

Regular Meeting

Present: Mayor Charles R. Worley, Presiding; Vice-Mayor Terry M. Bellamy; Councilman Joseph C. Dunn; Councilman James E. Ellis; Councilwoman Diana Hollis Jones; Councilman R. Carl Mumpower; and Councilman Brian L. Peterson; City Attorney Robert W. Oast Jr.; City Manager James L. Westbrook Jr.; and City Clerk Magdalen Burleson

Absent: None

**PLEDGE OF ALLEGIANCE**

- Billy Cochran, USMC Ret., led City Council in the pledge of allegiance.

**INVOCATION**

Mayor Worley gave the invocation.

**ADDITION TO THE AGENDA**

Vice-Mayor Bellamy asked that a topic regarding the budget be placed at the end of the agenda.

**I. PROCLAMATIONS:**

**II. CONSENT:**

- A. **APPROVAL OF THE MINUTES OF THE REGULAR MEETING HELD ON JUNE 10, 2003, AND THE WORKSESSION HELD ON JUNE 17, 2003**
  
- B. **RESOLUTION NO. 03-105 - RESOLUTION AMENDING THE 2003 CITY COUNCIL MEETING SCHEDULE TO INCLUDE A COMMUNITY MEETING ON TUESDAY, JULY 29, 2003, AT 7:00 P.M. AT THE SHILOH COMMUNITY CENTER LOCATED AT 121 SHILOH ROAD, ASHEVILLE, NC**  
  
**RESOLUTION BOOK NO. 27 – PAGE 436**
  
- C. **RESOLUTION NO. 03-106 - RESOLUTION SETTING A PUBLIC HEARING ON JULY 8, 2003, TO CONSIDER AN ECONOMIC DEVELOPMENT INCENTIVE GRANT TO PHENIX RESEARCH PRODUCTS**

Summary: The consideration of a resolution setting a public hearing on July 8, 2003, for an economic development incentive grant to Phenix Research Products, a company relocating to Asheville from California.

Phenix Research Products, formerly of Hayward, California, is relocating to Asheville. The company is setting up its corporate headquarters and distribution functions in offices located in the Business Incubator on the Enka campus of AB Tech – a primary factor in their decision to locate here. The firm is a supplier to the biotech and university market offering a range of equipment and instrumentation. The firm intends to employ approximately 45 people over the next two years.

The Asheville location was selected after consideration of other competitive locations. As part of the recruitment process, the City of Asheville made a tentative commitment to support the

-2-

project with an incentive grant in the amount of \$20,000, which is part of a total local incentive package of \$50,000 made in partnership with Buncombe County, AdvantageWest, and the Asheville Chamber of Commerce.

Before the tentative commitment by the City can be officially granted, a public hearing is required.

Staff recommends Council approve the resolution setting a public hearing on July 8, 2003, for an economic development incentive grant to Phenix Research Products.

**RESOLUTION BOOK NO. 27 – PAGE 437**

**D. ORDINANCE NO. 3038 - ORDINANCE REDUCING THE TERMS ON THE EDUCATIONAL ACCESS CHANNEL COMMISSION**

Summary: The consideration of an ordinance reducing the terms from four years to three years on the Educational Access Channel Commission and appointing members to the Commission.

Ordinance No. 2554 adopted on March 9, 1999, established an Educational Access Channel Commission. On May 25, 1999, members to the Commission were appointed.

On June 17, 2003, it was the consensus of City Council to reduce the terms on the Educational Access Channel Commission from four years to three years in order to bring them in line with the terms of most other boards. The ordinance contains an amendment to that effect.

Council had previously indicated a desire to reduce the membership of the Commission from 11 to 10, and has not filled a vacancy created by the resignation of one of the at-large members. The ordinance also makes that amendment.

Also, on June 17, 2003, it was the consensus of City Council to instruct the City Clerk to prepare the proper paperwork to (1) reappoint Marion Mathews (City appointment), Nat Meyers (City appointment), Tim Amos (representative of City Schools), Alan Hantz (representative of UNC-Asheville) and Shirley McLaughlin (representative of A-B Tech); and (2) appoint Monty Fuchs (representative of County Schools). All terms will be for three years respectively, terms to expire June 1, 2006, or until their successors have been appointed.

In addition, it was the consensus of City Council to designate Kent Thompson (representative of UNC-Asheville) to serve in Greg Dillingham's absence while Mr. Dillingham is on military duty. Mr. Thompson will step aside for Mr. Dillingham upon Mr. Dillingham's return to Asheville.

Staff recommends City Council adopt the ordinance reducing the terms from four years to three years on the Educational Access Channel Commission and to adopt the resolution appointing members.

**ORDINANCE BOOK NO. 20 - PAGE**

**E. RESOLUTION NO. 03-107 - RESOLUTION APPOINTING MEMBERS TO THE EDUCATIONAL ACCESS CHANNEL COMMISSION**

See Consent Agenda Item "D" above.

**RESOLUTION BOOK NO. 27 – PAGE 438**

-3-

**F. RESOLUTION NO. 03-108 - RESOLUTION APPOINTING MEMBERS TO THE RECREATION BOARD**

Summary: The consideration of appointing members to the Recreation Board.

The terms of Frank Fishburne, Carol Ann Pothier, James Grant and Susan Sparboe expire on June 30, 2003.

On June 17, 2003, it was the consensus of City Council to instruct the City Clerk to prepare the proper paperwork to reappoint Frank Fishburne, Carol Ann Pothier, James Grant and Susan Sparboe to each serve an additional three year term, terms to expire June 30, 2006, or until their successors have been appointed.

**RESOLUTION BOOK NO. 27 – PAGE 439**

**G. RESOLUTION NO. 03-109 - RESOLUTION APPOINTING A MEMBER TO THE REGIONAL WATER AUTHORITY OF ASHEVILLE, BUNCOMBE AND HENDERSON COUNTIES**

Vice-Mayor Bellamy said that this is the consideration of appointing a member to the Regional Water Authority of Asheville, Buncombe and Henderson.

J. Lewis Daniels has resigned from the Regional Water Authority, thus leaving an unexpired term until September 30, 2003.

-  
On June 17, 2003, it was the consensus of City Council to have the City Clerk prepare the proper paperwork to appoint Darryl Hart to the Regional Water Authority to serve a three year term, term to begin immediately and expire on September 30, 2006, or until his successor has been appointed.

### **RESOLUTION BOOK NO. 27 – PAGE 440**

Mayor Worley said that members of Council have been previously furnished with a copy of the resolutions and ordinances on the Consent Agenda and they would not be read.

Vice-Mayor Bellamy moved for the adoption of the Consent Agenda. This motion was seconded by Councilwoman Jones and carried unanimously.

### **III. PUBLIC HEARINGS:**

#### **A. PUBLIC HEARING TO CONSIDER A CONDITIONAL USE PERMIT FOR PROPERTY LOCATED AT 165 HILLSIDE STREET TO ALLOW THE CONVERSION OF A SINGLE-FAMILY DWELLING TO A DUPLEX IN AN RS-8 RESIDENTIAL SINGLE-FAMILY HIGH DENSITY DISTRICT**

#### **ORDINANCE NO. 3039 - ORDINANCE GRANTING A CONDITIONAL USE PERMIT FOR PROPERTY LOCATED AT 165 HILLSIDE STREET TO ALLOW THE CONVERSION OF A SINGLE-FAMILY DWELLING TO A DUPLEX IN AN RS-8 RESIDENTIAL SINGLE-FAMILY HIGH DENSITY DISTRICT**

Oaths were administered to anyone who anticipated speaking on this matter.

City Attorney Oast reviewed with Council the conditional use process.

-4-

After hearing no questions about the procedure, Mayor Worley opened the public hearing at 5:10 p.m.

All Council members disclosed that they have visited the site and would consider this issue with an open mind on all the matters before them without pre-judgment and that they will make their decision based solely on what is before Council at the hearing.

City Attorney Oast said that as documentary evidence is submitted, he would be noting the entry of that evidence into the record.

Urban Planner II Carter Pettibone submitted into the record City Exhibit 1 (Affidavit of Publication), City Exhibit 2 (Certification of Mailing of Notice to Property Owners); and City Exhibit 3 (Staff Report).

Mr. Pettibone said that this is the consideration of a conditional use permit to allow the conversion of single-family dwelling to a residential duplex in an RS-8 Residential Single-Family High Density (RS-8) District on a 0.17-acre property located at 165 Hillside Street.

