



MINUTES

February 27, 2025

REGULAR MEETING OF THE CITY COUNCIL

BUDGET RETREAT PART 1

CITY HALL-3RD FLOOR CONFERENCE ROOM | 160 6TH AVE. E. | 6:00 p.m.

Present: Mayor Barbara Volk; Mayor Pro Tem Dr. Jennifer Hensley and Council Members: Lyndsey Simpson, Melinda Lowrance and Gina Baxter

Staff Present: City Manager John Connet, Assistant City Manager Brian Pahle, City Clerk Jill Murray, City Attorney Angela Becker, Budget & Evaluation Director Adam Murr, Management Analyst II Jennifer Floyd, Public Services Director Brent Detwiler, Public Works Director Tom Wooten, Communications Director Allison Justus and others

1. CALL TO ORDER

City Manager John Connet called the meeting to order at 6:00 p.m. and welcomed everyone to the meeting and to the new room on the 3rd floor. He said our theme for this retreat is "Charting the Course" coming after Hurricane Helene so we are charting the course for the next 18-24 months and focusing on recovery. He then turned it over to Assistant Manager Brian Pahle and his team of Budget & Evaluation Director Adam Murr and Management Analyst II Jenny Floyd.

Brian went over the agenda for the evening and for the next day and also what the desired outcomes are for the retreat. Then he, Adam and Jenny discussed the following PowerPoint presentation.

2. "CHARTING THE COURSE"

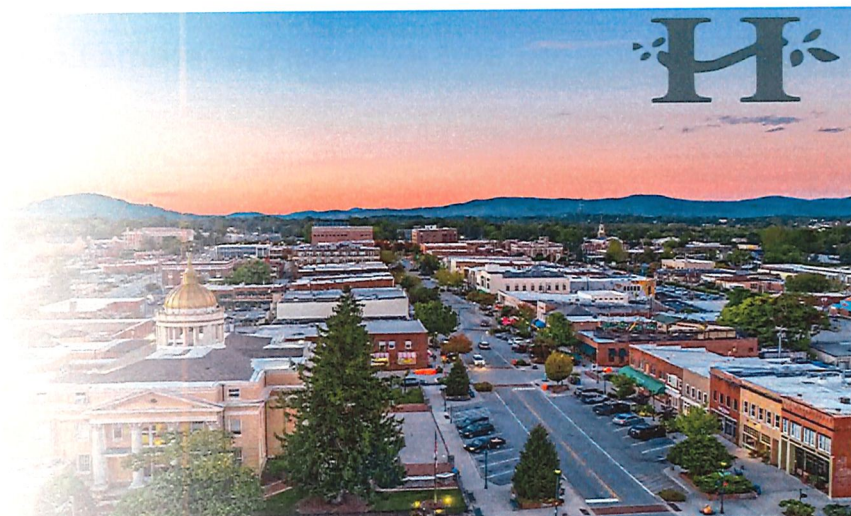
City Council Retreat

City of Hendersonville

02-27-25

&

02-28-25



AGENDA

Day 1 – City Hall – 160 6th Ave E

- | | |
|--------------------------------------|------------------|
| 1. Welcome & Retreat Orientation | 6:00 – 6:15 p.m. |
| 2. Setting the Stage – Helene Update | 6:15 – 6:45 p.m. |
| 3. FY24 Financial Review | 6:45 – 7:15 p.m. |
| 4. Economic Trends & Market Factors | 7:15 – 7:30 p.m. |
| 5. Compensation & Benefits | 7:30 – 8:00 p.m. |
| 6. Charting the Course - Closeout | 8:00 – 8:15 p.m. |

AGENDA	
Day 2 – <u>Claywood</u> – 317 7 th Ave E	
1. Welcome & Breakfast	8:30 – 8:40 a.m.
2. Team Building	8:40 – 9:10 a.m.
3. Strategic Plan Update	9:10 – 9:40 a.m.
4. Helene Recovery/Resiliency	9:40 – 11:00 a.m.
5. G.O. Bonds	11:00 – 12:00 p.m.
6. Lunch	12:00 – 12:30 p.m.
7. Accomplishments	12:30 – 2:00 p.m.

DESIRED OUTCOMES	
1. Review City Helene Recovery Efforts & Next Steps	
2. Review and Understand City Financial Position	
3. Total Compensation Overview	
4. Set Groundwork and Address Questions Leading into Friday	



ANCHORS
AWEIGH

Council Retreat
Feb. 27, 2025

“Charting the Course”



SETTING THE STAGE - HELENE	
	<p>Early morning, almost every dam in Western North Carolina burst. The No. 2 Dam on the Big Hungry River in Henderson County was one of only a very few left standing. The Rocky Broad River, Green River, Mills River, Big Hungry River and French Broad, with all their tributaries, overflowed their banks in a torrent of raging water throughout the county. Houses washed away. Mountain slides engulfed houses and people. All bridges and train trestles were washed away. All communication between Henderson County and the outside world was cut off.</p> <p>Central Henderson County, the “swamp” or bog, turned into a huge lake. The town of Hendersonville was an island surrounded by water on all sides. People in town had no way in or out.</p>

SETTING THE STAGE - HELENE

So, What's Next...

- Insurance
- S&P Credit
- FEMA – PA
- Other Grants
- Planning for the Future



SETTING THE STAGE - HELENE

Insurance

- \$5m Maximum Catastrophic Coverage
- Wind + Flood
- \$1.5m Advance
- ~\$2.0-\$2.5m Remaining
- Close to Final



434 Fayetteville Street, Suite 1900
Raleigh, NC 27601
919-715-4000 | nclm.org

HEALTH BENEFITS
919-715-4000
Fax: 919-715-4000

WORKERS' COMPENSATION
919-715-4000
Fax: 919-715-4000

PROPERTY & CASUALTY
919-715-4000
Fax: 919-715-4000

November 5, 2024

City of Hendersonville
160 6th Avenue East
Hendersonville, NC 28792

RE: Our Member: City of Hendersonville
Vehicle: 2023 Ram 550...20261
Date of Incident: 09/27/2024
Our Claim Number: 3240117759

Dear Steve,

As you know the City of Hendersonville is a participant in the Interlocal Risk Financing Fund of North Carolina.

We have a total loss for the 2008 Sterling51266. The Actual Cash Value was \$86,684.12. Less \$2,500.00 deductible and payment was made to the City for \$81,184.12.

If you have any questions, please feel free to call me at 919-715-0743.

Thank you.

Sincerely,

Charlotte P. Martin
Property & Casualty Adjuster
Administrator for Interlocal Risk Financing Fund of North Carolina



SETTING THE STAGE - HELENE

S&P Credit Watch

- Credit Watch Issued w/ Negative Outlook
- Staff Meetings w/ S&P
- Outlook is Stable
- Removed from Credit Watch

Summary:

Hendersonville, North Carolina; General Obligation

Credit Profile

Hendersonville GO Ltd oblig bnd ser 2021 due 06/01/2041
Long Term Rating

AA/Stable

Affirmed, Removed from CreditWatch

Credit Highlights

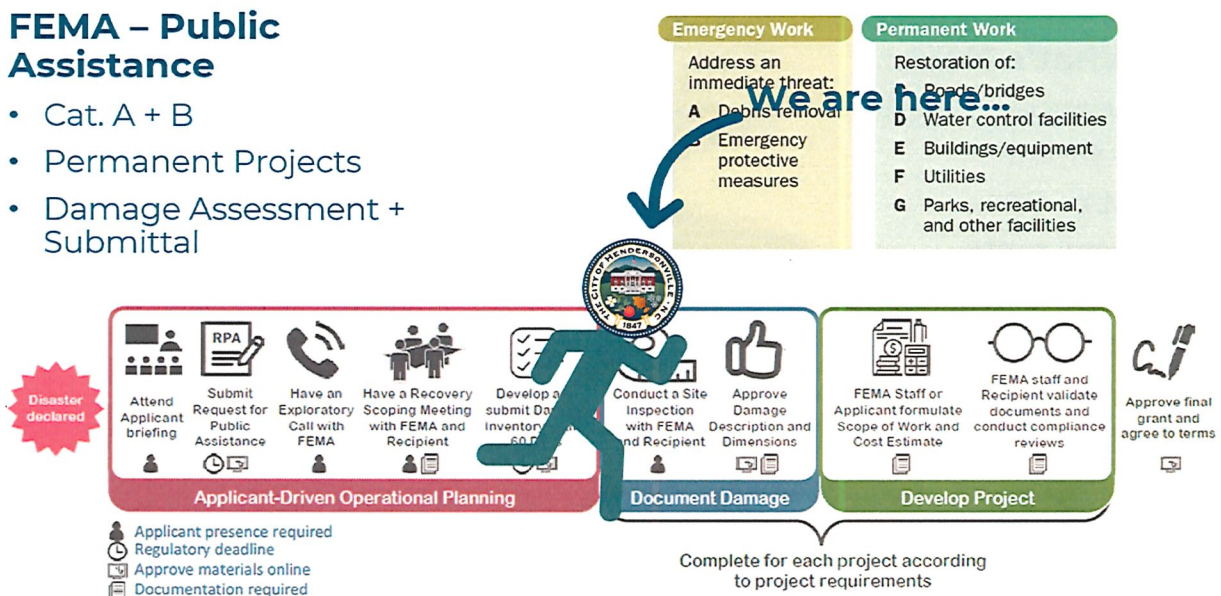
- S&P Global Ratings affirmed its 'AA' long-term rating on Hendersonville, N.C.'s series 2021 limited obligation bonds.
- At the same time, we removed the rating from CreditWatch, where it had been placed with negative implications on Oct. 17, 2024.
- The outlook is stable.
- The CreditWatch removal is based on our view of the hurricane's limited impact on the overall tax base and financial performance. Furthermore, we believe that the city's proactive management and budget flexibility, coupled with expected reimbursement from the state and FEMA, will allow it to incorporate the immediate to medium-term cost burden of rebuilding and repairs without materially deteriorating credit quality.



