

MINUTES
May 8, 2020
SPECIAL MEETING OF THE CITY COUNCIL [ELECTRONIC]
ASSEMBLY ROOM – OPERATIONS CENTER
5:45 p.m.

Present: Mayor Barbara G. Volk and Council Members: Jeff Miller, Jennifer Hensley

Participating Electronically: Mayor Pro Tem Smith, Council Member Lyndsey Simpson

Staff Present: City Manager John F. Connet, City Clerk Tammie Drake, Budget and Management Analyst Adam Murr, Communications Manager Allison Nock, Assistant Manager Brian Pahle

The purpose of the special meeting is to receive, review and discuss the proposed budget for fiscal year 2020-2021. Other topics may be discussed.

This meeting was held electronically to comply with the stay-at-home restrictions in place to avoid the spread of COVID-19. Public comments for the scheduled public hearings were received electronically beforehand. Roll call votes were taken to meet all requirements.

1. Call to Order: Mayor Volk called the regular meeting to order at 8:33 a.m. and welcomed those in attendance. A quorum was established with three members in attendance physically and two participating electronically.

Mr. Connet presented staff's recommended budget and reviewed the goals for the meeting: 1) to present budget and 2) gather guidance on tax rate needed to fund Council's priorities.

2. Special Appropriations: Mr. Murr explained the process for special appropriations requests. He stated it is a contract with local organizations to provide services. He asked that as Council consider the requests to remember the purpose of the funds as required by Article 5, Section 2 of the NC Constitution. All funds must benefit the citizens of a unit and not a single person or interest.

After discussion of the requests, **the Council agreed by consensus to the following special appropriations:**

City Manager Appropriation Goal: \$100,000		
	DIFFERENCE	
	\$51	
Organization	Request FY20-21	Council Appropriation
Advent Health	-	-
Agribusiness Henderson County (AgHC)	5,000	4,750
America In Bloom	-	-
Arts Council of Henderson County, Inc.	5,000	1,000
BRCC Educational Foundation, Inc.	3,500	1,450
Blue Ridge Community Health Services	10,000	5,400
Blue Ridge Humane	10,000	5,200
Blue Ridge Literacy Council	1,015	903
Boy's & Girl's Club of Henderson County	20,000	15,000
Carolina Concert Choir	-	-
Chamber of Commerce	-	-
Children & Family Resource Center	10,000	5,200
Flat Rock Playhouse (The Vagabond School)	10,000	1,216
Hand On! - A Child's Gallery	7,400	4,760
Henderson County Council on Aging	5,000	3,800
Henderson County Education Foundation	5,000	1,500
Henderson County Heritage Museum	-	-

Henderson County NAACP	20,000	1,520
Henderson County Young Leaders (Camplify)	2,500	1,300
Hendersonville Community Theatre	10,000	1,800
Hendersonville Shuffleboard Club	1,200	1,200
Hendersonville Sister Cities, Inc. (HSC)	1,500	1,150
Hendersonville Symphony - Youth Education	5,000	1,700
Hendersonville Symphony - Second Series	5,000	600
Interfaith Assistance Ministry	15,000	10,000
Mayor's Advocacy Council	500	500
Medical Loan Closet of Henderson County, Inc.	4,500	2,550
Mineral & Lapidary Museum	10,000	1,800
Pisgah Legal Services - Domestic Violence	5,000	2,900
Pisgah Legal Services - Homeless Prevnt. Proj.	5,000	2,900
Safelight, Inc.	10,000	9,000
St. Gerard House	3,500	2,000
Thrive	10,000	6,500
Team ECCO	2,000	1,100
The Mediation Center	1,500	1,250
True Ridge	10,000	3,100
		99,949

3. Enterprise Funds: Mr. Murr provided the following summary:

Environmental Services Fund: Major expenditures include a solid waste truck, scales for the waste trucks, drop axles for waste trucks, brush and leaf grinding, tree removal, tipping fees, and debt service for solid waste truck. Current year appropriations from fund balance is \$87,789 but in years forward no appropriation will be needed. Mayor Volk commented this is a very welcome service.

Revenues Estimated: \$1,246,101
 Expenditures Estimated:\$1,393,226

Stormwater Fund: Major expenditures include an asset assessment and infrastructure improvements. Revenues: The manager recommendation is to change the flat stormwater fee for all customers from \$3 to \$5/month to comply with unfunded mandates and meet best practices for managing the utility.

Revenues Estimated: \$547,208
 Expenditures Estimated:\$525,536

Water and Sewer Fund Topics: COVID-19 budget impacts were discussed. Staff has budgeted conservatively. A hiring freeze is in affect and no new positions are budgeted, and the COLA reduced from 3% to 1.5% but is frozen until management determines if there is sufficient funding.

