

Tuesday – April 9, 2023 - 2:30 p.m.

Budget Worksession

Present: Mayor Esther E. Manheimer, Presiding; Vice-Mayor Sandra Kilgore; Councilwoman S. Antanette Mosley; Councilwoman Kim Roney; Councilwoman Sheneika Smith; Councilwoman Sage Turner; Councilwoman Maggie Ullman; City Manager Debra Campbell; City Attorney Brad Branham; and City Clerk Magdalen Burleson

City Manager Campbell said that today's key takeaways will be (1) Slowing revenue growth and increasing costs make it challenging to fund new initiatives and will require us to use fund balance to balance the budget; (2) As a result, staff is recommending a focus on employee compensation, and capital funding via the November General Obligation (GO) Bond; (3) Staff is recommending a 4.11% pay increase for all employees, which will bring our lowest pay up to the Just Economics Pledged Living Wage and avoid causing additional compression issues; and (4) For the November GO Bond referendum staff is recommending a total package of \$75M in 2024 with an additional GO Bond vote in 2028.

Finance Director Tony McDowell provided the following outline of his presentation: (1) Compensation & Benefits (a) Council scenario requests from prior worksession; (b) Staff recommendation; and (c) Health care - employer and employee increases; (2) General Fund Budget Update; and (3) November 2024 GO Bond (a) Review options for size; (b) Update estimated taxpayer impacts; and (c) Staff recommendations on size and buckets.

He then reviewed the budget development process, Fiscal Year (FY) 25 budget key dates, guiding principals, and Council's FY 25 priorities.

He provided Council with a recap of the key takeaways from the March 26 worksession as follows: (1) Recommended budget will align with Council, community and organizational priorities; (2) Increasing costs are outpacing revenue growth in the General Fund. Therefore, will likely need to use revenue from Fund Balance; (3) Recruiting and retaining a talented workforce is essential to service delivery; and (4) GO bond will help address significant capital needs. He said today staff will respond to any questions from the March 26 worksession and provide staff recommendations since no other worksessions are currently scheduled.

Regarding compensation, he explained that the City's General Fund Expenditures for personnel is 62%, operating costs are 22%, interfund transfers are 5% and capital and debt at 11%. He said at the March 26 worksession Council requested information on (1) Flat dollar amount increase for all employees; (2) Cost to get employees to Just Economics pledged and full annual living wage rates; and (3) Other potential scenarios for employee compensation. He showed an example to illustrate comp changes. He then explained the flat amount to full living wage with pros and cons; the flat amount to pledged living wage, along with the pros and cons; a percentage to full living wage, along with the pros and cons; and the percentage to pledged living wage, along with the pros and cons. Staff's recommendation is (1) Provide 4.11% increase to all employees, meeting Just Economic Pledged Annual Living Wage Rate; (2) Requires an additional \$4.3 million; (3) Affordable within existing resources only with fund balance usage - Any compensation increase will require use of fund balance; and (4) Staff recommendation is similar to what other municipalities in Buncombe County are considering.

Regarding benefits, he explained that the employer's contribution is 75%, the employee contributions are 16%, and the other is 9% - for a total of \$19,022,937. He used charts to illustrate the Health Fund expenses for health and dental, along with the healthcare funding strategy. Regarding retiree health benefits, (1) the City ended retiree healthcare for employees hired after July 1, 2012; (2) Still reviewing options for implementing health benefit for retirees, will

not be pre-2012 benefit; (3) Still determining cost impact - minimal initially, *but will increase over time*; and (4) Earliest implementation would be January 2025.

He then provided a General Fund Budget update as follows: (1) Staff continues to refine revenue estimates - Growth now expected to be approximately 3.0%; (2) Adjusting salaries by 4.11% and budgeting health care cost increases will add about \$4.6M to the General Fund base budget; and (3) Staff is estimating that fund balance usage will be similar to the \$8.1M used in the current budget - May fall slightly under the 15% policy goal. Other revenue opportunities are (1) Opioid settlement funds for the Community Responder program; (2) Fee adjustments in Sanitation; and (3) Possible use of remaining American Rescue Plan Act (ARPA) funds that were set aside for supportive housing.

