

DRAFT  
Minutes  
Finance Committee Meeting  
2:30 p.m., March 20, 2012  
First Floor-North Conference Room, City Hall

Present: Vice Mayor Esther Manheimer, Chair; Councilman Marc Hunt,  
Councilman Chris Pelly

Staff: Lauren Bradley, Gary Jackson, Jeff Richardson, Tony McDowell,  
Sasha Vrtunski, Amy Patterson, Cheryl Heywood

**1. Approval of Minutes**

Councilman Pelly made a motion to approve the 2/28/2012 minutes and this motion was seconded by Councilman Hunt and unanimously approved by the committee.

**2. Living Wage Review**

Lauren Bradley told the committee that in the interest of time, she would forego giving background information, and discuss the staff recommendation for council to adopt a resolution that would: 1.) set the living wage at \$11.35 per hour without employer provided health insurance and \$9.85 with health insurance, that would apply to full and part-time employees and vendors; 2.) increase the contract threshold for General Services subject to the living wage up to \$200,000 from the current threshold which is set between \$30,000 and \$90,000; 3.) direct staff to continue to monitor the impact of the adjustment, and provide quarterly updates to council; and 4.) review the matter again as part of the FY2013-14 budget process.

Ms. Bradley said that the recommendation to increase the contract threshold was based on analysis of the thirty thousand through ninety thousand dollar range of contracts that have been executed in the current year. This data shows that general services contracts that are executed in that range are generally through vendors that are currently providing a living wage.

Councilman Hunt asked what the fiscal impact might be for contracts over the two hundred thousand dollar range.

Ms. Bradley responded by explaining that staff did review contracts that were in that range and concluded that those tended to be the types of services that are already getting the living wage. In addition, Ms. Bradley said that making an incremental change provided an opportunity to assess the financial implications before applying the higher threshold.

Councilman Pelly asked if the City contracts for labor intensive services such as landscaping, or mowing services, and if so, there may be a significant fiscal impact.

Ms. Bradley said that the majority of these services are done in-house and although there are a few in that category that would have an impact, these are mostly the exception, and staff feels that the City can absorb those types of costs.

Councilman Hunt moved that this item be moved to full council with the support of the finance committee. This move was seconded by Councilman Pelly and unanimously approved by the committee.

### **3. General Fund Briefing**

Ms. Bradley said that the purpose of the presentation was to get initial feedback from the committee so staff can be better prepared for presentation to full council on March 27. Ms. Bradley reviewed the budget schedule, general fund revenue categories and discussed some of the challenges. Property, sales, and state utility tax combined make up about eighty percent of total revenue and fees and charges consist of approximately ten percent of overall revenue. Ms. Bradley said that if any big changes were to be made on the expenditure side, we would be cutting into core services, which is a large portion of what we do as a City.

Ms. Bradley told the committee that property tax rate re-evaluation has been done twice in the past ten years and we have kept the taxes revenue neutral. Due to in-migration on night and on weekends, the demand for services is high because we provide services to those people who do not pay the property tax rate but are utilizing the services.

#### General Fund Expenditures

Ms. Bradley said that our core municipal services make up approximately seventy five percent of our overall budget and public safety personnel costs are a large part of the mix because we are service oriented. Over the last 10 years based on census numbers, the City's general fund budget has been smaller today than it was in the year 2000. The City has accomplished this through efficiency, innovation and working smarter. We have limited growth through annexation, and limited ability to access new revenue sources. Due to those financial constraints, we need to embrace opportunities for incentivizing growth such as attracting businesses and families to live in Asheville and seeking projects that have a regional impact; as well as targeting investments, economic and land use incentives.

#### Revenue Assumptions

Ms. Bradley reviewed the FY 12-13 revenue projections. Sales tax was up nine percent in the previous year, and in the current year the City is up five percent, and projects an additional five percent in the coming year. This gives a net projection of \$1.3 million dollars, added to revenue from other sources for a grand total of \$2 million dollars in new revenue in the coming year.

