

Minutes
Finance Committee Meeting
4:00p.m. April 3, 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, Jonathan Feldman,
Tony McDowell, Ken Putnam, Nikki Reid, Roderick Simmons,
John Sanchez Cheryl Heywood

Approval of Minutes

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

1. Fiscal Year 2013 Budget -Enterprise Funds and CIP

Lauren Bradley previewed the Enterprise and CIP fund presentation that will be made at the council work session on April 10th and then again at the council meeting on April 24th. Ms. Bradley explained that staff will be finalizing the manager's proposed budget in the next few weeks and after that, there is a public hearing and adoption of the budget. Ms. Bradley said that the following council priorities came out of the budget briefing and asked for feed back or questions from the committee:

1. Include \$500,000 for employee compensation with the possibility of an additional mid-year compensation based on budget performance.
2. \$150,000 transfer from parking fund to provide transit service on holidays
3. Fund the first phase of form based planning
4. Increase Economic Development Commission (EDC) allocation by \$20,000
5. Look for opportunities for new revenues to increase the housing trust fund allocation

Ms. Bradley reviewed the following information with the committee:

Enterprise Funds:

Water Fund

Water fund outlook is positive with revenue performing better than budget in the current year. This is in part, due to implementation of the meter reading program which allows for better meter reading accuracy. The water fund was able to contribute 1.3 million dollars more to the capital program without a water rate increase.

All projects except for NCDOT projects are identified and prioritized based upon the Water Master Plan that is in place.

Parking Fund

Projected revenues are expected to exceed expenses by \$150,000 in this fund. This includes increasing the transfer from the parking fund to the transit fund from \$500,000 to \$590,000. It also includes all expenses from the Biltmore Avenue parking garage and a small transfer to capital for meter replacement.

Transit Fund

We are anticipating a loss of \$160,000 from state grant funds and we are increasing the parking fund transfer to partially offset that loss of revenue. The general fund transfer to transit will remain the same. A decrease in fuel consumption is projected, to offset any increase in fuel prices in the transit fund. For every twenty percent we put into transit capital there is an eighty percent match from federal grant funds. Staff plans on using those funds for transit center upgrades.

Councilman Hunt asked if, based on the standpoint of capital priorities in the transit system, are we maxed out at the level of grants we can achieve and does this get us to a key threshold that we have targeted? Ms. Bradley responded by saying that no, we are not maxed out and in response to the second part of the question, that this is the highest priority in capital investment we can make based on what we can afford. Mr. Putnam added that the list of transit priorities is based off of the master plan.

Golf Fund

The proposed budget would rightsize the revenue and includes a \$149,000 transfer from the general fund. Staff is exploring management alternatives for the golf course and is in the middle of a request for proposal (RFP) process. Staff will bring responses from that RFP back to council for consideration later this spring.

Storm water fund

Ms. Bradley said that the storm water fees are used to maintain and improve the storm water infrastructure, enforce illegal dumping and educate the public about storm water issues. The fee brings in \$3 million annually. There has been a fund balance accumulated in that fund and for FY 2012 \$700,000 was appropriated from fund balance for storm water fund for Victoria Road project. In FY 2013 we are proposing an appropriation of \$290,000 from fund balance for a storm water project on Michigan Avenue.

Councilman Hunt asked if we could bond against the storm water fund. Ms. Bradley said yes, it would be similar to the debt financing we are about to issue in May, which in part, is being used for a parking facility. The debt is collateralized by City Hall and the plan

for repayment is to use parking revenue. Ms. Bradley said that it would be possible to do the same thing for storm water projects if you felt that, over time, the fee could support the debt service. Councilman Hunt asked Mr. Jackson if there were any plans to do this. Ms. Jackson said that this plan has been in place for five years, and the conditional part was to do an engineering analysis of where the needs were and the scope and then prioritize the projects before we started issuing debt.

Mr. Jackson asked that a note be made to check with Ms. Cathy Ball about the development of our storm water priorities and capital investment strategy.

General Capital Improvement Program

Ms. Bradley said we are looking at a multi-year window (2012, 2013, and 2014) to get a complete financial picture as oftentimes a project begun in the current year continues into the next few years.

Ms. Bradley said that the Glossary of Terms, (see attachment) for the capital improvement planning categories was developed to help council understand how we categorize projects.

General Fund Budget

The general fund budget is 86.8 million dollars, of which 8.4 million dollars is for capital and pay as you go, which is approximately ten percent of the total budget. Ms. Bradley said that this will amount will remain the same over a five year period. The amount we can put into pay as you go or pay into debt service stays the same unless new revenue sources are identified. In FY 2012 and 2014 we will retire some debt and therefore, free up capacity to issue more debt.

