

**May 3, 2019**  
**Special Meeting of the City Council**  
**Council Chambers – City Hall**  
**8:30 a.m.**

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

Staff Present: City Manager John F. Connet, 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 present the budget for FY 2019-20.

**1. Call to Order:** Mayor Volk called the meeting to order at 8:30 a.m. and welcomed those in attendance. A quorum was established with five members in attendance.

**2. Consideration of Requests for Special Appropriations:** After discussion of the requests, the result of the Council's decision for Special Appropriations funding follows:

Organization	Council Appropriation
Advent Health	-
Agribusiness Henderson County (AgHC)	5,000
America In Bloom	-
Arts Council of Henderson County, Inc.	1,400
BRCC Educational Foundation, Inc.	1,600
Blue Ridge Community Health Services	4,100
Blue Ridge Humane	6,400
Blue Ridge Literacy Council	1,520
Boy's & Girl's Club of Henderson County	17,500
Carolina Concert Choir	-
Chamber of Commerce	-
Children & Family Resource Center	5,780
Flat Rock Playhouse (The Vagabond School)	3,000
Hand On! - A Child's Gallery	4,100
Henderson County Council on Aging	2,600
Henderson County Heritage Museum	-
Henderson County NAACP	1,082
Henderson County Young Leaders (Camplify)	1,484
Hendersonville Community Theatre	2,500
Hendersonville Shuffleboard Club	1,200
Hendersonville Sister Cities, Inc. (HSC)	1,068
Hendersonville Symphony - Youth Education	2,400
Hendersonville Symphony - Second Series	1,640
Interfaith Assistance Ministry	7,700
Mayor's Advocacy Council	500
Medical Loan Closet of Henderson County, Inc.	3,200
Mineral & Lapidary Museum	2,340
Pisgah Legal Services - Domestic Violence	3,500
Pisgah Legal Services - Homeless Prevention Project	3,300
Safelight, Inc.	9,880
St. Gerard House	2,900
Team ECCO	1,600
The Mediation Center	-
<b>Total</b>	<b>\$99,294</b>

**Water & Sewer Fund:**

**Expenditures:** Mr. Murr reviewed the expenditures by divisions. He stated divisions were added to maintain a higher level of transparency, e.g., Water/Sewer Operations were split into Water Operations and Sewer Operations and is helpful to see which revenues are covering which expenditures. Expenditures are budgeted at \$17,580,336 for FY19-20

Mr. Murr noted these changes to increase transparency by further splitting water and sewer functions/departments:

- Some personnel was moved to IT from Operations Support
- Some personnel was moved to Administration from WWTP
- Funds are included for a space study in Administration & Engineering

Mr. Murr reported there is a budgeted increase of \$838,562 (+5.0%) over FY18-19. He reviewed the proposed requested additional positions:

1. Local Government Fellow: The City's cost will be approximately \$40,000/year.

2. Construction inspector
3. GIS Technician
4. Laboratory supervisor
5. Valve and Hydrant Crew (3)

*Other Financing Sources:* Mr. Murr reviewed the funds for FY 2018-19 from other sources. For 2019-20, he proposed:

- Transferring \$250,000 to Capital Reserve Fund: These are funds set aside for economic development projects so the City may respond to requests.
- Transferring \$30,000 to the Fiber Project.

*Anticipated Fund Balance:* Mr. Murr reviewed the Fund Balance for both FY 2018-19 and 2019-20. He reported a fund balance of \$10.51 million, staff estimates \$1.74 will be added to fund balance based on revenue and expenditure assumptions, ending with \$12.25 million in fund balance. For FY 2019-20, staff anticipates a \$1.37 million fund balance appropriation. He stated fund balance contributions are necessary to fund future capital improvements. The total Water and Sewer CIP budget is \$174,499,015.

Capital Projects Summary	Water	Sewer	Inside	Outside	Existing	New
	65%	35%	48%	52%	76%	24%
	\$ 113,424,360	\$ 61,074,655	\$ 83,759,527	\$ 90,739,488	\$ 132,619,251	\$ 41,879,764
<b>Total CIP Budget</b>	<b>\$ 174,499,015</b>					

Mr. Murr reviewed the list of CIP items. There was discussion of the French Broad River intake project. He reviewed the Gantt chart for debt-funded projects.

*Debt Financing:* Mr. Murr reviewed the current and forecasted debt which will increase to approximately \$8 million by FY 30-31. The increases in debt service correlates to loans associated with capital projects and assumes projects stay on schedule and that estimates are accurate. Mr. Connet stated the rate study was based on the CIP.

**Revenues:** Mr. Murr explained revenues are received from charges for service, permits and fees, investment earnings and some miscellaneous earnings. He anticipates revenues for the end of FY 2018-19 to be \$17,183,136, and budgeted for FY 2019-20 is \$16,486,905. He anticipates revenues from service charges will increase \$273,949 or 1.8 percent. Revenues from permits and fees are budgeted conservatively at \$590,905, an overall increase of \$106,413 over current fiscal year.