#### Expenditure Assumptions

Ms. Bradley said that staff made expenditure assumptions based on actual performance in the current year, and based on that performance, made expenditure recommendations for FY 13. Ms. Bradley reviewed personnel costs, fire department expenditures, fuel costs and general fund transfer to the golf course.

Councilman Pelly asked if the City received discounted fuel and also asked what fuel conservation practices we currently have in place.

Ms. Bradley answered Councilman Pelly by explaining that due to the large volume of fuel that the City uses, we do not pay the same rate of taxes a consumer would pay at the pump and that we have a fuel conservation plan in place that was created when we had a fuel shortage. In addition, the City purchases more fuel efficient vehicles as we replace fleet. Mr. Jackson added that we also practice fuel conservation using sustainability and carbon reduction plans such as not idling, and the four day work week.

Ms. Bradley clarified the technical adjustment staff is recommending to correct the revenue in the golf fund. This adjustment is to accurately reflect what they are bringing in, which would necessitate a general fund transfer to the golf course to address that deficit.

#### Expenditure Obligations

Ms. Bradley reviewed obligation expenditures which she said are those expenditures that are for the most part, out of our control about implementing. These include public safety issues such as improvements to the evidence room and the Humane Society request to increase their current contract with the City by one hundred thousand dollars.

Councilman Hunt asked if the Humane Society contract could go through the finance committee, to help members understand what is driving the cost and what options we may have. In addition, Councilman Hunt requested that the committee be given the opportunity to tour the Humane Society Animal Shelter. Ms. Bradley said she would make arrangements for a tour of the facility and schedule them to make a presentation at an upcoming finance committee meeting.

Ms. Bradley said that the funding for five grant funded police officers is reflected on the expenditure side, because on the revenue growth side there is an offsetting grant revenue coming in, so it is not a true cost to the general fund.

Councilman Pelly asked if this was a one-time grant, or if this would be ongoing. Ms Bradley said that it will eventually become an obligation in 3 years.

Ms. Bradley said that the cost of mediating the firing range is to be determined. Staff is currently working on estimates of this work.

#### Expenditure Variables

Ms. Bradley said that these are items that the management team or council set as priorities during the retreat process.

Ms. Bradley said that the EDC allocation is in addition to what we are already allocating; the building and facilities deferred maintenance item is for items such as the repair of the elevator; I.T. infrastructure would include network security services; form based planning policy is for land use planning and growth that would focus on transportation corridors and other key areas where we need to incentivize growth; employee raises were not included in the budget for the past three years, employee compensation was a high priority on council's list.

Ms. Bradley said that there is two million dollars in new revenue growth, and one hundred and ten million in obligation expenditures, leaving five hundred and thirty thousand remaining dollars left to work with on the expenditure option list.

### Policy Direction

Ms. Bradley said staff is seeking policy direction from the committee and council. She asked the committee if they agree with the proposed technical assumptions, revenue projections and obligations. In addition, she asked if there other expenditures that should be considered, and if so, what are they, and how will we pay for them.

Ms. Bradley said staff would like to recommend to council that we provide a minimum of five hundred thousand dollars for employee compensation.

Councilman Hunt asked why the employee compensation was listed as four hundred and sixty thousand dollars. Ms. Bradley said that in addition to the one percent cost of living on July 1<sup>st</sup>, staff contemplates the additional forty thousand dollars to be used for equity, compensation, out of market, and other retention types of issues.

By Council allocating 3 million in parking fund balance toward the 51 Biltmore garage and reducing the amount of debt we have to pay every year, staff projects that revenues will be in excess of expenditures in the amount of one hundred and fifty thousand dollars in the parking fund.

Vice Mayor Manheimer said that she would strongly support a one percent increase for staff, and if we could re-evaluate our revenue mid-year, she would support an additional one percent mid-year if revenue allowed.

Vice Mayor Manheimer said that it would be helpful for council to know more about the building and facilities deferred maintenance and I.T. security services.