Ms. Bradley said that we are looking at multiple years (FY 2012 through FY 2014), because capital projects are budgeted in one year, but they often take multiple years to complete. In order to get a complete picture, it is helpful to look at a multi-year window.

2012-13 CIP Revenues

In the current fiscal year the revenue mix for capital investments is \$19 million with a \$2.8 million dollar transfer to the general fund. This amount will remain the same depending upon how much debt capacity we have in a given year. In FY 2013 the revenue for capital investments is \$5.6 million, which is smaller than current year (\$19 million) due to a lowered capacity to issue debt.

2011-2012 Projects Underway

Some of the projects budgeted in the current year that will continue or begin next fiscal year are the City hall repairs, new sidewalk construction, Beaucatcher greenway, vehicle replacement, Montford Street Rebuild and Wild Cherry bridge.

2012-13 CIP Expenditures

The revenue mix for the CIP expenditures for fiscal year 2013 is \$5.6 million dollars, which is significantly smaller than the current year, because our ability to issue debt is much smaller.

The largest portion of the expenditures is multi-modal investments, which are part of our core infrastructure projects which has been a high priority for Council. The water fund transfer is about \$1 million dollars next year and we are restricted to infrastructure investments.

2012-2013 Multi-modal Expenditures

Multimodal expenditures total \$3.14 million dollars to include street resurfacing project, which includes \$1.3 million dollars for 5.8 miles of re-surfacing. Other projects making up this category include pedestrian safety program for Charlotte Street corridor traffic engineering analysis, sidewalk maintenance, and new sidewalk construction.

Ms. Bradley pointed out that the total costs for sidewalk maintenance is a combination of the \$480,000 plus an additional \$800,000 for staff and other related costs for a combined total of \$1,280,000.

Councilman Pelly asked why street re-surfacing is considerably less than sidewalk construction. Mr. Putnam said that with sidewalk maintenance there is a lot more work involved such as uprooting trees; whereas street re-surfacing just involves the re-surface and is not as labor intensive.

2012-2013 Multi-modal Expenditures

There is \$100,000 allocated for greenway development for design work for Town Branch greenway to get it shovel ready and we are using those funds as matching funds for the Tiger 2 grant budgeted in the current fiscal year. The strategy has been to get Clingman Forest and Town Branch shovel ready so that we could apply to TDA for grant funds for construction of those greenways. The other expenditure in this category is the bicycle master plan projects which total \$162,000.

City staff is meeting with the foundation staff to look at planning and design and come up with cost estimates for the project. It will most likely be late summer before there are

reliable cost estimates, so it would be after the budget process that we could consider the project.

Councilman Hunt said there might be an opportunity for the City to ask the County to co-invest dollar for dollar on this project and ask them mid-year so they could build it into their budget.

2012-2013 Building and Facilities Investments

Building and facility investments total \$1.19 million which include roof replacements, general facility maintenance, and Civic Center debt service of \$400,000, of which \$300,000 will be used for debt service for southern conference and the remainder for general building maintenance projects.

Equipment Technology and Vehicle Replacement

Radio, fuel pump and garbage roll cart replacement total \$265,000. \$1 million has been allocated for vehicle replacement which is less than we would like to invest, but the good news is that more than half of these are targeted toward alternative fuel vehicles.

FY 2012-13 Green CIP

This is a new component of the CIP that was implemented last year and was created from the City's goal to reduce our carbon footprint by four percent each year. It is funded by revolving utility savings. The cornerstone of the Green CIP is the streetlight retrofit project. We will be funding the third phase of this project in the next fiscal year and we will have funds available to do other city retrofit and weatherization projects.

FY 2013-14 CIP Revenues

Ms. Bradley explained that the total (20.92 million dollars) is bigger than the previous year, because we are retiring some debt and can go out and issue more debt in the amount of about \$10 million. Grants comprise about \$6 million and are bigger in this year, because DOT is projecting two big sidewalk projects. The city's portion is \$2 million dollars. The general fund transfer remains about the same (\$2.8 million) as in the previous year.

2013-14 CIP Projections

Ms. Bradley reviewed some of the high priority projects under consideration that might be put into the overall five year CIP. We are looking at partnering with the state or county in order to make that project more affordable for the radio infrastructure which is \$4.5 million.

Current 5 year CIP

Ms. Bradley said that assuming the CIP funding stays consistent, if council wanted to accelerate progress with capital projects and increase capital investments, the five year capital program bar chart (see chart attached) is how it would look. In FY 2014 we can

issue a large amount debt, and the following three years our capacity to issue debt is flat for the following three years. It is not until FY 2018 and FY 2019 that we retire debt and can issue more debt again

Accelerating Progress: Adding \$1 Million

As an example, one cent on our property tax rate equals \$1 million dollars. If you added \$1 million to the CIP staff recommends structuring it so that a portion would go to pay as you go for capital maintenance and the remainder dedicated to debt service for an additional \$13 million in debt capacity.