On April 25, 2003, the applicants, John and Alice Rutland, submitted an application for a conditional use permit for a duplex in an RS-8 District (PIN No. 9649.14-34-5775). The proposed project consists of converting the basement of the existing single-family home into a separate dwelling unit. The Technical Review Committee (TRC) reviewed the plans at its May 19, 2003, and recommended approval with conditions. The applicant has worked with City staff to address these conditions.

Residential duplexes are permitted as conditional uses in the RS-8 District. Conditional uses are uses, which because of their unique characteristics or potential impacts on the surrounding neighborhood and/or city as a whole require individual consideration of their location, design, configuration, and/or operation at the location proposed.

The parcel is located within the City Limits at the intersection of Hillside Street and North Holland Street west of Merrimon Avenue (City Exhibit 3 – Location Map). There is a mix of zoning and land uses in the immediate area surrounding the site (City Exhibit 3 – Aerial Map). To the east and to the west across North Holland Street are single-family homes zoned RS-8. The property to the south is vacant and also zoned RS-8, while properties directly north across Hillside include apartment buildings

zoned RM-16. A Community Business I District containing a mix of commercial uses is also in close proximity along Merrimon Avenue.

Duplexes in single-family districts must be located a minimum of 300 feet from all other multi-family uses on the same street in the single-family district. There are no multi-family uses located within 300 feet of the property in question along either Hillside Street or North Holland Street in the RS-8 District.

The Unified Development Ordinance (UDO) requires that the minimum lot area shall be 125 percent of that required for a single-family residential unit in the respective district. The parcel's 0.17 acre is larger than the RS-8 minimum lot size of 0.125 acre (1/8 of an acre).

The UDO requires parking be located in the rear and screened with vegetation from adjacent uses. Parking for the duplex, consisting of three spaces, will be in the rear of the lot and screened by a combination of existing and proposed trees and shrubs (City Exhibit 3 – Site Plan). Access to the parking area will be from North Holland Street.

Duplexes are required to have a single front entrance and other entrances as required. Only one entrance is proposed on the building front facing Hillside Street, which is the front of the

-5-

lot. The entrance to the second unit will be located to the rear of the building toward the parking area (City Exhibit 3 – Elevations).

The UDO requires that duplexes must meet the requirements of the North Carolina Building Code. The project has received conditional approval from the Building Safety Department and will need to fully comply with these requirements at the time of building permit application.

In addition to the development standards for the zoning district in which they are located, conditional uses must meet certain general conditions in order to ensure that the use is appropriate at a particular location and to ensure protection of the public health, safety, and welfare. The general conditions, which apply to all conditional uses, can be found in Section 7-16-2(c) of the UDO. City Council must make seven (7) findings based on the evidence and testimony received at the public hearing or otherwise appearing in the record of the case. The findings are listed below. Following each finding is technical information from staff to assist Council in making these findings. The Asheville City Council shall not approve the conditional use application and site plan unless and until it makes the following findings, based on the evidence and testimony received at the public hearing or otherwise appearing in the record of this case:

1. That the proposed use or development of the land will not materially endanger the public health or safety,

The project received conditional technical approval from the Water Resources Department, the Fire Department, MSD, Engineering, and other City Departments. The project must meet the technical standards set forth in the UDO, the Standards and Specifications Manual, the North Carolina Building Code and other applicable laws and standards that protect the public health and safety.

2. That the proposed use or development of the land is reasonably compatible with significant natural and topographic features on the site and within the immediate vicinity of the site given the proposed site design and any mitigation techniques or measures proposed by the applicant.

The project must comply with all City standards in regards to maximum clearing and grading and erosion control. Very little clearing or grading is expected since the existing building will remain and minimal off-street parking would be required. The site plan calls for a number of existing trees to be preserved and used to satisfy planting and buffering requirements. These factors help minimize the impact on the natural features of the site.

3. That the proposed use or development of the land will not substantially injure the value of adjoining or abutting property.

As the appearance and intensity of the property will not change significantly, little to no harm is anticipated to the value of the adjoining properties. The existing physical design of the building helps assure that it fits within the neighborhood surrounding it. Staff has also determined that the additional traffic generated will not adversely impact the existing road conditions or capacity.

4. That the proposed use or development of the land will be in harmony with the scale, bulk, coverage, density, and character of the area or neighborhood in which it is located.

The applicant has proposed that the existing single-family structure on the property be converted to a duplex. As a result, the building would continue to fit into the

-6-

neighborhood as it currently does now. Parking would be located away from the main street (Hillside Street) on the southern portion of the site and be screened as required by the UDO.

5. That the proposed use or development of the land will generally conform with the Comprehensive Plan, smart growth policies, sustainable economic development strategic plan and other official plans adopted by the City.

The proposed development will comply with all applicable UDO and Standards and Specifications requirements, as well as any of the City's other plans and policies. The project will also help meet one of the City's Smart Growth policies, providing higher density residential infill development. The City's Comprehensive Plan indicates this area as planned for residential development and the proposed density of the project is similar to what is currently permitted in the area.

6. That the proposed use is appropriately located with respect to transportation facilities, water supply, fire and police protection, waste disposal, and similar facilities.

The project received technical approval from the TRC, which includes representatives of the Water Resources Department, MSD, Engineering, the Fire Department, and Public Works.

7. That the proposed use will not cause undue traffic congestion or create a traffic hazard.

The project was reviewed by the Engineering Department during the TRC process and it was determined that the existing roadway conditions and capacity were sufficient to handle any sort of increase generated by the proposed use, which is anticipated to be minimal.

This project was reviewed by the TRC at its May 19, 2003, meeting. The TRC identified some unresolved technical issues and recommended approval with the condition that these issues be addressed prior to final approval. The applicant has addressed most of these conditions and is working with the City Staff to address those outstanding.

Since all the conditions have not been addressed at this time, Staff recommends approving the issuance of a conditional use permit for the duplex with the following conditions:

- The applicant works with Planning and Development staff to determine the appropriate locations for vegetation to be used as landscaping and parking lot screening.
- A driveway permit must be obtained in order to create a driveway with access to North Holland Street.
- The applicant obtains all applicable permits for water, sewer, driveway, stormwater, and erosion control provisions.

Upon inquiry of Councilman Dunn about the cost for all the permits required, Mr. Pettibone said that he didn't have that information at this time, but would find out and let him know.

Mr. Pettibone responded to a question from Councilman Peterson regarding on-street parking.

There being no request from the applicant for rebuttal, Mayor Worley closed the public hearing at 5:21 p.m.

-7-

Councilman Ellis moved to grant a conditional use permit for property located at 165 Hillside Street to allow the conversion of a single-family dwelling to a duplex in an RS-8 Residential Single-Family High Density District, subject to the following conditions: (1) The applicant works with Planning and Development staff to determine the appropriate locations for vegetation to be used as landscaping and parking lot screening; (2) A driveway permit must be obtained in order to create a driveway with access to North Holland Street; and (3) The applicant obtains all applicable permits for water, sewer, driveway, stormwater, and erosion control provisions. This motion was seconded by Councilwoman Jones and carried unanimously.

#### **ORDINANCE BOOK NO. 20 - PAGE**

Upon inquiry of Mr. Pettibone, it was the consensus of City Council to have staff move forward with a text amendment to

the Unified Development Ordinance making duplexes, triplexes and quadraplexes a use by right as opposed to a conditional use. Councilman Peterson felt that only duplexes would be appropriate as a use by right.

#### **IV. UNFINISHED BUSINESS:**

##### **A. ORDINANCE NO. 3040 - ORDINANCE ADOPTING THE FISCAL YEAR 2003-04 ANNUAL OPERATING BUDGET**

Budget Director Ben Durant said that he is presenting the Fiscal Year 2003/2004 Annual Operating Budget for City Council's consideration before adoption.

On May 12, 2003, staff presented to City Council the Proposed Fiscal Year 2003/2004 Annual Operating Budget. In accordance with the North Carolina Local Government Budget and Fiscal Control Act, a summary of the Budget along with a notice of the Public Hearing was published on May 30 and June 6, 2003. City Council conducted a public hearing on the Budget on June 10, 2003. City Council also held two additional budget worksessions on June 4 and June 17, 2003.

The Fiscal Year 2003/2004 Annual Operating Budget is balanced with a tax rate of \$0.53 per \$100 of assessed valuation, which reflects no increase over the current property tax rate. All essential programs and services are maintained.