Operating and Capital: \$2.2 million was adjusted in budget development and critical projects remain. Debt: Rates will be examined for future projects, prioritization and timing.

Recommended Budget: Revenues: \$17,605,675
 Expenditures: \$18,355,397

Estimated expenditures for FY 2019-20 are \$17.3 million or 104.9% of budget. Staff anticipates ending the fiscal year with a fund balance of \$14.2 million. A Gantt chart shows \$98.5 million for future projects in the next five years. Debt service payments will increase to approximately \$9 million/fiscal year by fiscal year 2025-26. Projects are the primary drivers for rates and fees. A dashboard is available to analyze impacts of rates on revenue as well as the UNC School of Government water and wastewater rates dashboard. A rate covenant is in effect with the revenue bond.

Differential Rates: The Council discussed the rate differential for inside/outside rates. Mr. Murr reviewed rates under different scenarios for 150% differential rates and a phase out of the differential over one, five or ten years

or immediately. Staff is recommending a ten-year phase out with a 150% differential. The models show revenues will remain (approximately) the same.

Council Member Miller supported equalizing water rates because it is the right thing to do because 60-70% of customer live outside the City. He stated this and would resolve conflict and requested Council to move in that direction. Council Member Hensley supported a five-year phase out. Mayor Pro Tem Smith supported staying at 150% differential for this fiscal year. He stated attempts to speak to members of Henderson County commission were unsuccessful. Mayor Volk prefers the City stay at the 150% differential but expressed concerns about the possibilities of what the State legislature could do and agreed to work toward equalization over ten years. Council Member Simpson prefers keeping the 150% differential but would agree to phase it out over ten years. Council Member Simpson stated lower in-side City rates are a perk for those being annexed into City. Mayor Volk agreed. Mayor Pro Tem Smith commented on benefits versus services and the difference between the financial consideration between the property taxes. He requested the differential remain at 150% this year.

After discussion by the Council Mr. Pahle stated a resolution setting the differential rate at 145% with Council's intent to follow the rate structure as presented over the next ten years but this could be changed annually. Staff will also present a statement of policy to consider during next budget process. Mr. Connet stated staff will prepare budget documents to show a 5% reduction in differential and a ten-year phase out.

4. Governmental Funds: Mr. Pahle provided the following information on the General Fund.

Financial Tables Overview: Methodology: Mr. Pahle reviewed staff's methodology used in developing the budget from what is known about the effects of COVID-19. Staff developed a very conservative budget with emphasis on keeping staff, implementing a hiring freeze, delaying raises, COLAs. He stated the City is in good position with a strong fund balance availability that helps with cashflow, supports debt issuances, supports investment earnings and balances the budget. Providing flexibility to the manager is important to this budget cycle.

Recommended Budget: Revenues: \$16,722,891
Expenditures: \$18,320,046

Revenues: There was discussion on the expected decrease in revenues, ad valorem taxes that have less than ¼ of percent increase in value, the tax collection rate of -1% or \$100,000 of an assessed value of \$2,143,549,200.

Unrestricted Intergovernmental Revenues: a decrease of \$325,000 is expected.

Sales tax: impacts will not be known until after the budget is developed.

NC taxable sales: Construction sales are very impactful to the state and locally and construction appears to have continued.

Revenues in Total: ad valorem is \$244,000 below trend, approximately \$1 million below what was expected.

Expenditures:

Personnel and Benefits: 6.1% increase including salary increases, 1.5% market 1% merit of which will be frozen until deemed appropriate by City Manager. Retirement contribution increases of \$200,000 are included, and the dependent coverage increase of \$100,000.

SAFER grant firefighters salary is included \$60,000+.

Operating and Capital:

Basic operating expenditures decreased 4.4% or \$160,000

Capital: necessities are included.

Debt service increases by 25.7% for the Police headquarters, the 7th Avenue Streetscape improvements and the Fire Engine purchase.

Fund balance scenarios were presented by Mr. Pahle. He stated staff is monitoring it closely and is aiming to break even. He stated staff has control over expenditures but the economy is the driver for revenues and staff will adjust accordingly.

Total Fund Balance: available percentage 32.04% for FY 19-20.

Mr. Pahle reviewed the available fund balance calculations for future years. He reviewed the projects under consideration showing a model and how it affects the ratios. Staff is recommending the tax rate remain at 49 cents per \$100/valuation.

Mayor Pro Tem Smith proposed cutting the tax rate to .48 which equals approximately \$200,000 in revenue. The Council discussed expenditures and paying for the firefighters SAFER Grant which will equate to a .06 cent increase next year. Mayor Pro Tem Smith commented he believes the City can absorb decrease. Council Member Miller noted the amount of the decrease and stated staff would have to come up with strategies to reduce the recommended. He stated it would be great to reduce taxes but the amount is negligible. The Council further discussed the unknowns. Mayor Volk commented the City would also lose sales tax and the decrease would be approximately \$260,000. She supported keeping the tax rate at .49 because of the uncertainties and would not

want to have even a higher increase next year. Council Member Simpson agreed and expressed concerns about how much more taxes would have to be raised.

