MINUTES

October 25, 2023

SECOND MONTHLY MEETING OF THE CITY COUNCIL

CITY OPERATIONS CENTER | 305 WILLIAMS ST. | 4:00 p.m.

Present: Mayor Pro Tem Lyndsey Simpson and Council Members: Dr. Jennifer Hensley & Debbie O'Neal-Roundtree

Staff Present: City Manager John F. Connet, Assistant City Manager Brian Pahle, City Clerk Jill Murray, Communications Coordinator Brandy Heatherly, Budget Manager Adam Murr and others.

Via Zoom: Barbara G. Volk, Mayor

1. CALL TO ORDER

Mayor Pro Tem Lyndsey Simpson called the meeting to order at 4:00 p.m. and welcomed those in attendance. A quorum was established with all members in attendance.

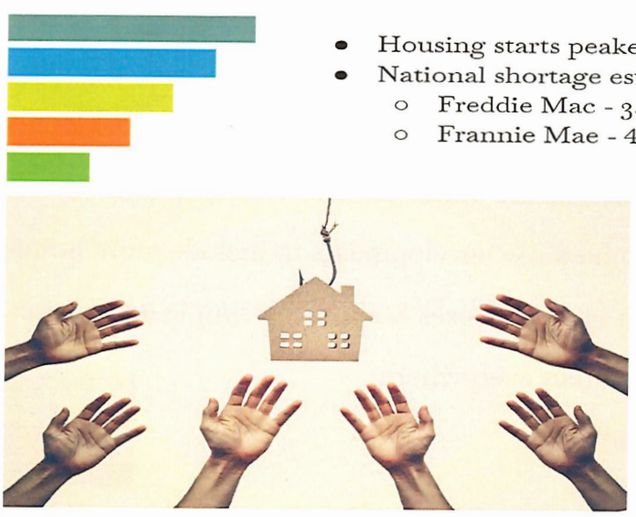
2. CONSIDERATION OF AGENDA

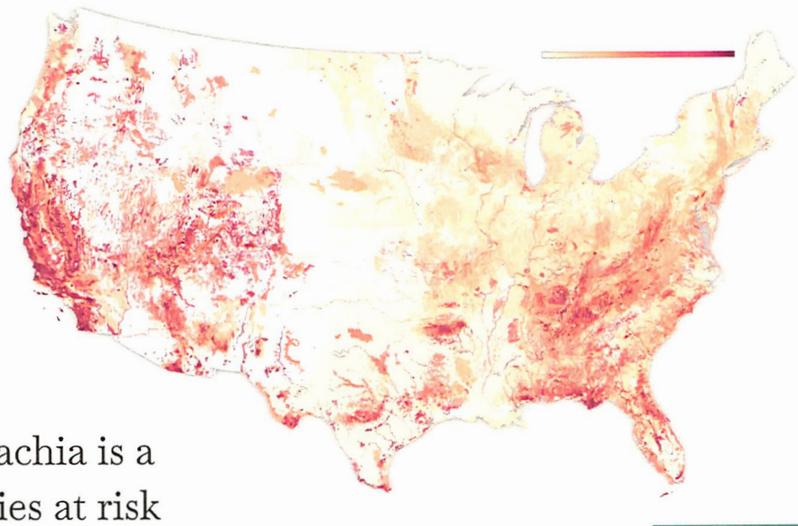
Council Member Debbie O'Neal-Roundtree moved to approve the agenda as presented. A unanimous vote of the Council followed. Motion carried.

3. PRESENTATIONS

A. Neighbors for More Neighbors Wnc – *Susan Bean, Mountain True*

Susan Bean from Mountain True and Nancy Diaz gave a brief PowerPoint presentation regarding potential types of affordable housing in existing neighborhoods.





Southern Appalachia is a hotspot for species at risk of vanishing

NEIGHBORS FOR MORE NEIGHBORS WNC

Missing Middle Housing

NEIGHBORS FOR MORE NEIGHBORS WNC

Best Practices on Municipal Zoning Policy

Allow more homes on every lot that allows a single-detached house

Allow one or more accessory dwelling units on all residential lots

Allow apartments or mixed-use developments in more places

Allow apartments & mixed-use developments to include more homes

Remove or reduce minimum lot sizes & allow fee-simple lot division

Allow manufactured homes everywhere

Allow very small homes

NEIGHBORS FOR MORE NEIGHBORS WNC

Hawkins Points Example

NEIGHBORS FOR MORE NEIGHBORS WNC

HENDERSONVILLE GEN H COMPREHENSIVE PLAN

Q1: As you look into the future, what are the top three things you are most concerned about for Hendersonville?

MT Recommendation: Consider including <u>Environmental Health</u> & <u>Housing</u> among your 3 selections. Prioritizing and investing in environmental protection is critical to making us more resilient to climate change challenges and maintaining Hendersonville residents' health. Housing for all the reasons shared previously.

mountaintrue. Protecting the Places We Share.

NEIGHBORS FOR MORE NEIGHBORS WNC

HENDERSONVILLE GEN H COMPREHENSIVE PLAN

Q4: Where in Hendersonville do you think new development (homes, jobs, etc.) should occur?

MT Recommendation: Please consider choosing **"Within the existing city limits with increased density."**

Q8: what housing types (beyond single-family houses) does Hendersonville need to ensure residents can find housing to match their life stage?