The Budget as initially presented to City Council on May 12, 2003, included a net budget of \$98,921,523 and a General Fund appropriation of \$69,300,859. The Budget presented for adoption today includes a net budget of \$96,162,863 and a General Fund appropriation of \$69,095,859. Key changes to the initial Proposed Budget are summarized and discussed below:

- The initial budget for the Water Resources Fund included \$2,553,660 in revenue from a new capital improvements charge. This new charge would have provided funding for major capital improvements such as water line and treatment plant improvements. Buncombe County Commissioners, however, did not approve the initial Water Resources Fund Budget that included the new capital improvements charge. As a result, staff has removed \$2,553,660 in revenue and expenditures from the Water Resources Fund Budget that is being presented for City Council adoption today.
- Shortly after the City Manager presented the Proposed Budget on May 12<sup>th</sup>, staff received FY 2002/2003 3<sup>rd</sup> quarter local option sales tax revenue from the State of North Carolina. Two-Cent sales tax revenue in the 3<sup>rd</sup> quarter fell 6% compared to the 3<sup>rd</sup> quarter of the previous fiscal year. Due to this unexpectedly large decline, staff now estimates that FY 2002/2003 revenue from the two-cent sales tax will fall short of budget by \$205,000. This shortfall in the current year led staff to recommend a \$205,000 reduction in the FY 2003/2004 General Fund

-8-

Proposed Budget. At the June 4<sup>th</sup> budget worksession, the City Manager recommended the following General Fund Budget reductions to offset the sales tax shortfall:

- |  |           |
|--|-----------|
| 1) Reduce the Manager's contingency account              | \$100,000 |
| 2) Delay the pavement study until FY 2004/2005           | \$20,000  |
| 3) Delay the additional 1% 401(k) until November 1, 2003 | \$85,000  |

The General Fund Budget presented to City Council for adoption today includes these proposed reductions.

Several Budget issues, including the provision of social security benefits for City Firefighters, remain unresolved at this point and require further direction from City Council. In order to fund social security or any other service priorities, City Council must make further reductions to the Budget and reallocate the funding accordingly, or identify additional revenue sources.

Staff requests that Council review the FY 2003/2004 Annual Operating Budget, make any desired adjustments, and adopt the FY 2003/2004 Budget Ordinance. \_

Councilman Ellis moved to adopt the budget presented by the City Manager with the following amendments: One, \$565,000 for Social Security for the firefighters to be included in the budget. He recommended funding that Social Security as follows: ½ of the cost (\$282,500) to come from not purchasing four vehicles currently in our budget – one automated loader truck (\$184,300), one full-size SUV from the Fire Department (\$33,000), and two Police vehicles (\$65,200); and the other half to be appropriated from the Fund Balance (\$282,500). Two, delete the \$100,000 funding for the Visitor's Center and appropriate \$20,000 to the Arts Council for their work with the Urban Trail. This motion was seconded by Councilman Mumpower.

Councilman Ellis said there has been a great deal of interest in other priorities for the community and he would like to see those priorities too, but this Council has responsibilities for many other things. We have talked about needing more police but Council has been made aware that 8-10 additional officers have been applied for through grants and we have a positive attitude about getting those grants. He has also learned that we may be up to 10-15 new officers over the next 12-18 months. If we are going to get that many new police officers over the next 12-18 months then he would have trouble in supporting taking money away from priorities for that purpose.

Police Chief Will Annarino handed out to Council a sheet of additional police positions for Fiscal Years 2003-04 and 2004-05. These are positions they have been working on for bringing in needed personnel but doing it in a way that they felt they could afford by utilizing grants. Grants are a very cost effective way to address issues not at the expense of our local taxpayers. Grants are not quick though and we have to work through the constraints of the budget cycles of the federal and state governments. Our record for receiving grants is good. He explained there is a potential of receiving 20 additional positions, and if the City receives the grants, there will be a savings of \$1,106,223. He explained that between the grants and the budgeted positions, there are 16 police officers in the 2003-04 budget and in the 2004-05 budget an additional 4 officers.

Councilman Ellis said that even though additional police officers did not make the top five priorities of City Council at the retreat, all of Council is supportive of utilizing grants as a way to providing services to our citizens.

Upon inquiry of Councilman Ellis, Police Chief Annarino said that even though he cannot predict whether the grants will be awarded or not, the City does have a great track record with the

-9-

state and the COPS programs. In the grants that require matches, when you have a partnership on a grant match, they look very favorably on that.

Councilman Ellis also said every member of Council supports affordable housing because it is a need in our community, along with a great deal of other needs. We have committed \$500,000, which was increased in the last budget year during a very tough time by \$100,000. In addition, in our Community Development Block Grant that the City receives, there is another \$675,000 for affordable housing. This Council is funding affordable housing with \$1,175,000 this coming year. He felt this is a good commitment to affordable housing because there are many other needs that we have in our city. He felt his motion to approve the budget, with his amendments, is a compromise, which does fund Social Security for the firefighters.

Councilman Dunn found it troubling to just now find out the new 20 police officer positions after Council has been talking about the need for new officers for over a month, at least. Police Chief Annarino explained that all the grant positions have been brought before Council for prior approval and Council was aware of the 2 new officers for annexation. The only two Council may not have known about is the 2 new officers for the next Fiscal Year 2004-05. Mayor Worley felt that even though Council approved the applications for the grants, that was outside the budget context and he felt this might have been a lack of clear communication within the budget context that tied all the grants back together.

Councilwoman Jones liked the attention, although late attention, to putting in the budget and identifying where the Social Security for the firefighters will come from. In late January Council held their retreat in the preamble of the proposed budget and formulated their strategic priorities. (1) Infrastructure – staff did a great job of hearing that and funding that; (2) Affordable housing – in my estimation, in a year where we have additional dollars, maintaining does not equal prioritizing; (3) Firefighters Social Security – that was not in the original budget but she is glad to see that in the budget now; and (4) Environment and Transportation – in an almost \$100,000,000 budget there was \$20,000 allocated. This is a more complicated one, but she would like to see more intention around that. The four priorities that are related to the budget, are not, to her reading, reflected in the budget. She would not be able to support the motion made by Councilman Ellis.

Mayor Worley said that in the budget document, the Council priority reads “to continue to promote affordable housing through the identification of specific strategies to reduce the cost of homes.” That doesn’t say to increase the funding for affordable housing and he didn’t have that understand at the retreat in January. The actual language voted on at the retreat reads “Affordable infill housing stock – cost of building houses – reduce as much as possible.” He felt we have a commitment to that strategy and that commitment continues. A prior Council voted several years ago to add a penny to the property tax and dedicate that to affordable housing, which started off at \$400,000. Last year, in a very tight budget year, we increased that funding by \$100,000. When you look at further increasing contributions to affordable housing, it is again coming out of our taxpayer’s pockets. There are a lot of ways that we can fulfill that commitment and we have been doing that this year with a lot of our Unified Development Ordinance (UDO) amendments. The UDO give incentives for affordable housing and other actions that promote affordable housing that makes it easier for affordable housing to take place. We can only do so much with money and we have to find other

innovative ways. He did feel that we are fulfilling that commitment. He would support the motion made by Councilman Ellis because we are contributing \$1,175,000 for affordable housing. He felt we needed to maintain a balance in our budget process and the services we provide our citizens. We also have needs in police, infrastructure and general services.

Councilman Mumpower felt that this is not a perfect budget but there is a lot more good than bad. He has been diligent in trying to find examples of waste, duplication or poor use of our

-10-

limited resources. Having made an effort to be diligent about that, he feels more good than bad about the crafted budget. He strongly disagreed with going into our Fund Balance, which is basically our savings account. He felt to have to tap into that when we have a budget this large maybe does not demonstrate as strong level of stewardship as he wished we could attain. But, we all have a responsibility to try to work with one another to craft compromises. He would support the motion made by Councilman Ellis.

The motion made by Councilman Ellis and seconded by Councilman Mumpower failed on a 3-4 vote, with Mayor Worley, Councilman Ellis and Councilman Mumpower voting "yes" and Vice-Mayor Bellamy, Councilman Dunn, Councilwoman Jones and Councilman Peterson voting "no."