SETTING THE STAGE - HELENE

FEMA – Public Assistance

- Cat. A + B
- Permanent Projects
- Damage Assessment + Submittal



Hendersonville - FEMA Permanent Projects

Category Project Name

All ▼ All ▼

Project Description

A battery power supply that will maintain power at the water treatment plant between the time a surge or outage occurs and when the generator kicks on. The current lag between the outage and the generator power causes all systems to reset which brings up issues with system reboots. This will help maintain a seamless supply of water throughout an outage.

A directional bore permanent repair of the damaged water line.

A permanent repair for the bridge

A project replace storm damaged solid waste and recycling carts

A project replace storm damaged water filled

Project Links Engineer's Est. C/B Analysis

1108 Lugano Dr.
Guardrail Damage
near Lake

Project Count

82

Total Cost

173M

Avg. Cost

2M

Mitigation Goals

✓ Bring to Standard

✓ Remove from Floodplain

✓ Capacity & Redundancy

Project Locations

SETTING THE STAGE - HELENE

Other Grants

- Hazard Mitigation
- South Mountains Plan
- CDBG-DR
- EDA, USDA, etc.
- State and Federal Allocations/Loans

OPTIONS

FIRE STATION NO.3 -- SITE STUDY



2_BAY_OPTION

- Square Footage:
10,000 Sq. Ft.
- Construction Cost Total:
\$ 4,129,600
- Soft Costs:
\$ 784,624
- Total Estimated Project Costs:
\$ 4,914,224

3 BAY OPTION

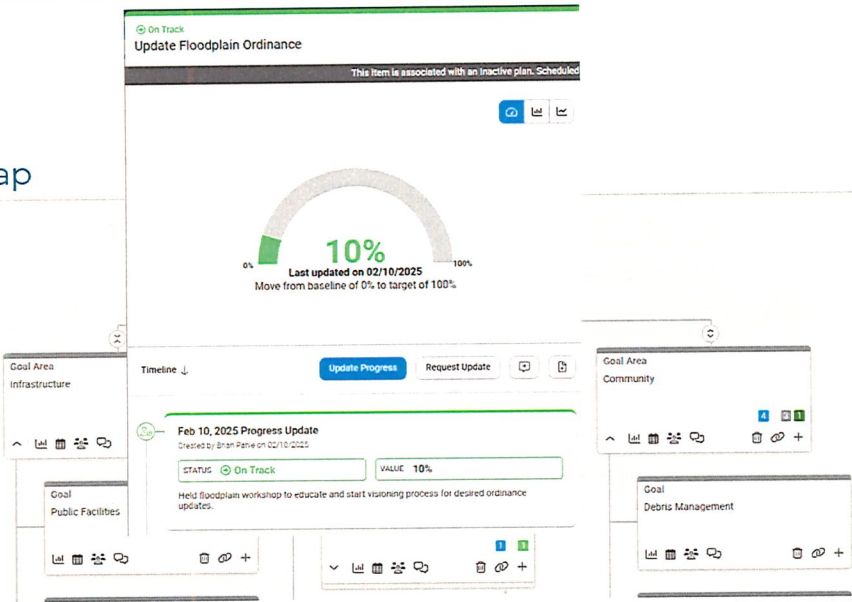
- Square Footage:
11,850 Sq. Ft.
- Construction Cost Total:
\$ 4,579,390
- Soft Costs:
\$ 870,084
- Total Estimated Project Costs:
\$ 5,449,474



SETTING THE STAGE - HELENE

Planning for the Future

- Capacity Building
- Strategic Plan Overlap
- G.O. Bond Process



SETTING THE STAGE - HELENE

Planning for the Future

- Capacity Building
- Strategic Plan Overlap
- G.O. Bond Process



DATE	TASK
June 5	City Council Meeting – Adopt (i) Resolution directing publication of notice of intent to apply to the LGC and (ii) Resolution authorizing the finance officer to apply to the LGC
June 9	Publish Notice of Intent
June 19	File LGC Application and Prepare Sworn Statement of Debt
July 3	City Council Meeting – Introduce Bond Order; Adopt Resolution Setting a Public Hearing on the Bond Order
By July 31	Send Statement of Disclosure to LGC and Post on City Website; Publish Notice of Public Hearing; File Sworn Statement of Debt
August 7	City Council Meeting – Hold Public Hearing; Adopt Bond Order; Adopt Resolution setting a Special Bond Referendum
August 8	Deliver Certified Copy of Resolution Setting a Special Bond Referendum to County Board of Elections
August 11	Publish Bond Order
August 12	File Notice with Joint Legislative Commission
By September 26	Publish 1 st Notice of Special Bond Referendum
By October 3	Publish 2 nd Notice of Special Bond Referendum
October [10]	Last Day to Register to Vote
November 4	Referendum
By November 14	County Board of Elections Adopts Certificate of Canvass
December 4	City Council Meeting – Adopt Resolution Certifying and Declaring Results of Special Bond Referendum
By December 6	Publish Statement of Result
[January 6]	LGC Approval
*City Council typically meets 1 st Thursday and 4 th Wednesday of each month	
RESPONSIBILITY LEGEND:	
Role	Entity
Issuer	City of Hendersonville, North Carolina
Regulatory Agency	Local Government Commission
Bond Counsel	Parker Poe Adams & Bernstein
Financial Advisor	First Tryon Advisors
	Defined
	"City"
	"LGC"
	"BC"
	"FA"



FY24 FINANCIAL REVIEW

Council Retreat
Feb. 27, 2025

“Charting the Course”



FY24 FINANCIAL REVIEW

City Financial Trends:

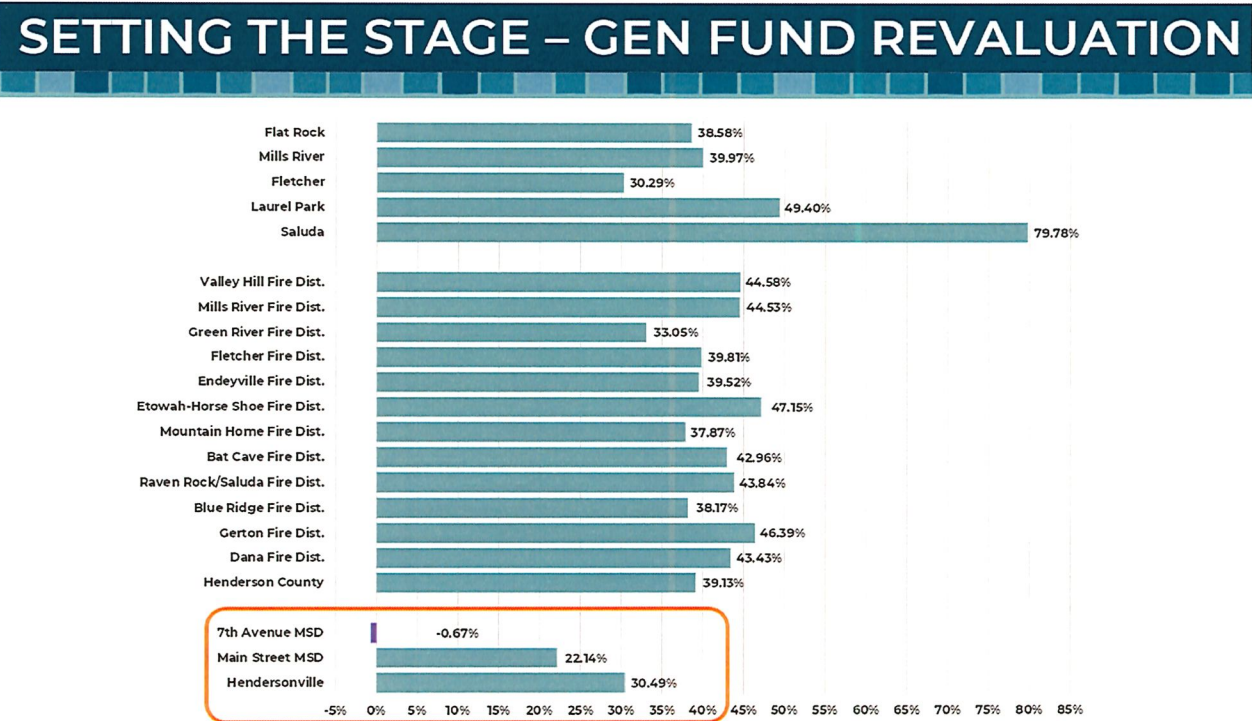
Starting Condition

- Reval. Year
- COLA: 3.00%
- Merit: 1.00% | 2.25% | 3.50%
- LGERS: 12.85% | 14.10%
- User Charges/Fees