*Rate Study:* Mr. Murr stated the City completed a rate study with Raftelis. As a result of the study, staff is proposing changes to the rate structure: moving from a declining block structure to a flat rate structure for commercial and industrial customers. The rate increases will occur over the next five years. He stated the City is still the most cost competitive among 11 peer groups.

Mr. Murr stated the City has eliminated system development charges. He discussed how staff budgets for revenues by cost allocation. He reported the City is closing the gap between inside-City and outside-City rates.

*Fee Schedule:* Mr. Murr stated the only increase is in the base rate: .32/month. Staff is not recommending an increase in volumetric charges.

*Sewer Rate:* Mr. Murr stated no changes are proposed to base charges other than differential recommended by study. There is a 150% rate differential for inside versus outside City customers.

**Stormwater Fund:** Mr. Murr recapped the Stormwater Fund. He stated the Wash Creek Master Plan identified major projects estimated at \$6.5 million. Projects were prioritized by the level of risk mitigated in the system. He stated these capital projects drive the need for revenue increases. He proposed projects be funded through a combination of loans and pay/go financing.

Mr. Murr stated reviewed the estimates for revenues/expenditures for this fund.

*Revenues:* Mr. Murr stated stormwater revenues are primarily received through a flat \$3 fee assessed on all water customers within the City and ETJ. Staff will begin a rate study to formally create a stormwater utility.

- Budgeted at \$326,790 for FY 20
- Stormwater Fees \$24,540

*Expenditures:* Mr. Murr stated expenditures include the purchase of a street sweeper, a rate study and utility consulting, repayment of the General Fund for a project loan, and increased personnel and operating expenses from the Engineering Department for stormwater services. There was discussion of the needed street sweeper and CNG vehicles compared to diesel.

- Budgeted at \$538,152 for FY 20

*Other:* Fund Balance Approximately \$15,362

**Environmental Services Fund:** Mr. Murr stated revenues are budgeted at \$1,218,000; expenditures are budgeted at \$1,662,855 including the cost increase for a new refuse truck and flusher truck and a fund balance appropriation of \$198,000.

Mr. Murr made these key points: revenues will need to increase in future. This fund has relied on fund balance and is estimated to continue this trend for FY19-20. Fund balance and loans have been used for large vehicle purchases. He stated the standard rates for residential customers are \$18.50 per month with recycling included. Staff recommended the rates remain the same in FY19-20, but a review for an increase in the next fiscal year is needed.

Mr. Murr stated the Finance Department is reviewing policies and best practices for billing/collections.

Mr. Murr stated expenditures include increased cost in benefits, debt service on a garbage truck loan, \$2,500 for the Environmental Sustainability Board, solid waste truck replacement, flusher truck replacement, and various other personnel and operational items which have increased through natural market factors.

The Council discussed recycling and the lack of a revenue stream, but it decreases tipping fees costs. There was discussion about reducing the use of plastic and using compostable materials.

**Municipal Service District (MSD) Funds:** Assistant Manager Brian Pahle reviewed the major changes in past three years including bringing the Historic Seventh Avenue District Committee into the City, and bringing the Downtown Advisory Committee and the Seventh Avenue Advisory under one umbrella – Friends of Downtown, a non-profit group working for the betterment of the downtown as a whole. He provided the following estimates for revenues and expenditures.

**Main Street MSD Funds:** Mr. Pahle stated the total budget for this fund is \$602,933.

*Revenues:* Budgeted at \$578,352. He recommended the tax rate remain at .28/\$100 valuation; the revenue neutral tax rate is approximately .22/\$100 valuation. The value of one penny on the tax rate is approximately \$11,000. The real property value increased more than 38 percent with the revaluation.

*Expenditure Highlights:* Mr. Pahle stated expenditures are budgeted at \$602,993, a fund balance appropriation of \$24,581 is needed. This included the new downtown restrooms for utilities, debt service, cleaning and maintenance. There are no plans to staff the restrooms lobby except during special events with volunteers but may have video surveillance. He reported the salary allocation is split 80/20 with the Seventh Avenue MSD. The proposed budget includes funding for façade grants and capital improvements including electric panel upgrades on Main Street.

*Personnel Increase:* Mr. Pahle reported one additional staff position is proposed.

**Seventh Avenue MSD:** Mr. Pahle stated the total Budget for this fund is \$85,199.

*Revenues:* Budgeted at \$65,949, a fund balance appropriation of 19,250 is needed.

*Expenditures:* Mr. Pahle stated the proposed budget includes funds for streetscape improvements, contracted services for landscaping, pressure washing, etc., and a proportional split for the cost of the additional staff person.

There was discussion of façade grant requests.

*Request for new position:* Mr. Pahle stated the big impact to these budgets is a new position. It is supported by the Board. Mr. Pahle reviewed the duties for the new position including the events held in the districts. He stated there is Board support for maintaining the tax rate as is: Main Street: .28/\$100 valuation and Seventh Avenue: .12/\$100 valuation. Council Member Miller commented he would like to see these tax rates come down at some point.