Vice-Mayor Bellamy moved to approve the budget presented by the City Manager with the following amendments: Cut in revenues by reducing the recycling fee by half - \$366,000; Increases in expenditures include: Affordable Housing Trust Fund - \$100,000; additional police officers - \$150,000; Social Security for Firefighters - \$250,000 (with the remaining coming from Fund Balance); and bus passes for City employees - \$22,500, which is a total increase in expenditures of \$522,500 – for a total revenue need of \$888,500. Cuts in expenditures include: Civic Center Fund - \$50,000; fire contracts for annexation - \$119,000; overtime for annexation - \$55,000; Planning Department - \$50,000; police and fire overtime - \$50,000; delay automated garbage truck - \$135,000; cut Parks & Recreation capital budget - \$100,000; Visitor's Center - \$100,000; 401 (k) - \$145,500; Government Channel equipment - \$30,000; Council Chamber - \$15,000; and Manager's Contingency - \$39,500, which is a total cut in expenditures of \$888,000. In addition, 25% of the 1-cent property tax dedicated to Parks & Recreation shall be dedicated to police/narcotics enforcement and any vacant positions in the City Development Division of the City Planning Department are frozen. She said that last week Council members were asked to go back and cut where they wanted cuts, after they have asked staff to help them find a way to make sure that all the priorities that all Council members wanted in their budget were met. It was not done, so as a Council member, she has talked with her peers and they have chosen to cut in these areas. She has been pretty clear with her priorities starting at the retreat last year. In our minutes from June 10, 2003, it reads "there has been a noticeable increase in costs for service and crimes committed in the public housing communities, since their elimination of their dedicated police unit." She was concerned that the grants we may, or may not, get won't be in time. She received a letter from the Principal of Johnston Elementary with the signature of teachers there stating that the children in Deaverview are being used as mules and they are fearful in their own homes, that did it for me. When we met with the Housing Authority Board last month at their annual meeting, one thing they cited continuously was the number of crimes committed, the number of crack cocaine vials they find, and the issue of finding guns. When we look at our community about decent, safe and attractive affordable housing, it needs to increase. Our firefighters have come to us and asked over and over again to help them with their retirement benefits. Somewhere along the lines the actuarial study got dropped – since it wasn't in the minutes officially, so they say it wasn't asked for. I remember supporting it to be done. Bus passes for our City employees. We need to increase our ridership and it helps with our Compact Agreement that we must meet. She also supports our police officers initiative that presented. This motion was seconded by Councilman Peterson.

Councilman Peterson asked for two amendments: (1) Regarding the cuts in expenditures, the Manager's Contingency should be \$39,000 and the total cuts in expenditures should read \$888,500; and (2) Since the cost of providing Social Security for firefighters is a higher number than we were previously provided, the increase from the allocation from the Fund Balance should be increased from \$250,000 to \$315,000. Vice-Mayor Bellamy accepted those amendments.

-11-

Upon inquiry of Councilman Dunn, Councilwoman Jones explained the difference in the automated garbage truck purchase amount from Councilman Ellis' motion and Vice-Mayor Bellamy's motion.

Councilman Dunn felt this community deserves more police and will support that. Regarding grants, he felt that you can go broke saving money. Sometimes grants are good and sometimes they are not so good if they require taxpayer money to fund something that is not an essential service, noting that the Police Department is an essential service. He feels that City government is still too big and affordable living should be one of our battlecry's. Firefighters are overdue for retirement benefits.

Councilwoman Jones clarified that the new additional police officers addressed in Vice-Mayor Bellamy's motion would be dedicated to public housing. She hoped that the Police Department does receive the grants but it's time to prioritize the people



that are most vulnerable. The School Board has also asked for Council's help and support in making those places where children are living safer. This is a step in the right direction.

Councilman Mumpower said that our history is to research, study programs and get input from the staff and public before we make decisions. The theory being that is the more informed we are the wiser our decisions will be. He has some real trouble with some of the effort to do last minute add-ons in the budget and he has no doubts that will create some difficulties in the future. He felt that when we start cutting things without careful research, we risk doing systemic damage to our system. He suggested a response from each department regarding what kind of impact the cuts will have on City departments and services.

Civic Center Fund - \$50,000. Civic Center David Pisha said that this would be an equivalent of a position or the maintenance budget for the year. We are low in overall staffing compared to many Civic Centers. He said they are at the mercy of not only the entertainment cycle, but the economic cycle. The number of concerts have declined as well as the attendance at the previously booked concerts. We have no control over people spending their discretionary income on events.

Councilwoman Jones said that there will still be an increase in the subsidy from the General Fund to the Civic Center. She said that in terms of business, there's always a way to think about in terms of subsidy – it's not just about what you cut, but what you grow.

City Manager Westbrook said that several years ago Council added on an admissions fee to fund maintenance. Whatever that fee is, will still have to go to maintenance. Because of that, we may not be able to take the entire cut out of maintenance but some may have to come out of salaries.

Councilman Peterson explained that he is not looking to impose major cuts but directing the City Manager to do a better job and reduce the loss by 2.5 percent of the Civic Center's overall budget.

Councilman Ellis said that in his opinion the Civic Center makes money for the City, even though some tax dollars go into it. Far more comes back with people spending money in motels/hotels and restaurants. In fact, the subsidy for the Civic Center is less now than it was 10-20 years ago.

Councilman Dunn suggested the Chamber of Commerce help pay for the Civic Center since it's so important to the City of Asheville. He said the hotels/motels and restaurants are the ones making the money.

-12-

Fire Contracts for Annexation - \$119,000. Fire Chief Greg Grayson said that in preparing the budget we had to provide the amount needed for the Skyland and Lake Julian/CP&L annexations. The total \$300,000 increase reflects \$238,000 for the annexations pending in litigation and \$62,000 for the annexations not in litigation. Since the budget has been prepared however, the Skyland Volunteer Fire Department requested and has had approved by the Buncombe County Board of Commissioners a rate increase from 7.5 cents per \$100 to 9.5 cents per \$100 effective July 1, 2003. Whatever the Fire District tax rate is affects how much we have to pay in contractual costs. Therefore, since the Skyland rate has been increased by 2 cents, the amount we have to pay for contractual obligations goes up. Regarding the \$238,000 for the annexations in litigation, that is for the portion of the year that the annexation will be effective.

Councilman Peterson felt that the two annexations in litigation wouldn't be settled until at least the end of the calendar year, thus needing only \$119,000. In fact, if the companies continue to fight the annexation in court, we wouldn't have to spend any of the \$238,000.

City Manager Westbrook said that we anticipated the annexation question being settled before the end of the calendar year. City Attorney Oast also responded that we have had one oral argument in one of the Lake Julian cases and we will have another one sometime this fall. He felt it is realistic to say that the annexation could be decided in the first quarter of the fiscal year. The annexation would be effective the last day of the month following the month in which the decision was rendered. Councilman Peterson pointed out they can still continue to appeal.

Overtime for Annexation - \$55,000. Fire Chief Grayson said that this is to provide coverage to the two annexed areas in litigation until 9 new firefighters can be hired.

Councilman Peterson felt that this amount is in the budget to be safe until those new firefighters are hired, but if the annexations don't go into effect until January of 2004 then the firefighters will have already been hired and trained and this \$55,000 can be eliminated.

Planning Department - \$50,000 and Any vacant positions in the City Development Division of the City Planning Department are frozen. Assistant City Manager Jeff Richardson (in the absence of Planning & Development Director Scott Shuford who is out of town) said that the City Development Division was cut from 5 positions last year to 4 positions currently all filled. The workload level in the Planning Department is high and City Development is no exception. City Development facilitates downtown growth, facilitates issues between businesses and residents, and the workload will increase since we are currently expanding services into the Haywood Road area. A reduction in staff would mean a reduction in services. Regarding the \$50,000 cut, Mr. Shuford would need to sit down and determine where he could cut that amount with the least level of service reduction possible to our citizens.

Councilwoman Jones said that currently the salaries are \$840,000 and they are proposing \$900,000, which is approximately a \$60,000 increase. That doesn't seem like a cut in personnel to her. That seems like a tiny increase in salaries, noting that Council hasn't touched the merit increases. In addition, they are giving the Planning Director the latitude on how to make the cut. Overall, the current Planning budget is \$1,283,391 and what Planning is proposing is \$1,417,397, which is a 10% increase. We are saying that Planning gets more money, but just not as much money. She did clarify that if positions become vacant in City Development in the coming year, those positions are to be frozen and that the freezing of positions has nothing to do with the \$50,000 cut.

Upon inquiry of Councilman Mumpower, City Manager Westbrook said that normally a freeze in positions is reaction to a revenue shortage from something Council has no control over, such as last year when the State didn't come through with the money promised. It's not normally a budget item. In a budget you either have the position or you cut it out. Mayor Worley

-13-

responded that he has never seen a budget passed that froze positions. They have either been left in or taken out.

Councilman Dunn said that from a business standpoint, he wouldn't hire someone until he had a little more income. Just because a city doesn't do it, doesn't mean it shouldn't be done. The argument that it's not been done before, doesn't hold a lot of water. Freezes sometimes protect taxpayers from too much government. Councilman Mumpower responded that he appreciated the efforts to save the City money, but you've turned right around and spent all the money saved. Councilman Peterson explained that we are giving back to the residents of Asheville \$366,000 in reduced recycling fees.

