



# MINUTES

January 26, 2022

## SECOND MONTHLY MEETING OF THE CITY COUNCIL CITY OPERATIONS CENTER | 305 WILLIAMS ST. | 4:00 p.m.

Present: Mayor Barbara G. Volk and Council Members: Mayor Pro Tem Lyndsey Simpson, Dr. Jennifer Hensley, Debbie O'Neal-Roundtree, and Jerry Smith

Staff Present: City Manager John F. Connet, Assistant City Manager Brian Pahle, City Attorney Angela Beeker, City Clerk Angela Reece, Communications Manager Allison Justus, Budget Manager Adam Murr, and others

### 1. CALL TO ORDER

Mayor Volk 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. OTHER BUSINESS

#### A. **Approval of Designated Agents for FEMA Hazard Mitigation Grant Program Application—** *Michael Huffman, Stormwater Administrator*

City Manager John Connet advised city staff have been working with the NC Department of Public Safety to develop a Hazard Mitigation Grant Application on behalf of Mr. Karsten Masinick to apply for funding to elevate Mr. Masinick's home above the mapped base flood elevation. Manager Connet reminded everyone that in order to complete the application, the city must designate a primary and secondary agent with the authority to execute and file applications for federal and/or state assistance on behalf of the city.

*Council Member Dr. Jennifer Hensley moved that City Council approve the Resolution authorizing City Manager John Connet and Assistant City Manager Brian Pahle as the Primary and Secondary Agents authorized to execute and file applications for federal and/or state assistance on behalf of the City of Hendersonville, NC. A unanimous vote of the Council followed. Motion carried.*

#### **Resolution #R-22-14**

#### **RESOLUTION BY THE CITY OF HENDERSONVILLE CITY COUNCIL TO AUTHORIZE THE CITY MANAGER AND ASSISTANT CITY MANAGER AS THE PRIMARY AND SECONDARY AGENTS AUTHORIZED TO EXECUTE AND FILE APPLICATIONS FOR FEDERAL AND/OR STATE ASSISTANCE ON BEHALF OF THE CITY OF HENDERSONVILLE, NC**

**WHEREAS**, the City is working with the North Carolina Department of Public Safety to develop a Hazard Mitigation Grant Application on behalf of Mr. Karsten Masinick to apply for funding to elevate Mr. Masinick's residence above the mapped base flood elevation; and

**WHEREAS**, in order to complete the application, the City must designate a Primary and Secondary agent with the authority to execute and file applications for federal and/or state assistance on behalf of the City of Hendersonville, NC; and

**NOW THEREFORE, BE IT RESOLVED** by the City Council of the City of Hendersonville, North Carolina that:

1. The City Manager and Assistant City Manager are named as Primary and Secondary Agents and are hereby authorized to execute and file applications for federal and/or state assistance on behalf of the Organization for the purpose of obtaining certain state and federal financial assistance under the Robert T. Stafford Disaster Relief & Emergency Assistance Act, (Public Law 93-288 as amended) or as otherwise available.
2. The above-named agents are authorized to represent and act for the City of Hendersonville, NC in all dealings with the State of North Carolina and the Federal Emergency Management Agency for all matters pertaining to such disaster assistance required by the grant agreements and the assurances

printed on the reverse side of the Designation of Applicant's Agent form.

3. The above-named agents are authorized to act severally.

Adopted by the City Council of the City of Hendersonville, North Carolina this 26th day of January 2022.

/s/Barbara G. Volk, Mayor

Attest: /s/Angela L. Reece, City Clerk

Approved as to form: /s/Angela S. Beeker, City Attorney

## **B. 2022 Water and Sewer Revenue Bond Order – Adam Murr, Budget Manager**

Budget Manager Adam Murr recalled prior approval and discussions related to the project and advised city staff have determined it is desirable to finance certain improvements related to the following; Clear Creek Sewer Interceptor Replacement; Ewart Hill Reservoir Rehabilitation; AMI Meter Upgrade; NCDOT Old Airport Road Utility Improvements; NCDOT Shepherd/Erkwood Utility Improvements; and Church Street Water/Sewer Replacement projects. Mr. Murr stated the not to exceed amount for the projects is \$7,100,000.

