Asheville, NC 2010:
A Financial Crossroads

Presented to the Asheville City Council by:

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Introduction

As 2009 comes to a close in the midst of a global recession, the city of Asheville finds itself at a financial crossroads that is indicative of other significant times in its history. Over the last 200 years, through a series of events and decisions made by local and state leaders, Asheville has established itself as a regional hub for business activity, employment, medicine, services, and cultural and recreational opportunities. During that time, Asheville has grown to be the largest city west of Charlotte, an area that generally includes 23 counties, 11,000 square miles and more than one million people. This geographic area is roughly the size of the state of Massachusetts.

Asheville was incorporated in 1797 and grew slowly until the late 19th century when it began a period of very rapid growth after the arrival of railroad. That period of expansion – particularly impacting growth in industry, tourism, and housing – was punctuated by historical figures like George W. Vanderbilt. The real estate crash of 1929 brought that period of growth to an abrupt close. During the Great Depression, Asheville was the only city in the country that did not default on its bond obligations, and the city slowly repaid the debt over the next fifty years. Partly as a result of this financial position, the city saw little growth again until the 1950's, when post-WWII manufacturing and tourism growth led to new economic health. That growth also led to an increase in area when a series of major annexations were implemented by the city. After another cycle of slow economic activity in the 70s, Asheville's downtown experienced a rebirth in the 1980s and 1990s as visionary community leaders prompted public and private investment in downtown redevelopment. As a result, Asheville's downtown has been acclaimed as a national example of urban revitalization.

Asheville's position as a regional hub has brought challenges and opportunities as city leaders have sought to accommodate demands for economic development, city services, improved infrastructure, and public facilities to support a growing and diverse regional population. Along the way, Asheville leaders have tried to balance the tax burden on property owners within the municipal boundary with the needs and expectations of a population that far exceeds jurisdictional lines. This report focuses on the issues and challenges facing Asheville as it seeks to address its financial structure while embarking on a path to deliver the community's vision for what it wants Asheville to be. It includes a perspective on the city's role as a regional urban center, its growth and capacity to capture a burgeoning population in the county, revenue diversification and the overall impact the city's financial picture has on city services and citizen satisfaction. Finally, it will pose alternatives in response to the question, "What kind of city do we want to be, and what will it take to get there?"

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Why Cities Matter

Cities are centers of economic activity – areas in which businesses choose to locate in order to benefit from the proximity of infrastructure, other business, labor markets and external economies of scale. Due to the concentration of infrastructure and economic activity, cities also provide a rich variety of goods and services, as well as social and cultural opportunities.

The municipal government's role in a community's economic prosperity is crucial yet sometimes overlooked. The municipality provides a local transportation network for the movement of goods and people; operates water and sewer systems; collects solid wastes; provides for the safety of the public as a whole through police and fire services; builds and operates essential facilities like parking structures, airports and auditoriums; supports parks and recreation programs that attract families; ensures safe and reliable buildings; helps rebuild obsolete sections and improve housing stock. Through all its activities, a city lays the foundation for an attractive, appealing and prosperous community.

The 'economic footprint' of a municipality rarely corresponds only to its municipal boundaries. The economic sustainability of cities is inter-related to the quality of life in a region, where areas outside of municipal boundaries benefit from the city's investment in infrastructure as well as higher employment and income opportunities. Successful cities contribute to competitive regions, stimulating growth and employment. As a region grows and urbanizes, it stands to reason that the demands on and importance of the municipality's services also grow. The financial burden of those services becomes more affordable for a city if the costs can be spread across a greater portion of the population that benefits from them.

Asheville's role in the regional economy is demonstrated by the significant growth the city experiences with its daytime population. Based on U.S. Census Bureau data from the 2010 American Community Survey, Asheville has the highest daytime to resident population ratio among all cities in North Carolina with populations of 50,000 or greater. The daytime population, which includes people who commute into Asheville for work, is approximately 43,000 people higher than the resident population (taking the population from 83,570 to over 127,000). This data does not take into account people who come into Asheville for shopping or services nor does it account for the significant tourism industry in the city.

An analysis of Asheville's public safety data demonstrates that Asheville supports an even greater non-residential population. According to FY 2010-11 data from the University of North Carolina School of Government's Benchmarking Project, Asheville responds to more calls for fire and emergency services per capita than any of the other 13 cities involved in the project (158 calls per 1,000 people). Asheville would need to add around 54,000 more people to its population to bring its call volume more in line with the state average, bringing its total population to about 138,000 residents.

Given a city's impact on its surrounding region, it is imperative for cities to seek financial sustainability, thereby supporting a reliable economy and quality of life. However, over time, the ability of a static municipal population to bear the increasing costs of supporting a regional economy through property taxes can become unsustainable. Eventually, the cost is no longer affordable, and citizens begin moving outside of municipal boundaries seeking alternative housing options, contributing to development sprawl and threatening slow municipal abandonment.