MT Recommendation: Please consider including **"Missing Middle Housing"** among your selections.

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NEIGHBORS FOR MORE NEIGHBORS WNC

B. Instant Runoff Elections – *Diane Silver and Lynn MacFarland, League of Women Voters*

Lynn MacFarland and Diane Silver gave a brief PowerPoint presentation regarding Ranked Choice Voting.

Who or what is Better Ballot NC?

BBNC is…

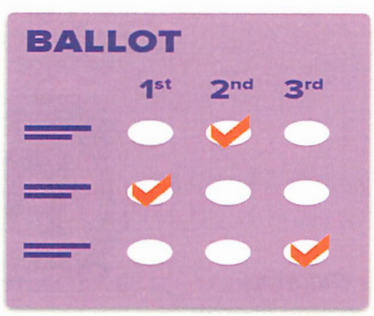
a non-partisan advocate for ranked choice voting, to give voters greater choice, a greater voice, and a more representative democracy for all.

Overview:

- Ranked Choice Voting
- Quick history of RCV in Hendersonville
- Relevance today
- Proposed action

Ranked Choice Voting

Voters rank the candidates.

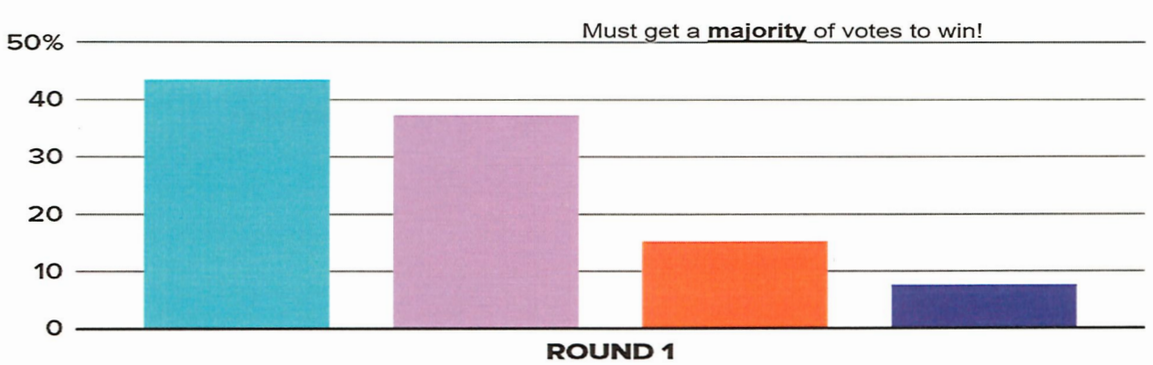


Rank your Choices!

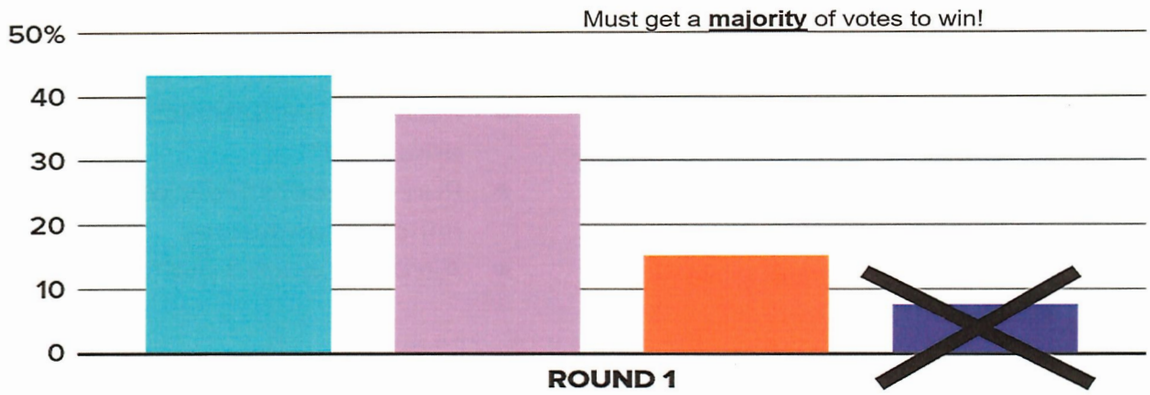
Fill in only one oval in each row and one in each column.
Rank as many or few as you wish.

	1st Choice	2nd Choice	3rd Choice	4th Choice	5th Choice	6th Choice
John Doe	◯	◯	◯	◯	◯	◯
Jane Smith	◯	◯	◯	◯	◯	◯
Mo Morris	◯	◯	◯	◯	◯	◯
Sarah Somebody	◯	◯	◯	◯	◯	◯
Dave Davis	◯	◯	◯	◯	◯	◯
Robin Roberts	◯	◯	◯	◯	◯	◯