Mid-Year Indicators

- Sales Tax
- Personnel Expenditures
- Steps Taken
 - General Fund Capital Project Freeze
 - City Wide Hiring Freeze





FY24 FINANCIAL REVIEW

General 010	
TAX RATE	\$0.49/\$100
REVENUES	\$ (25,341,526)
EXPENDITURES	\$ 25,955,787
OTHER FINANCING	\$ (92,259)
FUND BALANCE	
APPROPRIATED	\$ (522,002)
FUND BALANCE	
FY24 START	\$ 11,594,167
FUND BALANCE	
FY24 END	\$ 11,072,165

FY24 Highlights:

REVENUES

FY24 Estimate **\$24.2M** / FY24 Actuals **\$25.3M**

- RNTR = \$0.4192 per \$100.
- Slow sales tax growth
- Economic development

EXPENDITURES

FY24 Estimate **\$24.8M** / FY24 Actuals **\$25.9M**

- Personnel- **\$15.3M**
 - +6 FTES & End of SAFER Grant
- Operating- **\$6.7M**
 - COMP Plan- **\$150k**
 - Increased Utility Payments- **\$474k**
- Capital-
 - Pay-Go **\$256k**
 - Vehicles & Equipment Loan- **\$1.3M**
- Debt - **\$4.2M**

OTHER/FUND BALANCE

- Other – Sale of Capital Assets - **\$512k**
- Fund Balance / ARP
 - **\$350k**– IAM, Safelight, CFRC, TrueRidge

FY24 FINANCIAL REVIEW

Main St. 020

TAX RATE	\$0.21/\$100
REVENUES	\$ (655,124)
EXPENDITURES	\$ 733,812
OTHER FINANCING	\$ -
FUND BALANCE	
APPROPRIATED	\$ (78,688)
FUND BALANCE	
FY24 START	\$ 233,708
FUND BALANCE	
FY24 END	\$ 155,020

FY24 Highlights:

REVENUES

FY24 Estimate \$700k / FY24 Actuals \$655k

- RNTR = \$0.2032 per \$100.
- MSD Equalized Tax Rate = \$0.21
- Slow sales tax growth

EXPENDITURES

FY24 Estimate \$708K / FY24 Actuals \$734k

- Personnel- \$342k
 - +2FTE, Downtown Workers (75%)
- Operating- \$348k
 - Maint. Contract. - \$97k
 - Pressure Washing - \$10k
 - Hanging Baskets - \$22k
- Debt - DT Restrooms - \$45K

OTHER/FUND BALANCE

- Other - Furniture for Co-working Space- \$25k
- Fund Balance - \$78k decrease

FY24 FINANCIAL REVIEW

7th Ave. 021

TAX RATE	\$0.21/\$100
REVENUES	\$ (121,803)
EXPENDITURES	\$ 120,480
OTHER FINANCING	\$ 81,439
FUND BALANCE	
APPROPRIATED	\$ (80,116)
FUND BALANCE	
FY24 START	\$ 144,882
FUND BALANCE	
FY24 END	\$ 64,766

FY24 Highlights:

REVENUES

FY24 Estimate \$133k / FY24 Actuals \$122k

- RNTR = \$0.1967 per \$100.
- MSD Equalized Tax Rate = \$0.21

EXPENDITURES

FY24 Estimate \$148k / FY24 Actual \$120k

- Personnel- \$74k
 - +2FTE - Downtown Workers (25%)
- Operating- \$23k
 - Maint. Contract- \$7.2k
 - Depot Lighting- \$2.5k
 - Depot Architectural Design- \$3.6k
- Transfer to 7th Ave Streetscape- \$81k

OTHER/FUND BALANCE

- Fund Balance- \$80k decrease

FY24 FINANCIAL REVIEW

Water & Sewer 060

USER REVENUES	+~ 11.5%
REVENUES	\$ (25,243,737)
EXPENDITURES	\$ 23,309,079
OTHER FINANCING	\$ 330,557
FUND BALANCE	
APPROPRIATED	\$ -
FUND BALANCE	
FY24 START	\$ 9,153,556
FUND BALANCE	
FY24 END	\$ 10,757,657

FY24 Highlights:

REVENUES

FY24 Estimate \$23.8M / FY24 Actuals \$25.2M

- Water & Sewer User Fees:
 - Residential "lifeline tier."
 - Inside/Outside Rates: 135% → 130%.
 - Commercial users → flat rates.
- System Dev. Fee Direction

EXPENDITURES

FY24 Estimate \$22.8M / FY24 Actual \$23.3M

- Personnel - \$11.1M
 - Reclassifications | +6.5 FTE
- Operating- \$7.2M
 - Utilities - \$1.3M
 - Line Maint. - \$571k
- Capital - \$627k
- Debt - \$4.0M

OTHER/FUND BALANCE

- Bond Covenant:
 - (A) = 1.54
 - (B) = 1.16

FY24 FINANCIAL REVIEW		
Parking 064		
USER FEES		No Fee Change
REVENUES	\$	(1,108,035)
EXPENDITURES	\$	1,207,753
OTHER FINANCING	\$	-
FUND BALANCE		
APPROPRIATED	\$	(99,718)
FUND BALANCE		
FY24 START	\$	(415,337)
FUND BALANCE		
FY24 END	\$	(515,055)

FY24 Highlights:
REVENUES
FY24 Estimate **\$1.13M** / FY24 Actuals **\$1.10M**

- Parking Revenues:
 - Monthly Permits - **\$207k**
 - Garage - **\$166k**
 - Meters - **\$687k**
 - Fines/Penalties - **\$43k**

EXPENDITURES
FY24 Estimate **\$1.08M** / FY24 Actuals **\$1.20M**

- Personnel - **\$177k**
- Operating - **\$212k**
- Capital - **\$6.5k**
- Debt - Parking Deck - **\$812k**

OTHER/FUND BALANCE

- Fund Balance- **\$99k** decrease
 - Due to General Fund

FY24 FINANCIAL REVIEW		
Stormwater 067		
USER FEES		\$6.00/month
REVENUES	\$	(1,235,977)
EXPENDITURES	\$	1,144,784
OTHER FINANCING	\$	153,000
FUND BALANCE		
APPROPRIATED	\$	(61,807)
FUND BALANCE		
FY24 START	\$	16,497
FUND BALANCE		
FY24 END	\$	(45,310)

FY24 Highlights:
REVENUES
FY24 Estimate **\$1.32M** / FY24 Actuals **\$1.24M**

- Fee increased to \$6.00/mo./ERU
- FY27 Stormwater Revenue Bond \$7M

EXPENDITURES
FY24 Estimate **\$1.26M** / FY24 Actuals **\$1.14M**

- Personnel- **\$812k**
 - PW Crew Splits
- Operating - **\$103k**
- Capital - **\$146k**
 - General Stormwater Infrastructure
- Debt - **\$84k**

OTHER/FUND BALANCE

- Transfers Out- **\$153k**
- Fund Balance- **\$62k** decrease
 - Due to General Fund

FY24 FINANCIAL REVIEW		
Env. Services 068		
USER FEES		\$25.00/month
REVENUES	\$	(1,762,591)
EXPENDITURES	\$	1,711,556
OTHER FINANCING	\$	(7,900)
FUND BALANCE		
APPROPRIATED	\$	-
FUND BALANCE		
FY24 START	\$	34,901
FUND BALANCE		
FY24 END	\$	93,836

FY24 Highlights:
REVENUES
FY24 Estimate **\$1.84M** / FY24 Actuals **\$1.76M**

- \$23.00/mo. For 32-gal service
- \$25.00/mo. For 96-gal service.

EXPENDITURES
FY24 Estimate **\$1.77M** / FY24 Actuals **\$1.71M**

- Personnel- **\$1.0M**
- Operating- **\$558k**
- Debt- **\$137k**
 - Waste Truck
 - Brush Truck

OTHER/FUND BALANCE

- Sale of Capital Assets- **\$7.9k**
- Fund Balance - **\$58k** increase



ECONOMIC TRENDS & MARKET FACTORS

Council Retreat
Feb. 27, 2025

"Charting the Course"



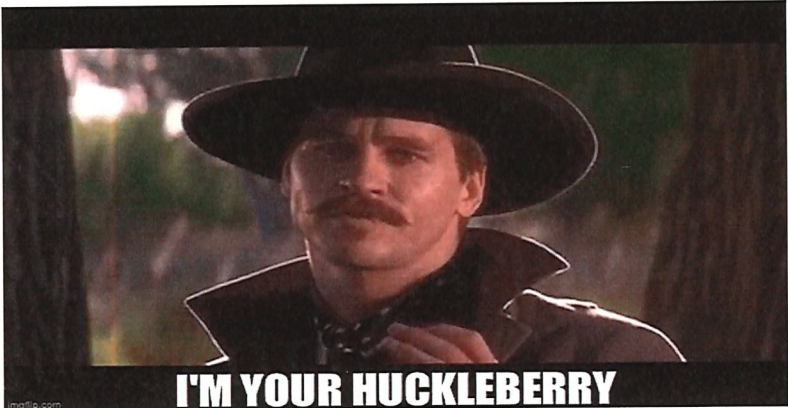
ECONOMIC TRENDS & MARKET FACTORS

Reminder:

I'm not an Economist;
(no PhD)

or, a Financial Advisor.
(no CFP)

REGARDLESS →



ECONOMIC TRENDS & MARKET FACTORS

MARKET FACTOR UPDATE

1. Work Area Profile
2. Post-Helene Economy/Labor Market
3. Inflation, CPI, & PCE
4. Our Predictions

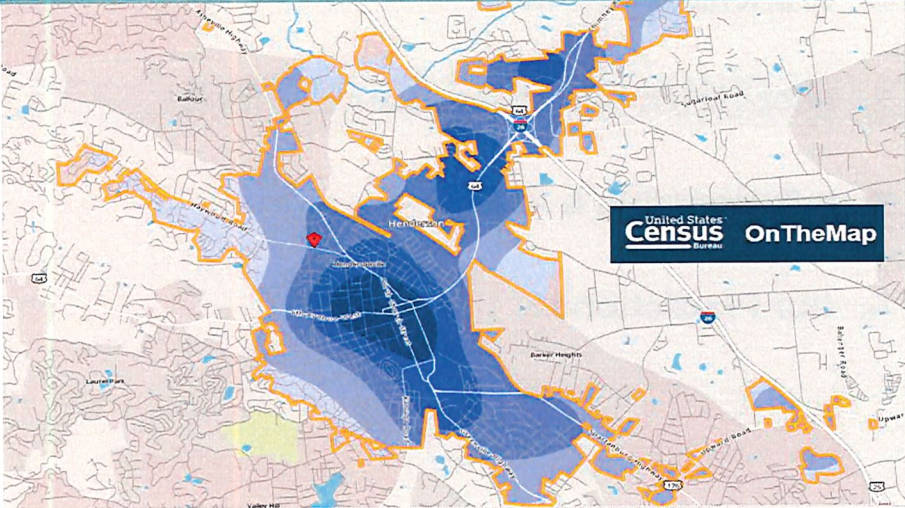


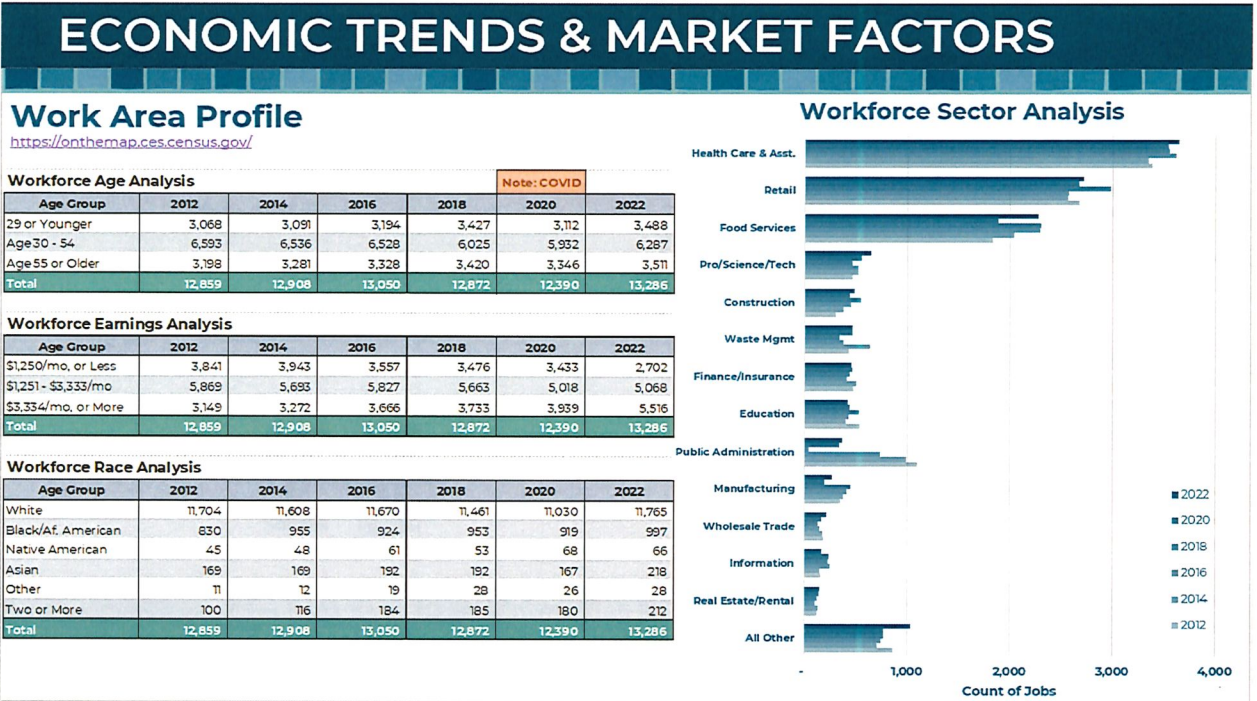
ECONOMIC TRENDS & MARKET FACTORS

Work Area Profile

<https://onthemap.ces.census.gov/>

- Workforce data:
 - Analyzed 2012 – 2022.
 - Every other year.
- Major Job Locations:
 1. Downtown.
 2. Health Facilities.
 3. 4 Seasons Blvd.
- Top Sectors:
 1. Health Care.
 2. Retail.
 3. Food Service.





- ## ECONOMIC TRENDS & MARKET FACTORS

Work Area Profile

<https://onthemap.ces.census.gov/>

 - From 2012 to 2022, the City's workforce has:
 - Experienced **aggregate job growth**: from **12,859** (2012) to **13,286** (2022).
 - Increased earnings**:
 - In **2022**, 42% of workers earned \$3,334/mo., or more.
 - In **2012**, 24% of workers earned \$3,334/mo., or more.
 - Become slightly **more diverse** (pardon the rounding):
 - In **2012**, 91% White | 6% Black | 1% Asian | 1% Two or More | 1% All Other.
 - In **2022**, 89% White | 8% Black | 2% Asian | 1% Two or More | <1% All Other.
 - Retained **similar work sectors**:
 - Health Care & Assisted Living.
 - Retail Trades.
 - Food Services & Accommodations.
 - Professional, Sciences, & Technical Services.
 - Construction.

- ## ECONOMIC TRENDS & MARKET FACTORS

MARKET FACTOR UPDATE

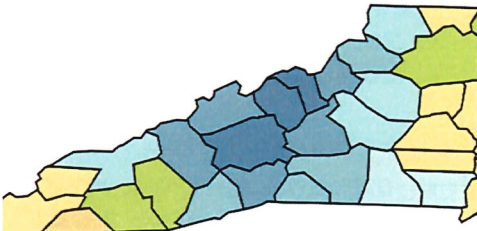
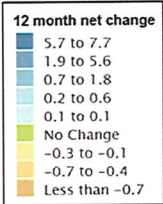
 - Work Area Profile
 - Post-Helene Economy/Labor Market
 - Inflation, CPI, & PCE
 - Our Predictions
- 

ECONOMIC TRENDS & MARKET FACTORS

Post-Helene Economy

<https://www.commerce.nc.gov/news/the-lead-feed/january-2025-nc-economy-watch>
https://data.bls.gov/austmap/showMap.jsp?sessionId=B79BF5CAA906EDF81F868ED508B5CC6B_t3_08v

- NC Dept. of Commerce Labor & Economic Analysis Division (LEAD)
- Unemployment impact concentrated - Asheville area.
- Unemployment of **all counties** impacted = **+0.5%** for the Oct. 2023 – Oct. 2024 period.
- **Buncombe County** was hardest hit “by far”: = **+7.7%** for the Oct. 2023 – Oct. 2024 period.
 - **Lowest** unemployment (**2.7%**) in NC, in Oct. 2023.
 - **Highest** unemployment (**10.4%**) in Oct. 2024



Note: data is subject to large seasonal patterns; so, the best comparison is year-over-year, not month-over-month.

ECONOMIC TRENDS & MARKET FACTORS

Post-Helene Economy

- Why is **Buncombe County** data important?

- Unemployment rates reflect where workers **live**, not **where jobs are**.
- Buncombe is a top destination job hub for commuters living in:
 - **Madison, 43.9%**
 - **Henderson, 28.8%**
 - **Haywood, 25.8%**
 - **McDowell, 16.8%**
 - **Yancey, 10.6%**
- If Buncombe’s job market is slow to recover, **folks in other Counties may remain jobless**.