Balanced Growth: Expansion vs. Retraction

In his book, *Cities Without Suburbs*, David Rusk used census data to analyze cities' fiscal health in the context of demographics, growth patterns and economic bases. Rusk employed a measure of the degree to which a city either "captured" population growth or "contributed" through population loss in a regional area and compared that data to indicators of the cities' fiscal health (namely bond ratings). Rusk called cities that captured a greater proportion of the population as "elastic" while cities that lost a greater proportion of the population were called "inelastic."

Based on his research, Rusk concluded that a city's ability to annex land from its surrounding county is a primary determinant of its fiscal health, and that cities trapped within old boundaries have suffered severe racial segregation and the emergence of an urban underclass. On the other hand, cities with annexation powers have shared in area-wide economic growth. As these areas grew, cities were able to capture portions of the surrounding population so that the cost for municipal services could be shared by a larger proportion of the regional population.

It is important to note that Rusk's research does not suggest cities should expand to the detriment of rural areas or beyond their capacities to provide municipal services. On the contrary, it supports the notion of inter-dependency between the urban economy and the rural economy, and further suggests dense growth in urban centers is beneficial to rural areas by allowing them to remain undeveloped. It also implies that growth beyond a city's financial or practical means of providing services is ineffective and unsustainable. In short, municipal growth should be balanced and should seek to include that which is truly urbanized.

When Rusk's methodology is applied to ten benchmark cities in North Carolina from 1950 to 2010, analysis shows Asheville is the most inelastic city. On average, cities captured 61.12% of the population growth in the county. From 1950-2010, Asheville captured 26.68% of the population growth in Buncombe County (see Table 1). This means that for every four people who moved into Buncombe County, one moved into Asheville.

Table 1.

	1950	2010		1950	2010	City's capture rate
Asheville	53,000	83,393	Buncombe	124,403	238,318	26.68%
Charlotte	134,042	731,424	Mecklenburg	197,052	919,628	82.67%
Concord	16,480	79,066	Cabarrus	63,783	178,011	54.79%
Durham	71,311	228,330	Durham	101,639	267,587	94.62%
Fayetteville	34,715	200,564	Cumberland	96,006	319,431	74.23%
Gastonia	23,069	71,741	Gaston	110,836	206,086	51.10%
Greensboro	74,389	269,666	Guilford	191,057	488,406	65.67%
Greenville	16,724	84,554	Pitt	63,789	168,148	65.00%
Raleigh	65,679	403,892	Wake	135,450	900,993	44.18%
Wilmington	45,043	106,476	New Hanover	63,272	202,667	44.07%
Winston-Salem	87,811	229,617	Forsyth	146,135	350,670	69.33%

In the ten year period between 2000 and 2010, Asheville's population grew by 21%. Among the 15 largest cities in North Carolina, Asheville's growth rate ranked 11th and was below the group average of 33%. Asheville has a substantially lower population than the residual portions of Buncombe County. As noted in Table 2, Asheville's share of Buncombe County's population is 35.0%. When compared to the other benchmark cities in North Carolina, Asheville's percentage of the total county population is the 2nd lowest in the group.

Table 2.

Population rank	City	2010 pop	% of county	County	2010 pop
1	Charlotte	731,424	79.5%	Mecklenburg	919,628
4	Winston-Salem	229,617	65.5%	Forsyth	350,670
6	Fayetteville	200,564	62.8%	Cumberland	319,431
3	Greensboro	269,666	55.2%	Guilford	488,406
8	Wilmington	106,476	52.5%	New Hanover	202,667
10	Greenville	84,554	50.3%	Pitt	168,148
12	Concord	79,066	44.4%	Cabarrus	178,011
14	Jacksonville	70,145	39.5%	Onslow	177,772
11	**Asheville**	**83,393**	**35.0%**	**Buncombe**	**238,318**
13	Gastonia	71,741	34.8%	Gaston	206,086

Taken together, this data shows that Asheville has had much less opportunity when compared to other similarly sized cities to spread the cost of supporting a regional economy across the region's growing population. As a result, Asheville maintains the highest general fund revenues and expenditures per capita in the state. Why? Compared to other larger cities in the state (50,000+), Asheville has had a very modest annexation history in the past 50 years. This tradition of careful annexation is somewhat related to its confining topography, and more related to Asheville's limited ability to use the provision of utility services – public water, sewer or electricity – as a condition of annexation. Instead, Asheville has relied on contentious involuntary annexations to realize growth. This information is presented simply as historical context and not as a singular alternative for addressing Asheville's financial structure. Even if Asheville's ability to use water service as a condition of voluntary annexation changed tomorrow, growth in the county immediately surrounding Asheville's city limits has already occurred and water service is already available, significantly limiting Asheville's ability to voluntarily annex these areas that most benefit from the city's economy and infrastructure.