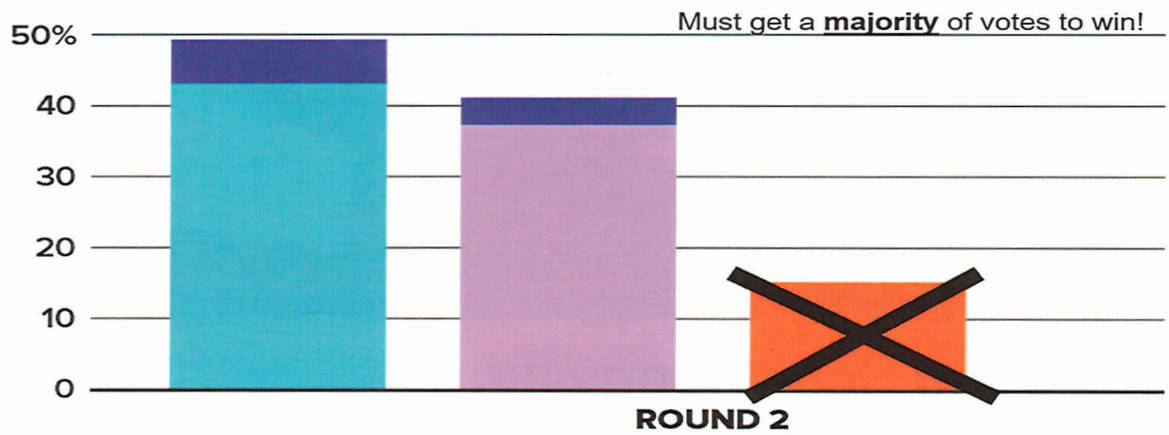
How it works (single winner)



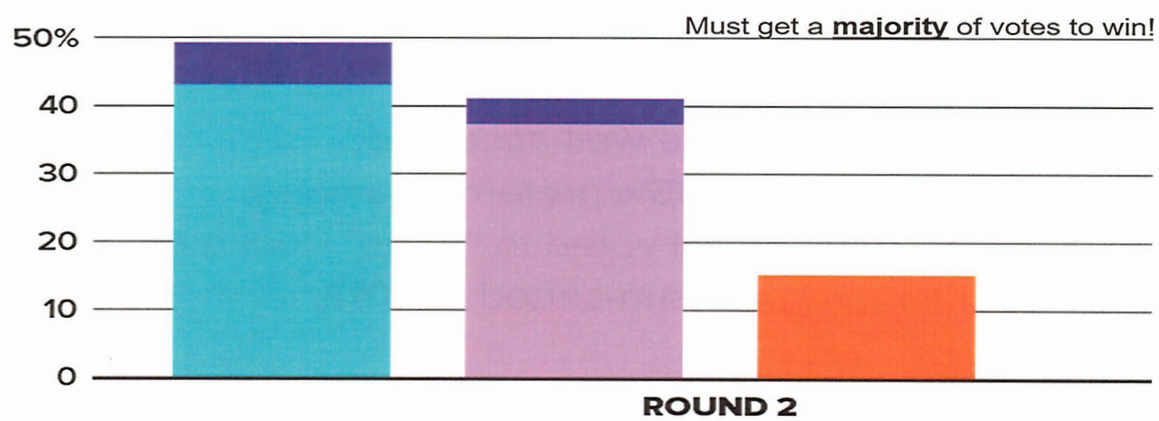
How it works (single winner)



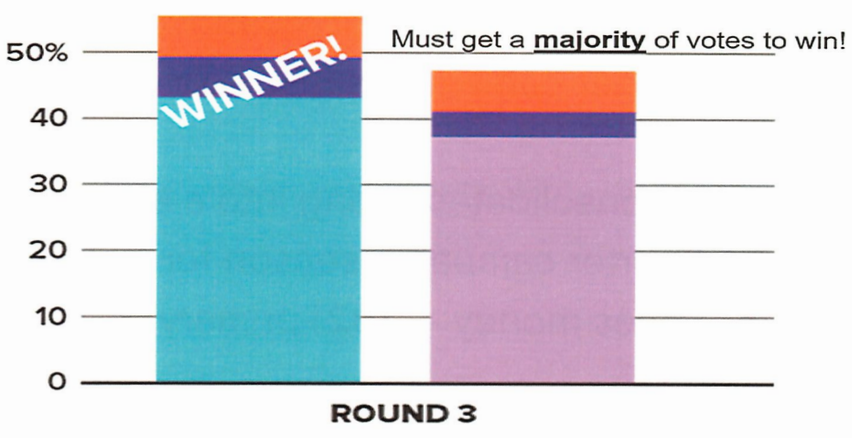
How it works (single winner)



How it works (single winner)



How it works (single winner)



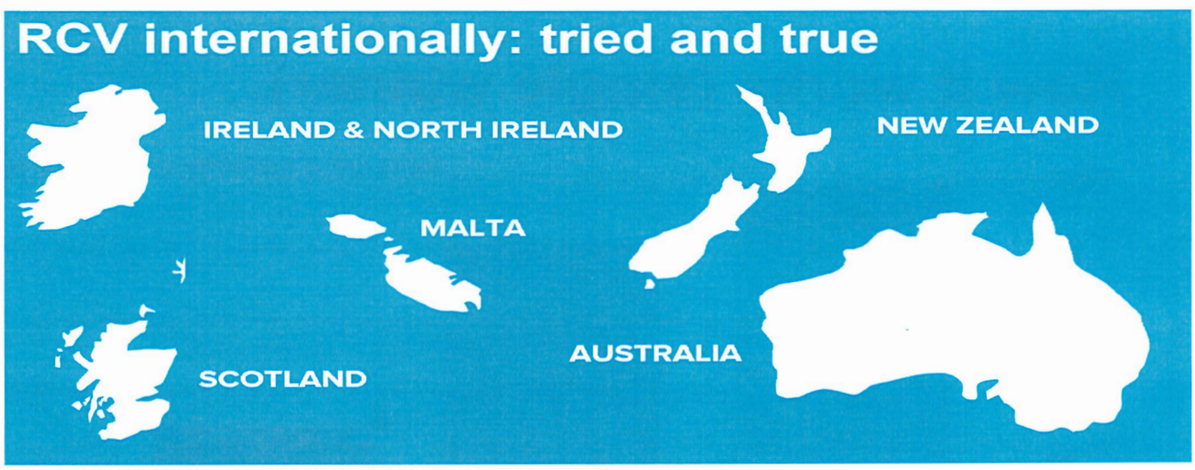
Ranked Choice Voting offers these advantages:

For Voters:

- More choice
- Eliminates spoiler effect
- Changes political incentives - more positive campaigns
- Participation for overseas voters
- Majority winners

For Candidates:

- Issue-focused; less defense
- Reduces weaponization of "being primaried"
- Run collaboratively with like-minded candidates
- Allows nuanced platforms



RCV in Hendersonville:

- Pilot program 2007 - 2011
- Multi-seat provision: 5 members on City Council with one at-large jurisdiction.
- Used it for 2 elections.
- Appeared to be well-accepted:
  - Exit polls: 85% preferred ranking.
  - City council voted to "re-up" during the pilot.
- Pilot program sun-setted in 2012.

Relevance today:

Requirement to switch elections to even years

- Request from County to move primaries to the spring
- Longer campaign season for candidates and voters

RCV consolidates voting into a single election in November

- Shorter campaign season for everyone
- Saves money -- 2021 primary: $17,000

C. System Development Fee Presentation – *Adam Steurer, Utilities Director*

Adam Steurer introduced David Hyder of Stantec who gave a brief PowerPoint presentation regarding water and sewer system development fees.

System Development Fees

- Fees charged for new connections joining the water and wastewater system and connections requiring additional system capacity
- Intended to recover the cost of constructing water and wastewater capacity, "growth pays for growth"
- Fees are applied based on units of service (representing potential demand on utility system / large user vs. small user)
- Hendersonville charged SDFs until 2016

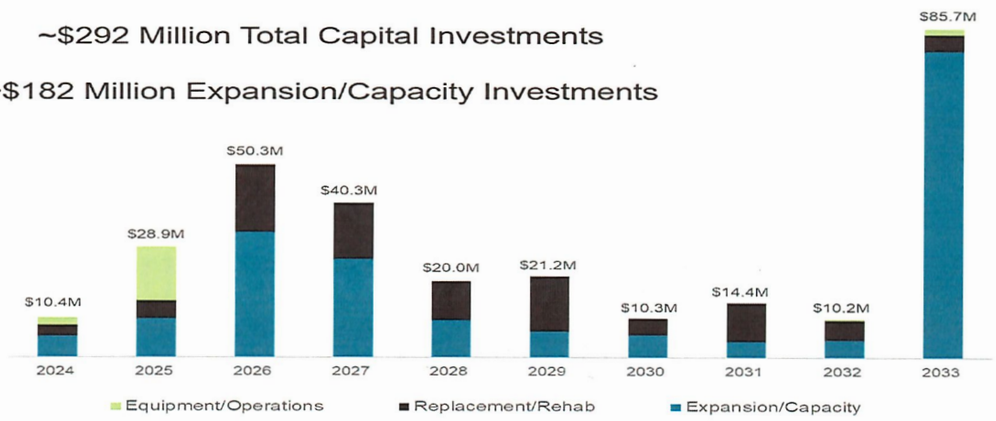
System Development Fee Considerations

- SDFs allow community to recover at least a portion of cost of constructing system infrastructure
- Lack of SDFs places full cost of infrastructure on user rates
- SDFs have potential impact on development but are very common in North Carolina
  - 81 NC utilities charge SDFs (2018/2019)
- Requirements and limitations on the use of SDFs given legislation
  - Analysis prepared by financial professional
  - Public comment period and public hearing
  - Separate tracking of revenues from SDFs
  - Limitations on use of proceeds depending on approach

Capital Improvement Plan FY2023

~$292 Million Total Capital Investments

~$182 Million Expansion/Capacity Investments



Approach / Methodologies

Methodology	Description	Appropriate For
Buy-In Method	Fees are based on cost of constructing existing utility system	System with ample existing capacity to sell
Incremental Cost Method	Fees are based on planned growth-related capital improvements	System with limited or no existing capacity to sell
Combined Method	Fees are based on cost of existing system and planned capital improvements	System with existing capacity to sell and with planning growth-related capital projects

Recommend the use of the **combined method** for water and sewer SDFs for City

Combined Method SDF Calculation

$$\text{System Development Fee} = \frac{\text{Value of System - Credit}}{\text{System Capacity}}$$

1) **Value of Utility System**
   - Depreciated value of current assets in place, escalated to current replacement cost
   - Plus: The value of future planned capital projects that will **add** capacity to the system (*10-Year Capital Plan*)
2) **Credits**
   - Outstanding principal on existing utility debt
   - NPV of principal on future debt over planning period (must equal at least 25% of expansion capital projects, if not additional credit required
   - Donated/contributed and non-core system assets
3) **System Capacity**
   - Total capacity in the utility system measured in units of service (Equivalent Residential Units or ERUs) with the existing system and expansion of the system

