

**May 8, 2015**  
**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, Planning Director Sue Anderson, Engineering Director Brent Detwiler, Zoning Administrator Susan Frady, Budget Analyst Brian Pahle, Utilities Director Lee Smith, Finance Director Lisa White, Public Works Director Tom Wooten

**Purpose:** The purpose of the special meeting was to review the budget for fiscal year 2015-16. Other topics may be discussed.

**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.

**Introduction:** Mr. Connet began by stating Mr. Pahle has been concentrating on a true accounting of costs, making sure expenditures are in the right line items, etc. so true costs are reflected.

**Fund Balance Policy:** Finance Director, Ms. Lisa White explained the Capital Reserve Fund was established by resolution in 1995. The resolution stated a goal of 45 percent of General Fund expenditures to be reserved for capital improvements. Anything above the 45 percent was set for the Capital Reserve but it did not define goals for the fund balance.

Ms. White distributed a draft fund balance policy stating it defines the different categories per the GFOA and GASB. She addressed “available” or “undefined” fund balance stating Council should develop the criteria for this fund because it is good fiscal management and will help in making decisions in the budget while being ready to respond to emergencies. She stated credit ratings are highly effected by having a policy. She stated the City has depended on fund balance previously and asked them to set a policy of where it should be.

Mr. Connet explained it is a policy decision of the Council and should reflect the amount that the Council is comfortable with. A fund balance of 8 percent is a base recommendation in the Local Government Fiscal Control Act but the LGC will send notices of concern when fund balance drops below the average of 50 percent (for our population size). Mr. Pahle explained if the full fund balance is used, at fiscal year-end, the fund balance will be in the 37 percent range.

Ms. White explained the 45 percent goal in the Capital Reserve policy is no longer obtainable. She asked the Council to set a new range rather than a specific number. She also explained the policy will not force the manager to automatically spend above 45 percent on capital if the funds are needed for operations. Mr. Connet explained it is ultimately the goal to make capital expenditures a line item in the budget.

Mr. Connet reviewed the fund balance for peers in our population group. After discussion, the Council agreed to a preferred range of 25 percent to 35 percent in the fund balance policy (to be presented at the June meeting). The policy will require Mr. Connet to bring a remediation plan to the Council if the fund balance drops below 25 percent; anything greater than 35 percent may be transferred to the Capital Reserve Fund. The previous capital reserve fund policy will be rescinded. The Council asked to be notified when the manager is moving money to the Capital Reserve Fund and the Council determines the expenditures of the Capital Reserve Fund. The consensus of the Council was to proceed with the Fund Balance Policy with these recommendations.

**Special Appropriations:** Mr. Pahle explained staff would like to create policy for Council’s consideration that will dictate the way the funds are spent by those receiving special appropriations. He proposed a contract with the receiving agency to ensure the funds are spent for the intended purpose. This policy would also define who is eligible for special appropriations, define a public purpose, and a percentage that may be appropriated each year. The policy in the past has been 1 percent of the budget.

Mr. Pahle reported the City is receiving more requests than ever. Discussion followed on different categories. The Council agreed that the Partnership for Economic Development, Agribusiness, and the Chamber should be moved out of special appropriations because they have a clear public purpose and the Council still has discretion in how much to award those organizations.

The Council discussed the effect on the fund balance if more special appropriations are given. Council Member Smith commented he likes getting a report on how the funds are spent. Council Member Miller agreed; and proposed quarterly payments instead of a lump sum payment (with a threshold to be determined), and requested a quarterly report on how the funds were used. **The Council agreed and asked to make special appropriations later in the day.**

**General Fund:** Mr. Pahle reviewed the budget memorandums sent to the Council. A summary follows: After the first round of budget discussions, expenditures exceed revenues by approximately \$1.5 million with a starting deficit of approximately \$400,000, the amount of debt service increased approximately \$250,000, there is a 15 percent increase in medical insurance of \$200,000, the loss of privilege license tax of approximately \$386,000 and the natural salary/benefits growth of \$250,000. Total revenues have not maintained pace of Consumer Price Index.

The initial budget does not include some priorities including Berkeley Mills Park (\$300,000), a Seventh Avenue parking lot (\$100,000), and a Park Police Officer (\$45,000).

Mr. Pahle stated the Capital Improvement Plan (CIP) expenditures were cut or delayed: \$318,800 for projects, special appropriations of \$112,440, \$62,250 for personnel, \$52,400 for professional services, and \$150,000 for Powell Bill. Total new revenues are estimated at \$425,000. The ending fund balance appropriations is estimated at \$318,402.

Mr. Pahle reviewed the City's history and trends for the past ten years and reported three major trends: fund balance reliance, the pace of inflation and personnel growth. He also reviewed the impact of inflation and stated our total revenues have not maintained pace with the amount of total inflation. He stated the City Manager's initial recommendations for planning for the future include a combination of: decreasing reliance on Fund Balance, cutting expenditures and raising revenues. Mr. Connet explained staff was challenged to look into the future and develop a plan to slow or stop reliance on Fund Balance. He explained the City has lost revenue through the recession, and there are impacts by decisions of the General Assembly: sweepstakes, ability to grow through annexation and the loss of privilege license taxes. He stated the City is not in drastic shape but needs a policy to establish the level of government and how to pay for it.