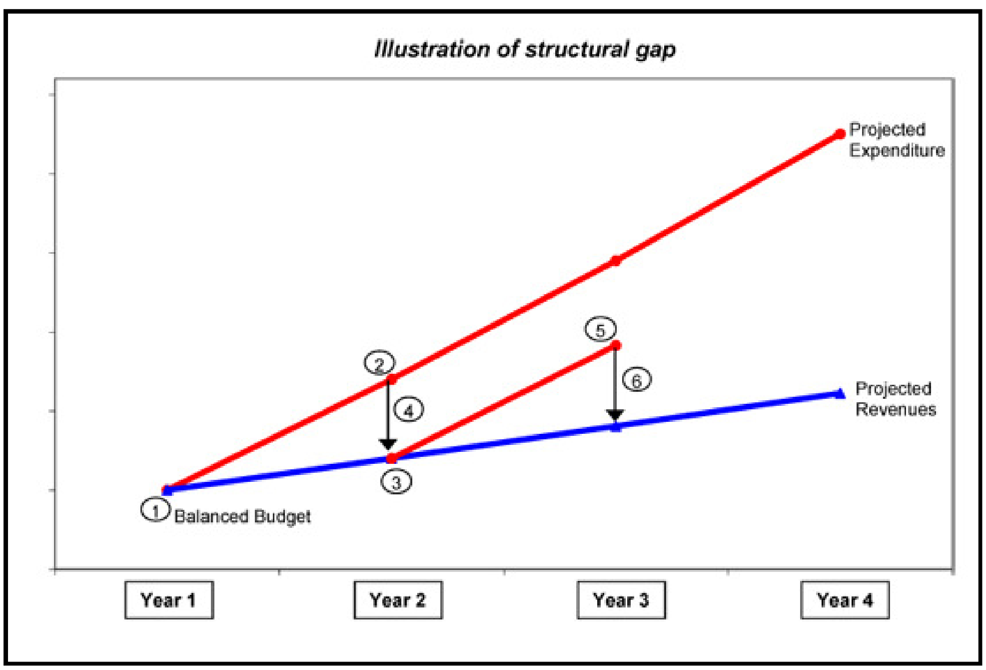
Structural imbalance between revenues and expenditures

The City of Asheville's financial challenges are caused by a structural imbalance between revenues and expenditures. The word "structural" is used to indicate that the problem is caused by the structure of general fund revenues and the nature and growth of its expenditures. It is not a short-term problem caused by the downturn in the economy, although the size of the budget cuts required has been exacerbated by that and other factors.

General fund revenues are growing at a slower rate than expenditures. In years without a recession, general fund revenues grow at about 3% annually, while expenditures grow at 4 to 5%. In years with a recession, the structural gap is magnified by a decrease in revenue. During the last few budget cycles, revenues have grown at a rate of about 1%, while expenditures have grown at a rate of 6%. Expenditures including cost of living adjustments for employees (3%), health care costs (8%), utilities (5%), and fuel (5%) are all growing at a rate faster than revenues. With personnel costs accounting for about 60% of the City's budget, those increases in costs have a weighted effect on the City's overall rate of increase in expenditures.

The result of the structural gap is that the City is required to either cut expenditures or raise taxes **each and every year** to provide the same level of basic services as in the previous year.

Simply cutting the level of expenditures or finding new revenues does not solve the structural problem, unless these actions increase the long-term growth of revenues and reduce growth in expenditures. The graph below illustrates the problem.



(This graph shows projected expenditures growing at 4-5% and projected revenues growing at 1-2%.)

(1) Budget is at balance in Year 1 with expenditures equal to revenues.

(2) With expenditures growing at 4-5%, the cost of offering the same programs in Year 2 grows to here.
(3) Meanwhile, revenues grow at only 1-2%, to here in Year 2.

