

Worksession

Present: Mayor Terry M. Bellamy, Presiding; Vice-Mayor Diana Hollis Jones; Councilwoman Robin L. Cape; Councilman Jan B. Davis; Councilman Bryan E. Freeborn; Councilman R. Carl Mumpower; Councilman Brownie W. Newman; City Manager Gary W. Jackson; City Attorney Robert W. Oast Jr.; and City Clerk Magdalen Burleson

Absent: None

Mayor Bellamy asked for a moment of silence for Mr. Kevin Wilson, Mr. John Van Dyke, Staff Sergeant Joe Ray and Sergeant Kevin Akins.

STATE OF THE AIRPORT PRESENTATION

Mr. David Edwards, Airport Director, reviewed with Council the Authority's mission, an overview of the Airport, financial information of Fiscal Year 2002- 2006, passenger traffic growth, Airport terminal improvements, other Airport projects; Airport services; and the future development phases and costs. He said that key objectives include (1) fund the future development program as a pay-as-you-go program; no local tax dollars or long-term debt financing will be used; (2) promote general aviation and commercial air travel from and to Asheville and Western North Carolina; (3) seek additional air service options for both the business and leisure traveler; and (4) seek aviation and non-aviation related business development opportunities.

Mr. Edwards and Vice-Chair Jim Ellis responded to various questions from Council,

Discussion surrounded an independent airport authority.

Upon inquiry of Councilman Freeborn, Mr. Edwards said that the total assets of the Airport are approximately \$55 Million, which is a combination of buildings, land and equipment.

Councilman Freeborn questioned if Asheville removes itself from owning the Airport, would we be losing that money and would it affect our bond rating. City Manager Jackson said that if Buncombe County, the City Council and the Airport Authority were interested in pursuing that independent authority, we would want to explore the pros and cons. He said that the conditions under which, he believed, Council would entertain a self-supporting airport would be with some compensation back to the City for their assets – some kind of long-term plan of payment and some review/research/analysis of alternative structures to replace what is in place now. To speak to how that might be structured and what those levels of compensation might be would be a matter for a joint mutual study group to entertain. In his discussions with the Buncombe County Administrator and Mr. Edwards, there was consensus about the amount of work necessary, e.g., financial feasibility, governance structure, sensible alternative models, legal considerations, previous bond covenants, advantages and disadvantages from a regulatory standpoint with the Federal Aviation Administration, etc. They envisioned a 6-month study process to get to the point where there would be a serious report and potential policy consideration. During this process, preliminary contacts would be made with Henderson County, the Federal Aviation Administration, major stakeholders at the Airport, etc. He asked for Council's direction to begin this feasibility work at a staff level so that Council might be in a position to send the request to the General Assembly.

Vice-Mayor Jones was interested in seeing the analysis report but stressed that it was a courageous act on the part of the City to step out there when the Airport was built for not only Asheville, but the entire region.

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Councilman Newman was open to obtaining additional information on this, but felt there are several other opportunities for regional cooperation, e.g., Civic Center, recreational services, water issue, etc., and felt Council might want to chose on which regional cooperation presents the best opportunities.

Because City Council requested more time before they commit to that feasibility process, it was the consensus of Council to bring a resolution forward at a formal meeting in April, 2006, authorizing City staff to explore the feasibility of creating an independent airport authority.

REPORT FROM CHAIRS OF POLICY COMMITTEES

Revenue & Finance

Councilman Newman, Chair of the Revenue & Finance Committee, reviewed with Council when the Revenue & Finance Committee's regularly scheduled meetings will be held and updated Council on the latest actions and discussions of the Committee, some being, but are not limited to: how the Buncombe County revaluation will affect City taxpayers; the tax rate; infrastructure and service needs; fees and charges; revenue neutral budget; and potential revenue sources.

Public Safety

Councilman Mumpower, Chair of the Public Safety Committee, reviewed with Council when the Public Safety Committee's regularly scheduled meetings will be held and updated Council on the latest actions and discussions of the Committee, some being, but are not limited to: City-County negotiations on consolidated dispatch center; manpower – retention and compensation; legislative priorities on judicial system funding and structured sentencing; new district deployment system; take-home car process; and emergency response vehicles..

