

Special 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

INVOCATION

Mayor Worley gave the invocation.

NEW BUSINESS

A. ORDINANCE NO. 2950 - ORDINANCE ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 2003-04 FOR THE FOLLOWING FUNDS: GENERAL FUND, GENERAL CAPITAL RESERVE FUND, TRANSIT SERVICES FUND, CIVIC CENTER FUND, STREET & SIDEWALK FUND, PRINT SHOP FUND, CENTRAL STORES FUND, FLEET MANAGEMENT FUND, RISK MANAGEMENT FUND, HOUSING TRUST REVOLVING FUND, CIVIC CENTER CAPITAL FUND, TRANSIT CAPITAL FUND, SEWER CAPITAL PROJECTS FUND, AND GENERAL CAPITAL PROJECTS FUND

Councilman Peterson moved to adopt an ordinance adopting the annual General Fund budget for Fiscal Year 2003-04 at \$62,998,431, the total net budget at \$87,729,323, and setting the tax rate at \$0.53 per \$100 valuation with the following service priorities being funded and any additional revenue (\$76,692) going into Fund Balance: (1) streets and sidewalks - \$600,000; (2) Community Relations Council - \$30,000; (3) Enka Fire Department contract - \$27,000; (4) Burton Street Recreation Center - \$50,000; (5) police overtime for Biker Bash - \$26,659; (6) outside agency funding - \$58,000; (7) traffic calming - \$50,000; (8) Housing Trust Fund (now at \$400,000) - \$100,000; (9) Walton Street playground - \$50,000; (10) building maintenance funding - \$50,000; and (11) police vehicles - \$41,850. This totals \$1,083,509. This motion was seconded by Councilman Ellis.

Vice-Mayor Bellamy said that last week City staff presented City Council the following five service priorities totaling \$1,033,659: (1) Community Relations Council - \$30,000; (2) Enka Fire Department contract - \$27,000; (3) Burton Street Recreation Center - \$50,000; (4) police overtime for Biker Bash - \$26,659; and (5) streets and sidewalks - \$900,000. If the \$900,000 for streets and sidewalks were eliminated, City Council would just need to find \$133,659 and not have to raise taxes.

City Manager Westbrook said that City staff presented those issues as a result of what they thought the City Council wanted to see funded and what City staff thought needed to be funded, but that they would require additional money. One was \$900,000 for streets and sidewalks. It was his understanding that the now 11 service priorities are a result of City Council working amongst themselves.

Vice-Mayor Bellamy asked how many of the 11 items are new services to the community. City Manager Westbrook said that none are new services. He said these were things that were reduced during the Phase I reductions in the budget or where a Council member wanted to place additional emphasis with an existing program above and beyond what staff had initially recommended.

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Councilman Peterson said that the current tax rate is \$0.56 per \$100 valuation. His motion is for the tax rate to be lowered to \$0.53 per \$100 valuation. For the budget to remain revenue neutral, the tax rate would need to be \$0.51 per \$100 valuation.

Vice-Mayor Bellamy was concerned that the 11 service priorities are not any new services and based on the four priorities City staff presented last week (minus the \$900,000 for streets and sidewalks because they were already deleted in the Phase I reductions), she felt the additional \$133,659 could be found in the budget. She pointed out that City Council has already cut \$2,625,000.

Councilwoman Jones pointed out that if the City did not raise taxes by 2-cents, an additional \$90,000 would need to be added to Vice-Mayor Bellamy's \$133,659 because of the sales tax loss due to Buncombe County's tax rate.

Vice-Mayor Bellamy's concern was that the City was finally on track by the audit report showing that our Fund Balance gained revenue. Then the State had budget problems and passed them onto cities. It was difficult for her to support a tax increase and not get anything for it. If the City is going to increase what we are supposed to be doing anyway, she would understand that, but since we are doing the status quo, it is very difficult for our citizens to understand the increase. She pointed out that when we increase our tax rate it just doesn't stop on real estate, but it's applied also to motor vehicles, mobile homes, business assets, etc.