The Council agreed to discuss it further at budget adoption.

Main Street MSD Fund: Staff recommends keeping the tax rate at .26. The goal is to keep the contracted landscaping. The General Fund paid for the change orders for the restroom project.

Recommended Budget: Revenues: \$494,134
Expenditures: \$494,266

7th Avenue MSD Fund: Staff recommends keeping the tax rate at .17.

Recommended Budget: Revenues: \$76,003
Expenditures: \$99,188

Health and Welfare Fund:

Recommended Budget: Revenues: \$285,305
Expenditures: \$274,006

5. Fee Schedule Overview: Mr. Connet stated the fee schedule will be reviewed at a later date. Proposed changes will be discussed.

6. Discussion and Direction: Mr. Connet asked for direction from the Council on:

Police Headquarters: Mr. Connet explained staff is waiting final approval from the USDA. He stated a special meeting will be called for Council’s approval of the letter of conditions, Form 1440-1 to continue the process.

Mr. Connet reviewed the budget for the project including soft costs, land and development. He recommended proceeding with the project, moving forward with financing with construction to begin in June.

Mr. Connet presented the followings bids:

2020 Installment Financing Agreement Note
Summary of Bids Received
May 6, 2020

Bank	Rate	Debt Service*	Bank Fees	Prepayment	Additional Terms
United Financial (HomeTrust Bank)	1.790%	\$11,919,550 \$11,747,830	\$0	Any time @ 100%	Contingent upon the receipt, review, and acceptance of the Letter of Conditions and Form 1940-1 from the USDA Loan proceeds must be deposited into a HomeTrust Bank escrow account at closing, which will serve as additional collateral during the funding phase Loan documents will be drafted by HomeTrust Bank The City may be required to cover additional expenses of the Bank, including Bank Counsel in the event that Bond Counsel drafts loan documents City will be required to provide satisfactory insurance coverage, including title insurance (estimated cost of \$11,050) City may be required to provide interim financial statements, and other pertinent information, upon request Must be accepted by June 1st Subject to final credit approval
Truist	2.100%	\$11,983,883 \$11,782,528	\$5,900	In whole at any time at 100%	Loan proceeds must be deposited into a Truist account at closing Truist will not require a survey or title insurance (estimated cost of \$11,050) At a minimum, Truist will require flood insurance, if applicable Subject to taxable gross up provisions Annual audited financial statements within 270 days of FYE Proposal may be cancelled if a material adverse change in the City's condition were to occur prior to closing

* Note: Assumes an \$11.5 million borrowing, plus Title Insurance premium (\$11,050 for HomeTrust) or Bank Fees (\$5,900 for Truist). First debt service figure assumes that the Note is outstanding until June 1, 2022 and the second service figure assumes that the Note is outstanding until August 1, 2021.

Mr. Connet stated he wanted Council to have the budget information before taking the next step in the process. Council Member Hensley asked if the closing fees with Truist could be negotiated when another bank is offering no closing fees. Mr. Pahle stated he will attempt negotiations.

Mayor Pro Tem Smith moved Council resolve to direct the City Manager or his designee to execute the amended AIA agreement with Edifice General Contractors approving a guaranteed maximum price (GMP), certificate of insurance, and payment and performance bonds as presented. He further moved Council resolve to direct the City Manager or his designee to execute the special inspections scope of work with SM&E as presented. And further, moved Council to resolve to authorize the City Manager or his designee to execute an agreement with a bank for the interim financing for the Police Department Headquarters Project contingent upon successful USDA and LGC approvals. A unanimous [roll call] vote of the Council followed. Motion carried. [The agreement is available in the office of the City Manager.]

2) Downtown Parking Deck: The Council discussed purchasing the Jackson Property, the negotiated extension for the purchase of the Fazio property, financing for the parking deck project, metering Main Street, possibly dropping one level of the parking deck, revenue and the cost of the deck.

The Council requested reports from staff on how much revenue from Main Street versus avenues and the effect on revenue before Council’s Workshop meeting on May 27.

Mayor Pro Tem Smith moved Council to resolve to direct the City Manager or his designee to execute the design services scope with Walker Parking Consultants as presented. He further moved Council to resolve to direct the City Manager or his designee to negotiate and execute a contract with Edifice General Contractors to serve as construction manager at risk on the parking

deck project, as presented. And further, he moved Council to resolve to approve the capital project ordinance and reimbursement resolution for the parking deck project as presented. A unanimous [roll call] vote of the Council followed. Motion carried.

