

CITY COUNCIL:

BARBARA G. VOLK
Mayor
Dr. Jennifer Hensley
Mayor Pro Tem
LYNDSEY SIMPSON
MELINDA P. LOWRANCE
GINA BAXTER



CITY OF HENDERSONVILLE

The City of Four Seasons

OFFICERS:

JOHN F. CONNET
City Manager
ANGELA S. BEEKER
City Attorney
JILL MURRAY
City Clerk

October 2, 2025

William G. Lapsley, Chairman
Henderson County Board of Commissioners
1 Historic Courthouse Square, Suite 1
Hendersonville, NC 28792

RE: Interlocal Agreement

Dear Chairman Lapsley,

The Hendersonville City Council recognizes that circumstances in the North Carolina General Assembly will likely make it difficult for any local legislation to be enacted before the 2026 “Short” Session. The City Council also believes that any disagreements between the City of Hendersonville and Henderson County can and should be resolved by our local governing boards within their existing authority, without the need for legislative intervention.

With this in mind, the City Council proposes that the two governing boards move forward by amending the existing City/County Interlocal Agreement to address the following priorities:

1. Creation of a Joint Water and Sewer Commission
2. Development of contracts, including performance standards, with the rural fire departments directly adjacent to the City of Hendersonville
3. Implementation of utility rate equalization
4. Joint water and sewer planning to ensure adequate, efficient and responsible utility service throughout Henderson County

The City Council understands that the Henderson County Board of Commissioners does not wish to formalize a Joint Planning Area (JPA) boundary. Nevertheless, it is the City’s intent to restrict annexation to the area depicted on the attached Joint Planning Area Map. This map is substantially identical to earlier versions, with the exception of adjustments along Kanuga and Willow Roads, where the planning boundary has been drawn closer to the existing city limits. The City also proposes that both local governments collaborate to establish mutually beneficial land use maps to guide future development within the JPA.

The City Council has attached our latest Supplemental Interlocal Agreement, Joint Planning Area Map and Implementation Schedule for your review and consideration. These items are intended solely as a framework to help guide future discussions on an amended interlocal agreement between our local governments.

Thank you for your consideration in this matter. The City Council looks forward to receiving a formal written response from the Henderson County Board of Commissioners.

Sincerely,

Barbara Volk, Mayor

Jennifer Hensley, Mayor Pro Tem

Gina Baxter, Council Member

Melinda Lowrance, Council Member

Lyndsey Simpson, Council Member

Cc: Henderson County Board of Commissioners
Senator Tim Moffitt
Representative Jennifer Balkcom
Representative Jake Johnson

STATE OF NORTH CAROLINA

COUNTY OF HENDERSON

SUPPLEMENTAL INTERLOCAL AGREEMENT

This Agreement is made and entered into this the ____ day of _____, 2025, by and between the **CITY OF HENDERSONVILLE**, a North Carolina municipal corporation (the *City*), and the **COUNTY OF HENDERSON**, a body corporate and politic of the State of North Carolina (the *County*).

Circumstances

- A. The *City* and the *County* entered into an Interlocal Agreement (the *Interlocal Agreement*) on or about the 16th day of June, 2025, covering and resolving certain outstanding issues involving them.
- B. As part of the Interlocal Agreement, the *City* and the *County* agreed to advocate for a proposed local bill, a copy of which was attached to the Interlocal Agreement (the *Local Bill*).
- C. As of the date of this Agreement, the Local Bill has not be enacted into law, and the parties wish to enter into this Supplemental Interlocal Agreement. (the *Supplemental Agreement*).
- D. The *Supplemental Agreement* is entered under the provisions of Article 20 of Chapter 160A of the North Carolina General Statutes.

Agreement

NOW, THEREFORE, in consideration of the mutual promises and covenants made to one another, the parties agree as follows:

Water and Sewer

1. **Joint Water and Sewer Commission.** The parties hereby create the Joint Water and Sewer Commission (the *Commission*), to fulfill the purposes of the Joint Water and Sewer Commission in the *Interlocal Agreement*.

a. The *Commission* shall be composed as follows:

- (1) The *Commission* shall consist of eight (8) members and a chair-person, for a total of nine (9) members.