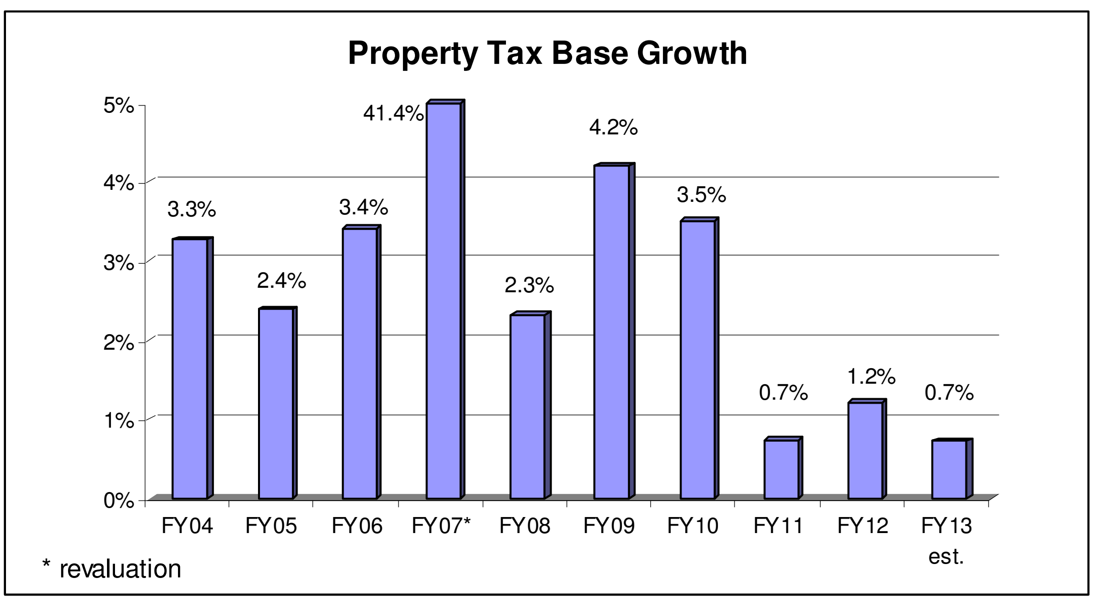
(4) The difference between expenditure and revenue growth leads to a gap, requiring a cut in expenditures to balance the budget.

(5) If the budget cut affects only the level, but not the growth of expenditures, remaining expenditures will continue to grow at 4-5%. The level of expenditures needed to provide the same level of services as in the previous year grows to here.

(6) This structural difference in revenue and expenditure growth creates the need for another budget cut in the following year (Year 4). The problem continues until structural changes can be made that equalize the growth rates of expenditures with revenues.

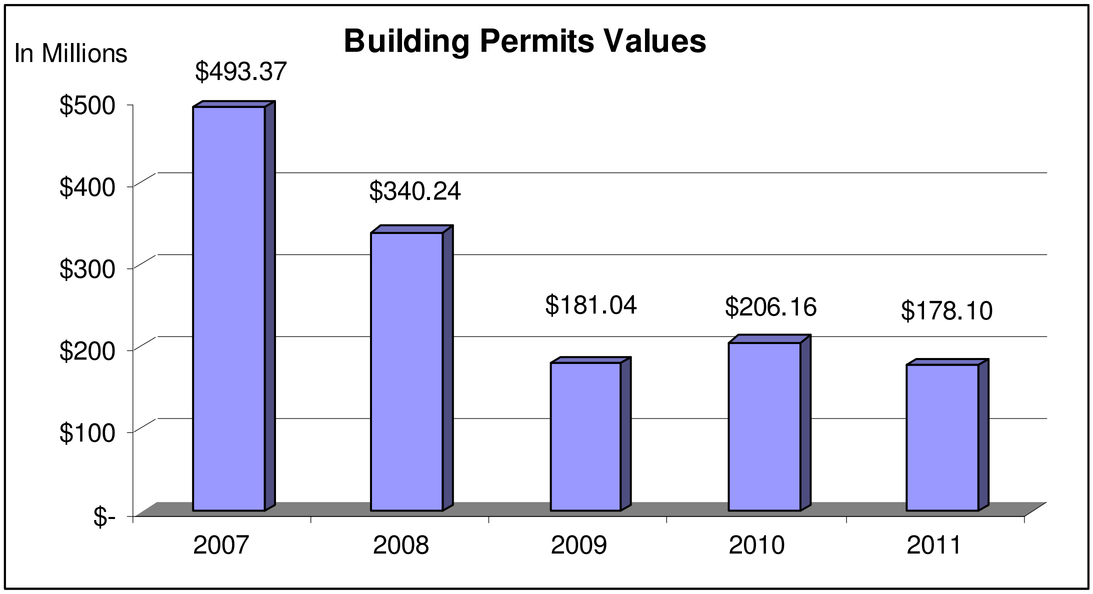
Property Tax Revenues

In North Carolina, property tax is typically the largest source of municipal revenue and one of the few sources which local governments have the power to set the rates. In Asheville, property tax rates have not been increased since FY 2001. Asheville's current property tax rate of 42 cents per $100 of assessed valuation is one of the lowest rates among the 15 largest cities in North Carolina. Asheville budgeted $47.4 million in property tax revenue for fiscal year 2013, which represents just over half of General Fund revenues. Between FY 2000 and FY 2010, property values in the City grew annually an average rate of 3.1%. This steady growth in property values helped balance some of the structural financial challenges Asheville is facing now. Growth in real estate property values in Asheville have slowed substantially since the economic recession. Over the last three fiscal years, property values have grown at an annual average rate of less than 1%.