Councilman Peterson disagreed with Vice-Mayor Bellamy when she felt that citizens were not getting anything for the additional 2 cents. He explained how each of the 11 service priorities would help citizens and that they have been priorities discussed by City Council at their annual retreat. He felt that if Council don't take responsible action now and if we lose more State funding, we have the potential of laying off firefighters, police officers, closing community centers, etc.

Councilwoman Jones said that she had heard over and over again the need for streets and sidewalks (the nuts and bolts of public infrastructure) and City Council didn't fund them last year. So, based on last year, this is a new investment and the citizen's number one priority. She felt Council has done a good job in being accountable and Council can be proud. She believed we have to take care of what our parents and grandparents invested in, in terms of our buildings, streets, etc. These 11 service priorities are items that resulted from the City Council annual retreat. We don't know what is coming from the State and that is another part of being responsible, but at least we have prepared for it. It may be that these 11 service priorities may not be funded if the State takes additional monies, but a lot of time has been spent on this budget and she feels it makes good sense for the community.

Councilman Peterson said that City Council needs to invest in infrastructure and take care of what is here so that people want to come to Asheville. Businesses will not want to come to Asheville if the roads are falling apart, or if they can't find affordable housing for their workers, or if our community centers are falling apart. If we look like a dump, they are not coming here. This is an investment. Regarding the building maintenance fund, if we don't spend a little now, we will be spending 5-10 times more in the future. Everyone complains about how bad the water system is – it's because the leaders in the past didn't spend the money to take care of what they had. The only reason he is supporting the additional increase is because we had to cut \$3 Million out of last year's budget. If we had spent \$600,000, that ended up getting cut, on the streets and sidewalks, then he felt we could manage to tighten our belt. But we tightened our belt last year and had to defer that one year. His concern is that if we go with the minimum tax rate and the State ends up keeping the utility franchise fee, or they take Powell Bill monies, we will end up laying off police officers, firefighters, etc. He personally felt it was likely to happen that the State will make those cuts. Regarding the 11 service priorities, City staff has agreed that they are not

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going to rush out and spend the month. We are hoping that we can do these things, but if the Governor takes more monies, we could potentially lose \$1 Million. We are putting some money aside if more hard times come. We had hard times last year and we cut. We're having hard times this year and it's foolish if we don't put something away and be prepared. If we have to, all of the 11 service priorities may be cut, but if we don't have this, we will be in dire straights.

Councilman Dunn said that when he looked at past budgets, prior councils, in some ways, spent a lot of money and he didn't think our problems are all from the State withholding monies. Now that the State has taken monies, they expect us to go to the city taxpayers to make up for some representatives we have in Raleigh. He agrees that we have to fix things because the longer you wait, the worse things get, but he doesn't think it's fair to put this on the Asheville taxpayers. Not only are average residents affected, but developers and people who own hotels and large businesses. Their taxes will go through the ceiling. He doesn't understand why the City has to rush in and raise taxes this year since we don't know what is going to happen with the State's budget.

Councilman Ellis supported the 11 service priorities and stressed that Council has talked about the need to set aside money for streets and sidewalks and how we need to support the Police Department. This budget will do that.

Councilman Mumpower felt there are legitimate arguments on both sides. Some criteria he will use for his vote includes: a focus on basic services, provide a level of service that reflects the community's wishes, focus on providing services to people that they can't provide for themselves, ensure that our government does not outgrow our economy or the economic realities of our citizens, and we should listen to our voters. He doesn't think it's reasonable that we are asking our citizens to compensate for a State budget crisis. We are spending at the level of last year and year before and last year was tight but not as tight as this year. This is not a good year and he is hesitant of us spending at a level similar to a good year. He especially is concerned when he looks ahead to next year. To him we are stepping forward with some expenditures that could be tightened up – there are choices we can make. He personally would like to see us make some of those harder choices and hold the line this year. He has talked to some of our local delegation and they think that we are going to get our revenues or at least a significant portion of them and he

was inclined to believe them. He agrees that you have to take care of what you have but he would rather see us hold the line like other people in our community have to do.

