Hand On! - A Child's Gallery	\$3,500
Henderson County Heritage Museum	\$2,500
Henderson County NAACP	\$910
Henderson County Young Leaders (Camplify)	\$1,220
Hendersonville Community Theatre	\$2,600
Hendersonville Shuffleboard Club	\$1,200
Hendersonville Sister Cities, Inc. (HSC)	\$1,120
Hendersonville Symphony - Youth Education	\$2,200
Hendersonville Symphony - Family Concert	\$1,200
Interfaith Assistance Ministry	\$4,600
Mayor's Advocacy Council	\$500
Medical Loan Closet of Henderson County, Inc.	\$3,520
Mineral & Lapidary Museum	\$2,200
Pisgah Legal Services - Domestic Violence	\$3,500
Pisgah Legal Services - Homeless Prevention Project	\$3,000
Safelight, Inc.	\$7,900
St. Gerard House	\$3,300
Team ECCO	\$0
The Mediation Center	\$1,250
Total	\$102,500

The full funding list for Special Appropriations follows:

Organization	Council Appropriation
Henderson County Economic Investment Fund	\$50,000
Henderson County Partnership for Economic Dev.	\$15,000
Henderson County Planning Department	\$145,447
Henderson County Rescue Squad	\$10,000
Interfaith Assistance Ministry - Leak Repair Program	\$0
Merchant's and Business Association	\$2,500
Mills River Partnership	\$70,000
Total	\$292,947

Future Opportunities: Mr. Pahle discussed what the demand of the profession will be as well as what will be required of local government leaders in 2025. He reviewed the City's vision and Mission statements. He reviewed the budget process.

General Fund Review: Mr. Pahle began with a review of City Council's priorities from the 2017 retreat and highlighted how the proposed budget accomplishes those priorities: public restroom, other buildings, police station, expand the parking lot at the greenway, Seventh Avenue improvements (in phases), Berkeley Mills Park (first phase), and Whitmire Building. The proposed budget for the next fiscal year reflects a 4.34%

Revenue Highlights - \$14,754,666 or a 3.86% increase over FY 2017-18: Mr. Pahle provided the following highlights of the expected revenues.

A property tax increase of .02 is proposed which equals approximately \$320,000 to fund three school resource officers. If the officers are funded through another source, this tax increase will not be necessary.

Motor vehicle tag fee of \$15 will equal approximately \$150,000 which can be used for streets or transit.

Sales tax reflects ad valorem distribution method.

A decrease in revenue of \$140,000 is expected due to the contract with YMCA to operate Patton Pool/park.

Other considerations for revenues include: \$0.0025 Sales Tax Option would equate to \$1.7 million, sales taxes on internet sales (if the U.S. Supreme Courts rules in the State's favor, we may seek authority from the General Assembly to implement this sales tax), the countywide reappraisal, private donations for park improvements have been sought, State or County contributions for SROs may develop, the sales tax on natural gas has increased and the sales tax on electricity, telecommunications and video programming is down.

Hendersonville has the second lowest tax rate in the State for cities our size noting our daytime population is much greater.

Expenditure Highlights - \$16,011,864 or a 5.45% increase over FY 2017-18: Mr. Pahle proposed the following expenditures.

Health insurance increase of 11.6% ≈ \$206,000

Funding three new SROs (unless funded by another means) ≈ \$360,000

CIP requests decreased by \$1,029,000

Capital equipment loan ≈ \$615,000

Remaining CIP items ≈ \$266,000 (average of \$900k)

SAFER Grant application to fund three firefighters

Pay & Class compression adjustment

Merit & Market Increases (2.2% - 3.7%)

New Accountant/Tax Collector position is split with Water/Sewer)

Debt Service Reflects Bond Refunding. Debt service payments this year \$831,181 requires LGC approval. A debt service fund was created with reserves to pay this down.