Assistant City Manager Richardson said that since the Planning Director doesn't know what the impact of the \$50,000 cut will be in terms of workload, the new Neighborhood/Developer Meeting concept will have to be considered and balanced. Councilman Peterson responded that the developers won't have to go to the Technical Review Committee or to the Planning & Zoning Commission so there is a lot of work that staff would have to have done, but they won't be doing with the new meeting concept.

Assistant City Manager Richardson pointed that out of the \$134,000 increase, over \$90,000 would be for salary increases and to pay for fringe benefit increases. If you look at operating costs and such, they will take a cut in day-to-day operating costs. Mr. Shuford will have to either lay someone off or he'll have to cut operating costs. Vice-Mayor Bellamy disagreed in that Planning already has two vacant positions.

City Manager Westbrook said this would be a reduction in service until we can hire those two employees.

Councilman Ellis said that even though the City Development Division is located in downtown it serves Biltmore, west Asheville, north Asheville and all of the City. They are located downtown because of the lack of space in City Hall. A lot of things are happening in our center city and proposed development is in the hundreds of millions of dollars. We have to have staff to respond to those needs. He encouraged Council to go to a Downtown Commission meeting to see what is happening in downtown and what the staff serving all sections of the City is doing.

Police (\$25,000) and Fire (\$25,000) Overtime - \$50,000. City Manager Westbrook said that most of the overtime for the Police goes into the downtown augment, which is additional police officers in the downtown area because there are a lot of visitors and traffic downtown. Several years ago that was a concern of Council and raising the level of overtime was the answer to try to put more officers downtown. He said when police officers are called out for emergencies situations and they have worked more than their shift, they automatically go into overtime and that is the first call on overtime money. The downtown augment will probably be where the overtime will be reduced. The entire downtown augment program is approximately \$200,000 and that is probably where the reduction would take place.

Police Chief Annarino said that their increase was in patrol in anticipation of the increase in fringe benefits and merits, understanding the load that the officers are carrying on overtime requests. They do a lot of City-sponsored events and downtown events to accommodate people and with that comes additional overtime requirements. The \$25,000 cut will not dramatically impact

their department but it will impact them some and they will have to adjust.

Upon inquiry of Vice-Mayor Bellamy, Police Chief Annarino said that the overtime grant was to be specifically earmarked for housing.

-14-

Councilman Peterson said that he has confidence in the City managers that they can do a little bit better in managing some of this overtime. We know there may be increases but we're just reducing the amount of the increases.

Fire Chief Grayson said that we have spent this past year extremely frugal in our overtime. It's been a number of years since the overtime amount has been adjusted. One thing about the fire overtime is that a large portion of that is required by the Fair Labor Standards Act (FLSA), and it's not what you consider typical overtime. It's built in over time through 56-hour weeks. Most employees will work 40 hours a week/160 hours a month. Firefighters work 212 hours in a month, so some of that is through FLSA. He said that approximately \$120,000 is basic FLSA. He said they will work with the resources they are given but the overtime funding does not adequately reflect the need of the Fire Department.

Regarding Vice-Mayor Bellamy's motion, Councilman Mumpower said that if we are taking \$315,000 from our Fund Balance and refunding the recycling fee by \$366,000, the rest of it seems like a wash. We are still robbing our Fund Balance to make this work out. Councilman Peterson said this budget is a reflection of the majority of Council's priorities. These are items we wish to have funded and because it has been put on Council members to come up with the cuts, these are the cuts we feel would not hurt services and allow for greater funds for the Civic Center, the Planning Department, the overtime, but limits that increase slightly. It is a slight rearranging of priorities to reflect what Council believes the public has asked Council to do. Councilman Mumpower said that his point is that Council is taking roughly \$888,500 out and then adding in roughly \$888,500. Councilman Peterson said that was true but they are not spending the entire \$888,500 – we are adding to line items \$522,000 and we are returning to the residents \$366,000. Councilman Mumpower said you have to add \$315,000 from Fund Balance to the \$522,500, so it's actually \$837,500. His point is he applauds Council's efforts to save money, but then you are turning right around and spending that money.

Councilman Ellis said that Council did know about most of the police officers and now we have 20 coming in and now adding 3 more for 23. He felt that was a little overkill to add that much staff and he's not sure taxpayers would be willing to fund that kind of expenditure, when we are cutting some pretty important things. You're adding 3 police officers for the \$150,000 and yet you are cutting out the overtime, which puts officers and firemen on the streets. He didn't know of a good corporation in America that doesn't use overtime to some extent. It makes a lot of sense because it's far more efficient to reward your employees with some overtime. It's also cheaper to spend a little bit on overtime than it is to add people to the payroll. Councilman Peterson disagreed in that as a management tool, if you are understaffed so that you have to have all of your employees continue to come in and work overtime and paying them more than the starting salary for a new hire, then it would be appropriate to add more people. The fact that we've had so much overtime indicates that the Police Department is understaffed. City Manager Westbrook said that in many cases using overtime is the preferable way to provide those extra services. In the downtown augment, you want seasoned police officers that can walk those areas and can provide law enforcement protection to the general public. The best way to provide those services, since the officers want to do it and they are familiar with the territory, is to do overtime. It's the least costly way to do it. It really depends on whether Council thinks it's more prudent to try to provide the service at the least possible cost or whether Council desires to hire more police officers to whatever service level they feel necessary.

Upon inquiry of Councilman Mumpower, Police Chief Annarino said that overtime gives him a lot more latitude in being able to put officers out in the street when and where we need them. Regarding downtown augment, we find it more beneficial to use overtime money to put off-duty officers downtown because we place them when and where we need them. What he presented to Council earlier was the potential for police positions we have over the next year. He said that if Council instructs him to add the \$150,000 for new officers in public housing, we will

-15-

have to notify the appropriate agency that we are no longer eligible for the COPS ARGUS program grant. He suggested that Council give him an opportunity to check with the agency to see if he can get some kind of idea where that grant stands. Usually their fiscal year starts in October so we should know fairly soon if we are going to get that grant. Then, Council can make the decision on whether to fund the additional 3 positions on top of that or if we are given word we won't get the grant, we would have these 3 positions in place and go ahead and put them in the ARGUS Unit right away.

Councilman Mumpower was concerned that the majority of the police positions are grant funded, which means we have differing levels of grant participation. The City is going to have to assume progressive responsibilities in our budget for eventually

within the next three years to fully fund 16 police positions, plus the three new positions. After Police Chief Annarino said that it would be approximately \$555,000, Councilman Mumpower suggested to Council that this is not the way that we should orchestrate our law enforcement budget. This last minute modification has the potential to create budgetary concerns in the future.

Councilman Ellis applauded Council's efforts to try to save taxpayers money, but he thinks we are making a mistake to try to micromanage the details of the Police, Fire and Planning Departments down to this detail.

Councilwoman Jones clarified that the Civic Center subsidy, the Planning Department reduction, and the Fire and Police overtime are still net increases from last year. All of them will grow from where we are now. We are cutting the proposed increases.

Councilman Mumpower said the implication of that those budget increases are predicated on fat, waste, bad decisions by our management personnel and staff. He knows a couple of the cuts pretty well and if Council digs a little deeper, it's just not that simple. Why do we have a budget director or department managers or a city manager if we don't have some faith and trust in these folks. He was concerned that Council is doing last minute second-guessing without thorough research and that will come back to cost us more money in the end.

Councilman Peterson responded that this is not last minute. We have been talking about this for months. Council members are elected to pass the budget. The budget for the Police Department has a certain number of employees and Council members are hearing that should be a greater number – that is what we are doing. We're doing our job passing a budget and determining it's in the budget how many employees there are. It's our job to say that's too many or that's not enough. The Planning Department asked for growth of 10% and we're cutting them back to 6%. We're not slashing their budget. We are asking them to do a better job and he has confidence they can do a good job managing their budget and managing a 2% reduction. That is our job. If we are just here to rubber-stamp what has been prepared by staff, why even have an election and have elected Council members.

Delay Automated Garbage Truck - \$135,000. City Manager Westbrook said they will delay that service enhancement for another year.

Upon inquiry of Councilman Mumpower, City Manager Westbrook said that the highest worker's compensation rate is in Sanitation workers who work on the garbage trucks. Part of the motivation automation is getting those people who are at risk to do other things. Also the efficiency of having automation doing what three people used to do with one. After the automated truck is on line, City Manager Westbrook said that actually the turnover is such that probably those positions wouldn't be filled once the truck arrives and starts operation.

Cut Parks & Recreation Capital Budget - \$100,000 and 25% of the 1-cent property tax dedicated to Parks & Recreation shall be dedicated to police/narcotics enforcement. Vice-Mayor

-16-

Bellamy said this is a \$100,000 of new money not in the budget last year and they will leave it up to Parks & Recreation Director Irby Brinson to determine what to reduce.