Mayor Worley said that he would support the budget motion. He agreed that it is unreasonable to ask our citizens to compensate for the State's budget problems, but we can't stick our heads in the sand and not deal with the issues that has caused us. He deeply regrets the State has had those problems and they have had to take such an impact on cities, but the reality is that that impact has occurred and it has indeed affected us. He felt that if we ever have to have a tax increase, and he has voted against them in the past, now is the time to do it. His reasons include the effect the State budget has had on us and its continuing uncertainty. There is a strong feeling that this budget is so tied up in the legislature, and all of the various interplay and political ramifications, that we may not get our reimbursements. That is a risk he is not willing to take in setting our budget for this year. We were impacted by the State's budget crisis last year and that resulted in some pretty substantial reductions - mostly in capital and streets and sidewalks. It would be foolish for us to continue those kinds of impacts two years in a row. We can weather that storm one year but when you add the same kind of cuts a second year in a row, you are creating longer-term problems that actually increase our overall exposure down the road. He is very concerned about the continuing problems the State budget is having and the potential impact on next year's budget. We are not immune from more money being taken from us in this fiscal year by the State. Even if we got our reimbursements, if the State budget crisis continues, there are other funds that are very susceptible to be pulled from us. We need to take care of ourselves right now. What do we get for the increase? We get \$600,000 added back to the

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streets and sidewalks. That is significant when you look at what we lost last year. Last year we did not do scheduled paving. This is less than what we really need for this year, but it is a pretty substantial add-back to help us continue with street and sidewalk paving. If you don't address these things on a regular, consistent basis, you spend a lot more money for streets and sidewalks as they get worse and worse. I think it's important for us to continue addressing it on a reasonable, consistent basis. We have a strong feeling for affordable housing in the City and we will continue that emphasis. We get maintenance on other City buildings and properties and if you don't do it, you compound the problem. We make sure that the Burton Street Recreational Center stays open and we get a Community Relations Council that will continue to help work to solve the various problems that we have within our community. All of those are important. He felt this is an appropriate amount to increase and he would support the motion.

Councilman Dunn felt that the City should look at some other areas before we take the step to increase taxes. He cited some examples of spending, e.g. festivals coordinating division - \$120,000; athlete division in Parks and Recreation - \$630,000; and a resource position of \$72,000. In addition the Water Authority is spending \$116,000 of taxpayer's money for water education.

For those who are concerned with the revenue picture for the coming year and who are inclined to vote for a tax increase, Councilman Mumpower asked if Councilman Peterson would consider a modification to his motion. Said modification would be to put this money in our Fund Balance until we see whether the revenue picture will improve or if we receive additional revenues from the State.

Councilman Peterson didn't think a modification would be necessary because there is an understanding with City staff, given the situation that happened last year and the situation that may happen this year, they are very aware that we may lose additional funds and that these items are not going to be spent right away. If we get more monies withheld from the State, these 11 service priorities would be the list to first go to for cuts. In addition, we are putting \$76,692 in our Fund Balance in case we do lose additional funds or in case the economy doesn't do as well.

Councilwoman Jones noted that there is \$5,000 in the Contingency Fund committed to the actuarial study for firefighters.

Councilman Dunn felt that the role of City government is to provide basic services – things that people can't do for themselves. We cannot be something for everybody and we are losing the focus on the real important quality, basic government services.

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

Upon inquiry of Councilman Mumpower, Mayor Worley said that any funds received from the State beyond what is currently anticipated would automatically go to Fund Balance.

B. ORDINANCE NO. 2951 - ORDINANCE AMENDING ARTICLE II OF CHAPTER 13 (ALARM SYSTEMS) OF THE CITY OF ASHEVILLE

Deputy Police Chief Ross Robinson said that false burglary and robbery alarms in Asheville represent a significant drain on police department resources. The intent of the current ordinance adopted in 1995 was to reduce the number of false alarms through the imposition of penalties for excessive false alarm activations. However, today, the number of false alarms

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remains high. The incidence of false alarms has not decreased. During the past year the Police Department has responded to over 9,112 false alarm calls. Staff research indicates there are several features of the current ordinance, which stand as barriers to false alarm reduction. The proposed ordinance will address these problems as follows:

1. In the current ordinance, the way in which excessive false alarms are defined is too forgiving. The current ordinance defines excessive false alarms as more than three within one month. The proposed ordinance defines excessive false alarms as three or more in any twelve-month period.
2. The current ordinance provides for a \$10 civil penalty for each excessive false alarm. The proposed ordinance provides for a graduated scale; 3-5 at \$50 each, 6 and 7 at \$100 each, 8 and 9 at \$250 each, and 10 and above at \$500 each.
3. The proposed ordinance eliminates the previous permit fee of \$25.00. If the alarm holder does not secure the proper permit as specified by the ordinance, an increased civil penalty will be assessed beginning at \$200 when the second false alarm occurs.
4. To be effective, strict monitoring and vigorous enforcement will be required. It is proposed to outsource alarm monitoring and billing services with costs of the outsource covered by the collectibles.

It is also proposed the effective date of the ordinance be six months after adoption to allow time to arrange for outsourcing and public education on the new provisions of the ordinance.

Councilman Mumpower supported the ordinance, however, we are talking about people who are trying to protect themselves from crime. We are making them criminals; at least to the extent that we are laying a real heavy hand with the amount of fee we are charging people. We went from one extreme to another extreme.

Councilman Peterson moved for the adoption of Ordinance No. 2951, to be effective six months from the date of adoption. This motion was seconded by Councilman Ellis and carried on a 6-1 vote with Councilman Mumpower voting "no".

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C. ORDINANCE NO. 2952 - BUDGET AMENDMENT TO RECEIVE GRANT MONEY FROM THE DEPT. OF HOUSING & URBAN DEVELOPMENT AND ALLOCATE IT TO THE HOUSING ASSISTANCE CORPORATION

D. ORDINANCE NO. 2953 - BUDGET AMENDMENT TO CONSOLIDATE ACCOUNTING FOR SECTION 108 LOAN-RELATED ACTIVITY IN A SINGLE FUND

Budget Director Ben Durant said that this is the consideration of two budget amendments, one in the amount of \$50,106, to receive grant money from the Department of Housing & Urban Development and allocate it to the Housing Assistance Corporation; and the other to consolidate accounting for Section 108 Loan-related activity in a single fund.

The City's HOME fund recently received an additional \$50,106 from the Department of Housing & Urban Development. The Asheville Regional Housing Consortium's Board of Directors voted to allocate the funds to the Housing Assistance Corporation to construct a transitional housing unit for low-income migrant farm workers during farm season. During non-

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farming season, the house will be used for emergency/transitional housing for non-migrant families.

At the present the City of Asheville accounting for Section 108-Loan-related activity is split between two funds: the Community Development Fund and the Section 108 Rehabilitation Fund. City Accounting staff and the City's independent auditors recommend that all financial activity related to Section 108 Loans be consolidated in a single fund in order to simplify budgeting

and accounting and to more clearly present Section 108 Loan-related financial data.

The proposed budget amendment consolidates all revenues and expenditures related to the Section 108 Loans in the Section 108 Rehabilitation Fund, with no net increase or decrease to existing programs.

City staff recommends City Council adopt the budget amendments accepting \$50,106 from HUD and allocating the money to the Housing Assistance Corporation; and transferring Section 108 Loan-related revenues and expenditures from the Community Development Fund to the Section 108 Rehabilitation Fund.

Mayor Worley said that members of Council have been previously furnished with copies of the ordinances and they would not be read.

Councilman Ellis moved for the adoption of Ordinance No. 2952. This motion was seconded by Councilman Peterson and carried unanimously.

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- Councilman Peterson moved for the adoption of Ordinance No. 2953. This motion was seconded by Vice-Mayor Bellamy and carried unanimously.

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INFORMAL DISCUSSION AND PUBLIC COMMENT:

Councilman Dunn gave a brief year-end report of the Economic Development Commission.

Mr. Fred English and Mr. Bill Stamey each spoke in opposition of City Council raising taxes.

ADJOURNMENT:

Mayor Worley adjourned the meeting at 6:12 p.m.

CITY CLERK

MAYOR