Ordinance #20-0537

**CAPITAL PROJECT ORDINANCE FOR
THE PARKING DECK DEVELOPMENT PUBLIC-PRIVATE PARTNERSHIP PROJECT #19101**

BE IT ORDAINED by the Governing Board of the City of Hendersonville, North Carolina that pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following capital project ordinance is hereby adopted:

Section 1: The project authorized is a City infrastructure project described as the Parking Deck Development Public-Private Partnership Project.

Section 2: The following amounts are appropriated for the project:

Account Number			Account Name	Total Budget
Org	Obj	Proj		
4104120	519000	19101	Professional Services	\$ 487,000
Total Project Appropriation				\$ 487,000

Section 3: The following revenues are anticipated to be available via transfers from the General Fund for project expenses:

Account Number			Account Name	Total Budget
Org	Obj	Proj		
4104120	499100	499100	Proceeds of Debt	\$ 487,000
Total Project Revenue				\$ 487,000

Section 4: The Finance Director is hereby directed to maintain within the capital project fund sufficient specific detailed accounting records to satisfy the disclosure requirements of all the contractual agreements, if applicable.

Section 5: Funds may be advanced from the General Fund as necessary for the purpose of making payments as due. Reimbursement requests shall be made in an orderly and timely manner.

Section 6: The Finance Director is directed to report, on a quarterly basis, on the financial status of each project element in Section 3 and Section 4.

Section 7: The Finance Director is further instructed to include a detailed analysis of past and future revenues and expenses during each annual budget submission made to the Governing Board.

Section 8: Copies of this capital project shall be furnished to the City Clerk, Finance Director and City Manager for direction in carrying out this project.

ADOPTED by the City Council of the City of Hendersonville, North Carolina, on this eighth day of May 2020.

/s/Barbara G. Volk, Mayor

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

Approved as to form: /s/Samuel H. Fritschner, City Attorney

Resolution #20-0538

**HENDERSONVILLE, NORTH CAROLINA
DECLARATION OF OFFICIAL INTENT TO REIMBURSE**

BE IT RESOLVED by the City Council of the City of Hendersonville, North Carolina, this declaration (the "Declaration") is made pursuant to the requirements of the United States Treasury Regulations Section 1.150-2 and is intended to constitute a Declaration of Official Intent to Reimburse under such Treasury Regulations Section.

The undersigned is authorized to declare the official intent of HENDERSONVILLE, North Carolina (the "Issuer") with respect to the matters contained herein.

Expenditures to be Incurred. The Issuer anticipates incurring expenditures (the "Expenditures") for THE ACQUISITION, CONSTRUCTION, AND INSTALLATION OF THE PARKING DECK DEVELOPMENT PUBLIC-PRIVATE PARTNERSHIP PROJECT, ORDINANCE # _____ (the "Projects").

Plan of Finance. The Issuer intends to finance the costs of the Projects with the proceeds of debt to be issued by the Issuer (the "Borrowing"), the interest on which is to be excluded from gross income for Federal income tax purposes.

Maximum Principal Amount of Debt to be Issued. The maximum principal amount of the Borrowing to be incurred by the Issuer to finance the Project is \$8,000,000.

Declaration of Official Intent to Reimburse. The Issuer hereby declares its official intent to reimburse itself with the proceeds of the Borrowing for any of the Expenditures incurred by it prior to the issuance of the Borrowing.

ADOPTED by the City Council of the City of Hendersonville, North Carolina, on this eighth day of May 2020.

/s/Barbara G. Volk, Mayor

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

Main Street: Mr. Holloway presented a proposal for opening Main Street with a program to assist local restaurants while providing social distancing. The proposal is to close portions of Main Street between Avenues the avenues to allow on-street dining from Thursday to Sunday, Allen Street to Sixth Avenue, when the Governor allows the reopening of restaurants (phase II). This program will end November 1, 2020.

Mr. Connet stated Council may extend the same opportunities for other restaurants across the City which may include waiving parking requirements to allow outside dining in parking lots.

There was discussion of diagonal parking and other logistics such as tables and chairs. **There was general support by the Council to proceed with these measures.**

Small Business Loan Program: Mr. Connet stated this is a similar program to Buncombe County's for a \$10,000 loan. He explained since this was discussed, the General Assembly has approved an

appropriation to Golden Leaf and as a result Mountain Bizworks has recommended the small business loan program be put on hold to see if it is needed in the future. **No action was taken.**

7th Avenue Streetscape: Mr. Connet reported the design is 95% completed. He proposed including this project with the installment financing of the parking. **The Council agreed by consensus.**

7. Adjourn. The meeting adjourned at 2: 46 p.m. upon unanimous assent of the Council.

Barbara G. Volk, Mayor

Tammie K. Drake, City Clerk