Mr. Brinson asked for clarification of the "25% of the 1 cent property tax dedicated to Parks & Recreation shall be dedicated to police/narcotics enforcement." He asked if that was in addition to the \$100,000 or is that where the \$100,000 will be dedicated. Vice-Mayor Bellamy said that it is where the \$100,000 will be dedicated, not an additional \$100,000.

Mr. Brinson said their particular needs dealt with some maintenance and repair and some new park construction. It will be a balance between both of those to make sure we are able to meet our priorities. Instead of three tennis courts, we may do one. Instead of two playgrounds, we may do one. We may not do all of the Broadway Greenway construction. We would do a combination of both to try to minimize the impact. A little bit of background about the Parks and Recreation Department is that it's just not parks and recreation. All of the City's building maintenance falls within our capital request. We have capital requests of \$300,000 for City Hall new chiller operations, we have fire safety issues in City Hall that we need to address, we have elevator issues, and we have roof needs not only in recreation centers but also fire stations. All of those issues add up to a lot more than \$500,000. We do get about \$200,000 for maintenance and repair but that does not go a long way. We try to do a systematic approach of looking at the needs of the community. We've had a matrix for our playground construction for about 6 years now and that is based upon what we felt were high priorities and we try to address at least two of those a year. We are not in compliance with the Americans with Disabilities Act in a lot of our playgrounds. We have a lot of safety issues we need to address. We also have equipment needs just like any other department. We try to do the best we can. He felt that additional maintenance needs would be approximately \$500,000. Regarding the French Broad River Park, he said that for every 15-cents that the City puts in we

are returning \$1 investment. About 15% of the cost of the French Broad River Park has been from the City and the rest has been from grants or donations.

Councilman Mumpower said that Mr. Brinson has honored many discussions with him and has provided him with facts and truth and he felt we are making a real mistake to take money from this budget when we are leveraging 15-cents into \$1.

Mr. Brinson said the one negative impact of this would be the delay for them doing things that have been promised for several years to the community. New greenway construction would be one thing we would need to look at. We would hate to disturb the leveraging of \$185,000 to the French Broad River that is matching another \$360,000 we received in grant funds. That is not saying we can't go out and try to raise more funds to reduce that match. Mr. Brinson said a lot of this is tied to grant funds or funds that have already been received that have certain deadlines to meet. We are tied to those constraints. There is a lot of talk on the State side about reducing the Parks and Recreation Trust Fund as one option to balance the State budget. If we don't continue to aggressively apply, that Fund may not be there. That is generally around \$250,000 a year that we have been able to receive to meet other needs by using that match. If we lose that money, it means he has to ask Council for \$500,000 instead of \$250,000. He won't stop asking and the needs aren't going away. He realized Council has a very difficult decision and he will do the best job he can to serve the citizens.

Councilman Dunn was concerned about the City's liability if we build fishing piers at the French Broad River Park and someone falls off and drowns.

Councilwoman Jones stressed we are cutting back an additional \$100,000 to parks and recreation because it was not prioritized. Presently it's the priority we want to maintain and the non-priority we want to grow – we're saying let's change that around. The priority we want to grow and the other important things, let's maintain.

-17-

Councilman Peterson also noted that the budget is not written in stone in that Council can adopt budget amendments. He said after the cut, it still leaves \$400,000 in the capital fund for the Parks and Recreation Department.

City Manager Westbrook explained that a few years ago the Council raised the property taxes for affordable housing, parks and recreation, and streets and sidewalks. During the budget when the last revaluation took place, the Council wanted to increase the money going into affordable housing, which reflected 1-cent on the tax rate. They did not make that increase for parks and recreation, which also had previously been allocated 1-cent increase on the tax rate. The Parks and Recreation Advisory Commission felt that it was the intent of the former Council to also increase the money for Parks and Recreation, so this \$100,000 in the budget would accomplish that.

Visitor's Center - \$100,000. City Manager Westbrook said that the City has an agreement with the Chamber of Commerce that over a period of five years we will fund \$100,000 a year towards a Visitor's Center. Other entities are doing the same. The City's contract provides a provision that the Chamber must perform certain activities before the \$100,000 is paid each year. They have not provided the proof to the City that those activities have been performed this year. Therefore, the \$100,000 budgeted this year can be carried forward until next fiscal year and the \$100,000 for next fiscal year is saved.

401 (k) - \$145,500. - City Manager Westbrook explained that when the third quarter sales tax figures came in from the State he recommended to offset the sales tax shortfall by three things, one of which was delaying the additional 1% 401 (k) until November 1, 2003, to make up some of that shortfall. The \$145,500 represents the remaining portion of additional 1% of the 401 (k) for employees. This cut will take the additional 1% for employees out entirely for next fiscal year.

Mayor Worley explained that there is a certain group of employees that, under a mandated from state law, have a 5% 401 (k). All other employees have a 4% 401 (k). This was designed to bring the other City employees up to the same level as the select group, so we treat all employees equally.

Government Channel Equipment - \$30,000. – City Manager Westbrook said that City Council wanted to have their meeting broadcast live. In order to make that happen, the dedicated person who works in that job has used some of his own personal equipment. A portion of this money was for him to take his own personal equipment out and to buy City equipment to put in its place. In addition, there was some money to enhance the service by providing educational programs on Channel 11.

Council Chamber - \$15,000. – City Manager Westbrook said that this was an effort to have Council use laptop computers and go paperless at the Council meetings. Staff is unable to do this because of the historic desks. The \$15,000 was to provide lumber for City staff to build a new dais and to purchase some additional pieces of electronic equipment to make that happen.

Manager's Contingency - \$39,000. – City Manager Westbrook said Manager's contingency is for emergencies that come along. He had first recommended \$300,000, but after the third quarter sales tax figures came in from the State, this was another item he recommended be reduced to \$200,000. This will now reduce that fund to \$161,000.

At 7:18 p.m., Mayor Worley announced a short break.

When Councilman Peterson asked if another budget ordinance should be brought before Council with the changes Council would like to see, City Manager Westbrook said what Council

-18-

has provided to him is sufficient. He understands what Council wants and they have given him policy guidance for levels of service. He will implement what Council adopts. He said that if we do run across something that none of us is seeing right now, they will come back to Council prior to June 30. If it is something that we can fix after June 30 by a budget amendment, then we will do that.

Upon inquiry of Councilman Peterson, City Manager Westbrook said that he understands the guidance from Council regarding Social Security for firefighters. He said that we are still trying to work out with the State how this whole process works because apparently it happens so infrequently they are trying to work through it. The Council will have to adopt a resolution specifically allowing the firefighters to vote at a later date, as soon as we get that guidance from the State. That would not hinder Council from making appropriations now to do that.

Vice-Mayor Bellamy said that two weeks ago she asked for an additional budget worksession, in addition to the many Council has had before. She requested it because she felt the priorities of Council still were not being addressed in the budget. At the budget worksession she began the session with this in mind – let's talk as Council members on what we agree on and start from there and ask staff to go back with what we agree on and find it in the budget. At that time the City Manager informed her that if any changes need to be made that Council needed to make them. She felt that more money in affordable housing was a policy issue. Go back, find the money and give Council some options. More money for the Social Security for firefighters. That is a policy issue – go back and find the money. There were different things that Council all stated at different times, that there was consensus on, to go back and find the money. But it didn't happen. So Council had to decide what to cut. It is not easy to decide on these cuts. Not one of them was easy. It's not a cut; it's a reduction or a delay. It's unfortunate as a Council member that we could not direct staff to do what we've asked them to do as policy-makers. What we are recommending leaves in money for the merit raises, the worker's compensation, insurance and bonds, 9 new firefighters for Skyland annexation, fire annexation contracts, group health insurance increase of 15%, the parks and greenway capital projects (and that's in addition to the \$400,000 that was talked about earlier), the debt service on fire station 5, the law enforcement officers professional certificate program, 3 officers in training position, fire and public works small capital, some of the debt services on automated trucks, public works vehicles (which others have suggested that we cut), police separation allowance, increase of Buncombe County taxes, the debt service on radio microwave, some of the Civic Center subsidy, fleet charges, the lobbyist, debt service on fire engine, the Board of Elections, unemployment, the real estate program, and even the pavement study. It's unfair for Council members not to have staff to support our goals and our ideas to go back and do what we've asked them to do. We, as Council members, had to do the job of staff.