*Council Member Jerry Smith moved that City Council adopt the Bond Order Authorizing the Issuance of Not to Exceed \$7,100,000 City of Hendersonville, North Carolina Water and Sewer System Revenue Bond; Authorizing the Approval, Execution, and Delivery of Various Documents in Connection with the Issuance of the Bond; Providing for the Issuance of the Bond; and Providing for Certain Other Matters in Connection with the Issuance and Delivery of the Bond as presented. A unanimous vote of the Council followed. Motion carried.*

### **Resolution #R-22-15**

#### **BOND ORDER AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$7,100,000 CITY OF HENDERSONVILLE, NORTH CAROLINA WATER AND SEWER SYSTEM REVENUE BOND; AUTHORIZING THE APPROVAL, EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE BOND; PROVIDING FOR THE ISSUANCE OF THE BOND; AND PROVIDING FOR CERTAIN OTHER MATTERS IN CONNECTION WITH THE ISSUANCE AND DELIVERY OF THE BOND**

**WHEREAS**, the City of Hendersonville, North Carolina (the "City") is authorized by the State and Local Government Revenue Bond Act, General Statutes of North Carolina, Section 159-80 *et seq.* (the "Act"), to issue, subject to the approval of the Local Government Commission of North Carolina (the "LGC"), at one time or from time to time, revenue bonds of the City for the purposes as specified in the Act; and,

**WHEREAS**, the City has determined to issue its Water and Sewer System Revenue Bond, Series 2022 (the "2022 Bond") in an aggregate principal amount not to exceed \$7,100,000 to provide funds to (1) finance improvements to the City's water and sewer system, including, without limitation, (a) the installation of an interceptor line along Clear Creek, (b) the replacement and improvement of water and sewer mains on Church Street, (c) the replacement and installation of water meters, (d) the rehabilitation of one of the City's concrete water storage tanks and (e) payments to the North Carolina Department of Transportation related to the adjustment and relocation of certain city-owned water and sewer lines completed by the North Carolina Department of Transportation (the "2022 Projects") and (2) pay the costs of issuing the 2022 Bond; and,

**WHEREAS**, the City has heretofore entered into a General Trust Indenture dated as of December 1, 2019 (as previously supplemented by Series Indenture Number 1 dated as of December 1, 2019, the "General Indenture") between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), authorizing the issuance of revenue bonds thereunder for the purpose of financing and refinancing the cost of improvements to the City's water and sewer system; and,

**WHEREAS**, the City will issue the 2022 Bond under the General Indenture and Series Indenture, Number 2 to be dated as of February 1, 2022 (the "Series Indenture") between the City and the Trustee; and,

**WHEREAS**, the City has filed with the LGC an application for the approval and private sale without advertisement of the 2022 Bond in accordance with Section 159-85 of the General Statutes of North Carolina, as amended; and,

**WHEREAS**, the City and the LGC have arranged for the issuance of the 2022 Bond to Pinnacle Public Finance, Inc. (the "Lender"); and,

**WHEREAS**, the General Indenture and a draft of the form of the Series Indenture are on file with the City and are available to the City Council; and,

