

Tuesday – October 7, 2008 - 5:00 p.m.

Special Meeting

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

Absent: None

Mayor Bellamy announced the purpose of this special meeting is to (1) receive staff briefings on the City's financial market and fuel shortage impacts; and (2) consider policy directions.

Fuel Update

Assistant City Manager Jeff Richardson said that the City of Asheville continues internal conservation efforts in order to maximize fuel supplies necessary to provide basic city services to Asheville's citizenry and stakeholders.

Since the recent storm damage experienced at the gulf coast, oil refineries have struggled to provide adequate supplies of fuel to various areas of the southeast, including Western North Carolina. City staff continues to monitor fuel availability for city use, as well as external availability to the general public.

As of today, the public fuel supply is (1) 80% of gas stations have fuel; (2) production is increasing, deliveries escalating; and (3) supplies supplemented from other east coast courses.

As of today, regarding the City's fuel supply, Purchasing staff has been able to procure fuel as follows: (1) current diesel and unleaded gas supply is improving; (2) sources from as far away as Baltimore and Cleveland; and (3) local distributors also working hard to find fuel.

Regarding Asheville's fuel status, our two-week conservation efforts include (1) diesel fuel usage is down 20%; (2) unleaded fuel usage is down 19%. The operational effect is (1) reduction/postponement of selected operational services: street/sidewalk services, minor water system repairs, building inspections, code enforcement; and (2) Asheville Police Department bike/foot patrols, less idling and no air conditioning.

He explained the current status of modified Level II (1) public safety remains at 100%; (2) Water Department at 100%; (3) Building safety at 100%; (4) recreation centers, Nature Center, Golf Course re-opened on October 3; (5) yard waste, tree maintenance, construction projects reinstated; (6) code enforcement reinstated; and (7) administrative staffing levels at full status.

The City will continue to (1) procure fuel to maintain maximum operations; (2) promote telecommuting; (3) suspend street sweeping and storm drainage maintenance; (4) minimize trip and carpool; (5) use GNC, electric and hybrid vehicles if possible; (6) minimum vehicle idling; and (7) adjust service levels as necessary.

The next steps for fuel for City government include (1) explore mutual aid fuel agreements (a) stronger 'web of connectivity'; and (b) seek partnerships with federal, state and other local agencies; and (2) explore other logistical opportunities (a) example – increased fuel storage capacity.

In summary, (1) fuel supplies and deliveries continue to stabilize; (2) City staff can reliably get to work; (3) staff will continue to monitor and adjust as necessary; and (4) long term (a) partnership development; and (b) logistical planning.

Councilwoman Cape explained why this is a good time to have a conversation with the community on the City's emergency preparedness plan so if we are in a more complex situation, the community understands the City's contingency plans.

Mayor Bellamy said that she and Vice-Mayor Davis (who have been representing Asheville) have been meeting on a regular basis with the Buncombe County Commissioners and the Emergency Management team to talk about plans that will be brought before Council for consideration moving forward. She noted that some long-term planning items do have budgetary impacts. Some items include how we use our transit system, opportunities for park and ride, additional fuel storage especially as it relates to emergency management needs and the police department needs, and how can we work with the gas stations that were successful because they were receiving gas shipments from connections in Wilmington.

Vice-Mayor Davis said that Fire Chief Grayson will have a report on the emergency management team discussions which

will be useful to include in the discussion regarding emergency management plans.

Mayor Bellamy wanted to be sure that Council was aware that September 30 was the last day that Environmental Protection Agency (EPA) had authorized for allowing delivery to North Carolina of fuel having an alternative formula. The State of Georgia has asked for the EPA to extend their standards until the end of this year. We also talked about the need to have the EPA standards reduced until the end of the year to ensure that our community has enough fuel and heating oil. Senator Burr has supported an EPA waiver for our area until the end of the year. Other conversations are moving forward to discuss natural gas, heating oil and the overall fuel needs for our community will include not only the City and Buncombe County, but other municipalities, PSNC Energy as well as Progress Energy.

In response to Councilwoman Jones about communication, Mayor Bellamy noted that it was not communicated that the refineries were going to shut down in advance. When the City received word that was happening, that item was immediately placed on Council's agenda and a press release was issued asking people to start conserving.