Financial Sustainability: Major projects include:

New Police headquarters - \$8 million

7th Avenue Streetscape - \$1.4 million may be paired with police headquarters loan

Public Works maintenance building - \$1.5 million

Whitmire Building - \$150,000

Mill Streetscape

Main Street Restrooms

Other Priorities:

Mr. Pahle initiated a discussion about the Council's level of comfort for the proposed projects and requested guidance on moving forward or slowing down. Council Member Miller commented that many citizens are not aware of challenges faced. There was discussion of non-profits property purchases that are not taxed but need services. Other taxpayers have to make up for that. Council Member Miller stated the City is doing a good job of providing services. Council Member Caraker commented citizens are supportive as they see progress and a high level of service maintained. Council Member Miller stated he would like to see the ¼-cent sales tax. There was discussion about Hendersonville citizens paying for services that everyone benefits from. Mayor Pro Tem Stephens urged caution next year with reappraisals. He stated citizens do not benefit from higher appraisal unless they sell their homes. He expects values to increase. Council Member Smith suggested formulating a request to churches and other non-profits for a payment in lieu of taxes to aid in emergency response on a voluntary basis, geared toward large users. He suggested making them aware of the amount of taxes they would pay and request a percentage of that amount. This could reflect the cost savings as well as show the burden on city services. **There was no opposition voiced to the suggestion.**

The Council discussed the laws governing annexation as a way to pay for services stating there must be a middle ground that limit abuse of the past.

Mr. Pahle commented expenses have outpaced revenues for the past two years budgets.

Council Member Smith comment if Berkeley Mills Park is built it will require the passing of a bond issue for the capital construction. He stated a small bond associated with the greenway, parks and sidewalks may be more palatable to voters. He voiced support of extending the heavily-used greenway around Berkeley Mills Park. Council Member Caraker agreed but stated the bond should not be presented with the Police headquarters. There was discussion of a break-even point for bonds of \$4-5 million because of associated costs. Council Member Miller suggested a more concerted effort be made to solicit sponsors for Berkeley Mills Park. Discussion following on the City's commitment for the construction of a road and parking, then seek money for other amenities, e.g., destination playground, etc. which will not need programming. Council Member Miller commented the bond passes, taxes would have to be raised taxes to support it. There was discussion of the impact on the tax rate.

Other Financing Sources:

FY 17-18 Estimated end of year balance is \$382,858 but staff will focus on delinquent tax collection to offset the decrease.

FY 18-19 estimated end of year balance is \$134,999 with lean budget/CIP. He stated revenue options are needed for financial sustainability.

Water and Sewer Fund: Mr. Murr began by reviewing the UNC School of Government dashboard showing comparisons of 31 rate structures of other cities.

Revenues: Staff is recommending the new rate structure proposed by Raftelis to raise revenue for capital needs. This more modern rate structure incorporates water conservation instead of a declining rate system. Mr. Murr stated additional revenue will fund proactive CIP and NCDOT projects. Projects are financed increasingly by bonds and loans. Additional rate adjustments will be needed in future years.

Expenditures: There was discussion about reconciling non-revenue water usage (water loss – leaks, etc.). Personnel additions are proposed: AMI Analyst, Accountant (cost shared with General Fund), Meter Maintenance Tech, Generator Maintenance Tech, Right-of-Way Clearing Crew consisting of a leader and two line mechanics. Water Treatment Plant upgrade debt of approximately \$660,000 is coming off the schedule next fiscal year. Construction division funds were moved to the appropriate function of water/sewer (water distribution and wastewater collections, for better accounting).

Capital Projects: Mr. Murr reviewed the funding by source for the capital projects. He reviewed the projects, inside and outside of the City, and those that will need to be financed. Staff recommends debt financing, as recommended by Raftelis.

Total CIP:		Proposed CIP Funding for FY 2018-19:
Pay-Go: \$11.01 million		Pay-Go: \$1.62 million
Reserve: \$14.51 million		Reserve: \$10.18 million
Debt Series: \$136.65 million		Debt Series: \$21.1 million

Mr. Connet explained the rate study takes the projects and debt into consideration. This was presented to the Water/Sewer Advisory Committee as well as the Henderson County Chamber of Commerce, the Partnership for Economic Development staff, the top 10-15 water users, the Governmental Affairs Group and wholesale customers: Laurel Park and Saluda. The Water/Sewer Advisory Council recommended not implementing system development charges. He stated there appears to be community and industrial support for the utility.

Rate Changes: Mr. Murr reviewed the proposed rate changes through FY 2021 along with the expected changes for average customer profiles. The rate study recommends phasing out the industrial/commercial declining block rate over five fiscal years. The City will charge base fees dependent on meter size. These base charges gradually increase through FY 2022-23. He provided a comparison of the existing rate structure versus other municipalities. He stated the City will be moving to a flat structure instead of declining block which does not encourage conservation. He concluded Hendersonville will also remain competitive compared to the average of all peer utilities after the proposed rate change.