- (2) Four (4) members of the *Commission* shall be appointed by the *City*, and four (4) members shall be appointed by the *County*.
 - (3) Terms of the members shall be staggered; therefore two of the appointees appointed by the *City* and the *County* shall be appointed for an initial three (3) year term, and two shall be appointed by each for a five (5) year term. Thereafter, all members appointed by the *City* or *County* shall serve a five (5) year term. Members appointed to fill a vacancy shall serve for the remainder of the unexpired term of the seat vacated.
 - (4) The chair-person of the *Commission* shall be appointed jointly by the chair-person of the County Commission and the mayor of the *City*. The chair-person shall serve a two (2) year term.
 - (5) Members shall serve at the pleasure of the appointing authority, and may be removed by the appointing authority with or without cause.
 - (6) No elected official, and no employees of the *City* or *County* may serve as a voting member of the *Commission*, however, at their election, the mayor and chair-person of the County Commission may serve as ex officio non-voting members of the *Commission*; however neither shall count towards the establishment of a quorum.
 - (7) A quorum shall consist of five (5) members plus the chair-person or vice-chair-person.
 - (8) The *Commission*, once appointed, shall adopt bylaws.
 - (9) The *Commission* shall be managed as an advisory board of the *City*.
- b. The *Commission* shall have the following duties:
- (1) To receive public comment and hold public hearings.
 - (2) To adopt policies to govern the day-to-day operation and maintenance of the water or sewer system operated by the *City* and the water or sewer system operated by the *County*, including service connections.
 - (3) To recommend plans and policies for adoption by the *City* to govern capital improvements and extensions of the *City's* water or sewer system.
 - (4) To recommend plans and policies for adoption by the *County* to govern capital improvements and extensions of the *County's* water or sewer system.
 - (5) To approve extensions of the water or sewer system in accordance with the policies adopted by the *City* for the *City's* systems, and the policies adopted by the *County* for the *County's* systems.

- (6) To conduct studies concerning the construction, operation, maintenance and expansion of the *City's* systems or the *County's* systems, in accordance with funds budgeted by the *City* or *County* for their respective systems.
- (7) To recommend fees, charges, and rates to the *City* and the *County* for their respective systems according to classes of service and areas of service, in order to generate sufficient revenue to meet all costs of operating and maintaining the systems, all debt service costs, all operating capital, a reasonable reserve for improvements and enlargements, and all other costs or expenses necessary or desirable for carrying out of the governmental authority and responsibility relating to the provision of water and sewerage services by their respective systems. The *City* and the *County*, and not the *Commission*, shall be responsible for adopting the fees, charges and rates for their respective systems.
- (8) To provide quarterly reports to both the *City* and the *County* regarding the performance of all water systems and sewer systems in the *County* operated by the *City* or the *County*.
- (9) To study and advise the *City* and the *County* as to the future ownership of the *County's* water and sewer systems.
- (10) To study and advise the *City* and the *County* as to the future equalization of sewer rates between customers located inside and outside of the *City* limits.
- (11) Such other duties as may be agreed upon by the *City* and *County* by resolution.

c. The *Commission* shall not have the authority to enter into contracts, nor to issue bonds, or incur any debt. The contracting, and the funding and timing of all capital improvements and the incurrence of debt shall be by the *City* for the *City's* systems, and by the *County* for the *County's* systems.

d. The *City* and *County* shall each remain fully financially responsible for their respective water or sewer systems, including incurring debt, and for all costs and expenses for their systems' operation, maintenance and expansion. The monies in the enterprise fund and any interest accrued from investments of these monies will be budgeted, expended and managed by the *City* or *County* as to their respective systems, taking into account, but not being bound by, the recommendations of the *Commission*.

e. Staffing for the *Commission* shall be by the *City* staff which shall remain employees of the *City*, subject to the direction and control of the *City* manager. All such staffing services and routine clerical service as well as necessary office space and supplies for the operation of the *Commission* will be furnished by the *City* and paid for from water and sewer revenues of the *City*.

f. Staffing for the maintenance and operation of the **City's** systems shall be **City** employees. Staffing for the maintenance and operation of the **County's** systems shall be **County** employees.

g. The **City** and the **County** shall each amend their ordinances to provide consistency with the terms of this section. The **City** shall retain ordinance making and enforcement authority over the entirety of its water and sewer systems, and the **County** shall retain ordinance making and enforcement authority over the entirety of its water and sewer systems. To the extent the policies of the **Commission** conflict with the ordinances of the **City** or **County**, the ordinances shall govern.

2. The **City** shall reduce the differential between water and sewer rates for water and sewer customers served by the **City's** water and/or sewer system outside of the **City** but within the **County** at the rate of 5% per year until water and sewer rates for customers inside and outside of the **City** within the **County** have been equalized. Notwithstanding the foregoing, the terms of this paragraph shall not preclude the **City** or **County** from imposing special assessments and/or surcharges on a subclass of customers in the **City** or the **County** to recoup the capital costs associated with the acquisition, improvement or expansion of water or sewer infrastructure primarily serving the subclass of customers.