Home County	Top Destination County	Share of Resident Jobs Located in Top Destination County, 2022
Madison County	Buncombe County	43.9%
Henderson County	Buncombe County	28.8%
Haywood County	Buncombe County	25.8%
McDowell County	Buncombe County	16.8%
Yancey County	Buncombe County	10.6%
Avery County	Watauga County	10.5%
Mitchell County	McDowell County	12.4%
Polk County	Henderson County	10.9%
Rutherford County	Mecklenburg County	8.4%

Source: U.S. Census Bureau, Longitudinal Employer Household Dynamics Origin-Destination Employment Statistics, 2022, Private-Primary Jobs

ECONOMIC TRENDS & MARKET FACTORS

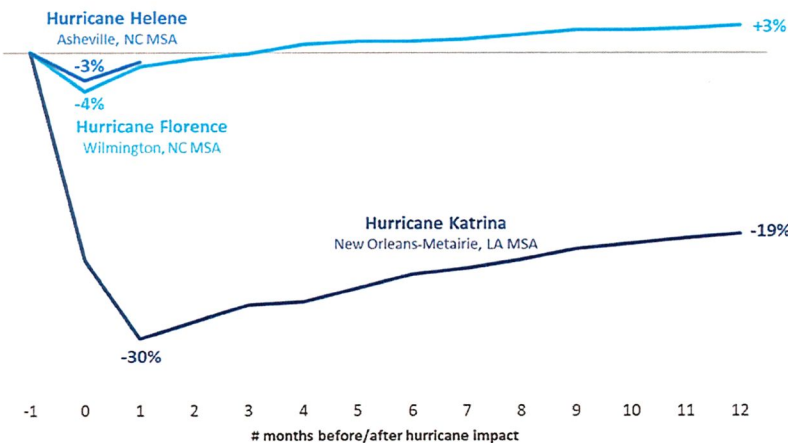
Post-Helene Economy

<https://www.commerce.nc.gov/news/the-lead-feed/january-2025-nc-economy-watch>

- NC Dept. of Commerce LEAD
- Helene **labor market**: recovery looks more like **Florence** than **Katrina**.

Will Asheville's labor market recover from Hurricane Helene?

% change in total nonfarm employment following impact of hurricanes



NC Department of Commerce, Labor & Economic Analysis Division (LEAD)
Source: US Bureau of Labor Statistics (Current Employment Statistics)

ECONOMIC TRENDS & MARKET FACTORS

Post-Helene Economy

<https://www.commerce.nc.gov/news/the-lead-feed/january-2025-nc-economy-watch>
https://data.bls.gov/lausmap/showMap.jsp?sessionId=B79BF5CAA906FDE81F868FD50BB5CC6B_t3_08v

- NC Dept. of Commerce
LEAD
- Henderson County** unemployment:
= **+2.0%** for the Oct. 2023 – Oct. 2024 period.
 - 3.0%** unemployment in Oct. 2023.
 - 5.0%** unemployment in Oct. 2024.
- Recent data shows improvement:
 - 0.8%**, to **4.2%** in Nov. 2024.
 - 0.6%**, to **3.6%** in Dec. 2024.

12 month net change

- 5.7 to 7.7
- 1.9 to 5.6
- 0.7 to 1.8
- 0.2 to 0.6
- 0.1 to 0.1
- No Change
- 0.3 to -0.1
- 0.7 to -0.4
- Less than -0.7

Reminder: not seasonally adjusted.

ECONOMIC TRENDS & MARKET FACTORS

Post-Helene Economy

...What does it mean?

- Buncombe County** was hit hard.
- In **Henderson County**, we were fortunate: comparatively low unemployment.
- Henderson County (**3.6%**) in-line with State unemployment avg (**3.8%**).
- Because of our **resilience** and **whole-team** [maximum] **effort**, we have a favorable credit rating:

Will labor market conditions improve for jobseekers across the state?
Hires as a share of total nonfarm employment in North Carolina (Jan 2014 - Nov 2024)

COVID-19 recession

6.6%

2014 average: 3.8%

Jan-2014 Jan-2016 Jan-2018 Jan-2020 Jan-2022 Jan-2024

NC Department of Commerce, Labor & Economic Analysis Division (LEAD)
Source: US Bureau of Labor Statistics (Job Openings and Labor Turnover Survey)

THE SCROLL OF TRUTH!

We **GOT STUFF DONE.**

S&P Global removed Henderson County's rating from CreditWatch in October 2024.

ECONOMIC TRENDS & MARKET FACTORS

MARKET FACTOR UPDATE

- Work Area Profile
- Post-Helene Economy/Labor Market
- Inflation, CPI, & PCE
- Our Predictions

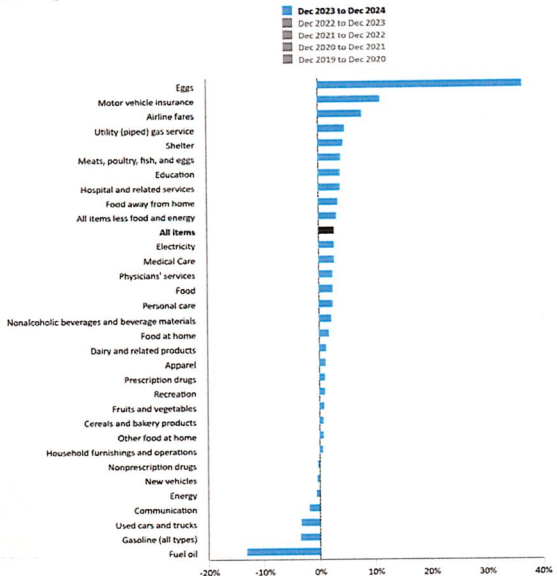
ECONOMIC TRENDS & MARKET FACTORS

Inflation, CPI, & PCE

- Bureau of Labor Statistics.
<https://www.bls.gov/opub/ted/2025/consumer-price-index-2024-in-review.htm>

- Jan. 24, 2025 Update: **"2024 in review."**
- Dec. 2023 – Dec. 2024 data:
 - \$ for all food groups ↑.
 - \$ for energy ↓.
 - \$ for motor vehicles ↑.
 - \$ for flights/airlines ↓.
 - \$ for medical care ↑.
- \$ for All Items ↑ (2.89%).**

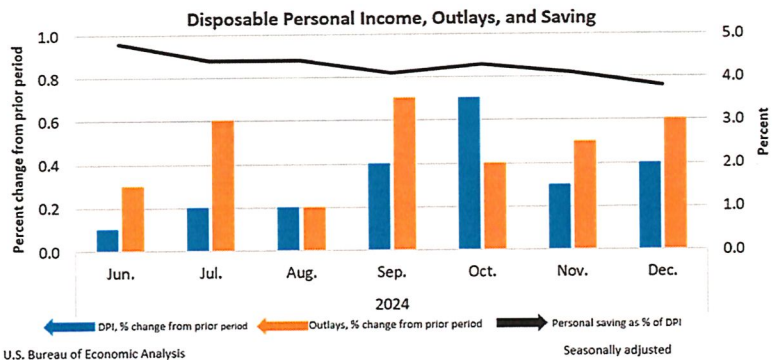
12-month percent change in the Consumer Price Index for All Urban Consumers, selected items



ECONOMIC TRENDS & MARKET FACTORS

Inflation, CPI, & PCE

- Federal Reserve Bank (FED) of St. Louis.
<https://fred.stlouisfed.org/series/PCEPI1FE>
<https://www.clevelandfed.org/publications/economic-trends/2014/et-20140417-pce-and-cpi-inflation-difference>
- Core Personal Consumption Expenditures (**Core PCE**).
- Nov. 2023 – Nov. 2024 data – lags a bit, but mirrors CPI.
- FED's preferred inflation measure.



ECONOMIC TRENDS & MARKET FACTORS

Our Predictions

- On Helene Recovery & The Labor Market (in Henderson County).**
 - The labor market in FY26 will depend more on **national trends**.
 - Helene recovery spending will bring a **short-run increase in spending**.
 - Evidence: record sales tax dist. - reflecting Nov. 2024 sales (\$612k).
- On Inflation, CPI, & PCE.**
 - The FED has already projected fewer 2025 rate cuts.
 - Inflation will largely depend on Presidential Administration & FED's actions.
 - According to **economic theory**... tariffs = less free trade = inflation.
- On Impacts to FY26 Budget Development.**
 - Unskilled labor (construction, farm, etc.) may become harder to find.
 - If unskilled labor supply decreases, wages rise to attract more workers.
 - For the City, this means increases to remain competitive.

ECONOMIC TRENDS & MARKET FACTORS

MARKET FACTOR UPDATE

1. Work Area Profile
2. Post-Helene Economy/Labor Market
3. Inflation, CPI, & PCE
4. Our Predictions



COMPENSATION
& BENEFITS

Council Retreat

Feb. 27, 2025

"Charting the Course"



COMPENSATION & BENEFITS		
1. Cost of Living Adjustment (COLA) / Living Wage		Rank #1 – Public Safety
2. Performance Pay Program (Merit)		Rank #2 – Compensation, Benefits, and Staff Development
3. 401k Employer Match		Rank #3 – Strong Infrastructure
4. Paid Family Leave (PFL) & Short-Term Leave (STL)		Rank #4 – Strategic Housing Plan
5. Health Insurance		Rank #5 – Growth Management and Community Character
6. Local Gov. Employee Retirement System (LGERS)		
7. Childcare & Summary		

COLA & LIVING WAGE

Teddy Roosevelt, Aug. 1912 →
<https://www.ssa.gov/history/trspeech.html>

- Council’s Living Wage Directive @ Pay & Classification (**FY23**) =
 - No permanent employee working a 2080 schedule should make < **\$16.88/hr.**
 - Aligned with **MIT’s** rec. from **2022**.
- We’ve had considerable inflation since...
- MIT’s **2025** adjusted rec. = **\$22.61/hr**

Note:
The base-level living wage options identified support...
a single adult, with 0 dependents, renting a studio apartment
in Henderson County, NC.