Councilman Mumpower felt it was a mistake to do last minute add-ons or changes without research, public comment, and deliberation. He felt it was a serious mistake and some of these will bite us. Many times it's been said that if we plan it in the planning session, that should turn into dollars. He never remembered that being said at any point in our retreats. Strategic planning is not the same, necessarily, as budgetary planning. His participation at our next retreat will be much different than his last, if we are going to go forward with that assumption. We are talking a lot about staff not following our guidelines. He didn't think we were clear. He thought the Mayor demonstrated that in, for example, the affordable housing guidelines. They didn't say for staff to plug in more money into that issue. He didn't come away thinking that. He didn't realize, until the Mayor showed the picture of what Council voted on at the retreat, just how narrow and specific their request was. He felt it was pretty easy for Council to beat up on staff, but he's not sure that Council has done their homework. He has a hard time of playing catch-up at the last minute and dumping the accountability on our staff.

-19-

Upon inquiry of Councilman Mumpower about the reduction of the recycling fee, Councilman Peterson said that the current recycling fee is \$5.10 per bill every other month for City residents. He proposes to cut the fee in half to \$2.55 every other month. Every resident will see a reduction in their water bill totally \$15.30 over the year. Councilman Mumpower said three of the people who are speaking on behalf of this budget voted for a 2-cent tax increase last year. He felt this is tokenism. If anyone is excited about getting \$15 back this year when you see all the things that we spend money on – the almost hundred million dollar budget we have. He is disturbed by that theme. It does not encourage him, as the leadership model that he would hope that he, as a

Council would embrace. Another point is that the suggested budget did pursue cuts and frankly he agreed with a good number of those cuts. But then Council turns around and spends everything they cut, with a few exceptions. He will have to speak against this budget because he felt we're doing last minute things that don't result in any significant savings. It's more of a shift to some personal preferences and he doesn't believe that is a responsible budget setting process.

Vice-Mayor Bellamy said she doesn't fault the entire staff. We can only direct three employees so she can only direct those three employees. Two of them don't have anything to do with the budget directly. She can only fault one employee.

Councilman Peterson said that the reduction in the recycling fee is something he pursued. He has pursued it for the 3.5 years he has been on Council. He agreed that it is not a lot, but for someone who owns a \$150,000 house, which is a pretty typical house in Asheville, this would be comparable to a 1-cent property tax savings. He would like to get rid of the recycling fee altogether and see some real savings. He'd like to reduce taxes, but we can only do so much. We're doing the best we can. He voted to raise taxes 2-cents last year because the State withheld potentially millions of dollars. This coming budget year we're going to be getting almost all of that money and he felt like it was time to give something back. This was the easiest way to give something back that a person who lives in a modest home will see some savings. He felt that as high as our water bills are, to have \$2.55 lower on your water bill every other month, people will see the savings and we are giving something back to the residents of Asheville. He will continue to support that.

Councilman Dunn said he did not vote for a tax increase last year. He believes the citizens of this City deserve as much of their tax money back in their pocket as they possibly can. Five dollars is not much, but it's a start. Secondly, this will make the City cut their spending by \$366,000 next year. As far as he is concerned, this is cutting government spending. He has a problem with the way some of this has been presented tonight. We suddenly get more information on police officers, which really does upset him. We wanted \$500,000 for the Fire Department and four of Council voted for it and it never came up as a priority in the budget. These officers and firemen deserve that. Affordable housing. We need it. He's not crazy about some of this, but he will support affordable housing along with it. He thinks we need to give people a break on what government costs them – cut their taxes and give them a place to live too. We're talking about less than 1% of a \$100,000,000 budget. If some of the Council wants to hold that against him in the future, then so be it. He doesn't have a problem with this. He hated that we had to go to this extreme to become managers instead of policy-makers, but it had to be this way. He's been public about that and he didn't get elected to sit back and listen to staff. He's going to get involved with what he sees is something that need to be done. If Mr. Brinson wants to take that \$100,000 and do whatever he wants to, that's fine. But he wants to cut \$100,000. He will support this motion. There are some things here that he is not famous for supporting, but he thinks the spirit of what we're trying to do is well worth it. We all gained something and we all lost something, but we've managed to finally work together.

Councilwoman Jones said there were some things that Holly Jones is not famous for supporting either, however, she felt very good about the public having a concrete way to

-20-

understand how we make decisions and how we web them with dollars. It is not what comes across their table last and what they like. It is what we collectively came up with. Affordable housing is her passion and she makes no apology for that. It is also, time and time again, the number one issue that is quoted at the top of the list at forums. Call it a personal agenda – fine, she embraces it. But she knows she is not alone in that personal agenda. She has many residents in the City of Asheville right behind her and she has Council members that care about it too. She can respectfully understand where maybe some people interpreted "maintain means priority" or "strategies doesn't mean budget," but not in her world. In the budget book's first pages, it lays out the priorities. The public has access to this book. Next year if we don't prioritize it – fine, but this year we did. She felt absolutely responsible as an elected official of the people to web those new dollars. We have additional new dollars this year and are all of them up for grabs – absolutely not because we have fixed costs. Just like businesses have new fixed costs. Businesses have unemployment costs and health insurance. Non-profits have those same fixed costs that aren't negotiable, but even when you get rid of all those fixed costs, there are some variable dollars in there. In her estimation, too many of the variable dollars were directed toward things that we did not raise up. And this is redirecting those to what we raised up. To reiterate, the vast majority of the expenditure cuts are not cuts from this budget year, they are reductions in a proposed increase. If it's difficult, then we're all dealing with difficult matters and that is just part of the land what we live in. She was watching a news show on Sunday and the reporter said 1/3 of our towns and cities are facing lay-offs. This budget lays no one off. This budget gives merit raises to employees, which she personally thinks may be a little rich this year, but it rewards hard work and people wearing a couple of different hats. That is in a year where many towns and cities are laying off. In terms of proposing expenditures that will ultimately cost more money, in a \$2 Million budget for example in one of the funds, the Civic Center Fund, if we can't manage a \$50,000 swing, which is 2.5%, we are in hot water. If we can't find a way to manage that small of swing then we have a lot of bigger problems. No one would have liked to have seen this done differently more than me. Any of you that were in this room know how hard I tried. So she hates that we had to come to it like this, but she feels very good about all the cuts and she doesn't think anything will be paralyzed. This remains faithful to why we were sent to office – not only in content, but in spirit.

Councilman Ellis does support affordable housing. We did allocate \$500,000 in addition to the \$675,000 from Community Development Block grants. He doubted that many cities are allocating that much. He also pointed out that the \$500,000 is money that we are loaning out and people are paying back to us, so every year the fund increases. He felt this year there are other priorities we need to look at. He felt the other motion was very fair motion and a compromise. He said that if we cut the 401 (k) out, we're cutting the firefighters again and other employees and that is unfortunate. He does support additional police officers but we've had a report from the Police Chief that we're probably going to get up to 20 new officers the next year to year and one-half. We are now adding 3 more and saying we're going to put them in public housing and if we do that, we're likely to lose a grant. That doesn't compute, and at the same time, you're cutting their overtime. He felt there was a good compromise, but now feels like we're getting too detailed and could not support the motion.

Mayor Worley felt that if we adopt this budget then we are moving from the policy-making into the management. We are a policy-making body. He was one of those that voted in favor of affordable housing for a priority, and he can assure you that he didn't have the slightest inkling that that would be used to justify additional funding. If he did, his vote wouldn't have been there. He said that he is committed to affordable ways and there are many ways to address that. We increased the contribution to the Affordable Housing Trust Fund last year by \$100,000. He felt there is a capacity that this community can endure in terms of how much dollars we take out of our tax revenues and contribute to affordable housing. And he is concerned that we are exceeding that capacity. You also talk about priorities and there is much to be said from those who are proposing this budget that it meets the priorities. It adds \$150,000 for additional police