Units of Service

Water System (based on system demands)

Type	Average Consumption (gpd)
Single Family (1 equivalent residential unit - ERU)	136
Multi-Family	85
Mobile / Manufactured Home	133

Water System ERU Calculation	
Daily Usage per ERU (gpd)	136
Max Day Peaking Factor	1.5
Peak Day Usage per ERU (gpd)	**204**
Multi-Family Units (ERUs per Unit)	0.63

Sewer System (NC Planning Requirements)

Sewer System ERU Calculation	
State Standard Flow Rate (gpd) per Bedroom	120*
Planning # of Bedrooms	2
Sewer Use per ERU (gpd)	**240**
Multi-Family Units (ERUs per Unit)	0.63

**Legislation was recently passed that allows for reduction down to 75 gpd*

Water SDF Calculation

	Source / Treatment	Transmission / Distribution	Total
Replacement Value of Existing Depreciated Assets	$35,827,300	$60,665,774	$96,493,074
Expansion Capital Projects	$63,485,535	$45,005,000	$108,490,535
Total Value	**$99,312,835**	**$105,670,774**	**$204,983,609**
Less Credits			
Outstanding Debt Principal	($6,704,970)	($11,353,414)	($18,058,384)
Donated and Non-Core Assets	(1,219,302)	(8,960,275)	(10,179,577)
Revenue Credit (NPV of future debt principal over period)	(29,570,505)	(20,962,580)	(50,533,085)
Net System Value	**$61,818,058**	**$64,394,506**	**$126,212,563**
System Capacity - Million Gallons per Day*	18	18	
Level of Service per ERU (gallons per day)	204	204	
Equivalent Residential Units (ERU)	**88,235**	**88,235**	
Water System Development Fee Per ERU	**$701**	**$730**	**$1,431**

**Includes 6 MGD WTP plant expansion*

Water Calculated SDF - $7.01 per gallon per day

Sewer SDF Calculation

	Treatment	Conveyance / Collection	Total
Replacement Value of Existing Depreciated Assets	$28,145,176	$35,802,595	$63,947,771
Expansion Capital Projects	$57,750,769	$16,212,000	$73,962,769
Total Value	**$85,895,945**	**$52,014,595**	**$137,910,540**
Less Credits			
Outstanding Debt Principal	(6,446,996)	(8,201,021)	(14,648,017
Donated and Non-Core Assets	(63,282)	(2,629,945)	(2,693,227)
Revenue Credit (NPV of future debt principal over period)	(26,899,347)	(7,551,280)	(34,450,627)
Net System Value	**$52,486,320**	**$33,632,349**	**$86,118,669**
System Capacity - Million Gallons per Day*	7.8	7.8	
Level of Service per ERU (gallons per day)	240	240	
Equivalent Residential Units (ERU)	**32,500**	**32,500**	
Wastewater System Development Fee Per ERU	**$1,615**	**$1,035**	**$2,650**

**Includes 3 MGD WWTP plant expansion*

Sewer Calculated SDF - $11.04 per gallon per day

Assessment of System Development Fees

- SDFs must be applied based on units of service (represents potential demand)
- SDFs can be scaled by:
  - American Water Works Association (AWWA) meter equivalents
  - Heated square footage
  - Customer type
  - Combination of methods

Meter size	Equivalent Residential Units (ERU)
3/4"	1.00
1"	1.67
1 ½"	3.33
2"	5.33
3"	11.67
4"	21.00
6"	43.33
8"	93.33
Multi-Family (per unit)	0.63

Survey - SDF Assessment Basis

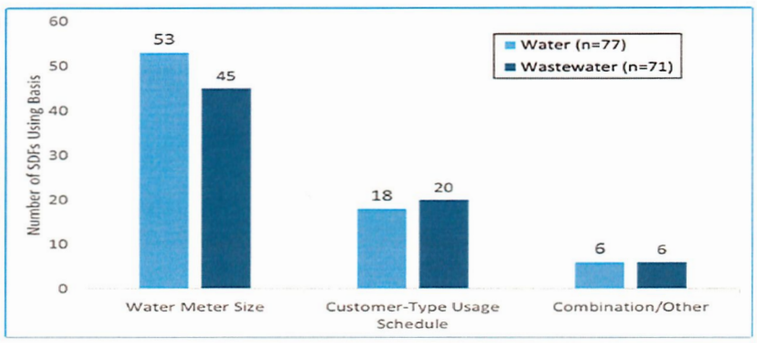


Figure 2: Number of System Development Fees by Fee Basis

Source: UNC School of Government Environmental Finance Center.
System Development Fees in North Carolina After the New Law. September 24, 2019

Scaling Water Service

Water System (based on historical demands)

Property Type	Average Usage (gpd)	Peaking Factor	Max Day Units of Service (gpd)
Single Family (Heated sq. ft.)			
<1,000	118	1.50	178
1,000 - 1,500	127	1.50	190
1,501 - 2,000	129	1.50	194
2,001 - 2,500	137	1.50	206
2,501 - 3,000	143	1.50	214
3,001 - 3,500	153	1.50	230
3,501 - 4,000	164	1.50	246
Over 4,000	189	1.50	284
Multi-Family per unit	85	1.50	128
Mobile/Manufactured Home	133	1.50	200
Non-Residential (3/4" water meter)	237	1.50	356