“We stand for a living wage. Wages are subnormal if they fail to provide a living for those who devote their time and energy to industrial occupations. The monetary equivalent of a living wage varies according to local conditions, but must include enough to secure the elements of a normal standard of living—a standard high enough to make morality possible, to provide for education and recreation, to care for immature members of the family, to maintain the family during periods of sickness, and to permit of reasonable saving for old age.”

~THEODORE ROOSEVELT

COLA & LIVING WAGE

We checked other sources too:
(non-profit & non-partisan research)

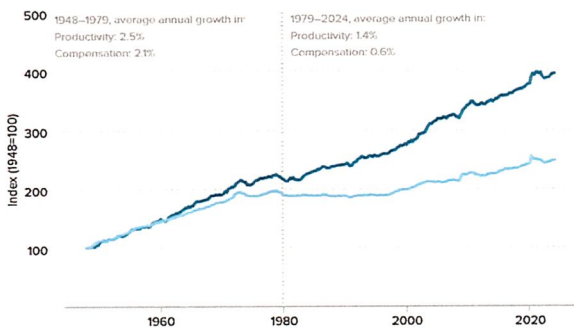
MIT: (prior slide), Feb. 2025
(Source 1) = **\$22.61/hr.**

Economic Research Firm, Jan. 2025
(Source 2) = **\$23.15/hr.**

Economic Policy Institute, Jan. 2025
(Source 3) = **\$26.47/hr.**

Average = \$24.07/hr.

The gap between productivity and a typical worker’s compensation has increased dramatically since 1979
Productivity growth and hourly compensation growth, 1948–2024



Notes: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. “Net productivity” is the growth of output of goods and services less depreciation per hour worked.

Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts.

COLA & LIVING WAGE

- **Average = \$24.07/hr**
- Currently (Jan. 2024), the City’s Living Wage = **\$18.78/hr**
- It’d be (nearly?) impossible to provide a **28.20%** COLA, so...
- We reviewed best practices to **bridge the gap**.
- **Recommended solution (FY26):**

[Current Wage] x [Inflation + 3.00%]
=[\$18.78/hr] x [2.89% +3.00%]
=\$19.89/hr

The Living Wage Rate:

The 2025 Living Wage Rate for employers in Buncombe County is \$23.15/hr, and the Pledged Living Wage Rate is \$19/hr with a commitment to raise wages 3% plus inflation until the living wage for that year is met.



COLA & LIVING WAGE

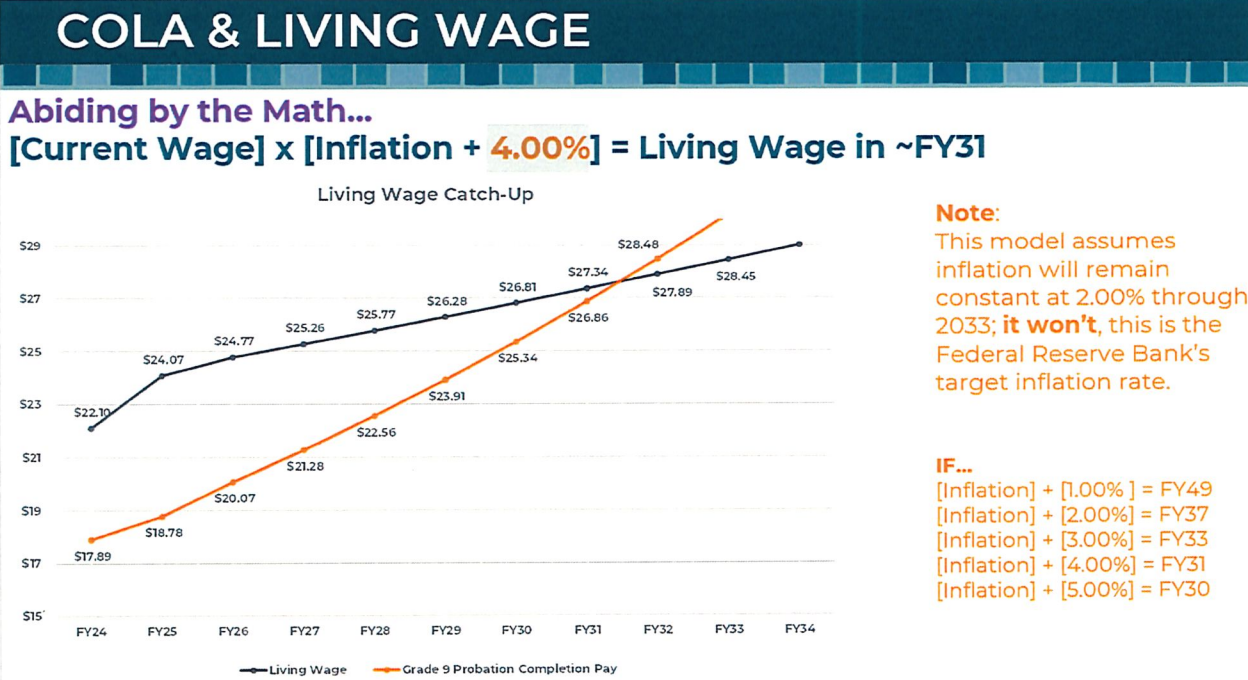
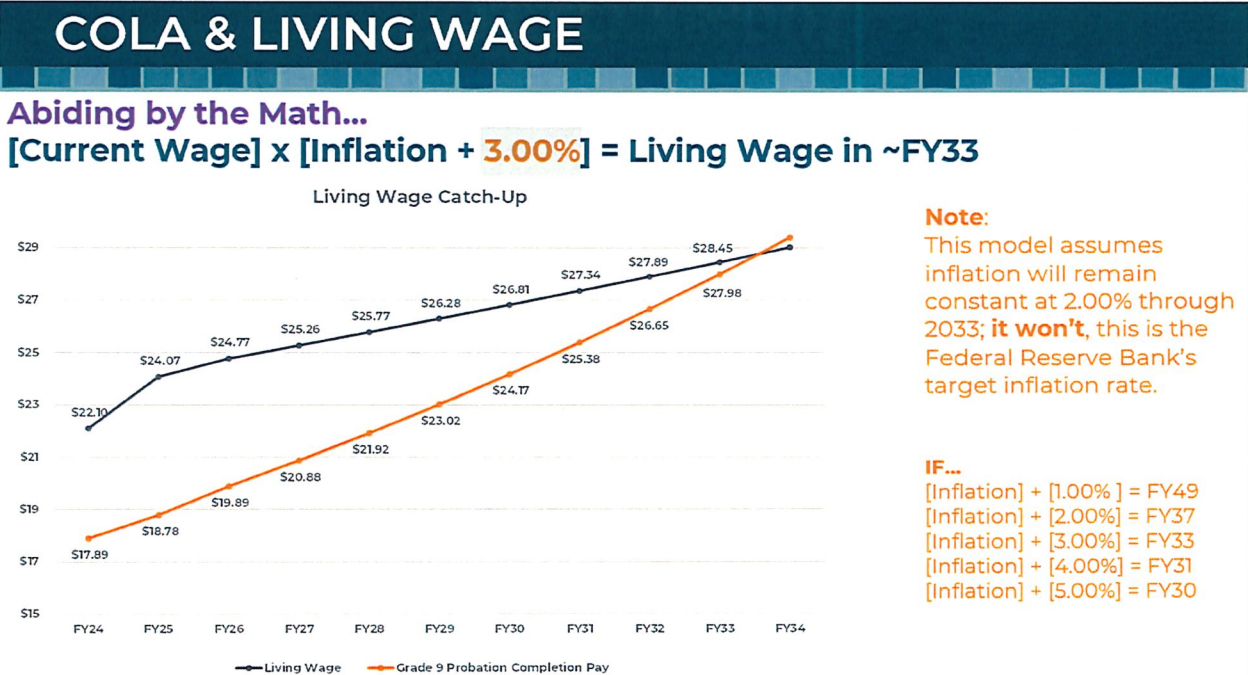
If we adopt a 5.89% COLA in FY26...