Housing & Community Development

Vice-Mayor Jones, Chair of the Housing & Community Development Committee, reviewed with Council when the Housing & Community Development Committee's regularly scheduled meetings will be held and updated Council on the latest actions and discussions of the Committee, some being, but are not limited to the allocation of \$1.9 Million of Community Development Block Grant Funds; revisit the Housing Trust Fund allocation process; revisit some of the out-of-the-box innovative ideas for increasing affordable housing stock; and city-owned property.

Planning & Economic Development

Councilman Davis, Chair of the Planning & Economic Development Committee, reviewed with Council when the Planning & Economic Development Committee's regularly scheduled meetings will be held and updated Council on the latest actions and discussions of the Committee, some being, but are not limited to form-based codes, the Unified Development Ordinance, the hillside/hilltop ordinances, the West End/Clingman Avenue Corridor, the Merrimon Avenue Corridor Plan, river development, and also city-owned property.

2006-07 BUDGET PLANNING

Overview/Update/Schedule

Chief Financial Officer Ben Durant said that the purpose of this report is to give an overview and update of the current status of the budget.

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He said that planning for the Fiscal Year 2006-2007 budget began in January with a projected budget gap of approximately \$2.6 million. Staff has made significant progress toward closing this gap since then.

Guiding principles for staff development of the budget are as follows: resources are limited; must prioritize programs and services; core services must be maintained; evaluate a market-competitive compensation plan; address strategic initiatives as resources allow; assume a revenue neutral tax rate; use cost reduction and revenue enhancement strategies; and development multi-year approach to financial planning.

Implications of a revenue neutral scenario include: unable to fully fund strategic initiatives; unable to effectively address challenges of employee recruitment/retention/ compensation; unable to effectively address growth demands; may require reduction/elimination of existing services; and public demand for service exceeds available revenues.

Potential gap closing strategies include budget reductions of (1) across-the-board departmental reductions; (2) delay/reduction in capital purchases; (3) reducing general fund contingency; (4) reduction of existing programs/services: (a) non-core services; (b) outside agency funding; and (c) low priority strategic initiatives; and (5) re-engineering proposals for greater efficiency.

Various revenue enhancement strategies, including adjusting the business privilege license fees, extending development fees into the extraterritorial jurisdiction area. increasing cost recovery for special events, greater cost recovery for fee-based services and sale of property are being developed and will be discussed in detail with the Revenue and Finance Committee.

Staff is also developing various "belt-tightening" strategies, including delaying/reducing capital equipment purchases,

reducing the general fund contingency budget and reducing various consultant contracts. More aggressive strategies being examined include reducing contributions to outside agencies and subsidies to other funds. Staff's emphasis in balancing the budget has been to provide sufficient funding for existing programs and services. No provisions at this point have been made for new strategic initiatives. Staff will provide more detail on these recommendations in the upcoming weeks.

Mr. Durant responded to various questions/comments from Council.

Growth Management – Planning, Building Safety, Engineering

Chief Financial Officer Ben Durant said that Asheville is currently experiencing significant economic growth, which is placing increasing demands on our ability to manage the development process and maintain our public infrastructure assets. He used various graphs that illustrated current growth trends in Asheville relative to resources available to manage our growth and invest in public infrastructure. Resources available for growth management and investment in infrastructure in general have not kept pace with recent growth pressures.

Councilman Newman said that one way to address the Planning Department's major workload is to hire some additional staff, but there might be another way of addressing that by streamlining some of the Planning Department's processes so a full-time person can handle more caseload than they have in the past.

Strategic Initiatives Discussion

Assistant City Manager Jeff Richardson said that at the City Council's February 21, 2006, worksession, the City Manager indicated that staff would be bringing forward the City Council

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draft two-year strategic initiatives that were brought forward individually by City Council members at the January 20-21 board retreat. He reviewed the compilation of new and old initiatives that were listed for future consideration and discussion by City Council.