-21-

officers. If you go back and look at our retreat, one of the items we voted on was adding more police officers and that did not receive enough votes to be a priority. A lot has been said that the budget didn't reflect our priorities. He would certainly argue that it did. We did not ask in our retreat that police officers be added to the budget. And, yet, at the same time, he commended our Police Department for recognizing the need and finding innovative ways to add police officers through grants and he thinks we have added, through that process, the police officers that we need to add. He was also concerned when he hears the Police Chief say that if \$150,000 in this proposal for additional police officers is directed to public housing that may make us ineligible for the grant for 3 police officers for public housing. We are taking on one hand and giving on the other. We are reducing the recycling fee by half. There has been really no Council discussion of the effect and no staff input on that. He certainly is not aware that this Council has been receiving an outcry from the public saying we need to reduce the recycling fee. The recycling fee covers half the cost of recycling. It costs us to recycle. It's a good thing to do and he totally supports it. It's the right thing to do. It reduces waste going into our landfill and it is environmentally sound. The recycling fee was designed to cover half the cost to the City and the General Fund covers the other half. We are now asking the General Fund to cover  $\frac{3}{4}$  of that cost. Is there a savings? Yes, you can say the water bill is reduced – actually it's the recycling charge on the water bill that is being reduced. But, we pick it up ultimately in our property taxes. When you look at the specific cuts starting with the Civic Center Fund. Taking \$50,000 out of that from where? We don't have the answer from those who are proposing it. It just takes \$50,000 and leaves it up to staff to figure out where. That's where are already losing money. When you talk about the money for fire contracts for annexation, there is a risk there and it is dependant upon when the annexations might become effective. If that happens in the first quarter of this coming fiscal year, we'll have to find that money from somewhere. Overtime for annexation falls in the same category. Those who are proposing the \$50,000 from the Planning Department don't know where it's going to come. There is talk that the Planning budget has increased so we're just reducing the amount of the increase. That's true of every City development. He thinks the budgets generally have increased across the board. Why? We have in the budget a merit increase for our employees and we also have in the budget fringe benefits that have increased in costs, insurance has gone up dramatically, worker's compensation insurance, health insurance, and liability insurance. We have had a dramatic increase of over \$1.5 Million in our insurance costs. Our budget figures have increased and our costs have increases as well, and yes our employee costs have increased. In the Planning Department there are 17 full-time equivalent employees in there now and there will be 17 in the next budget year. Again, he asked where the \$50,000 going to come from. We're cutting \$50,000 out of police and fire overtime and that's going to affect the service that we provide. We slashed \$100,000 from the Parks & Recreation capital budget. The specific items in that Parks & Recreation capital budget are clearly set forth in the capital portion of the budget. He could talk about each one of the other cuts, but he won't. He did want to talk about the freezing any vacant positions that might come up in the City Development Division of the Planning Department. It's already been said it's pretty unusual to freeze positions in a budget. Particularly positions that aren't vacant. Usually you do that in a drastic budget situation and then you cut staff positions that are vacant. That does not seem to be a reasonable request. We are making a number of cuts but we are making increases. When he looks at the total revenue that we need for making cuts of \$888,500, but we're adding revenue needs of \$1,203,500 and that includes the money we lose by cutting the recycling fee because we have to make that up. We have to pay for recycling. He thinks our citizens deserve a responsible budget process and he thinks the budget we will be voting on is irresponsible. We are going about it the wrong way. He thinks our staff has responded to our priorities that we set forth at the retreat. He thinks they responded very well. We, as a Council, have not talked well together during this process nor have we communicated policy decisions very well to staff. He thinks we have made a major mistake if we try and go through randomly making cuts to put in things that some of us want. He was very



disappointed in this budget process.

-22-

Councilman Dunn said that the Mayor talked about a risk. Maybe the greater risk is to never do anything. Maybe we keep on spending money and keep on and on because it's painful and it hurts. Sooner or later you draw a line in the sand. It's painful, yes, but it's not impossible to take care of. He thinks the citizens did get a fair budget process and we tried everything we could to try to talk to people. He talked to everyone on Council, except maybe one. He tried to work with Council and this is what we had to do. This is where leadership starts to take over.

The motion made by Vice-Mayor Bellamy and seconded by Councilman Peterson carried on a 4-3 vote with Vice-Mayor Bellamy, Councilman Dunn, Councilwoman Jones and Councilman Peterson voting "yes" and Mayor Worley, Councilman Ellis and Councilman Mumpower voting "no."

**ORDINANCE BOOK NO. 20 - PAGE**

**V. NEW BUSINESS:**

**A. RESOLUTION NO. 03-110 - RESOLUTION APPOINTING A MEMBER TO THE WNC REGIONAL AIR QUALITY AGENCY BOARD**

Vice-Mayor Bellamy said that this is the consideration of appointing a member to the WNC Regional Air Quality Agency Board.

Mr. Arlis Queen has resigned from the WNC Regional Air Quality Agency Board, thus leaving an unexpired term until July 1, 2008.

On June 17, 2003, it was the consensus of City Council to interview Dean Kahl, Cecil Beumer, J. Loyd Kirk and Lawrence Haas.

After Council talked about the excellent qualifications of all candidates, Dean Kahl received 4 votes, Cecil Beumer received no votes, J. Loyd Kirk received 3 votes and Lawrence Haas received no votes. Therefore, Dean Kahl was appointed as a member of the WNC Regional Air Quality Agency Board to fill the unexpired term of Mr. Arlis Queen, term to expire July 1, 2008, or until his successor has been appointed.

**RESOLUTION BOOK NO. 27 - PAGE**

**B. RESOLUTION NO. 03-111 - RESOLUTION APPOINTING MEMBERS TO THE CIVIC CENTER COMMISSION**

Vice-Mayor Bellamy said that this is the consideration of appointing members to the Civic Center Commission.

There currently exists two vacancies on the Civic Center Commission - Kent Wolff, whose term expires June 30, 2003, and Dan Breneman, whose term expires on June 30, 2004. In addition, the terms of Jerri Goldberg, Lisa Michie and Peter Crosa expire on June 30, 2003.

On June 17, 2003, City Council instructed the City Clerk to arrange interviews for Larry Smith, Charlie Cole and John Broadbooks.

In addition, on June 17, 2003, it was the consensus of City Council to instruct the City Clerk to prepare the proper paperwork to reappoint Jerri Goldberg, Lisa Michie and Peter Crosa to each serve a three year term respectively, terms to expire June 30, 2006, or until their successors have been appointed.

-23-

After Council talked about the excellent qualifications of all candidates and the upcoming additional vacancy opportunities, Larry Smith received 6 votes, Charlie Cole received 6 votes, and John Broadbooks received 2 votes. Therefore, (1) Charlie Cole was appointed to serve the unexpired term of Kent Wolff, term to begin immediately and expire on June 30, 2006; and (2) Larry Smith was appointed to serve the unexpired term of Dan Breneman, term to begin immediately and expire June 30, 2004.

**RESOLUTION BOOK NO. 27 - PAGE**

## **VI. OTHER BUSINESS:**

### **Claims**

The following claims were received by the City of Asheville during the period of May 23-June 12, 2003: Ronnie Cole (Water), Judy McMahan (Streets), Donald Brigman (Fire), Sondley Estates (Water), Thomas W. Harrill (Transit Services) and BellSouth (Water).

These claims have been referred to Asheville Claims Corporation for investigation.

## **VII. INFORMAL DISCUSSION AND PUBLIC COMMENT:**

Mr. Fred English, resident in east Asheville, made several comments regarding the budget from the City shouldn't be involved in the real estate business to supporting the police department pay increases.

Mr. Mike Fryar explained how City Council was given misinformation by the Planning staff when they were considering the annexation of his property.

Ms. Cheryl Wegner related to Council traffic concerns about the proposed entrance to the Richmond Hill Park on Richmond Hill Drive. The City Engineer has looked at an entrance off Riverview Church Road, but it will be very expensive. Since it is clear that dollar signs mean more to Council than the grave concerns of your citizens, they implored council to amend the Conditional Use Permit to include traffic mitigation. She explained that Council is violating their Traffic Calming Policy.

Regarding the Richmond Hill Park entrance and upon inquiry of Councilman Dunn, City Attorney Oast said that it is his understanding that the property that is under consideration for condemnation can be condemned for use as a public road. If it were the City that was doing the condemnation work, the title in that condemnation would vest immediately. He assumed the law for the State is the same but it may not be. He tended to think that it would actually stronger in favor of the State in that regard. What could be tied up for years would be what is actually paid for that property. But, if the property is being condemned for public road purposes, the title vests immediately. Again, what may take a long time is to determine how much they pay for the property. City Manager Westbrook said that it was his understanding that the only other reasonable entrance would cost in excess of \$1 Million and that is a cost the State will not incur.

At the request of Councilman Mumpower, City Manager Westbrook said that he would have the City Engineer look into the issues of traffic mitigation with consideration for future uses of the adjacent site and report back to Council with their recommendations. It was his understanding that this would be for traffic calming in the future.

-24-

### **Closed Session**

At 8:32 p.m., Vice-Mayor Bellamy moved to go into closed session pursuant to N. C. Gen. Stat. sec. 143-318.11 (a) (6) to discuss a personnel matter. This motion was seconded by Councilman Dunn and carried on a 5-2 vote, with Mayor Worley and Councilman Mumpower voting "no."

At 10:03 p.m., Councilman Mumpower moved to come out of closed session. This motion was seconded by Councilman Ellis and carried unanimously.

## **VIII. ADJOURNMENT:**

Mayor Worley adjourned the meeting at 10:03 p.m.

CITY CLERK

MAYOR