City Manager Jackson said the two hurricanes in Texas set off an unusual set of circumstances, culminated with the seasonal switchover of fuels. The lead at this point needs to be taken by the emergency preparedness people, and the Department of Energy at both state and interstate commerce levels. Some aspects anticipated include the interstate impact; the dependence upon centralized refineries; and the limited amount of storage and terminals along the pipeline. In fact, that there may be some alternative federal bills regulating and investing in decentralization of some of these facilities and enhancing some of the supplies and terminals along such pipelines and facilities. In respect to emergency preparedness, both on a local, regional, state and federal level, we need to have good plans for what we have in place now and understand the limits of the infrastructure and how that infrastructure will impact not only our fuel supplies, but delivery of food and the delivery of heating fuel. These are interstate commerce issues and can't be solved at a local level; however, we do need to have emergency preparedness plans in place. That task was delegated to our emergency preparedness people by the individuals at the meetings that the Mayor and Vice-Mayor attended.

Mayor Bellamy noted that the relationships are now in place to get information (e.g., delays, maintenance, etc.) from Colonial, which is the fuel distributor to Spartanburg. They are to contact the Mayor and/or City Manager's Office. That system was not in place prior to this incident. She said that the Federal Emergency Management Agency (FEMA) advises cities that they are on their own for 72 hours before federal assistance comes in. We must have a plan to make sure that we take care of ourselves, e.g., water availability, working with the Red Cross, as well as advising the community where the emergency shelters are located in advance.

Mayor Bellamy met with a representative from WLOS-TV and they have put in place a good plan for the City to disseminate accurate information. She congratulated City staff for their regular updates on the City's website, which included valuable information and links to obtain more like information. Moving to the 4-day, 10-hour workweek was a great conservation measure. One thing we did not do, but will in the future, is daily updates with the news media to calm the community's fears – with WLOS-TV being the host. We did send out press releases, but that wasn't as successful as a daily update with the news media. Also, we need to be mindful of people who are visiting our community and how we made sure those people have factual information as well. We will provide information to our hotel/motel industry. UNC-Asheville and A-B Technical Community College were at the discussion table; however, we will be expanding those meetings to include Warren Wilson College and Montreat College.

Councilman Mumpower felt the most important key is providing timely, consistent, reliable information with maximum use of the City's website, television stations and daily releases. He felt that all those tools should have a date and time noted so people are aware that they are receiving the most current information.

Mayor Bellamy said that we will be clear moving forward to provide all pertinent information, noting that we were providing facts on percentages of the amount of fuel going to the pipeline, but didn't explain that it takes 5-7 days to get from the refinery to the Spartanburg distribution center. We will work on being as clear as possible going forward.

Councilman Newman suggested a larger conversation between the City and gas station operators to encourage them to implement voluntary policies limiting the amount of gas for each vehicle. The limited supply was compounded by people who went out of their normal behavior to fill up extra gas tanks, top of their gas tanks, etc. That just makes the situation collectively worse.

Vice-Mayor Davis noted that if we asked for voluntary policies with our gas stations within the City limits, people would be driving to stations in the County. Oddly enough, different counties had different fuel problems. Mayor Bellamy noted that after speaking with most of the local gas station owners, people ignored the voluntary limits. The issue of enforcement arose and it was determined that enforcement would have to be through the Asheville Police Department and Buncombe County Sheriff's Department. They have asked that the Land-of-Sky Regional Council be a forum of that discussion to see how that can be

addressed as a region rather than just in the City.

Mayor Bellamy noted that October is Fire Prevention Month and we must realize that if people don't have good fuel, they will use kerosene heaters and they may not have a good carbon monoxide detector or a good smoke detector. Regardless of what we do, some people will panic and they will use whatever means they have. She felt it would be better to give out a carbon monoxide detector rather than send out a fire truck.

City Manager Jackson spoke about the concerted City team effort through this process and recognized various individuals for their extraordinary efforts during this period of time.

Mr. John Mitchell said that Senator Burr asked him to read the following statement: "Senator Burr continues to be in daily communication with state and local officials as well as the Department of Energy concerning the situation in western North Carolina. He is continuing to press distributors and others to bring more product into the mountains, some from as far away as Alabama, Georgia and Virginia. Although the shipment of gas is returning to pre-hurricane levels, the Senator is continuing to ask citizens to conserve. Finally, the Senator believes that we should now begin to look at both the causes of this shortage and how we can prevent it from happening in the future. We look forward to working with the City of Asheville on this important issue. Senator Burr's office will be available as we move forward."

