

Minutes  
Finance Committee Meeting  
3:30pm, June 24, 2014  
First Floor-North Conference Room, City Hall

Present: Vice Mayor Marc Hunt (Chair), Councilman Gordon Smith,  
Councilwoman Gwen Wisler

Staff: Gary Jackson, Paul Fetherston, Cathy Ball, Barbara Whitehorn,  
Eric Hardy, Tony McDowell, Cheryl Heywood

Guests: Councilman Chris Pelly, Timothy Sadler

**Approval of 5/27/2014 Minutes**

The committee took copies of the minutes with them so they would have the opportunity for review prior to approving them. They will approve both the 5/27 and 6/24 minutes at the next meeting.

**Review the boundaries of proposed Innovation Districts (MSDs)**

Ms. Cathy Ball said the discussion she wanted to have with the committee was the timeline and the process for how we will move forward on the adoption of the district boundaries. Staff was attempting to get them approved by the end of June, but found out that we had to notify all parties who had properties within the boundaries, and also notify anyone who owned real property such as those people who were paying taxes on a vehicle or a boat. Staff had to request that particular information from the state and that was problematic in terms of timing for the public hearing and for when we could meet with our financial advisors, since we are doing construction financing for a two year period. Council has already seen the boundaries, but at this point, we ended up continuing this item to an uncertain date. We had discussion about whether we need to wait to adopt the boundaries until we get ready to do permanent financing and the answer we heard from council was no. Ms. Ball said the staff recommendation at this point is that we move on an aggressive schedule in order to send out the notices and prepare all of the materials to bring it to full council. Staff would like to know if we have permission to move ahead and get these adopted.

Councilwoman Wisler asked if this would have any effect on the construction financing. Ms. Ball said no, it should not. We don't plan to issue debt until a little further into the year.

Vice Mayor Hunt said that the boundaries of the south slope district are of interest. Mr. Jackson said the question regarding the south slope district, is whether it extends to the area that would include Lee Walker Heights, and frontage on Biltmore Avenue. Ms. Ball said it does. It goes south far enough, even on the Clingman Avenue side and we were able to get the Aston-Hilliard park maintenance site property as well. We made sure to stay within the strategic goals outline, but included anything we had identified as a potential project, so we would have the funding available to us. On the other hand, we did not want to make it so massive that the expectation was that we have a planned project in the area, if that really wasn't the case. Councilwoman

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Wisler asked if Lee Walker Heights was included, because is it not zoned residential. Ms. Ball said multi-family is considered acceptable for re-development and urbanization and all the property around Lee Walker is zoned for commercial. Councilwoman Wisler asked what the potential for amending the boundaries is. Ms. Ball said the one in place now is for the central business district and yes, it could be amended as long as you notified the property owners that it is being amended. However, staff thought it would be better not to amend it, but rather to have another separate district. We want to get it as broad as we can, while still complying with statutory requirements. Vice mayor asked if the committee was satisfied with the way the boundaries were drawn. Councilman Smith said he was pleased that staff wanted to meet as many needs as possible without going too far.

Vice Mayor Hunt said Mr. Jackson had suggested changing the name from Metropolitan Service District (MSD) to Innovation Districts. Mr. Jackson said we haven't come up with a name that hits all purposes, although we are leaning toward naming them "Innovation Districts". The main concern is we think that downtown, the south slope and the river arts district fully meet the definition and standards of the Brookings Institute report, but we are not sure that Charlotte Street meets that definition. I think that we could label it an innovation district because of the employment, professional usage, and mixed use development usage. One benefit of calling these sub-districts is that the partnership and collaboration element that should be part of these districts will need to change by the character of the districts. Our partnerships in the River Arts District will be different than partnerships with private sector and other public entities. Ms. Ball said the other component of this is that we are working with a marketing company. We want to communicate what we are trying to do with this initiative while making it clear that just because something is in a district, it does not mean it is an economic development initiative. Sometimes a fire station is included just for safety reasons but it could be financed through a special obligation bond. We need to work on a communication plan that is motivating in terms of telling people about the initiative and the whole spectrum of what we are working toward in that plan. The name needs to communicate something other than a government acronym.

Vice Mayor Hunt asked if the staff recommendation would be to bring this item to full council at the July council meeting. Ms. Ball said no, staff is recommending the item be slated for the second meeting in August which would allow for additional time for staff to move forward with what we need to do. We want to keep council updated on the progress and will advise you of when the letters go out, and the information they contain, so you will be informed if you get any phone calls. Vice Mayor Hunt asked that it be made clear in the letters that this relates to an initiative that does not involve a tax increase or special tax increase in these districts, but rather, a bond financing strategy that means no different tax burden for the people in the district. Ms. Ball said the letter does specifically say that and also includes the fact that it is not council's intent to tax these areas but that it is for bond financing purposes. Vice Mayor asked that it specifically say that it is not council's current intent to tax, because the downtown MSD might come back with a bid proposal within two or three years, and council members may be voting on a bid tax. Ms. Ball said that she would send the wording to council.

**Debt Capacity for CIP (Barbara Whitehorn)**

Ms. Whitehorn said she put together some basic slides to show where we stand relative to other cities in the state. Right now we are at three hundred and one dollars per capita for our tax supported debt. Over the next five years, that will go up to over nine hundred dollars per capita. Cities that are engaged in a lot of growth and working on their infrastructure are the cities that have higher bond ratings. Although a higher bond rating is not necessarily a correlation to the fact that they invest a lot of money in CIP. You can have a fairly high per capita debt and still have a triple A bond rating. We are looking at issuing a good deal of debt and it is important to note that if it has any affect on our rating, I think it will be a positive one.

Councilwoman Wisler said a constituent called her and said that our debt per capita is so much lower than other cities our size, and asked why we don't issue more debt. Ms. Whitehorn said that legally, we could issue more debt since our legal debt limit is much higher but we issue debt based on our capacity to re-pay it. We look at the money we have coming in, the debt that we have rolling off and we want to be sure we have close to one hundred percent of our debt service in our fund balance at the end of the year. If we issue debt without thought for that, we would end up in a position of having to raise taxes. Our goal has been to fund this program without raising taxes.

Vice Mayor Hunt said that in terms of allocating our revenues across the budget, the plan is to fund our debt service, but in addition, we are going to apportion more cash into the fund balance for CIP-- so debt service plus reserves is where we are headed. Councilman Chris Pelly is here today. There has been discussion over the past couple of weeks about allocating more money to neighborhood sidewalks, and using debt or other resources to fund that. What would you say about how much capacity there is to do that. Ms. Whitehorn said if our cash flows stick to exactly the schedule staff came up with, we don't have capacity until 2022. However, when you are planning big projects you plan on it taking a certain amount of time, but it always takes longer. As those cash flows take a little longer, that debt service gets lower, because we do not issue the debt until the project is done. That is the time that we are going to see capacity.

**Public Comment (up to three minutes each on topics not included on the agenda)**

Mr. Timothy Sadler said he came to share thoughts about economic development as well as finance. In the course of working to attract tech companies to the area, I have talked to folks out in the community. One of the things holding us back are universities that offer advanced tech degrees. We have a new Chancellor coming in at UNCA and because their reputation is a liberal arts college there has been push back on integrating advanced tech programs. As the city has been a great friend of UNCA, it might be beneficial for the City to have that conversation with the interest of attracting Google or any of these types of major employers to Asheville.

Vice Mayor Hunt adjourned the meeting at 3:50p.m.