Scaling Sewer Service

Sewer System (based on NC planning requirement and historical demands)

Property Type	Water Use Ratios	Units of Service (gpd)
Single Family (Heated sq. ft.)		
<1,000	87%	209
1,000 - 1,500	93%	223
1,501 - 2,000	95%	228
2,001 - 2,500	101%	242
2,501 - 3,000	105%	252
3,001 - 3,500	113%	271
3,501 - 4,000	121%	289
Over 4,000	139%	334
Multi-Family per unit	63%	150
Mobile/Manufactured Home	98%	235
Non-Residential (3/4" water meter)	174%	418

Water Use Ratio : Property Type Usage / ERU usage of 136 gpd

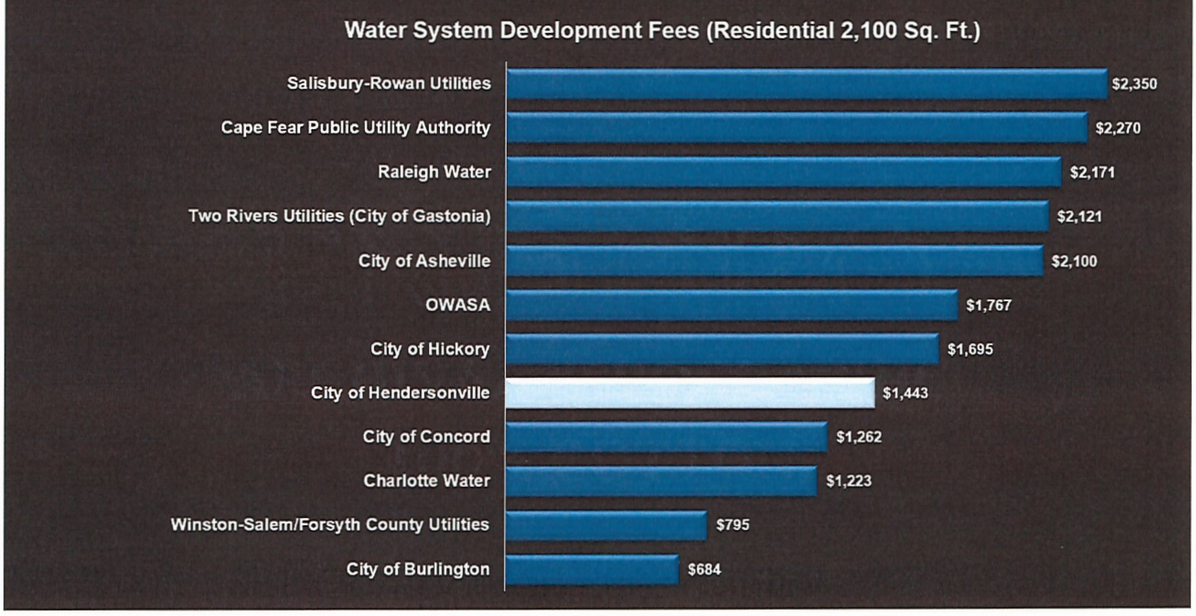
Residential Calculated SDFs

Dwelling Heated Sq Ft	Calculated Water SDF	Calculated Wastewater SDF	Combined SDF
<1000	$1,247	$2,309	$3,555
1,000 - 1,500	$1,332	$2,466	$3,797
1,501 - 2,000	$1,359	$2,517	$3,876
2,001 - 2,500	$1,443	$2,672	$4,115
2,501 - 3,000	$1,500	$2,778	$4,278
3,001 - 3,500	$1,613	$2,987	$4,600
3,501 - 4,000	$1,724	$3,193	$4,981
4,000+	$1,992	$3,689	$ 5,681
Multi-Family (per unit)	$894	$1,656	$2,551