He asked Council if they have issues or concerns with staff's recommendation of a 4.11% salary increase for all employees and continued analysis of a retiree health benefit. He said staff will utilize feedback from Council to finalize the Manager's Proposed Budget for presentation in May.

Mr. McDowell then provided Council with the GO Bond March 26 recap, including the capital planning challenges and opportunities; identified general capital projects; "Steady State" voting; and potential property tax impact, noting that the figures are based on current values before 2025 revaluation. He said potential November 2024 referenda are (1) Housing (land banking, Housing Trust Fund support); (2) Transportation (street resurfacing, sidewalks, greenways); (3) Parks, Recreation and Entertainment (court/field renovations, recreation center improvements); and (4) Public Safety and Facilities (police/fire stations, building renovations). At the March 26 worksession, Council requested information on (1) \$100 million bond in 2024, followed by \$50 million bond in 2028; and (2) Timeline for additional information about bond packages. He then provided Council with the referenda size and timing and why the four year cycle is the staff's recommended timing (1) Show successful execution of projects before second vote; (2) Can adjust second vote based on changing conditions and needs; (3) Can alternate with County referenda; (4) Lower overall cost to property tax payers; and (5) Fewer referenda to communicate about and debt issuances (staff time & cost). He then showed an example timeline of a large multi-year project. He reviewed with Council why the \$150 Million GO Bond package is the recommended amount (1) Meaningful, but achievable (a) Longer timeline to execute, but double 2016; and (b) Better prepared, lessons learned from 2016; (2) Reasonable taxpayer burden; and (3) Maintains safe amount of debt per capita. He then showed the potential property impact of a property tax value of \$350,788 - annual impact of 2 x \$75 Million - \$140; and 1 x \$100 Million and 1 x \$50 Million - \$158. Since 2012, 44 municipalities had 143 ballot referenda; (2) 29 munis have had 3 or less referenda; (3) Only Charlotte, Greensboro and Winston-Salem have had 10 or more; and (4) 34 were one referendum on the ballot. He then reviewed the recent issuances by mid-size municipalities. He then showed a chart of 2024 GO Bond categories with the \$75 Million Scenario and the \$100 Million Scenario. Additional information on the GO Bond is (1) Provide more specific project information as part of overall capital plan in the City Manager's Recommended Budget on May 14 - An itemized project list is not required for ballot; (2) Additional information over the course of required Council actions to include referenda on ballot; and (3) City Manager's Office, CAPE, Finance & Management Services staff and outside organization(s) will coordinate information sharing with community leading up to November 2024 vote. He then reviewed the GO Bond Council actions for the next meetings. A summary of recommendation is (1) \$75 million bond package in 2024 - Housing; Transportation; Parks, Rec & Entertainment; and Public Safety & Facilities; and (2) \$75 million bond package in 2028.

He asked if Council had any issues or concerns with staff's recommendation of a \$75 Million 2024 GO Bond followed by a \$75 Million 2028 GO Bond. Staff will utilize feedback from Council to finalize the Manager's proposed budget for presentation in May.

There was considerable discussion regarding compensation with the major concern being the use of Fund Balance to fund the employee salary piece. Various other questions/comments were responded to by City Manager Campbell and Mr. McDowell. Some of those are, but are not limited to: was the differential pay between the Asheville Police Department (APD) sworn officers and other employees last year something we were going to do for Asheville Fire Department (AFD) employee this year; what is staff proposing, other than the \$4.3 Million compensation piece, of the \$8.1 Million in Fund Balance; confirmation that Asheville is consistent with other municipalities on how they pay their firefighters because of the way their schedule works; sleeping and working conditions of our firefighters is a major concern in this budget cycle; more detailed rationale why the flat amount to the pledged rate is not being recommended by staff; request for vacancies by departments and possible freeze on those vacancies; confirmation that even though staff is still working on the amount needed from Fund Balance to cover a 4.11% salary increase to all employees, healthcare cost increases, along with a few other minor strategic initiatives, the amount remaining in Fund Balance might be around 13-14%, with the City's policy being 15%; what is the standard Fund Balance for other cities Asheville's size; information requested on how many employees are actually in the upper bracket; recognition that the only revenue source City Council has control over is property tax; suggestion for more strategies around paying for the employee salary increase; confirmation that 2025 is a revaluation year and what that might mean for City of Asheville property taxes; request for a detailed expense and revenue report with the past two fiscal years included; what the gap is now between revenues and expenses; detailed information on departments' salaries/benefits and operating funds; and what is needed to keep transit operating as is.

