Tuesday – June 5, 2012 – 3:30 p.m.

Special Meeting

Present: Mayor Terry M. Bellamy, Presiding; Vice-Mayor Esther E. Manheimer; Councilman Cecil Bothwell; Councilman Jan B. Davis; Councilman Marc W. Hunt; Councilman Christopher A. Pelly; City Manager Gary W. Jackson; City Attorney Robert W. Oast Jr.; and City Clerk Magdalen Burleson

Absent: Councilman Gordon D. Smith

BUDGET WORKSESSION

Employee Compensation

Director of Finance and Management Services Lauren Bradley reviewed the Fiscal year 2012-13 budget goals and the rating agency reports for Asheville. She said that in the proposed Fiscal Year (FY) 2012-13 budget there is a 1% cost of living adjustment (COLA) effective July 1, 2012. In addition, there will be a revisit of compensation when (1) year-end sales tax numbers come in late August (sales tax base adjustment may generate recurring source of funds for additional base salary adjustment); and (2) audit is complete in November (fund balance above 15% may provide one-time source of funds for employee bonuses.

Ms. Bradley then reviewed the FY 2012-13 budget revenues, showing a subtotal net change in revenues of $2,235,000. She then reviewed the budget expenditures of technical assumptions - $1,345,000; and revenue less expenditure obligations - $785,000. Expenditure variables total $815,000, with a revenue less strategic investments of a negative $30,000.

She then explained in detail Option #1 – 2% COLA and a one-time bonus. Funding considerations: (1) sales tax projections will not be verified until late August; if actuals fall short of estimates, the City will have to capture mid-year savings to balance the budget; and (2) utilizes one-time capital reserves that could be used for other projects; replacement of obsolete equipment is a recurring expense.

She then explained in detail Option #2 – 3% COLA. Funding considerations: (1) sales tax projections will not be verified until late August; if actuals fall short of estimates, the City will have to capture mid-year savings to balance the budget; (2) utilizes one-time capital reserves that could be used for other projects; replacement of obsolete equipment is a recurring expense; (3) utilizes Parking Fund transfer to General Fund for salary expenditures; funding source would need to be revisited in FY 13-14; and (4) utilizes Fund Balance allocation for recurring expenditure priorities (Housing Trust Fund, Form-Based Code); funding source would need to be revisited in FY 13-14.

Policy direction needed included (1) to what level should employee COLA adjustments be funded in the FY 2012-13 adopted budget; (2) if an increase is approved, does City Council support the funding alternatives provided; (3) does City Council support a market-based compensation analysis to be used as a tool to make salary recommendations in the FY 2013-14 budget; and (4) moving forward, are there priorities or areas of interest that should be pursued in the next budget cycle.

There was considerable discussion on each option, with Mayor Bellamy and each Council member voicing why their supported either Option 1 or Option 2. Option 1 was supported by Vice-Mayor Manheimer, Councilman Hunt and Councilman Pelly with the one-time bonus (depending on Fund Balance in November) for the approximately 800 employees who earn $75,000 or less. Mayor Bellamy, Councilman Bothwell and Councilman Davis supported Option

2. Vice-Mayor Manheimer and Councilman Hunt noted that Councilman Smith expressed support for Option 1.

Ms. Bradley said that adoption of the budget is scheduled for June 12; however, if can be delayed until the June 26 meeting.

Mayor Bellamy asked that staff have language ready to insert in the budget ordinance on June 12 to reflect the majority of Council's wishes regarding employee compensation. She also challenged City staff to find cost saving measures in order to provide a 3% employee pay increase.

As Vice-Mayor Manheimer will be out of town on June 12, City Attorney Oast said that he would verify that a vote on the budget via speaker phone would be appropriate.

ADJOURNMENT:

Mayor Bellamy adjourned the meeting at 4:59 p.m.

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CITY CLERK MAYOR