There was discussion of continuing to set aside the one-cent increase for Powell Bill for streets and possible actions by the General Assembly for a solution to the loss of privilege license, i.e., sales tax redistribution. No additional revenues were included in this budget. The Council also heard from Planning Director Sue Anderson regarding the bicycle planning grant and a commitment by the Blue Ridge Bicycle Club for the required match. There was discussion on the pay study, the Powell Bill Fund and repaving schedule, the impact of a tax increase on residents' tax bills, and the impact of the revaluation. After discussion of the quality of services provided, **the consensus of the Council was to include: \$5,000 for the bicycle planning grant, funds for Professional Services, the Ninth Avenue study, the Service Excellence initiative, a two-cent increase in the tax rate and to leave in the one-cent appropriation for the Powell Bill Fund, with a Fund Balance appropriation of approximately \$553,402, which is within the proposed range previously discussed.** Mr. Connet explained if revenues increase during the year, a budget amendment will be needed and the increase could be applied toward Council's priorities.

**Fee Schedule:** Mr. Pahle reviewed the suggested amendments to the fee schedule. **The Council agreed to include the following amendments to the Fee Schedule:**

- **terminology to reflect Zoning Ordinance revisions,**
- **the addition of a \$100 nuisance fee with a graduated fee for repeated offenses,**
- **changes to the Public Works fees for electrical usage,**
- **parking fees and penalties (with a warning for the first offense), and**
- **a charge for fire inspections.**

Mr. Connet explained the software for billing is being updated and is hopeful it will allow the City to bill customers. Logistics is the bigger issue at this time.

**Sidewalk Bond Fund:** Mr. Pahle stated originally there was \$950,000 in this fund. The original use was for Blythe Street (on the east side from Third to Fifth Avenue) and N. Main Street. He stated the cost of the North Main Street sidewalk is expected to cost much more than the original estimate and could use the entire fund. Mr. Detwiler explained the sidewalk on North Main Street will be similar to the Highway 191 because of property purchase. The Council discussed using funds for the streetscape on Seventh Avenue, where sidewalks will be constructed on Blythe Street.

Ms. White explained the City is paying for an arbitrage study because the bond funds from 2008 have not been expended.

**The consensus of the Council was not to expend funds on Seventh Avenue at this time because there is no agreement at this time.** The Council discussed the connection of N. Main Street to the greenway and the amount of usage that will increase because of Oklawaha Village. Mr. Detwiler stated it may be possible to route the sidewalk through the neighborhood to the existing greenway access. There was discussion of adding sidewalks on the east side of Blythe Street from Fourth to Fifth Avenue. After discussion, **the Council agreed sidewalks on North Main Street would be their first choice but asked staff to estimate the cost of both projects. The Council may consider adding sidewalks on a portion of Blythe Street and to examine the parking on Blythe Street.**

**Special Appropriations Decision:** The Council discussed that this the third year of a \$10,000 three-year commitment to the Chamber. The Council agreed to remove the Chamber and the Partnership for Economic Development from special appropriations and into a different line item in the budget.

After discussion, **the consensus of the Council was to fund the following special appropriations:**

Arts Council of Henderson County, Inc.	\$1,400
BRCC Educational Foundation, Inc.	\$400
Boys & Girls Club of Henderson County	\$15,000
Chamber of Commerce	\$10,000
Children & Family Resource Center	\$3,700
Community Partnership for Pets	\$9,000
Hand On! - A Child's Gallery	\$600
Henderson County Dispute Center	\$500
Henderson County Partnership for Economic Development	\$15,000
Hendersonville Little Theatre	\$800
Hendersonville Shuffleboard Club	\$880
Hendersonville Sister Cities, Inc. (HSC)	\$900
Hendersonville Symphony	\$2,000
Interfaith Assistance Ministry	\$3,000
Mainstay, Inc.	\$6,000
Mayor's Advocacy Council	\$500
Merchant's and Business Association	\$2,000
Mineral & Lapidary Museum	\$2,600
Pisgah Legal Services - Domestic Violence	\$1,500
Team ECCO	\$3,600
The Healing Place, Inc.	\$1,500
The Medical Loan Closet of Henderson County, Inc.	\$1,200
The Vagabond School Flat Rock Playhouse	\$11,800
<b>Total</b>	<b>\$99,380</b>

**Downtown Fund:** Mr. Pahle explained expenditures in this fund total \$365,047; revenues total \$349,614. He stated the Downtown Fund will be supporting itself upon retaining the sales tax distribution. He recommended borrowing approximately \$15,433 from Fund Balance for capital projects. The capital items include two electric panel upgrades for safety purposes, upgrading the lighting on one avenue coinciding with resurfacing, and parking kiosks. There was discussion of how to pay for an additional five parking kiosks, including financing. Ms. White stated there are fees associated with operating the kiosks and when customers use credit cards. A minimum will be established for the convenience of using a credit card. **The Council agreed to lease or finance the parking kiosks over a five-year period. The Council also agreed to make improvements to the avenues, from King to Church Street, one per year, and upgrade the lighting when the street is resurfaced.** Cost estimates will be provided to the Council. Mr. Pahle recommended the tax rate remain the same for this district.