Hourly Pay Summary

			Grade Min. Annual Pay			
Position Title	Grade	Annual Hours	FY23 (act.)	FY24 (act.)	FY25 (act.)	FY26 (est.)
Admin Asst.(I)	Grade 9	2,080	16.54	17.04	17.89	18.94
Firefighter/EMT(I)	Grade 14	2,756	15.18	15.63	17.23	18.25
Police Officer (I)	Grade 15	2,184	20.11	20.71	22.83	24.18
Living Wage	-	2,080	16.88	19.31	23.01	24.21

Annual Pay Summary

			Grade Min. Annual Pay			
Position Title	Grade	Annual Hours	FY23 (act.)	FY24 (act.)	FY25 (act.)	FY26 (est.)
Admin Asst.(I)	Grade 9	2,080	34,407	35,440	37,212	39,403
Firefighter/EMT(I)	Grade 14	2,756	41,822	43,077	47,492	50,290
Police Officer (I)	Grade 15	2,184	43,913	45,231	49,867	52,804
Living Wage	-	2,080	35,110	40,165	47,861	50,357



COLA & LIVING WAGE

Growth in Assessed Value Needed:

Average annual growth = 2.0% – 2.5%

Assumed Living Wage COLA Increases	5.89%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Fiscal Year	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
General Fund Salary Cost	11,697,481	12,282,355	12,896,473	13,541,297	14,218,361	14,929,279	15,675,743	16,459,531
\$Δ, YoY: Living Wage Catch-Up	650,658	584,874	614,118	644,824	677,065	710,918	746,464	783,787

Assessed Value	3,187,205,610	3,301,278,410	3,421,054,849	3,546,820,110	3,678,873,634	3,817,529,835	3,963,118,845	4,115,987,306
Assessed Value \$Δ, YoY	126,903,161	114,072,799	119,776,439	125,765,261	132,053,524	138,656,200	145,589,011	152,868,461
Assessed Value %Δ, YoY	4.15%	3.58%	3.63%	3.68%	3.72%	3.77%	3.81%	3.86%

Levy	16,341,441	16,926,315	17,540,432	18,185,256	18,862,321	19,573,239	20,319,703	21,103,490
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To cover the cost of our living wage catch-up, our General Fund assessed property values would need to grow roughly 3.77% each year.

Our current average assessed value growth is between 2.0% - 2.50% each year.

Reval. Years FY28 & FY32 may offset the difference.

COMPENSATION & BENEFITS

1. Cost of Living Adjustment (COLA) / Living Wage

2. Performance Pay Program (Merit)

3. 401k Employer Match

4. Paid Family Leave (PFL) & Short-Term Leave (STL)

5. Health Insurance

6. Local Gov. Employee Retirement System (LGERS)

7. Childcare & Summary


Rank #1 – Public Safety

Rank #2 – Compensation, Benefits, and Staff Development

Rank #3 – Strong Infrastructure

Rank #4 – Strategic Housing Plan

Rank #5 – Growth Management and Community Character



PERFORMANCE PAY PROGRAM (MERIT)

Staff Led Committee – Program Dev.

- New Tiers = Below | Proficient | Impressive | Exceptional.
- New System for Tracking and Reviewing (Oracle).
- Selective Evaluation Topics by Position.

Annual Performance (Merit) Based Increases					
Performance Rating	FY23	FY24	FY25 (Current)	FY26 (Rec.)	FY27
Exceptional	3.00%	3.50%	HOLD	4.50%	5.00%
Impressive	2.00%	2.25%	HOLD	2.75%	3.00%
Proficient	1.00%	1.00%	HOLD	1.00%	1.00%
Below	-	-	-	-	-
Differential	1.00%	1.25%	0.00%	1.75%	2.00%

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401k MATCH PROGRAM

City Employee 401k Enrollment Count

Enrollment Type	Before Tax	After Tax (Roth)	Before & After
Dollar - Based	18	6	-
Percent - Based	69	75	11
Sub-Total (Before / After Tax)	87	81	11
Total Participation		179	

Enrollment Type	Before Tax	After Tax (Roth)
Min. \$ Contribution	\$ 15.00	\$ 10.00
Avg. \$ Contribution	\$ 76.39	\$ 113.00
Max. \$ Contribution	\$ 350.00	\$ 300.00
Min. % Contribution	1.00%	1.00%
Avg. % Contribution	4.89%	4.65%
Max. % Contribution	45.00%	23.00%

~45% Participation in City 401k Match Benefit:

155 EEs providing % based contribution

out of 340 full-time/permanent positions.

401k MATCH PROGRAM

401k Match Options (Current Participation, +5.89% COLA + Merit)

Fund	2% Match (Act.)	3% Match (Est.)	4% Match (Est.)	5% Match (Est.)
General Fund	115,494	156,136	189,768	219,957
Main St. MSD Fund	4,129	5,948	6,781	7,583
7th Ave. MSD Fund	1,176	1,721	1,959	2,190
Water & Sewer Fund	87,051	113,343	133,290	148,090
Parking Fund	1,279	1,513	1,671	1,829
Stormwater Fund	9,585	12,507	14,002	14,560
Env. Services Fund	6,247	8,367	9,757	11,148
TOTAL	224,962	299,534	357,228	405,357

Fund	\$Δ (2% to 3%)
General Fund	40,642
Main St. MSD Fund	1,819
7th Ave. MSD Fund	545
Water & Sewer Fund	26,292
Parking Fund	234
Stormwater Fund	2,922
Env. Services Fund	2,120
TOTAL	74,573

Recommended increase FY26:

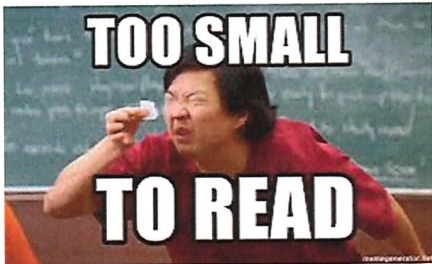
2% Match → 3% Match

401k MATCH PROGRAM

Reminder: Sworn Law Enforcement Officers

- **[N.C.G.S. 143-166.50(e)] Supplemental Retirement Income Plan for Local Governmental Law-Enforcement Officers:**
 - ...On and after 07/01/88, local govs **shall contribute 5.00%** of monthly compensation to the supplemental retirement income plan.
 - We provide a 5.00% 401k **contribution** for all sworn law enforcement employees... no L.E.O. employee **match** required.

(e) Supplemental Retirement Income Plan for Local Governmental Law-Enforcement Officers. – As of January 1, 1986, all law-enforcement officers employed by a local government employer, are participating members of the Supplemental Retirement Income Plan as provided by Article 5 of Chapter 135 of the General Statutes. In addition to the contributions transferred from the Law-Enforcement Officers' Retirement System, participants may make voluntary contributions to the Supplemental Retirement Income Plan to be credited to the designated individual accounts of participants. From July 1, 1987, until July 1, 1988, local government employers of law enforcement officers shall contribute an amount equal to at least two percent (2%) of participating local officers' monthly compensation to the Supplemental Retirement Income Plan to be credited to the designated individual accounts of participating local officers; and on and after July 1, 1988, local government employers of law enforcement officers shall contribute an amount equal to five percent (5%) of participating local officers' monthly compensation to the Supplemental Retirement Income Plan to be credited to the designated individual accounts of participating local officers.



COMPENSATION & BENEFITS

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3. 401k Employer Match
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- Rank #1 – Public Safety
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PAID FAMILY & SHORT-TERM LEAVE (PFL/STL)

- **3-year Averages:**
 - **PFL** Use = 111 weeks per year.
 - **STL** Use = 68 weeks per year.
- We anticipate lower use of the benefits in calendar year 2025... but it's **still early**.
- These benefits continue to be a tremendous help for EEs.

Paid Family Leave (Adopted Jul. 1, '21)

Calendar Year	# Uses	# Weeks
2021	6	36
2022	24	122
2023	24	128
2024	17	82
2025-So Far (Actual)	4	2
2025 Forecasted Total	8	48
Total	83	418

Paid Short-Term Disability Leave (Adopted Jul. 1, '21)

Calendar Year	# Uses	# Weeks
2021	6	31
2022	6	50
2023	16	116
2024	7	39
2025-So Far (Actual)	1	1
2025 Forecasted Total	3	18
Total	39	255

COMPENSATION & BENEFITS

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HEALTH INSURANCE

NCLM Plan Changes

Moved to Aetna.

+20.00% **Estimated** Increase in Premiums (high claimants in FY25).

Eliminated MERP in FY25.

Medical Insurance (PPO) Monthly Rates

	FY23		FY24		FY25 (Current)		FY26 (Est.)	
Category	City Cost	EE Cost	City Cost	EE Cost	City Cost	EE Cost	City Cost	EE Cost
Employee Only	642	-	642	-	683	-	770	-
Employee + Spouse	1,076	145	1,076	145	1,144	154	1,291	173
Employee + 1 Child	857	72	857	72	910	76	1,028	86
Employee + Children	997	118	997	118	1,060	126	1,196	142
Employee + Family	1,553	304	1,553	304	1,651	323	1,864	365
% Change	Decrease	-11.98%	No Change	0.00%	Increase	6.20%	Increase	20.00%
Notes	No coverage changes		No coverage changes		MERP, Eliminated Moved to Aetna		No coverage changes	

COMPENSATION & BENEFITS

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LOCAL GOV. RETIREMENT (LGERS)

LGERS (Retirement) City Contributions							
Employee Type	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Non-Law Enforcement	8.95%	10.15%	11.35%	12.10%	12.85%	13.60%	14.35%
Law Enforcement	9.70%	10.90%	12.10%	13.10%	14.10%	15.10%	16.10%
Cost by Fund	FY20	FY21	FY22	FY23	FY24	FY25 (Budget)	FY26 (Est.)
General Fund	751,611	854,968	1,048,209	1,289,892	1,514,953	1,788,304	1,906,735
Main St. MSD Fund	10,305	9,908	16,129	23,992	34,615	41,949	44,262
7th Ave. MSD Fund	3,059	3,279	4,855	6,718	10,016	11,451	12,082
Water & Sewer Fund	455,137	547,553	741,761	880,079	1,039,320	1,155,612	1,219,341
Parking Fund	-	-	-	9,574	26,541	30,300	31,971
Stormwater Fund	13,308	10,892	43,763	51,462	73,977	90,420	95,406
Environmental Services Fund	51,407	58,527	80,600	84,218	93,972	102,324	107,967
Grant Fund (SAFER Grants)	22,460	66,203	76,216	56,216	-	-	-
TOTAL	1,307,287	1,551,330	2,011,533	2,402,151	2,793,394	3,220,360	3,417,764
\$ Δ Year-over-Year		244,043	460,203	390,618	391,243	426,966	197,404
% Δ Year-over-Year		18.67%	29.67%	19.42%	16.29%	15.28%	6.13%

- Local Government Employees' Retirement System = **LGERS**
- Board of Trustees has an "Employer Contribution Rate Stabilization Policy" = **ECRSP**
- ECRSP** dictates what rates each local gov. pays towards employee retirements each year.
 - FY24 = **12.85%** for general EEs & **14.10%** for law enforcement (LEO).
 - FY25 = **13.60%** for general EEs & **15.10%** for law enforcement (LEO).
 - FY26 = **14.35%** for general EEs & **16.10%** for law enforcement (LEO).