Non-Residential Calculated SDFs

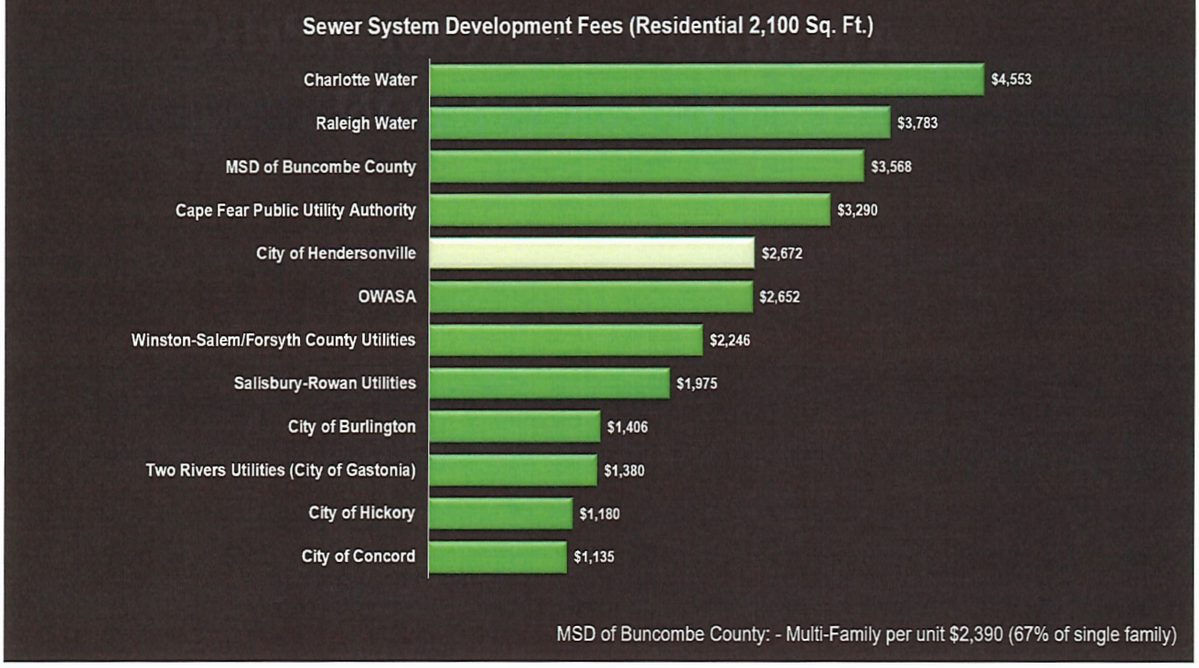
Meter Size	Calculated Water SDF	Calculated Wastewater SDF	Combined SDF	Current No. of Non-Res. Customers
3/4"	$2,494	$4,618	$7,112	1784
1"	$4,156	$7,697	$11,853	378
1 ½"	$8,312	$15,393	$23,706	271
2"	$13,300	$24,629	$37,929	113
3"	$29,093	$53,877	$82,970	22
4"	$52,368	$96,978	$149,347	12
6"	$108,062	$200,114	$308,176	11
8"	$232,748	$431,015	$663,763	0
10"	$349,122	$646,522	$995,644	0

Water SDF Comparison - Residential



Sewer SDF Comparison - Residential

18



Full Cost : SDF and Tap Fee

Installation	Single Family Size	Calculated Water SDF	Calculated Sewer SDF	Water Tap/Meter	Sewer Tap	Total Cost
City-Installed (3/4") meter	2,001 - 2,500	$1,443	$2,672	$1,625	$1,600	$7,340
Developer- Installed (3/4" meter)	2,001 - 2,500	$1,443	$2,672	$350	$0	$4,465

Rate Forecasts

2

	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY33
No SDF									
Water Rate increase	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	3.00%	3.00%	3.00%
Sewer Rate Increase	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	3.00%	3.00%	3.00%
High Case (with SDF)									
Water Rate increase	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	3.00%	3.00%	3.00%
Sewer Rate Increase	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	3.00%	3.00%	3.00%
Mid Case (with SDF)									
Water Rate increase	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	3.00%	3.00%	3.00%
Sewer Rate Increase	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	3.00%	3.00%	3.00%
Low Case (with SDF)									
Water Rate increase	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%	3.00%	3.00%	3.00%
Sewer Rate Increase	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	3.00%	3.00%	3.00%

1. "High" Assumption - Based on current level of development at 80% completion rate
2. "Mid" Assumption - Based on current level of development at 60% of completion rate
3. "Low" Assumption - Current level of development at 20% completion rate over next 2 years

Customer Impacts - Residential (5,000 gallons per month)

	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY33
No SDF									
Monthly Bill	$61.83	$68.98	$76.95	$85.87	$95.81	$106.89	$110.10	$113.40	$115.65
High Case (with SDF)									
Monthly Bill	$60.72	$66.54	$72.91	$79.88	$87.52	$95.90	$98.79	$101.77	$103.78
Annual Difference	***$13***	***$29***	***$48***	***$72***	***$99***	***$132***	***$136***	***$140***	***$142***
								Cumulative	***$812***
Mid Case (with SDF)									
Monthly Bill	$60.97	$67.11	$73.88	$81.31	$89.50	$98.52	$101.50	$104.53	$106.57
Annual Difference	***$10***	***$22***	***$37***	***$55***	***$76***	***$100***	***$103***	***$106***	***$109***
								Cumulative	***$619***
Low Case (with SDF)									
Monthly Bill	$61.41	$68.05	$75.42	$83.58	$92.61	$102.63	$105.71	$108.91	$111.04
Annual Difference	***$5***	***$11***	***$18***	***$27***	***$38***	***$51***	***$53***	***$54***	***$55***
								Cumulative	***$313***

1. "High" Assumption - Based on current level of development at 80% completion rate
2. "Mid" Assumption - Based on current level of development at 60% of completion rate
3. "Low" Assumption - Current level of development at 20% completion rate over next 2 years

Customer Impacts - Non-Res (80,000 gallons per month)

	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY33
No SDF									
Monthly Bill	$1,105	$1,233	$1,376	$1,535	$1,714	$1,913	$1,970	$2,029	$2,089
High Case (with SDF)									
Monthly Bill	$1,086	$1,189	$1,304	$1,429	$1,567	$1,717	$1,769	$1,822	$1,875
Annual Difference	***$236***	***$520***	***$864***	***$1,276***	***$1,767***	***$2,346***	***$2,415***	***$2,484***	***$2,560***
								Cumulative	***$14,467***
Mid Case (with SDF)									
Monthly Bill	$1,090	$1,200	$1,321	$1,454	$1,602	$1,764	$1,817	$1,872	$1,927
Annual Difference	***$177***	***$393***	***$658***	***$972***	***$1,345***	***$1,787***	***$1,836***	***$1,885***	***$1,943***
								Cumulative	***$10,995***
Low Case (with SDF)									
Monthly Bill	$1,098	$1,217	$1,350	$1,496	$1,658	$1,838	$1,893	$1,950	$2,008
Annual Difference	***$88***	***$187***	***$314***	***$471***	***$668***	***$893***	***$923***	***$943***	***$971***
								Cumulative	***$5,459***