*Parking Ambassador Program:* Mr. Pahle explained funds are included to support two part-time employees to serve as parking ambassadors for 500 hours per year/\$12 per hour. The hours may be determined for seasonal enforcement, e.g., May through October.

**Seventh Avenue Fund:** Mr. Pahle explained this fund does not have enough fund balance reserves to support a parking lot purchase nor upgrades so this has been removed from the budget. Staff is pursuing an expansion of the municipal service district as recommended by the Seventh Avenue Advisory Committee and the increased revenues will be \$6,206. The increased revenues will fund façade grants and incentive programs. Mr. Pahle recommended the tax rate remain the same for this district.

There was a brief recess for lunch off-site.

**Water and Sewer Fund:** Mr. Pahle reported expenditures in this fund total \$28,995,350; revenues total \$14,318,050 which requires a \$14,677,299 fund balance. He proposed transferring \$12,085,400 to special project funds. He explained the Water and Sewer Fund will utilize a substantial amount of fund balance as part of a long-term strategy to bolster the system and draw down the growing fund balance. Seven major capital projects are included in this budget:

Eastside Transmission Main, Phase 2, ≈ \$2,820,000
Gravity Filter Replacement ≈ \$1,250,000
Northside (Fletcher Area) Water System Improvements ≈ \$3,121,000
Rugby Drive 12-Inch Interconnection ≈ \$769,200
Rutledge Road Water System Improvements ≈ \$375,200
SCADA System Upgrade ≈ \$1,586,000
WTP High Service Pump Station Upgrade ≈ \$2,164,000

He stated these projects will probably take longer than one year to complete or are greater than \$1 million. The special project fund will allow staff to account for the true costs of the projects including preliminary engineering, easement acquisition, design costs, construction, etc. This will also help in future budgets and in gauging normal operations.

Mr. Pahle stated two additional positions are requested: an inflow and infiltration technician and a leak detection technician. Mr. Lee Smith explained staff is trying to eliminate stormwater from the system and identify water loss. These positions will be dedicated to those tasks. He stated inflow is at 40 percent and leaks are e; 28-33% leak. He believes the positions will pay for themselves.

*WTP/WWTP Organizational Structure:* Mr. Pahle stated staff is recommending a change to the organization structure of the Water Treatment Plant and Wastewater Treatment Plant to address unrest and turnover with a superior structure of compensation. This will more closely match the certification structure outlined for each treatment plant. He proposed three levels to be more in line with the capacity of work they perform at each level of certification. This reorganization became more complicated system-wide for going back to award certifications. Mr. Pahle stated this structure will also provide shift differential pay. There was some discussion of getting a commitment from employees when the City pays for training.

There was discussion of the AquaHawk software that enables customers to check their water usage.

**Fee Schedule:** The Council reviewed the proposed changes to the fee schedule and agreed by consensus to the changes.

**Environmental Services Fund:** Mr. Pahle stated revenues in this fund are estimated at \$1,254,398 and expenditures are the same amount, with a fund balance of \$0. He explained this fund will balance pending the adoption of an increase in the base charge by \$1. The increase will be used to enhance the City's stormwater functions. Initially, the additional revenue will support capital projects such as the Meadowbrook Terrace project associated with stormwater. Fund balance may be used to pay for the Meadowbrook Terrace at Council's discretion.

*Capital: Sanitation:* He proposed putting the garbage trucks on a replacement schedule and finance those so there is a continuing amount of approximately \$30,000 per year for vehicle replacement.

*Stormwater:* Mr. Connet recommended increasing the base fund to \$2 from \$1 to build a reserve for stormwater projects/repairs. This extra amount will generate approximately \$88,000/year.

Council Member Miller requested staff to investigate diesel vs compressed natural gas vehicles and gasoline vehicles for life of vehicle versus cost, etc.

There was additional discussion on the recommendation for a tax increase. A two-cent tax increase will result in \$340,000; the loss of privilege license taxes resulted in a loss of \$386,000.

At 1:28 p.m., **Council Member Caraker moved Council to enter a closed session to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee or prospective public officer or employee as provided under NCGS §143-318.11(a)(6). A unanimous vote of the Council followed. Motion carried.**

The Council performed a performance evaluation of the City Manager.

**Adjournment:** The meeting adjourned at 2:10 p.m. upon unanimous assent of the Council.

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Barbara G. Volk, Mayor

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Tammie K. Drake, City Clerk