Building Permit Values

As noted earlier in the report, property tax base growth has slowed substantially since the recession. The chart below, which shows the value of building permits issued in the City of Asheville between 2007 and 2011, reflects the continuing impact that the recession is having on the construction industry. Permit values during the years 2009-2011 are down dramatically from where they were in the years prior to the recession. With the typical lag time between the issuance of a building permit and the addition of that property value to the City's tax base being two years or longer, the current data indicate that the City will not see a rebound in its property tax base growth to pre-recessionary levels anytime in the near future.



Annexation and growth

Cities grow by one of two methods – through natural growth (in-migration, births) and through annexation. As noted earlier in the report, Asheville grew slower during the decade between 2000 and 2010 than its peer cities across the state. Asheville's population growth rate between 2000 and 2010 ranked 11th among the 15 largest cities in N.C. and was below the group average.

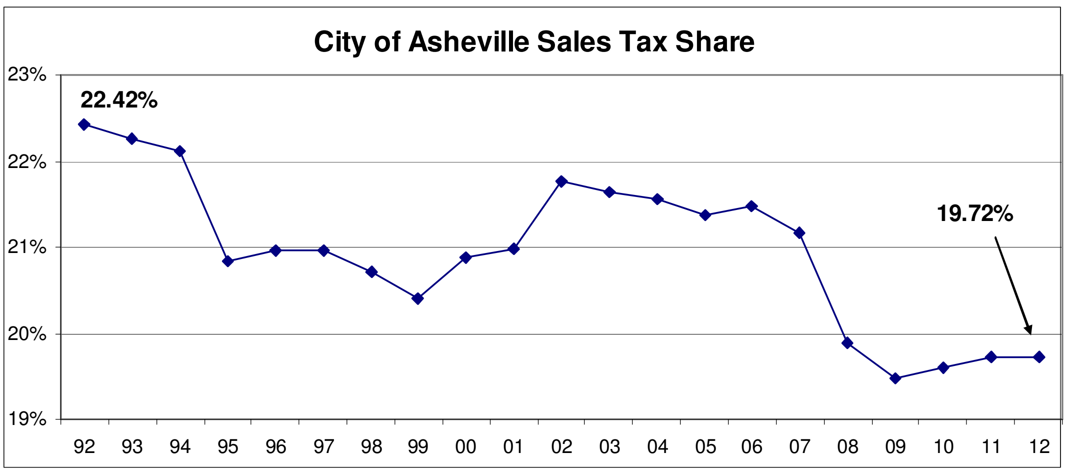
According to data from the N.C. Office of State Budget and Management, between 2000 and 2010, approximately 45% of the population growth that the City of Asheville achieved was the result of natural growth. With the state legislature now having effectively eliminated annexation as a growth tool for North Carolina cities, Asheville will have to rely solely on natural growth to increase its population.

As discussed earlier in the report, between 1950 and 2010, Asheville captured a smaller share of the total population growth in Buncombe County than its peer cities around the state did in their respective counties. As a result, by 2010 Asheville had the second lowest share of its county's population compared to its peer cities. Projecting forward to 2020, if *natural* growth rates for Buncombe County and Asheville remain the same as they were over the last decade, *and* Asheville does not have the ability to annex, then Asheville's share of Buncombe County's population will fall from the current 35% to 33% by 2020 (Asheville – 91,294; Buncombe County – 275,292).