During the Fiscal Year 2004-05 budget process, City Council adopted its current Strategic Operating Plan. Seven focus areas and accompanying short and long range goals were identified and adopted accordingly. These goals have been woven into each respective department's work plans accordingly, which has served to guide City staff for the past two budget cycles. Most recently, staff has received additional six month to two year priorities from each Council member as mentioned above. He reviewed with Council these priorities which allow City Council to consider any existing priority in coordination with the new initiatives.

In coordination with the review and adoption of the Fiscal Year 2006-07 budget process, City staff is prepared to execute City Council's short range and long range strategic priorities by assuring available resources are aligned with City Council's final direction.

Councilman Davis felt that the review of the 2025 Comprehensive Plan may need to be moved to the longer-term goals.

At the request of Vice-Mayor Jones and consensus of Council, Mr. Richardson was instructed to find the appropriate place in the short-term goals of developing a regional approach to flood management, thinking long-term.

Ms. Lauren Bradley, the City's Public Information Officer, updated City Council on the citizen communication and customer service enhancements by explaining the outreach and participation; e-communications improvements; and customer service enhancements.

Compensation Framework Proposal

Human Resources Director Belinda Odom said that in developing appropriate employee pay and reward systems, organizations must determine the best fit for their particular organizational mission and culture. Once City Council approves such a philosophy the detailed work of implementation begins. Human Resources will facilitate additional management and employee information gathering to determine appropriate next steps within the established philosophy.

Mr. Bruce Lawson of Fox, Lawson Inc. presented a philosophy to City Council and asked for City Council to give policy direction on these recommendations.

Existing challenges include three major issues: recruitment challenges, retention problems and pay compression.

Motivation includes monetary rewards, such as benefits, wellness programs, etc.; intangible rewards, such as recognition, flexible scheduled, etc.; but, an appropriate base salary is the necessary starting point.

The process includes reviewed current pay plan, policies and procedures; interviewed department directors; reviewed input from employees focus groups; analyzed data; and make recommendations to Council on philosophy.

He said that before we go further, we need Council's guidance in the form of a compensation philosophy.

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Basic premises: (1) as reaffirmed by Council in the last strategic plan, the mission of the City is to deliver an excellent quality of service to enhance the quality of life of its citizens; (2) consistent with the practice of City Council and administration for the last seven years, the City is striving to fulfill its potential as a high performance organization; and (3) any proposed system is affordable. He questioned if Council agrees that these premises are the correct framework for the compensation philosophy for the City of Asheville.

Implications are that the City must attract (recruit), motivate and retain productive employees who are willing and able to provide excellent service, and the City needs more flexibility in structure, policies and employee job classifications.

Competitive markets include local public and private employers; statewide and local public employers; and regional and national public employers.

He asked if Council agrees that these are the appropriate markets against which the City must compete for talent.

Market placement considerations are (1) natural grandeur of Western North Carolina and the draw of a vibrant, diverse community make this a desirable place to live and work; and (2) high cost of living (especially housing) and low availability of job opportunities for family members are challenges.

Regarding the market rate, it is (1) calculated by analyzing salaries within the appropriate competitive market for each position; and (2) adjusted based on the cost of labor (very high paid areas and very low paid areas do not skew the data). He reviewed a chart of the city salaries vs. the market. 20% are above the market by more than 5%; 25% is near market; and 55% is below market by more than 5%.

He explained the market = target pay for full performance; new hire pay = based on experience; and movement from new hire to market = based on progress toward full performance. He used charts that showed samples of non-public safety and samples of public safety.

Regarding retention, it is (1) providing excellent service requires seasoned professionals; and (2) replacement costs are expensive.

Implications are that (1) the City cannot afford to be a training ground; (2) to retain good employees, salaries must not be significantly out of step with the competitive market; and (3) this system will specifically improve pay for the City's lowest paid employees and the lower ranks in police and fire.

Compression is a market-based system that will alleviate the City's internal compression over time.

Regarding affordability, (1) phased transition over 3 to 5 years allows for affordable implementation; and (2) by reducing turnover the City should save significant recruitment and training costs.