There was considerable discussion regarding benefits, again with the major concern being the use of Fund Balance. Various other questions/comments were responded to by City Manager Campbell and Mr. McDowell. Some of those are, but are not limited to: confirmation that the most frequent request from public safety staff is the retiree healthcare; are other cities bringing back retiree healthcare benefits and of those cities that are reinstating it, how are they doing it; and confirmation that AFD employees must vote as a group to have social security taken out of their paychecks and that the City does have a firefighter program where it funds up to 6%.

There was discussion regarding the General Fund budget update, with various questions/comments were responded to by City Manager Campbell and Mr. McDowell. Some of those are, but are not limited to: confirmation that staff has worked with departments to bring their budgets flat to where we are this year; is staff looking into the \$2 Million from the Parking Fund going into the transit budget; are we going to be giving the Sports Commission the same as we did last year; how much is budgeted for external consulting contracts; request to have someone from the County provide information on their property tax appraisal system to make sure that we have a more equitable tax structure; confirmation that an outside expert who is helping us evaluate the expansion of parking meters, estimated revenue and enforcement; and would our funds for the Community Responder Program be better utilized if we were to join the County's Program..

There was discussion regarding the GO Bonds, with various questions/comments were responded to by City Manager Campbell and Mr. McDowell. Some of those are, but are not limited to: when will Council be advised of specific project information for each of the four bond categories; what is the strategy to be specific with the bond projects so we have the accountability our community expects vs. flexibility for the projects; hope that when we have a regular bond cycle that we always do the planning and engineering so when the money comes, it doesn't take so many years to start the project; and important to note in the bond messaging the Council priorities for each of the project to let the community know we have not forgotten our

commitments.

It was the consensus of Council to have City Manager Campbell provide Council with a memorandum containing the information requested at this worksession. Mayor Manheimer said that it looks like the only outstanding issue is how to do employee salaries, without using Fund Balance. After the information is provided to City Council, Mayor Manheimer asked that the City Manager and Council meet one-on-one to ask any remaining questions.

Mayor Manheimer said it was the consensus of Council to move forward with the staff's recommendation of the GO Bond of (1) \$75 million bond package in 2024 - Housing; Transportation; Parks, Rec & Entertainment; and Public Safety & Facilities; and (2) \$75 million bond package in 2028. Regarding the GO Bonds, Mayor Manheimer noted that the City can only inform and educate.

City Manager Campbell said that she would work with Buncombe County to present to City Council and City Council agreed that it did not have to be before the May 14 presentation of the City Manager's Recommended Budget.

At 4:53 p.m., Councilwoman Ullman moved, pursuant to Rule 19 (d) of the Asheville City Council Rules of Procedure, to suspend the Council rules in order to take action by vote during the present worksession. This motion was seconded by Councilwoman Smith and carried unanimously.

Closed Session

At 4:53 p.m., Councilwoman Ullman moved to go into closed session for the following reasons: (1) to prevent disclosure of information that is privileged and confidential, pursuant to the laws of North Carolina, or not considered a public record within the meaning of Chapter 132 of the General Statutes. The law that makes the information privileged and confidential is N.C.G.S. 143-318.10(a)(1). The statutory authorization is contained in N.C.G.S. 143-318.10 (e); and (2) To consult with an attorney employed by the City about the handling of a claim with respect to which the attorney-client privilege between the City and its attorney must be preserved, including, but not limited to the handling of the following matter: Chris and Kelly Dunbar, individually and as Trustees for the Chris and Kelly Dunbar Trust v. City of Asheville and Buncombe County, acting by and through their joint Historic Resources Commission, Buncombe County Superior Court File Number 23-CVS-4147. The statutory authorization is N.C. Gen. Stat. sec. 143-318.11(a)(3). This motion was seconded by Vice-Mayor Kilgore and carried unanimously.

At 5:34 p.m., Vice-Mayor Kilgore moved to come out of closed session. This motion was seconded by Councilwoman Roney and carried unanimously.

Mayor Manheimer adjourned the meeting at 5:34 p.m.

CITY CLERK

MAYOR