**NOW THEREFORE, BE IT RESOLVED** by the City Council of the City of Hendersonville, North Carolina that:

1. The 2022 Bond is hereby authorized and will be issued pursuant to the Act, the General Indenture, and the Series Indenture to raise the money required, in addition to any funds which may be made available for such purpose from any other source, to (1) finance the 2022 Projects and (2) pay the costs of issuing the 2022 Bond. The use of the proceeds of the 2022 Bond, as described, is necessary to meet the demands of the users of the City's Water and Sewer System (as defined in the General Indenture).
2. The aggregate principal amount of the 2022 Bond authorized by this order will not exceed \$7,100,000 and the interest rate on the 2022 Bond will not initially exceed 2.15% per annum (which rate may be adjusted in accordance with the Series Indenture, including, without limitation, upon an Event of Default or a Determination of Taxability). The 2022 Bond hereby authorized will be a special obligation of the City, secured by and paid solely from the proceeds thereof or from revenues, income, receipts and other money received or accrued by or on behalf of the City from or in connection with the operation of the City's Water and Sewer System.
3. The City requests that the 2022 Bond be sold at a private sale without advertisement to the Lender at such price as the LGC determines to be in the best interest of the City and as provided in the City's application to the LGC. The City Council approves the sale of the 2022 Bond to the Lender on the terms provided in the term sheet provided by the Lender and as provided in the Series Indenture. The Authorized Officers (as defined below), are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to consummate the issuance of the 2022 Bond.
4. The City's issuance of the 2022 Bond, in substantially the form to be provided in the Series Indenture, is hereby in all respects approved and confirmed. The provisions of the General Indenture and the Series Indenture with respect to the 2022 Bond are hereby approved and confirmed and are incorporated herein by reference. The proceeds from the issuance of the 2022 Bond will be deposited in accordance with the Series Indenture. The principal of, premium, if any, and interest on the 2022 Bond will not be payable from the general funds of the City, nor will the 2022 Bond constitute a legal or equitable pledge, charge, lien or encumbrance on any of the City's property or on any of its income, receipts or revenues except the funds which are pledged under the General Indenture. Neither the credit nor the taxing power of the State of North Carolina (the "State") or the City is pledged for the payment of the principal of, premium, if any, or interest on the 2022 Bond, and no holder of the 2022 Bond has the right to compel the exercise of the taxing power by the State or the City or the forfeiture of any of its property in connection with any default thereon.
5. The form and content of the Series Indenture, including the exhibits thereto, are hereby in all respects approved and confirmed. The Mayor, the City Manager, the Assistant City Manager, the City Attorney, the Finance Director and the City Clerk, including anyone serving as such in an interim capacity, or their respective designees (collectively, the "Authorized Officers") are hereby authorized, empowered and directed to execute and deliver the Series Indenture and the 2022 Bond for and on behalf of the City, including necessary counterparts, in substantially the form and content presented to the City, but with such changes, modifications, additions or deletions therein as they may deem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the City Council's approval of any and all such changes, modifications, additions or deletions therein. From and after the execution and delivery of the Series Indenture, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Series Indenture as executed. The Trustee is hereby appointed as Registrar and Paying Agent under the Series Indenture.
6. The City Manager, the Assistant City Manager or the Finance Director are each hereby authorized to execute a tax certificate to comply with Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder.
7. If any one or more of the covenants, agreements or provisions contained in this Bond Order is held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or is for any reason whatsoever held invalid, then such covenants, agreements or provisions will be null and void and will be deemed separable from the remaining agreements and provisions and will in no way affect the validity of any of the other agreements and provisions of this Bond Order or of the 2022 Bond authorized hereunder.
8. No stipulation, obligation or agreement contained in this Bond Order or contained in the 2022 Bond, the General Indenture, the Series Indenture or any other instrument related to the issuance of the 2022 Bond is a stipulation, obligation or agreement of any officer, agent or employee of the City in his or her individual capacity, and no such officer, agent or employee is personally liable on the 2022 Bond or subject to personal liability or accountability by reason of the issuance thereof.

9. The Authorized Officers are hereby authorized, empowered and directed to do any and all other acts and to execute any and all other documents which they, in their discretion, deem necessary and appropriate to consummate the transactions contemplated by this Bond Order, the General Indenture or the Series Indenture; except that none of the above is hereby authorized or empowered to do anything or execute any document which is in contravention, in any way, of (a) the specific provisions of this Bond Order, (b) the specific provisions of the General Indenture or the Series Indenture, (c) any agreement to which the City is bound, (d) any rule or regulation of the City or (e) any applicable law, statute, ordinance, rule or regulation of the United States of America or the State.
10. The Authorized Officers are hereby authorized, empowered and directed to prepare and furnish, when the 2022 Bond is issued, certified copies of all the proceedings and records of the City Council relating to the 2022 Bond, and such other affidavits, certificates and documents as may be required to show the facts relating to the legality and marketability of the 2022 Bond as such facts appear on the books and records in such party's custody and control or as otherwise known to them; and all such certified copies, certificates, affidavits and documents, including any heretofore furnished, constitute representations of the City as to the truth of all statements contained therein.
- From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers, or their respective designees, are hereby authorized, empowered, and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary in the issuance and on-going administration of the 2022 Bond.
11. All acts and doings of the Authorized Officers that are in conformity with the purposes and intent of this Bond Order and in the furtherance of the issuance of the 2022 Bond and the execution, delivery and performance of the 2022 Bond, the General Indenture and the Series Indenture are hereby in all respects approved and confirmed. Any provision in this Bond Order that authorizes more than one Authorized Officer to take certain actions will apply to the respective designees of the Authorized Officers, including any person serving in an interim capacity, and will be read to permit such persons to take the authorized actions either individually or collectively.
12. All resolutions or parts thereof of the City Council in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.
13. This Bond Order is effective immediately on its adoption and, pursuant to Section 159-88 of the General Statutes of North Carolina, as amended, need not be published, or subjected to any procedural requirements governing the adoption of ordinances or resolutions by the City Council other than the procedures set out in the Act.

Adopted by the City Council of the City of Hendersonville, North Carolina this 26th day of January 2022.