3. To the extent allowed by applicable law, the **City** or the **County** shall have the authority to waive or discount water or sewer fees for their respective systems, including but not limited to, system development charges or fees and connection fees, to any housing development providing housing to persons at or below 80% of the area median income. If implemented, the **City** or **County** shall, by ordinance, establish the criteria and standards to govern the application and implementation of any discounted or waived fees.

4. To the extent allowed by applicable law, the **City** or the **County** shall have the authority to waive or discount water or sewer fees, including but not limited to, system development charges or fees and connection fees, for economic development which would qualify for economic development incentives pursuant to G.S. 158-7.1. If implemented, the **City** or **County** shall, by ordinance or resolution, establish the criteria and standards to govern the application and implementation of any discounted or waived fees.

Joint Planning Area

5. ***Joint Planning Area.*** There is hereby established a ***Joint Planning Area***, said area being as shown on Exhibit A, attached hereto and incorporated herein by reference (the ***Joint Planning Area***). The ***Joint Planning Area*** includes the **City's** ETJ together with areas in which the **City** could reasonably expect to grow by 2045.

6. **Joint Planning Commission** (the **JPC**). There is hereby created a Joint Planning Commission to fulfill the function of a Planning Board for the ***Joint Planning Area*** in accordance with the terms of this Agreement and applicable law. The **JPC** shall be a joint agency pursuant to the authority of GS 160A-462. Members shall be appointed to the **JPC**

within sixty (60) days of the adoption of this agreement in accordance with the terms of paragraph 9 below.

7. The **JPC** shall serve as, and shall perform all of the functions of, the Planning Board under the authority of N.C.G.S. § 160D-301 for the entity (**City** or **County**) exercising its planning and zoning jurisdiction for a particular property located in the **Joint Planning Area**. Both parties agree to amend their development ordinances to recognize the **JPC** as the Planning Board under N.C.G.S. § 160D-301 for all purposes under all of their respective ordinances, currently performed by the entity's Planning Board, for properties located within the **Joint Planning Area**.

8. **Land Use Map.** The first duty of the **JPC** shall be to study and to recommend to both the **City** and the **County** a land use map for the **Joint Planning Area**. Such recommendation shall be completed and conveyed to both the City Council and the County Commission within ninety (90) days of the first meeting of the **JPC**. The City Council and the County Commission shall have sixty (60) days to review the recommended land use plan and either approve or deny the plan as presented by the **JPC**. In the event the **JPC** recommended land use plan is denied by either the **City** or the **County**, the Mayor and County Chair person shall work together to arrive at a land use plan that both are willing to recommend back to their respective boards. Notwithstanding paragraph 7 above, the **JPC** shall not undertake nor shall they have the authority granted under paragraph 7 above for any purpose, other than recommending a land use map for the **Joint Planning Area**, until an agreed upon land use plan has been approved by both the County Commission and the City Council. If an agreed upon land use plan is not approved by both the County Commission and the City Council by December 31, 2026, then this agreement shall become null and void in its entirety.

9. The **JPC** shall be composed as follows:

- a. The **JPC** shall consist of six (6) members and a chair person for a total of 7 members.
- b. The **JPC** shall consist of 3 members of the **City's** Planning Board appointed to the **JPC** by the City Council, and three (3) members of the **County's** Planning Board appointed to the **JPC** by the Board of Commissioners for the **County**. Member terms shall run commensurate with their terms on their respective planning boards.
- c. Vacancies shall be filled by the governing body that appointed the vacating member from among the planning board members of the jurisdiction governed by the appointing governing body.
- d. The chair-person of the **JPC** shall be appointed jointly by the chair-person of the County Commission and the mayor of the **City**. The **JPC** chair person shall reside within the **Joint Planning Area**, and does not have to be a sitting member of the **City** Planning Board or the **County** planning board. The **JPC**

chair-person shall serve a two (2) year term. Each *JPC* chair person may serve no more than two (2) consecutive terms.

- e. Members shall serve at the pleasure of the appointing governing body, and may be removed by the appointing governing body with or without cause.
- f. No elected official, and no employees of the *City* or *County* may serve as a voting member of the *JPC*.
- g. A quorum shall consist of four (4) members plus the chair-person or vice-chair-person.
- h. The *JPC*, once appointed, shall adopt bylaws.

10. Staffing for the *JPC* shall be by the *City* staff which shall remain employees of the *City*, subject to the direction and control of the *City* manager. All such staffing services and routine clerical service as well as necessary office space and supplies for the operation of the *JPC* will be furnished by the *City*.