Water	Meter Size	kgal	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
			Existing	Adopted	Proposed	Proposed	Proposed
Inside-City							
Residential	3/4"	3	\$ 14.19	\$ 14.49	\$ 14.23	\$ 14.23	\$ 14.76
% Change				2%	-2%	0%	4%
\$ Change				0.30	(0.26)	-	0.53
Residential	3/4"	6	\$ 22.59	\$ 23.07	\$ 22.78	\$ 22.78	\$ 23.73
% Change				2%	-1%	0%	4%
\$ Change				0.48	(0.29)	-	0.95
Residential	3/4"	15	\$ 47.79	\$ 48.81	\$ 51.46	\$ 51.46	\$ 53.78
% Change				2%	5%	0%	5%
\$ Change				1.02	2.65	-	2.32
Irrigation	1"	30	\$ 98.66	\$ 100.59	113.53	113.53	118.66
% Change				2%	13%	0%	5%
\$ Change				1.93	12.94	-	5.13
Commercial	2"	75	\$ 192.69	\$ 196.61	\$ 208.72	\$ 208.72	\$ 227.27
% Change				2%	6%	0%	9%
\$ Change				3.92	12.11	-	18.55
Wastewater							
	Meter Size	kgal	Existing	Adopted	Proposed	Proposed	Proposed
Inside-City							
Residential	3/4"	3	\$ 19.85	\$ 20.25	\$ 22.36	\$ 23.57	\$ 24.75
% Change				2%	10%	5%	5%
\$ Change				0.40	2.11	1.21	1.18
Residential	3/4"	6	\$ 33.23	\$ 33.90	\$ 37.51	\$ 38.72	\$ 40.65
% Change				2%	11%	3%	5%
\$ Change				0.67	3.61	1.21	1.93
Residential	3/4"	15	\$ 73.37	\$ 74.85	\$ 82.96	\$ 84.17	\$ 88.35
% Change				2%	11%	1%	5%
\$ Change				1.48	8.11	1.21	4.18
Commercial	2"	75	\$ 340.97	\$ 347.85	\$ 395.31	\$ 401.18	\$ 421.65
% Change				2%	14%	1%	5%
\$ Change				6.88	47.46	5.87	20.47

Mr. Murr explained the revenue increases will fund the CIP projects. He explained the CIP is prioritized to identify critical projects.

Other Funds: Mr. Pahle reviewed the following other funds:

Main Street MSD Fund: No change is proposed in the tax rate, it will remain at .28 per \$100. This fund will pay for the new restrooms along with a grant from the TDA and a loan. The landscape contract will be bid out.

Seventh Avenue MSD Fund: No change is proposed in the tax rate, it will remain at .12 per \$100. There is no budgeted fund balance appropriation. The landscape contract will be bid out. Depot Plaza improvements are being explored.

Environmental Services Fund: No change in rates is proposed. There is a fund balance appropriation of \$198,177. In the future, the City will be looking for cost recovery for growing service demands. CIP projects include the replacement of a leaf machine, a service truck and an upgrade for route software.

Stormwater Fund: Staff is recommending a fee increase of \$1 to assist with the Wash Creek area project. A fund balance appropriation of \$9,774 is necessary. There is a NC319 Grant opportunity for Patton Park improvements: bio retention areas, streambank restoration, duck pond converted to a constructive wetland which is being designed. Removal of invasive species along Britton Creek is planned. There is also a Clean Water Management Trust Fund grant opportunity for the Hendersonville Elementary run-off project. Sediment from the property is going to a pond in Haywood Forest. The next step for this fund is converting it to a full-service utility.

Story Map: The Council received a demonstration of a new component of the GIS software done by Travis Penland, GIS Administrator.

Special Appropriations Discussion: The Council discussed the request from Hands On! for \$25,000 to complete a master plan. After discussion, **Council Member Smith moved Council to match other contributors for Hands On! up to \$25,000 for master plan. A unanimous vote of the Council followed. Motion carried.**

Public Transit: The Council agreed by consensus to generate revenue by a \$15 fee on motor vehicles to fund the request for public transit of \$145,447 and for other street-related projects.

Adjournment: The meeting adjourned at 12:50 p.m. upon unanimous assent of the Council.