Accelerating Progress: Adding 4 million to the CIP

If \$1.4 million was allocated to pay as you go and the other \$2.6 million allocated to debt service it would provide an additional debt capacity of \$35 million in debt proceeds.

Policy Direction

Ms. Bradley said that based on the proposed information, staff is looking for feedback and asks the following:

1. Are we programming resources in the City's strategic and mission critical priorities?
2. Is Council supportive of the level and timing of resource allocations?

Councilman Hunt said he would like to see the information about the multi- year before council gets a full budget review five weeks from now. After much discussion it was decided that this request would be kept in mind for the budget process next year.

The fiscal year 2013 enterprise funds and CIP will be discussed at the council work session on April 10 and at the full council meeting on April 24.

2. Asheville Transit Fare Free Program

Mr. Putnam said he was here on behalf of transit commission to get approval of a three week pay approved transit promotion as a part of the roll out of the transit master plan implementation. The implementation includes operational changes, 30 minute bus frequency, and evening and day route consolidation. There is a major marketing strategy component, which includes a fare free promotion, a new look for buses for branding, route maps, and distribution of brochures. The fare free program is the implementation of free ridership for a three week period, which the intention of promoting new ridership.

Councilman Hunt said that the marketing budget for transit for this current fiscal year is \$75,000 and the transit commission wanted it to be bumped up to \$130,00 for next year however, the operating budget that he has been reviewing does not assume an increase. Councilman Hunt asked if staff and transit commission think that this is the best investment of the \$42,000 in effective marketing versus continuing to charge the fares but investing that amount into advertising and promotion. Mr. Putnam said that this has proven to be a very effective tool, and that the transit commission and staff are confident we are getting the best bang for our buck. He further explained that the way we are rolling the program out, we have the flexibility to make changes.

Vice Mayor Manheimer said she appreciated all the hard work that has been done on this, and the fact that they had previously met with the transit commission to become informed on the roll out, which was a great idea.

Councilman Pelly said that Mr. Putnam and staff have worked diligently on this program, and that the fare free will help attract new riders, and went on to say that he gives full support for the fare free program.

This item will go to full council for approval on April 10.

3. MAIN Tower Lease Agreement

Ms. Bradley said staff is looking for direction from the committee on next steps to be taken, given the e-mail communication that the city received from MAIN on April 2. Ms. Bradley said that on January 31, 2012, the city sent notice of termination of our license agreement for failure to pay the rent. The balance remaining is \$33,000 and MAIN has not made a payment since October, 2010. Ms. Bradley said that currently we are treating this contract like any other agreement and will terminate on May 1.

Mr. Jackson said that Real Estate Manager Nikki Reid, and Information Technology Director, Jonathan Feldman can speak to questions the committee may have.

Councilman Hunt asked if there was a cost if council asked staff to hold off termination while council has time for additional revenue.

Councilman Pelly asked what the impact is if we cut them off and if staff is able to quantify what service they are providing.

Mr. Feldman said he does not have the necessary visibility into their operation, and does not have the coverage maps needed to know. Mr. Feldman said that the only financial impact is the current agreement, and we are under budget in terms of revenue, so that is the financial impact. In terms of opportunity cost, there is a tenant who wants to expand their footprint, who is able to meet their financial obligations. In order to accommodate the tenant, the city would have to up-fit the tower for weight considerations; however, we are currently in negotiations with them and expect the tenant to pay for the upfit. Mr. Feldman further explained that these are primarily public safety towers, and typically not used to produce revenue.

Mr. Feldman said that if we expand the private companies use and allow MAIN to stay on, we are basically at ninety nine percent capacity on the tower, so we would not have flexibility if there was a public safety need for expansion. Mr. Feldman made three points: 1. What they do is becoming an antiquated technology 2. There are questions pertaining to who they are serving 3. There is a breach of contract.

Ms. Bradley said they have asked MAIN for information about their customer base, and audited financial statements and have not been successful in getting any information from them. Mr. Jackson said unless otherwise directed, staff would administer this like any

other contract. Staff has made every effort to work with MAIN, and at a minimum, we need partial payment on the outstanding debt. Otherwise, we need policy direction about getting into the public service broadband business, and questions such as if this is the best way to deliver these services and in the best interest of taxpayer dollars would need to be addressed.

Vice Mayor Manheimer said that this item will run its course and does not need to go to council.

Ms. Bradley said that staff will respond to the email from MAIN dated April 2.

Vice-Mayor Manheimer adjourned the meeting at 5:20p.m