/s/Barbara G. Volk, Mayor

Attest: /s/Angela L. Reece, City Clerk

Approved as to form: /s/Angela S. Beeker, City Attorney

### **3. PRESENTATIONS**

#### **A. Financial Update – *Brian Pahle, Assistant City Engineer and Adam Murr, Budget Manager***

Assistant City Manager Brian Pahle presented the financial update to City Council. Manager Pahle discussed the City's financial trends and data with Council and advised this information is available to the public on the [Budget Dashboard](#) located on the City's website.

#### **General Fund**

In the presentation Manager Pahle discussed the General Fund forecast model which includes a \$0.03 tax increase in FY23 and an estimated 20% revaluation projection in FY24. Manager Pahle discussed projections for major development, various projects, new positions and additional revenue options. Manager Pahle further presented information regarding expenditures and projects and discussed items that were not included in the forecast model such as the parks and greenways master plan, trail extensions, as well as various parking, street, and transportation projects. Manager Pahle discussed the effect of property tax revenues and discussed budget impacts during revaluation years stating projections reflect a 10 percent average increase over prior years. He further discussed sales tax revenues and distributions stating the city collected \$4.6 million in FY20-21 which is approximately 19.38% higher than the previous year.

**Fund Balance**

Manager Pahle reminded everyone that not everything has been included in the forecasting model and discussed debt ratio to expenditures with relation to available fund balance and said the Local Government Commission (LGC) now requires municipalities within the City's population grouping to have a 25 percent fund balance. Manager Pahle discussed percentages of available fund balance recalling the transfer of \$1M to the Capital Project Fund for the Parking Deck Project in FY21 stating that the transfer was temporary until the city receives the bond proceeds which will reimburse the fund balance. Manager Pahle stated he and staff will be meeting with the LGC in the coming weeks to discuss this. Manager Pahle reminded everyone there will be \$2M in revenue coming back into the Fund Balance from bond proceeds which will increase the percentage to 30 percent available and will ultimately lead to it being 5 percent above the LGC minimum requirement in the next fiscal year. Manager Pahle discussed deficits related to debt service of major projects heading into FY24. Manager Pahle reminded Council staff will be bringing back new policy to match the LGC requirements in the coming weeks.

**Project Prioritization**

Council Member Dr. Jennifer Hensley suggested Council weigh actual needs versus wants with regards to major projects and encouraged examining priorities such as recruitment and retention of high-quality staff and conserving funds. Council Member Hensley stated she does not support a \$3M City Hall renovation as presented. Council Member Lyndsey Simpson inquired regarding usage of the empty floors on the building and Manager Pahle stated the base floor is the highest priority due to customer service needs but confirmed costs could be reduced for the other floors.

Council Member Dr. Jennifer Hensley inquired regarding the difference a ¼ cent sales tax would make and Manager Pahle stated it would be approximately \$2.6M per year. Council Member Jerry Smith recalled prior discussions regarding this, and City Manager Connet stated the majority of the General Assembly argues it is a tax and said merchants oppose varying sales tax across the state to avoid administrative burdens. Council Member Hensley stated everyone shops and eats but said not everyone owns property and said she does not feel it is fair to continue to penalize property owners with the burden of tourism and increased demand on services. Council Member Lyndsey Simpson stated she feels raising property tax is more equitable to lower income persons and said she feels it would be a conflict in Council values with promoting equity to impose additional sales taxes.

City Manager John Connet discussed different focus areas with Council stating staff can definitely prioritize capital projects to reduce costs but cautioned against this for the pay-as-you-go capital items stating reductions would lead to adverse impacts in future years. Manager Connet stated staff will need direction regarding the pay and class study and discussed additional revenue sources such as American Rescue Plan (ARP) funding that will be available to help offset some costs.

***After much discussion, Council agreed to focus on the structural repairs to the exterior of the City Hall building and to renovate the first floor.***

Council Member Dr. Jennifer Hensley inquired regarding approaching the TDA to levy a one cent occupancy tax to support public parks as they are directly related to tourism. Assistant Manager Pahle stated the county would need to support the tax and the city may have to split the revenue with them if approved by the legislature. Council additionally expressed interest in pursuing any available grant options for structural repairs on the City Hall building or park amenities.

**Water & Sewer Fund**

Budget Manager Adam Murr discussed the Water & Sewer Fund rate differentials recalling Council's priority to equalize rates by FY29-30 and reminded everyone the rate differential is decreasing by 5 percent each year. Mr. Murr stated staff are recommending wastewater rates remain constant as there will be additional needs as the City continues to experience growth. Mr. Murr reminded everyone the city has contracted with STANTEC to conduct a rate study and system development fee analysis which will be provided to Council for further discussion and direction.