Cost of implementation is as follows: (1) Year 1: \$450,000 (+1% to salaries); (2) Year 2: \$450,000 (+1% to salaries); (3) Year 3: \$450,000 (+1% to salaries); (4) Year 4: \$450,000 (+1% to salaries); and (5) Year 5: \$450,000 (+1% to salaries). Total cost over 5 years will be \$2.25 Million. This adds 0.4% to annual operating budget. He felt the first year would be Police, Fire and Engineering.

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It is Fox Lawson's recommendation that Council support a market-based compensation system. If Council concurs with that recommendation, then (1) adoption of compensation philosophy; (2) implementation plan; (3) employee communications plan;

and (4) budgetary decisions.

Mr. Lawson, City Manager Jackson and Chief Financial Officer Ben Durant responded to various questions/comments from Council, some being, but are not limited to: how does the market base deal with merit pay; how was the 5-year implementation schedule arrived at; will the City lose ground over that five years; does the City have a policy for training and commitment; at what time does the Council review the benefit package; what is the definition of the market and how is that formula developed; can the City remain revenue neutral and still proceed with the recommendation of Fox Lawson; interest in looking at other revenue options; and need for a better understand of who is impacted.

Mayor Bellamy asked for City staff to provide to Council everything that staff is cutting to meet the needs, like positions delayed, equipment purchases delayed, consultants; etc.

Vice-Mayor Jones was open to the plan, but felt strong about being revenue neutral. She stressed that Asheville should look at our annexation process to grow our tax base as Asheville citizens are already paying more than their fair share.

Councilman Mumpower supported being revenue neutral, noting that our biggest hole is a result from Sullivan Acts II and III. He felt staff should bring Council options so they can choose.

Mayor Bellamy summarized that City Council pretty much agrees with the study presented and the need for its implementation. How we do that is the question. Council would like for City staff to give Council a menu of options on how to best get to that place, giving Council different levels of cuts in our budget and letting Council know where all those cuts will be, as well as the impact of those cuts. Council is open to seeing deeper cuts than maybe staff is proposing. Council is open to seeing the revenue enhancement strategies, as well as options to not go entirely revenue neutral. Once this information is received by Council, Council will then decide how to proceed. She requested a preview of the overview of the rest of the budget as soon as possible.

Councilman Newman felt that Council can't get there by just raising the property taxes. Council also has to look at consolidating certain city/county functions to reach that goal. Another idea is that we need some new progressive revenue options.

City Manager Jackson said that City staff will come back to Council in approximately two weeks with a rough cut of the budget and a menu that closes the gap.

After a short discussion about the sales tax distribution by Buncombe County, it was the consensus of City Council to ask City staff to prepare a resolution requesting Buncombe County to consider a more fair and equitable sales tax distribution.

Budget Direction

After discussion, it was the consensus of City Council to hold the following budget worksessions, all to begin at 3:30 p.m. – 5:30 p.m.: Monday, May 8, 2006; Tuesday, May 16, 2006 (with the regular worksession starting at 3:00 and the budget worksession beginning at 3:30 p.m.), and Monday, May 22, 2006. These worksessions will be held in the Council Chamber, located on the 2nd Floor of the City Hall Building, Asheville, N.C., with each worksession being televised.

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In addition, it was the consensus of City Council to cancel the 5th Tuesday community meeting.

At this time, Mayor Bellamy announced a short break.

EXTRATERRITORIAL JURISDICTION AREA & JOINT PLANNING AREA REPORT

Mayor Bellamy said that this report is being pulled from the worksession agenda at this time.

RESOLUTION NO. 06-59 – RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A CONSERVATION EASEMENT WITH RIVERLINK AT AZALEA PARK

Parks & Recreation Director Irby Brinson said that this is the consideration of a resolution authorizing the Mayor to sign a conservation easement at Azalea Park with RiverLink Inc. for stream bank restoration and protection.