11. The *City* and the *County* shall each amend their ordinances to provide consistency with the terms of this Agreement.

Annexation

12. The *City* shall not require annexation under this section for any property located wholly outside of the *Joint Planning Area* as a condition of receiving sewer service for such property, but may require annexation as a condition of receiving water or sewer service for parcels located in whole or in part within the *Joint Planning Area* upon which is proposed new development, or any redevelopment of the parcel which is intended to increase the assessed tax value of the parcel by at least fifty percent (50%).

Fire Districts

13. When a property is annexed into the *City's* corporate limits, and the property was a part of the taxing district where fire coverage is contracted for by a volunteer fire department prior to the annexation, the *City* shall contract with such volunteer fire department to provide fire protection services to the property for a minimum of 5 years. The contract shall establish a level of service to be provided by the volunteer fire department consistent with the requirements and standards of the Office of the State Fire Marshal for like departments. Nothing herein shall prevent the *City* from terminating any such contract entered for failing to provide the established level of service. The *City* shall compensate the volunteer fire department based on the following formula:

- a. The contract shall apply to all properties annexed by the *City* from and after January 1, 2015, and during the term of the agreement with the volunteer fire department, including all renewals.

b. The annual fee paid by the **City** to such volunteer fire department shall be the amount which is one-half of the ad valorem tax which would have been owed and paid on such year's assessed value of the annexed real property or real properties at that year's adopted fire district tax rate that would have applied to the real property but for the annexation.

c. Fees shall not be paid retroactively.

Agreement Term

14. This Agreement shall be effective until December 31, 2045 unless extended by the mutual agreement of both parties.

Executed after majority vote of both the Hendersonville City Council and the Board of Commissioners of Henderson *County*, the dates shown below.

CITY OF HENDERSONVILLE

COUNTY OF HENDERSON

By: _____
BARBARA VOLK, Mayor

By: _____
WILLIAM LAPSLEY, Chairman
Board of Commissioners

Date: _____

Date: _____

Attest:

City Clerk

Clerk to the Board of Commissioners

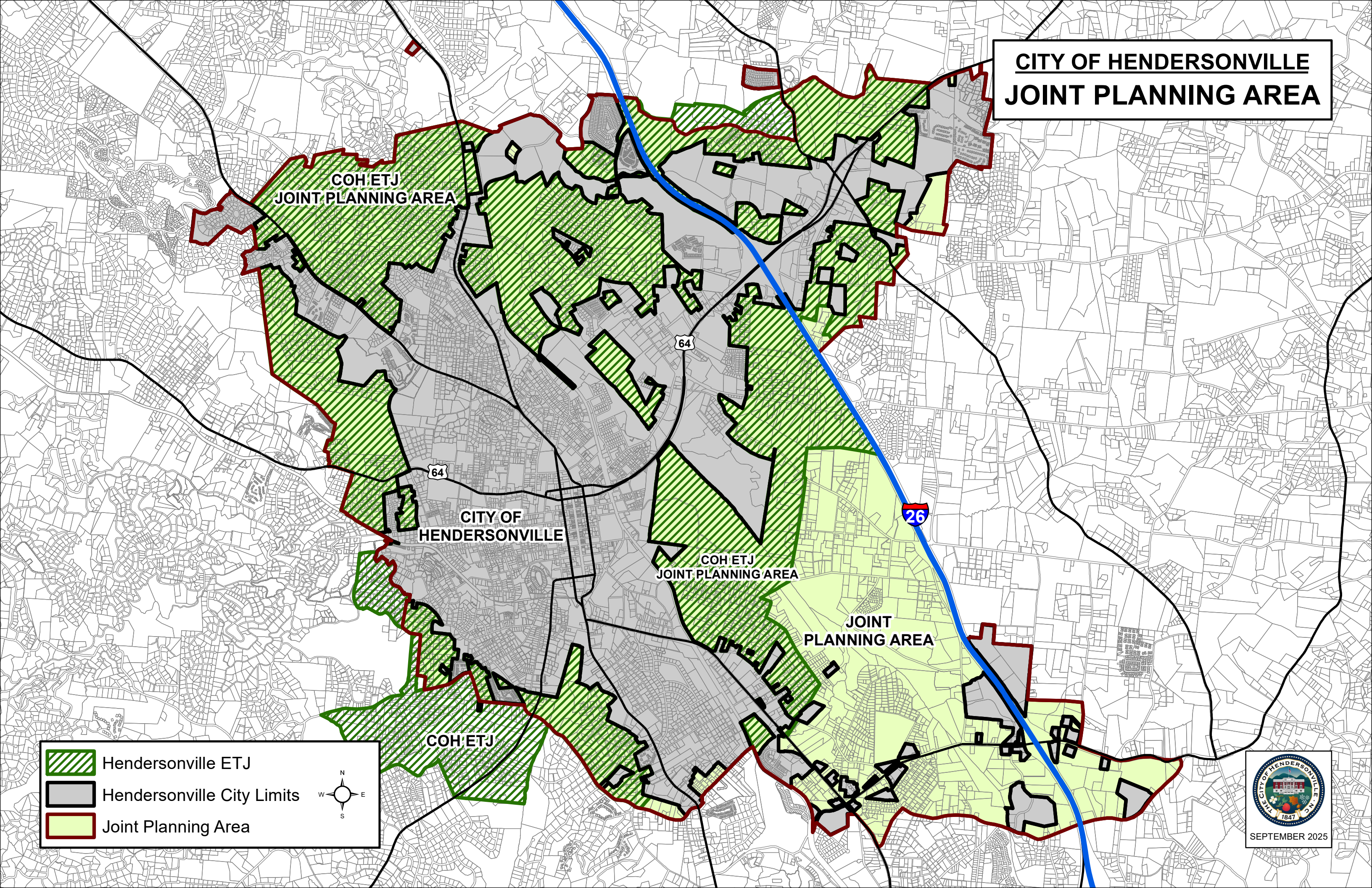
Approved as to form:

Approved as to form:

City Attorney

County Attorney

**CITY OF HENDERSONVILLE
JOINT PLANNING AREA**



 Hendersonville ETJ

 Hendersonville City Limits

 Joint Planning Area

W N E S

Senate Bill 69 – Implementation Proposal

On Monday, June 16, 2025, the Hendersonville City Council and Henderson County Board of Commissioners unanimously approved proposed substitute language for Senate Bill 69. Unfortunately, this proposed substitute language has not yet moved forward in the North Carolina House of Representatives, and no specific timeline for its passage has been established. In addition, members of the state legislature and local stakeholders have expressed concerns regarding some provisions in the proposed substitute language for Senate Bill 69 and subsequent interlocal agreements. These include annexation standards, inclusion of joint planning areas, and land use regulations. The state legislator and local stakeholder concerns were addressed as part of a recent City Council approved draft agreement that was forwarded to Henderson County on Friday August 8, 2025. Until these items are resolved and an interlocal agreement is approved and executed by all parties, we feel that most of the unquestioned items that had previously been approved by the City Council and Board of Commissioners can be implemented within established authority. The Hendersonville City Council proposes that the City and County proceed with implementation of the unquestioned components of the unanimously approved substitute language until a mutually agreed upon amended interlocal agreement and/or local bill is adopted. The following draft implementation plan has been developed for consideration:

1. **Water and Sewer Commission** – The City of Hendersonville has drafted proposed charter for the water and sewer commission. The charter is based on the language in the unanimously approved proposed substitute language for Senate Bill 69. The City of Hendersonville proposes the following schedule for establishment of the Henderson County Water and Sewer Commission.
 - a. **Key Dates:**
 - i. Approval of charter by governing boards – November 2025
 - ii. Recruitment of commission members – October 1, 2025 – November 30, 2025
 - iii. Appointment of members and chairperson – December 2025
 - iv. First meeting of Water and Sewer Commission – January 2026
2. **Annexation Standards and Land Use Regulation** – These two items are unresolved and being discussed by the City Council, County Commissioners and our local legislative delegation. It is our recommendation that representatives of all parties meet to discuss the best path forward on these topics.
3. **Rural Fire Department Contracts** – The City of Hendersonville with the assistance of the Henderson County Emergency Management Department will develop a fire service contract with individual non-profit fire departments
 - a. **Key Dates:**
 - i. Contract Execution – January 1, 2026
 - ii. Effective Date – July 1, 2026
4. **Water and Sewer Planning** - It is the desire of Hendersonville Water and Sewer to actively engage Henderson County, municipalities within Henderson County, and other

stakeholders in water and sewer planning. The joint Water and Sewer Commission will incorporate stakeholder involvement into the water and sewer master plan update processes.

5. **Utility Rate Equalization** - Hendersonville water and sewer rate differentials will be equalized on the following schedule (based on 5% adjustment per year):
 - a. **Schedule**
 - i. Water Rates – Fiscal Year 2030
 - ii. Sewer Rates – Fiscal Year 2036