Councilman Hunt said he would like to suggest the following format refinements to the presentation: 1.) On the Expenditure Options” page, under Housing Trust fund, instead of “TBD” that staff put numbers in there so it doesn’t seem like that item is something in a different class; 2.) the potential one hundred and fifty thousand dollars from Parking should be made more transparent in these documents, maybe aligning it with Transit. Councilman Hunt added that the pay increase would be at the top of his priority list.

Councilman Pelly said that since we are looking at a new management process for the golf course is it possible that the forty thousand dollars budgeted may be less if the transition occurs this year. Ms. Bradley responded by saying that it is possible, but if council decides to go the management contract route, it may cost. The city will need to work with the contracted entity to agree on a budget and they may recommend some adjustments in the budget. It is city’s goal to reduce those operating deficits by investing on the capital side so we are maintaining our assets. There are a number of policy decisions to work through for council to determine how much it will be reduced or increased.

Councilman Pelly said he would also like to know more about the building facility maintenance expenditure.

Councilman Pelly said since that since the one percent cola that takes up most of the excess revenue, is there a sense from staff what the next most important item is? In addition he asked if the two hundred thousand dollars for form based planning was a one-time allocation.

Mr. Jackson said the one that has the most potential and long term ramifications and benefits to the city are the form based planning but that is a policy decision for council. Mr. Jackson said that it is a one-time allocation.

Councilman Pelly said growing our tax base is a priority for him.

Ms. Bradley said that staff would put together a memo to address the committee's questions.

#### **4. Downtown Business Improvement District Committee Presentation**

Susan Griffin, the chair of The Downtown Management Committee told the finance committee she would proceed on the assumption that everyone is familiar with the business improvement district and would begin with some background information. Ms. Griffin said that after council adopted the downtown plan in July of 2009, the downtown commission appointed a committee to study implementation of the downtown improvement business district. That committee formed an interim board of property owners and charged them with the following: 1.) Determine boundaries 2.) Services to offer 3.) Assessment rate and budget 4.) Make up of the board.

It was determined that the boundaries should be central business district; the main services would focus on "clean, green, and safe". The program does extra cleaning on top of what the city already provides and puts people on the street to engage with people they meet, and to help prevent illegal behaviors. The other piece is advocacy and determining how downtown property owners and businesses get together and leverage their voice. The cost to property owners is seven cents per one hundred dollars worth of property. This tax assessment would bring in about five hundred thousand dollars a year. The total program budget is eight hundred thousand dollars and taxes would bring in five hundred thousand dollars which leaves a three hundred thousand dollar shortfall. The District Committee is looking to the City and County to make up the difference. The board of directors would be comprised of thirteen people and consist of at least two thirds property owners that represented different types of properties.

Vice Mayor Manheimer asked who would appoint the board. Ms. Griffin said they will take applications and appoint themselves, which is a common practice state and nation-wide.

Ms. Griffin told the committee that the program encourages carbon infill, high quality services, model that can be used in other neighborhoods to improve their neighborhoods and it is growing the pie. It is an investment not a subsidy. The economic impact study projected that property values would grow two percent above what would normally occur and retail tax would grow five percent per year.

Vice-Mayor Manheimer opened the floor to questions.

Councilman Hunt asked Ms. Griffin to describe the process going forward.

Ms. Griffin said staff is working on an information package to be mailed out to all property owners and after that, several outreach meetings will be held. A notification for public hearing will be completed on April 20<sup>th</sup>, and a request for city council to approve a resolution will be made on May 22<sup>nd</sup>. In order to implement the program for new fiscal year, the resolution has to be approved by council prior to June 30<sup>th</sup>.

Councilman Pelly asked what instrument is being used to demonstrate support for the program. Ms. Griffin said that staff has comprised a list of top property owners and are asking for their signatures and feedback and will inform council of the results.

Vice-Mayor Manheimer adjourned the meeting at 3:35 p.m.