The Parks and Recreation Department and RiverLink, Inc., have been working together to develop a conservation easement in conjunction with the Clean Water Management Trust Fund for approximately 27.09 acres located along the

Swannanoa River within the Azalea Park. This particular easement will allow for restoration and rehabilitation for the stream bank along the Swannanoa River. The plan will allow a contractor to perform stream restoration and stabilization measures within the riparian buffer easement area which will include removal of a number of trees, laying back the bank of the river, and providing an extensive landscape plan for vegetation in the disturbed area. Funds for this project are being provided through the Clean Water Management Trust Fund through a grant secured by RiverLink. The overall management of this project will be the responsibility of RiverLink working in conjunction with the City of Asheville. This project will occur without disruption to the existing park features and will allow for continued development of the master plan that was approved by City Council for this park. In addition, this project will not in any way affect the beneficial fill area that is currently being used by the City of Asheville.

Pros:

- This project will stabilize the stream bank along a large portion of the Swannanoa River.
- This project will allow for a conservation easement of approximately 27.09 acres for protection for future generations.
- This stream bank restoration will also assist in future flooding events and assist in minimizing damage downstream from this area.
- This project will also allow for increased protection of fish and wildlife along this stretch.

Cons:

- Construction will result in the removal of a number of very large trees near the bank of the Swannanoa River within the park area.
- Construction will be occurring while the soccer complex is in use, and it will be necessary for protection measures to occur for the safety of all participants.

This project relates to City Council's Strategic Plan in regard to protection and improvement of water quality in the region.

City staff recommends City Council authorize the Mayor to sign a conservation easement between the City of Asheville and RiverLink Inc. within Azalea Park.

Upon inquiry of Councilman Mumpower, Mr. Brinson said that construction should begin relatively soon and be completed by early summer.

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Councilman Mumpower expressed concern of taking formal action at the worksessions.

Vice-Mayor Jones moved to waive the rules and take formal action at this meeting. This motion was seconded by Councilman Davis and carried unanimously.

Mayor Bellamy said that members of Council have been previously furnished with a copy of the resolution and it would not be read.

Vice-Mayor Jones moved for the adoption of Resolution No. 06-59. This motion was seconded by Councilwoman Cape and carried unanimously.

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MISCELLANEOUS

Councilman Freeborn commented on the good educational experience he encountered on a Police Department ride-along.

Councilwoman Cape invited the public to a Citizens/Police Advisory Committee meeting on Thursday, March 23, 2006, at 7:00 p.m. at the North Asheville Library. This meeting will give the public an opportunity to understand the new police districting system.

Councilman Mumpower thanked the Church of Latter Day Saints and volunteers on completing the third Top-A-Stop. He also reminded the public of two seminars which will be taking place on March 28, 2006.

CLOSED SESSION

At 7:00 p.m., Councilman Mumpower moved to go into closed session for the following reasons: (1) To consult with an attorney employed by the City about matters with respect to which the attorney-client privilege between the City and its attorney

must be preserved, including litigation involving the following parties: City of Asheville and State of North Carolina. The statutory authorization is contained in G.S. 143-318.11(a)(3); (2) To establish or to instruct the City's staff or negotiating agents concerning the position to be taken by or on behalf of the City in negotiating the terms of a contract for the acquisition of real property by purchase, option, exchange or lease. The property is located on Amboy Road. The statutory authorization is contained in G.S. 143-318.11(a)(5); and (3) To discuss matters relating to the location or expansion of industries or other businesses in the area served by the City Council, including agreement on a tentative list of economic development incentives that may be offered in negotiations, provided that any action authorizing the payment of economic development incentives will occur in open session. The statutory authority is contained in G.S. 143-318.11(a)(4). This motion was seconded by Councilman Davis and carried unanimously.

At 8:45 p.m., Councilwoman Cape moved to continue the closed session until Tuesday, March 28, 2006, at 4:00 p.m., in Room 209 of the City Hall Building, Asheville, N.C. This motion was seconded by Councilman Freeborn and carried unanimously.

ADJOURNMENT:

Mayor Bellamy adjourned the meeting at 8:45 p.m.

CITY CLERK

MAYOR