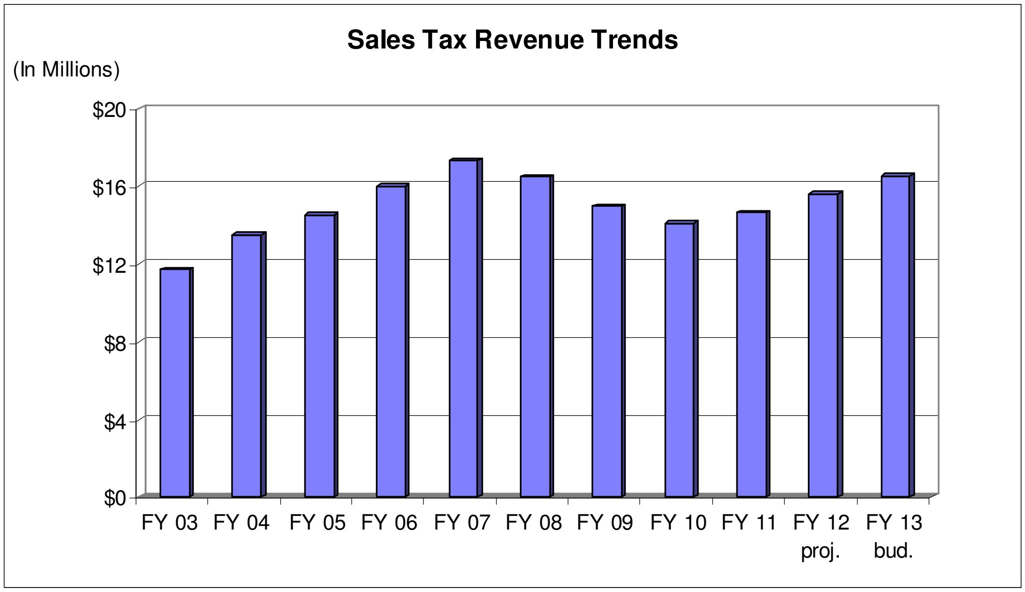
Sales Tax Revenues

Property tax rates can also play a part in the distribution of sales tax revenues. In North Carolina, sales tax revenue is divided among local governments based on one of two methods: the per capita method or the ad valorem method. Buncombe County uses the ad valorem method, which means that sales tax revenue is divided between the county, the local municipalities, the city school district, and the rural fire districts based on each entity's share of the total countywide ad valorem tax levy. Over the last twenty years, the City of Asheville has seen a significant decline in its share of the county-wide ad valorem tax levy, and thus a corresponding decline in its share of the sales tax revenue distributed to Buncombe County.

Table 3 illustrates this decrease in the city's share of county- wide sales tax revenue. This decline is primarily due to two factors: 1) growth patterns which have led to a greater share of development occurring outside the city limits; and 2) property tax rate decisions during revaluation years in which the city lowered its rate more than other taxing entities in Buncombe County. To quantify the financial impact of this decline, if the city had been able to maintain its share of the ad valorem levy at the 1992 level, it would have received approximately $1.7 million more in sales tax revenue in FY 2010-11. It should also be noted that among the 15 largest cities in North Carolina, Asheville's current sales tax share of 19.72% ranks 13th. Only Gastonia and Cary receive a smaller share of their countywide sales tax revenue.



No City revenue was more impacted by the recession than sales taxes. Between FY 2006-07, when sales tax revenue peaked, and FY 2009-10, the City saw its sales tax revenue decline by $3.1 million or 18%. Sales tax revenue finally began to grow again in FY 2010-11; however sales tax revenue is still not expected to return to pre-recessionary levels even in FY 2012-13.



Occupancy Tax Revenues

Occupancy taxes are collected from individuals who pay for a room or a space in a hotel. In 2010-11, Buncombe County collected more than $6.9 million in occupancy tax revenues. Local legislation states that these revenues must be transferred to the Tourism Development Authority and used for the purpose of promoting tourism in the county. Asheville does not have access to these funds to support city facilities or infrastructure. Buncombe County's county-wide room occupancy rate of 4% is the second lowest of 15 metro areas surveyed. In several communities, the general assembly has authorized both a county and a city within that county to levy an occupancy tax. Cities in the survey group that currently have authorization to levy their own occupancy tax include Greensboro, High Point, Wilmington, Chapel Hill, and Gastonia. All five of these cities levy an occupancy tax of 3.0%, which produces revenue ranging from $872,000 in Chapel Hill up to $2.8 million in Greensboro. This tax is used by many communities, particularly those with active tourism industries, to provide tax relief to local residents who carry the cost of municipal services and infrastructure that benefit visitors.

Utility Revenues

While many cities operate water and sewer utilities, and sometimes electric utilities, Asheville operates a regional water utility. According to a March 2012 report from the N.C. League of Municipalities, 84% of the rate structures from the 375 municipal utilities included in their sample charged more for outside customers than for inside customers. Cities use differential rates for utility service as a way to recover costs for customers who may be more expensive to serve because they reside in less dense areas that are further away from the urban center. As a result, city residents may experience some financial relief by paying lower water rates for service. In Asheville, due to local legislation, the city is prohibited from charging non-city residents a rate for water service that is different from the rate charged to city residents. This prohibition extends system wide; thus, customer located outside of Buncombe County are charged the same rate for water as city residents.

Other Revenues

Like other cities, Asheville recovers revenue from other sources like fees for services, licenses and permits, the motor vehicle tax, investment earnings and intergovernmental revenue. Asheville has adjusted many of its fees for services over time to make those areas fully funded through fee revenue, providing some financial relief to the General Fund. In recent years, the city has explored opportunities for converting additional services, like garbage collection, that rely on the general fund for financial support to independent enterprise funds completely supported by user fees.

However, there has been reluctance to implement such plans because while they provide financial relief to the general fund, they do not provide financial relief to the municipal taxpayer.

Service Impacts and Citizen Satisfaction

City leaders have been understandably reluctant to increase property taxes as a sole means of addressing Asheville's financial constraints. Clearly, Asheville's ability to strictly rely on the municipal property owner to support the needs and expectations of a much larger population is not sustainable; in fact, that approach could influence whether businesses and citizens choose to locate inside or outside the city limits based on cost. As the proportion of low to moderate income residents is higher in Asheville than in the surrounding county and other major cities in the state, the city has instead sought approaches to make living in Asheville more affordable. Leaders have focused attention on maintaining Asheville's population base and attracting families and citizens by making Asheville's quality of life attainable for people of all incomes.