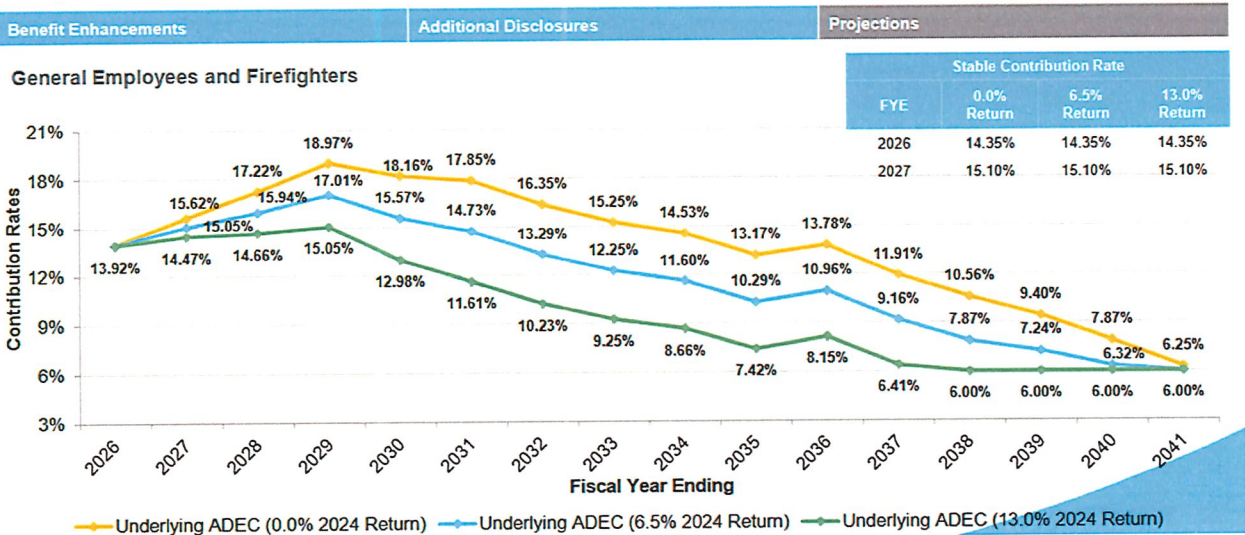
LOCAL GOV. RETIREMENT (LGERS)

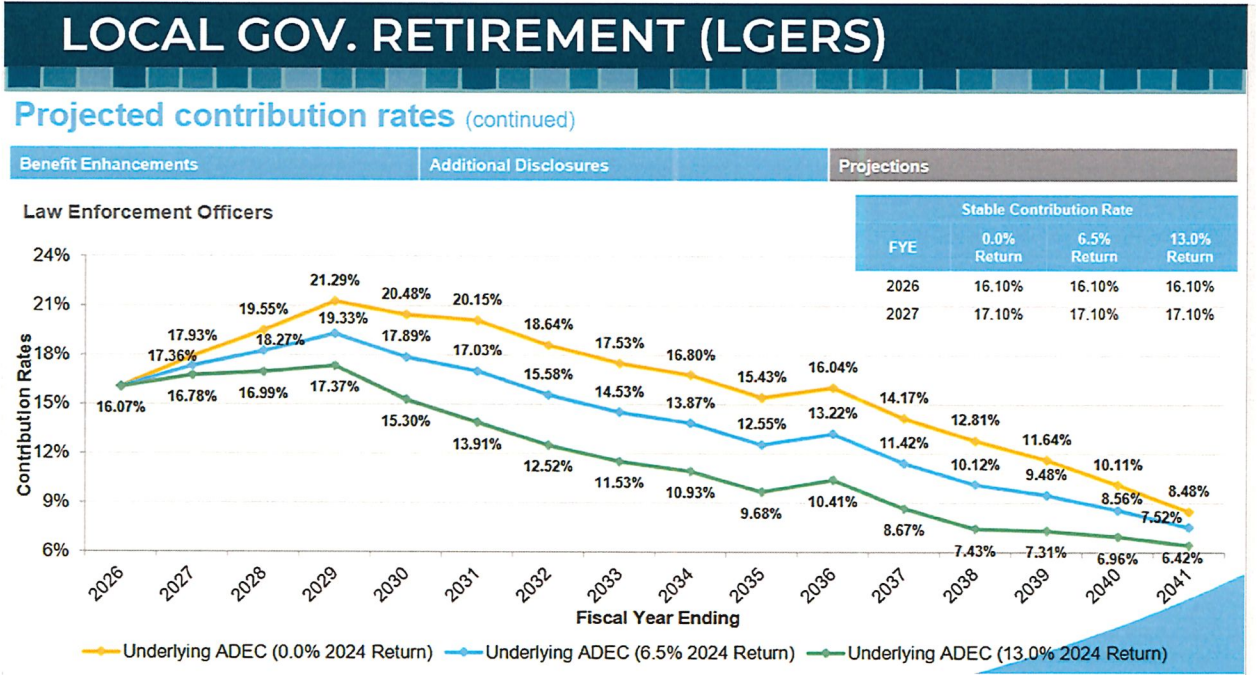
- More Certain:** increases in FY25 – FY27
 - LGERS/ECRSP has provided stabilized contribution amounts.
 - FY25: **13.60% General EE | 15.10% LEO**
 - FY26: **14.35% General EE | 16.10% LEO**
 - FY27: **15.10% General EE | 17.10% LEO**
- Less Certain:** FY28 – FY40+: depends on investment successes.
 - LGC baseline return projections = 6.5% annually.
 - Alternative projections assume 10.2% annually.
- Assuming no other personnel changes, increases to contributions in FY26 and FY27 will add a ~\$197,404 cost city-wide each year.
 - ~\$118,431 for the General Fund each year.



LOCAL GOV. RETIREMENT (LGERS)

Projected contribution rates





- COMPENSATION & BENEFITS
1. Cost of Living Adjustment (COLA) / Living Wage

2. Performance Pay Program (Merit)

3. 401k Employer Match

4. Paid Family Leave (PFL) & Short-Term Leave (STL)

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7. Childcare & Summary
- Rank #1 – Public Safety

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- 

- CITY-PROVIDED CHILDCARE
- Not included in FY26 recommendations; however, HR has researched options.
- Highest to Lowest anticipated cost (& risk):
1. City Owned & Managed Facility.

2. City Owned Facility / Program Managed by Outside Party.

3. Outside Owned Facility with a City funded provider.

4. Partnership - dedicated “seats” for Employees’ children.

5. Outside Owned & Managed Facility w/ EE stipend.

COMPENSATION & BENEFITS

- Summary:
 - Council's **#2 Priority**.
 - Most benefits are **controllable**.
 - Some benefits are **unfunded mandates**.
 - Compelled by **"the invisible hand."**
 - FY26 Recommendations:**

COLA	[2.89% + 3.00%] = 5.89%
Merit	1.00% 2.75% 4.50%
401k Match	2.00% → 3.00%
PFL/STL	No Change (Δ)
Insurance	20.00%
LGERS (General)	13.60% → 14.35%
LGERS (L.E.O.)	15.10% → 16.10%

Invisible Hand
[ˈɪn-ˈvi-zeɪ-bəl ˈhænd]
A metaphor for the unseen forces that move the free market economy.

Investopedia

Rank #1 – Public Safety

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COMPENSATION & BENEFITS

City Manager's Prioritization:

- Living Wage COLA Plan
- LGERS
- Health Insurance
- 401k Match
- Perf. Program Increases
- Paid Family Leave Increases
- Adding Childcare Benefits

Where do new FTEs fit in?

Rank #1 – Public Safety

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FAIR WINDS & FOLLOWING SEAS

Council Retreat
Feb. 27, 2025

"Charting the Course"

THE HALLMARK OF THE POST-FLOOD PERIOD

The Spirit of HVL Resilience

- What’s your hallmark?



3. ADJOURN

There being no further business, the meeting adjourned at 8:08 p.m. upon unanimous assent of the Council.

ATTEST:

Jill Murray
Jill Murray, City Clerk

Barbara G. Volk
Barbara G. Volk, Mayor