After discussion of alternatives for funding, the Council agreed by consensus to fund the new position and split costs for all three positions to a 75/25 percent split between Main Street and Seventh Avenue and will consider the following tax rates for the MSDs: Main Street .26, Seventh Avenue: .17.

**General Fund Update:** Mr. Pahle provided the following update on the General Fund.

*Revenues* are budgeted at \$16,552,453; \$1.7 million of which is from property tax.

*Expenditures* are budgeted at \$17,295,649. Debt service is increased for the Public Works Maintenance Building, the Police Headquarters and capital loans. Personnel costs increased because of medical insurance increases, the retirement contributions increase, and the new benefit for medical insurance dependent coverage. This assumes an fund balance appropriation of \$713,196 but expects \$568,000 may be put back with a net change at end of year of \$568,503.

*Revisions and Variables:* Mr. Pahle stated the medical insurance dependent coverage is estimated at 50 percent of the premium. He stated all wellness payouts were converted to vacation hours, longevity payments were converted to a flat rate instead of a percentage of salary and a Health Savings Plan will be introduced.

*Police Headquarters:* Interim financing will be required if utilizing a USDA Loan and interest will have to be paid on the interim financing. Mr. Pahle anticipates the following debt payments for this project: \$143,750 in FY 20, \$358,125 in FY 21 and \$570,000 in FY 22.

*Fire Department - Capital Project Fund Budget:* Mr. Pahle proposed a \$6 Million for Station #3 and Station #1 will be revaluated. Council Member Miller asked for an unbiased study of fire protection as a whole – including the City and County, to spread the cost of expensive equipment for emergency services and reduce competition for good employees. Utilizing a USDA Loan, interim financing is required. He anticipates the following:

\$143,750 in FY21                      \$188,179 in FY22                      \$321,464 in FY23

Mr. Pahle also proposed \$3.1 million for a new engine (Engine 1 Replacement; and Ladder 1 Replacement). This will be a standard loan with payments of \$188,179 in FY 21 and \$330,665 in FY 22.

**Fire Department SAFER Grant:** Mr. Pahle stated dependent upon receiving the SAFER grant award, the following costs are expected:

- Budget Amendment Upon Award of Grant: \$411,510 in FY 20
- \$169,233 in FY 21
- \$304,619 in FY 22
- \$609,238 in FY 23
- \$778,471 in FY 24

*Medical Insurance Dependent Coverage:* Mr. Pahle reviewed the comparisons of nearby counties and municipalities of medical insurance coverage for dependents. He recommended 50 percent dependent coverage, but staff is unsure of how many employees will sign up at this point. The Council discussed retaining employees and losing applicants to other organizations for better benefits. After discussion, **Council Member Smith moved the Council to direct City staff to include a 50 percent cost supplement for employee dependent medical insurance premium. A unanimous vote of the Council followed. Motion carried.**

*General Fund Highlights:* Mr. Pahle stated the following budget will be recommended by staff.

GENERAL FUND	
Budget in Total	\$17,295,649
Fund Balance Appropriation	\$713,196
Total Fund Balance (FY18)	\$7,543,042
FBA %	31.3%
Tax Rate	\$0.49
Estimated RNTR	\$0.4181
Value per Penny	\$210,787
Real Property Value	+ 22.1%

Mr. Pahle stated there will be new statistics after June 30, 2019 on the amount of required fund balance.

**Fee Schedule Proposed Amendments:** Mr. Pahle reviewed the proposed amendments for the Fee Schedule.

- a. Multi-Day Food Vendors: \$55 for large festivals, current fee is \$30, effective January 1, 2020.
- b. Fire Inspection Fee Category Change: Amend the multi-family inspection category to include mini-storage units. No fee increase is proposed.
- c. Putt-Putt Fee: Proposal to increase admission fee from \$3 for adults, \$2 for children to \$5 for adults/\$3 for children. **The Council agreed not to include this increase in the fee schedule and the amount will remain the same.**
- d. Encroachment Fee: Proposed increasing the fee from \$10 to \$20.
- e. Utility Cut Repairs: Proposed increasing utility cut repairs from \$300 to \$400 per 5'x5' cut. This charge is billed to the Water and Sewer Department and PSNC.
- f. Assembly Room Rental Rates: Proposed increasing the rates from \$5 and \$10 for small assembly room to \$10 and \$20. Proposed increasing the rates from \$25 and \$50 for the large assembly room to \$50 and \$100. The additional funds will help cover cleaning expenses.
- g. Water and Sewer Line Inspection Fees: These are new fees to cover the cost of our Engineering Department's time to inspect the installation of new water and sewer lines by private developers or contractors. The fee for water inspections would be \$3 per linear foot. The fee for sewer inspections would be \$5 per linear foot and include exterior (visual) and interior (camera truck) inspections.

**Adjournment:** Being no further business, the meeting adjourned at 11:30 a.m. upon unanimous assent of the Council.