As a result, city leaders have instead relied on declining municipal budgets (based on inflation-adjusted calculations) to balance the city's finances. Shrinking resources inevitably means fewer services. Although expenses grow naturally every year, and some expenses like costs for salaries, health care, fuel and utilities are growing at rates that far exceed revenue growth and inflation, the city's budget has been balanced by trimming other expenditures, namely by freezing salaries, increasing employees' contribution to health care costs, reductions in operating lines items, and reductions in capital investments (like public facilities, maintenance, and vehicles) and infrastructure (streets, sidewalks, etc.). For example, although funding levels have remained constant, Asheville's capacity to resurface streets and construct sidewalks has decreased over time. Although the estimated useful life of an asphalt street is approximately 20 years, the city's current resurfacing schedule is 80.7 years (Source: FY 2011 NC Benchmarking Project). Asheville's replacement schedule for vehicles, including off-road vehicles, is 19.5 years. (Source: Mercury Associates Draft Report). Funding for facility maintenance is less than 1% of the city's overall budget. And the city's ability to implement new projects, like plans for greenways or refurbishing existing buildings, has been severely limited.

There is increasing evidence that these service reductions have had a negative impact on citizens' perceptions of quality of life in Asheville. In a citizen survey conducted in 2008, the city ranked below the benchmark average in terms of citizen satisfaction with core services like street and sidewalk construction and maintenance, sanitation and recycling services, parks and recreation facilities, and public safety support. At the same time, Asheville has been successful in addressing some crucial infrastructure needs. Guided by an asset management study, the city invested more than $40 million in water infrastructure throughout the system in the last two years. A leadership decision was made to establish a dedicated funding source through a capital improvement fee paid by water customers in order to finance the cost of the improvements. A bond program allowed the city to quickly address critical needs while improving water service and fire protection for water customers inside and outside the city limits.

In order to redress significant revenue shortfalls during the last fiscal year, the city froze salaries, re-engineered services, eliminated positions and allocated the use of $2 million in reserves to achieve a balanced General Fund budget. These approaches have been common through the city's budget processes over the last several budget cycles. Unprecedented economic conditions certainly necessitated some short-term approaches to balancing the city's budget; however, at the same time, they exposed structural weaknesses in the city's financial foundation that were previously compensated for by steady growth in property values. Now that the country has experienced a significant correction in real estate values and a slowdown in new construction, and the revenue picture shows no signs of improvement in FY 2013-2014, Asheville must explore alternative approaches to balancing its revenues with its expenses, the needs of its employees and the expectations of its citizens.

An Engaged Community

In addition to considering Asheville's financial picture, it's also helpful to understand the vision and culture of the city's population. According to the 2008 citizen survey, Asheville citizens are active participants in the social and civic lives of their neighborhoods and communities. Sixty-eight percent of citizens ranked their ability to participate in community matters as excellent or good, a rating that is above average for cities of similar size. Many volunteer their time and support charitable causes. Moreover, there is little indication of dwindling engagement found in other communities.

Opportunities to participate in social events and activities were rated as "excellent" or "good" by 78 percent of respondents. A 1997 study conducted by the Pew Charitable Trusts found that communities with high levels of civic engagement were characterized by residents who believe people like themselves can make their communities better places in which to live. This quality has manifested itself in Asheville through above average interest and participation in visioning processes. When the City of Asheville hosted a "Goals for Asheville" forum in 2006, more than 300 people participated in establishing and prioritizing community goals. A similar level of participation was seen three years later when more than 300 citizens participated in a public meeting launching the downtown master planning process. This level of citizen engagement in Asheville has been fueled by the community's entrepreneurial spirit rather than a government led or centralized system of volunteerism. The community's vision and desire to make Asheville a better place to live coupled with its willingness to participate has stimulated and supported significant strategic planning efforts over the last ten years.

The City of Asheville's comprehensive plan, the City 2025 Plan, was adopted in 2002 after an extensive public input process. The 2025 Plan proposes a land use pattern, transportation network and system of city services and infrastructure that reflects the community's goals for growth as they were identified and documented throughout 2001-2002. The 2025 plan was designed to be implemented by more specific plans and action items considered by City Council, city staff, or other boards and agencies over time. Since then, Asheville has pursued several strategic planning processes focusing on specific areas of importance to the community. By definition, strategic planning is intended to be action oriented so as to show what steps must be taken to achieve goals, who must take them, how much it will cost and how those costs will be addressed; its outgrowth from the comprehensive planning process is logical if not expected.