1. "High" Assumption - Based on current level of development at 80% completion rate
2. "Mid" Assumption - Based on current level of development at 60% of completion rate
3. "Low" Assumption - Current level of development at 20% completion rate over next 2 years

Use of SDFs

- SDF revenues can only be used for capital related expenditures including:
  - Cash funded capital projects (growth-related and rehabilitation)
  - Annual debt service
- SDF revenues can be pledged as revenues to support debt service coverage requirements
- SDF revenues must be account for in a separate fund (capital reserve fund) and use of funds should be tracked
- Common practice to cash fund growth related projects with SDFs resulting in reduced costs (avoided interest expense)

SDF - Key Takeaways

- Fees assessed to new connections or connections requiring additional capacity.
- Fees recovers costs necessary for system expansion and additional capacity - "Growth pays for Growth"
- Lack of SDFs places full cost of infrastructure on user rates
- Reduction in future rate increases possible along with reduced borrowing requirements
- Fees assessed equitably based on demands placed on the systems

Process and Engagement

- October 2022 - System Development Fee 101 presentation
- April 2023 - Initial SDF results presentations
- Summer 2023 - Introduction presentations
- September 4, 2023 - SDF Report posted online for public comment (no comments received)
- October 2023 - Final presentations

Group	Action	Date	Time
Business Advisory Committee (BAC)	Intro. presentation	07/10/23	11:30am
Water & Sewer Advisory Council (WSAC)	Intro. presentation	07/24/23	6:00pm
City Council	Intro. presentation	08/23/23	4:00pm
City Staff	Analysis published on website	09/04/23	5:00pm
Business Advisory Committee (BAC)	Final presentation & board recommendations	10/09/23	11:30am
Water & Sewer Advisory Council (WSAC)	Final presentation & board recommendations	10/23/23	6:00pm
City Council	Second presentation & board recommendation	10/25/23	4:00pm
Chamber of Commerce-Public Policy Committe	Final presentation	10/26/23	8:30am
City Council	Final presentation/adoption	01/04/24	5:45pm

City Manager Connet explained that this is due to be on Council's agenda in January and the policy decisions for Council will be do we reinstate system development fees and at what level?

D. City Council Member Replacement Process Update – *John Connet, City Manager and Angela Beeker, City Attorney*

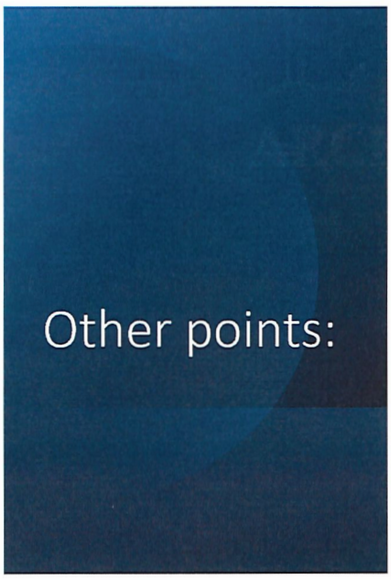
Due to the current vacancy on City Council, City Attorney Angela Beeker did a brief PowerPoint Presentation on Filling A Vacancy on City Council.

City of Hendersonville Charter

Article III – Mayor and City Council

Sec. 3.3(c) In the event a vacancy occurs in the office of mayor, the remaining members of the Council shall by majority vote choose from their own members his successor for the unexpired term. Any vacancy in the office of council members shall be filled by majority vote of the mayor and the remaining members of the council until the next election.

"A vacancy that occurs in an elective office of a city shall be filled by appointment of the city council. If the term of the office expires immediately following the next regular city election, or if the next regular city election will be held within 90 days after the vacancy occurs, the person appointed to fill the vacancy shall serve the remainder of the unexpired term. Otherwise, a successor shall be elected at the next regularly scheduled city election that is held more than 90 days after the vacancy occurs, and the person appointed to fill the vacancy shall serve only until the elected successor takes office. The elected successor shall then serve the remainder of the unexpired term."



- The vacancy on City Council must be filled by City Council. The method chosen to fill the vacancy is at the discretion of City Council.
- The person appointed will serve until the next election (through November 2024).
- The seat will be filled by election at the November 2024 election. The person elected will serve for the remainder of the term for the vacant seat (through November of 2026)
- The seat will be elected separately from the other two seats that are up for election in November of 2024.
- All seats will be elected using the same method, likely the plurality method (assuming S68 passes).
- The filing period for the newly vacant 2-year seat, and for the upcoming vacancies in two 4-year-term seats, will likely be December 4-15, 2023 (again assuming S68 passes).

4. ADJOURN

There being no further business, the meeting was adjourned at 5:09 p.m. upon unanimous assent of the Council.

Barbara G. Volk, Mayor

ATTEST:

Jill Murray, City Clerk