**Environmental Services Fund**

Budget Manager Adam Murr discussed the Environmental Services Fund outlining various cost of service delivery which includes increases to brush/leaf grinding, transfer station fees, purchase of

additional equipment and vehicles. Mr. Murr reminded everyone the FY22-23 route study will be underway later this year which will be beneficial in determining efficiencies with operations.

**System Development Charges (SDC's)**

City Manager John Connet discussed consideration of system development charges to protect the rate payers and balancing growth demands. Manager Connet stated system development charges allow new system users to buy equity into the system and allows the city to manage capital costs.

**B. Pay and Classification Guidance** – *John Connet, City Manager and Brain Pahle, Assistant City Manager*

Assistant City Manager Brian Pahle presented options for consideration as outlined below:

**Pay & Classification**

- Option 1  
(3% + 65<sup>th</sup> Jan. 22; 75<sup>th</sup> July 22)

- Option 2  
(3% Jan. 22; 65<sup>th</sup> July 22; 75<sup>th</sup> Jan. 23)

- Option 3  
(3% Jan. 22; 65<sup>th</sup> July 22; 75<sup>th</sup> July 23)

- [Living Wage Calculator](#)

	0 Children	1 Child	2 Children
Living Wage (2 Working Adults)	\$ 12.65	17.72	22.22
Living Wage (1 Working Adult)	16.88	32.64	40.65

- Dogwood Housing Study
  - City Min. Monthly Affordability at 75<sup>th</sup> Percentile = \$860
  - City Min. Wage at 75<sup>th</sup> Percentile = \$16.54 (prob. completion)
  - City Min. Wage at 65<sup>th</sup> Percentile = \$15.75 (prob. completion)
  - Monthly 2BR at FMV = \$1,255

Manager Pahle discussed living wage calculations stating at the 75<sup>th</sup> percentile the City does not meet the basic living wage for a single person at \$16.54 per hour. City Manager John Connet recalled discussions with other city managers and said recruitment and retention of public safety personnel is dependent upon living wages. Manager Connet stated the City is losing trained personnel to other municipalities offering higher wages.

Council Member Dr. Jennifer Hensley said she feels that if this is a priority for the city then implementation should be sooner rather than later as it affects recruitment and retention. Council Member Hensley stated she feels the City should be a leader in the community and show it values employees and wants to see them be able to live and work here and said she would rather see cuts to non-essential capital.

Council Member Jerry Smith stated he prefers option 3 and said he feels the entire pay scale does not need to be adjusted but rather the lowest paid employees’ scales should be adjusted to at least the minimum living wage and clarified he does not necessarily agree with compression all the way through the pay scale.

Council Member Lyndsey Simpson disagreed and said if compression is not accounted for all the way through then this will create problems with middle management positions and said she agreed with Council Member Hensley to proceed as soon as possible with implementation of the 75<sup>th</sup> percentile.

Council Member Jerry Smith clarified the difference in the cost between the 65<sup>th</sup> and 75<sup>th</sup> percentile is approximately \$450,000 annually, or two cents on the tax rate. Manager Pahle stated staff will incorporate supplementary ARP funds for CIP, reductions in CIP, and reductions in debt service into the budget forecast model and will bring back to Council for additional consideration at their next retreat. Council Member Hensley clarified if the City Hall renovation project was cut it would compensate for half of the cost to implement the 75<sup>th</sup> percentile pay plan.



*After much discussion the majority of Council members, Hensley, Simpson and Roundtree, directed staff to proceed with option #1 which allows for a 3% increase plus moving all positions to 65<sup>th</sup> percentile effective immediately and moving all positions to the 75<sup>th</sup> percentile effective July 1, 2022. In addition, no position shall have probation completion salary below the living wage of \$16.88 per hour.*

The living wage is calculated according to the [MIT Living Wage Calculator](#) which was developed by Dr. Amy K. Glasmeier. The living wage model generates a cost of living estimate that exceeds the federal poverty thresholds. As calculated, the living wage estimate accounts for the basic needs of a family.

### 3. ADJOURN

City Manager John Connet discussed how the City has grown and referenced key decisions prior Councils made one hundred years ago which resulted in the establishment of a modern water and sewer utility. Manager Connet reminded everyone the budget retreat will be held on March 11, 2022 from 8:00 a.m. to 4:00 p.m.

There being no further discussion, the meeting was adjourned at 6:25 p.m. upon unanimous assent of the Council.

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Barbara G. Volk, Mayor

ATTEST:

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Angela L. Reece, City Clerk