The city of Asheville's current portfolio of active strategic master plans includes 16 different plans focusing on areas including development and land use, river redevelopment, affordable housing, transportation, parks, sustainability, and homelessness, among others. A full listing of master plans can be found in the attached appendix. Because thirteen of the sixteen plans have been accepted by City

Council and are entering the implementation phase, there has been an increasing citizen expectation that community improvements should be moving forward. A rough estimated cost for fully implementing the city's active plans is more than $200,000,000. Spread out over the course of 20 years, the city would need to invest $10,000,000 per year to implement the community's priorities captured in these plans. However, a majority of the plans currently do not have a dedicated funding source or call for one through a financing mechanism like bonds. At this point in Asheville's strategic planning cycle, it makes sense for the city's leadership to initiate a community conversation about how the vision and priorities contained in its planning portfolio plans should be funded and carried forward during the next ten years.

Leadership and Policy Alternatives for the Future

This report highlights challenges and opportunities for Asheville's future.

Over the last 50 years, Asheville has been limited in spreading the cost of supporting a regional economy over a greater proportion of the regional population capturing area growth through voluntary annexation. Combined with the recent slowing in real estate markets and construction activity, it has become more apparent that Asheville's financial structure, particularly as it relates to addressing the vision and expectations of the population Asheville supports, is imbalanced. An increasing reliance on property taxes has not been a viable option for city leaders and necessary and valuable in the future. Sales tax revenues declined significantly during the recent recession and show no signs of immediate recovery. Significant expenditure cuts have already been implemented, and more will certainly be necessary in the coming year. As a result, Asheville's stated goals of being a leader in public safety, sustainability, affordability, and regional employment are in jeopardy.

Despite the challenging financial picture, there are also reasons for optimism. Asheville is supported by a diverse, engaged and innovative population. Just as downtown revitalization was driven by community vision in the 1980s and 1990s, the community's ownership of Asheville's master plans is apparent and essential. Involving citizens in identifying solutions to Asheville's financial constraints and prioritizing investments will certainly be necessary and valuable. With a strong sense of community and its location in scenic Western North Carolina, Asheville will also continue to be a desirable place for professionals, families and retirees to live.

Asheville and Western North Carolina are also well positioned with a knowledgeable, experienced and influential State legislative delegation. In addition, the executive administration in Raleigh is led by a Governor who is sensitive to the needs of Asheville and the surrounding western region. Asheville has also formed several successful partnerships with Buncombe County and the Asheville Area Chamber of Commerce, including the recent opening of the Development Services Center for one stop review and permitting and the consolidated emergency call center.

One alternative to the challenges Asheville faces is to choose to be a low-tax, low-service community, cutting expenditures, programs and services as necessary to maintain balanced budgets each year. There is evidence to suggest that Asheville may be realizing this alternative. It is, however, a valid alternative, particularly if the goal is to keep tax rates at the lowest levels possible while not identifying other funding alternatives. This option would limit the city's ability to implement master plans or other strategic programs over time. Another alternative is to embark on an aggressive legislative and community process to build a diverse and balanced mix of revenues to balance

Asheville's tax base with the regional demands placed on its services. Pursuing an extension of the quarter-cent sales tax approved by the State to help address financial constraints might be a first step in such a process. This approach might also include exploring the feasibility of a bond program combined with access to other revenues that tap the regional and tourism population as a means of bringing tax equity to Asheville citizens. As with the progress made with improvements with the city's water system, Asheville has demonstrated a successful approach in identifying a dedicated funding source to leverage additional financial resources for investment in a regional resource.

~~As part of the mix, city leaders might also consider an expanded involuntary annexation program, although the downside of such an approach includes prompting animosity and distrust in neighboring communities, as well as the risk of time consuming legal challenges.~~

Regardless of the leadership strategy, the City of Asheville will need to continue to combine a tradition of frugal and innovative management practices with efficient city operations.

Examples of these practices are:

- **Automated garbage collection** — one of the most cost efficient systems in NC
- **Asheville project** — nationally recognized disease management program that helps contain health care costs
- **Fuel/fleet conversions** — partnership with natural gas station with Buncombe County and Mission Hospitals to implement a systematic diversification of fleet to alternative fuels
- **Energy management cost savings** — continued implementation of the city's sustainability management plan
- **One stop shop** — streamlining the development plan and permitting process

Asheville must continue to pursue rightsizing, reengineering of service delivery to make the most cost effective use of the limited resources available.

Whatever the strategy encompasses, it cannot be realized in a short period of time. It will require significant investment of time and effort, and will necessarily involve all of the major stakeholders in Asheville's future. Even with this strategy, cost containment measures and revenue enhancements will be necessary in the short term, until the benefits of a longterm approach can be realized. The challenges facing Asheville have not developed overnight but have evolved over a fifty year period, and will require a long-term commitment to seeking regional change and partnership.