Mayor Bellamy noted that she had talked to Senator Burr several times during this process and he has already written to the Governor asking him to request the EPA for a waiver for our area for the blend that we usually get until the end of this year to ensure that we have on-going fuel and heating oil.

In response to Councilwoman Cape, Vice-Mayor explained how the Western North Carolina Air Pollution Agency is diligent in watching the issue regarding the EPA standards and what they mean to Asheville regarding the ozone season from April to mid-September. She raised concerns about allowing fuels of a lower standard.

Mr. Richardson noted that no Council action is necessary. He said this report was for updating purposes only.

Financial Update

Chief Financial Officer Ben Durant said that the City of Asheville is beginning to see the impacts of current national economic trends.

The City of Asheville continues to monitor the national and international financial markets for potential impact on our budget, our investments and capital project planning.

He described the national trends of (1) instability in the financial markets; (2) borrowing slowdown; and (3) weakening economy.

The local economy statistics are (1) Asheville unemployment - Fiscal Year 2007 - 3.4%; Fiscal Year 2008 - 4.3%; (2) residential building permits - Fiscal Year 2007 - 764; Fiscal Year 2008 - 598; and (3) City business licenses - Fiscal Year 2007 - 7,150; Fiscal Year 2008 - 7,036.

He summarized the budget trends regarding revenues as follows (1) Fiscal Year 2008 property tax growth is 2.0% vs. 10-year average of 3.3%; (2) Fiscal Year 2008 sales tax growth (excludes change in City's share of local distribution) is 2.0% vs. 4-year average of 7.0; and (3) Fiscal Year 2009 Powell Bill revenue is down 9.0%.

He then summarized the budget trends regarding expenditures in significant price inflation in key areas as (1) employee health care is 28% increase in City contribution vs. Fiscal Year 2008; (2) fuel is 25% increase since last year this time; (3) asphalt is 89% increase since 2006; (4) concrete is 77% increase since 2006; (5) road salt is 121% increase over prior contract; and (6) utilities from December 1 Progress Energy increase is \$143,000 annual cost.

Using a graph he showed the budget trends regarding capital markets for (1) fixed interest rates on highest quality bonds; (2) variable interest rates; and (3) capital markets.

Steps taken during the budget process include (1) eliminated 10 positions in the General Fund; (2) reduced Capital Improvement Plan contribution by \$1.6 Million; (3) reduced training budgets to defer non-essential training; (4) eliminated the Manager's Contingency; (5) reduced items for professional services and small capital; and (6) delayed implementation of take-home vehicles.

Next steps under consideration include (1) further reduce capital and equipment; (2) continue re-engineering; (3) service level prioritization; and (4) operating reductions.

At the request of Mayor Bellamy for clarification, Mr. Durant said that local governments can't invest in the stock market. We typically invest in low risk instruments, such as treasury notes, CD's and money market accounts. He said our investment portfolio is fine.

In response to Councilwoman Jones, Mr. Durant said that staff will update Council in detail during their first quarterly report in November regarding the City's finances. At this point, he felt we will miss our mark on our sales tax estimates. Even though we did start the year with a conservative estimate of 2% on our sales tax growth, he didn't believe we will reach that and that we will probably come in under by about \$600,000 by the end of the year. In addition, he guessed we will probably miss our mark on the property tax revenue estimate. Some other revenues will come in higher than budgeted and after it all settles down, he thinks we will have a net figure of less than what we budgeted, but again we will monitor that on a regular basis and report back to Council as needed.

In response to Councilwoman Jones, City Manager Jackson said that are not in a hiring freeze but are being selective in positions and cutting back on staffing through attrition. The more we can manage at this point the less we can avoid those kinds of actions. Likewise on the capital side, we are also in discussions about postponing projects and postponing equipment purchases until we have a better handle on the budget. He said we are off about \$250,000 in revenue estimates, and the inflation numbers on key supplies we are buying show similar number on those expenses. He felt that number is manageable. We are really concerned, however, about an economic slowdown going into the Christmas season and the heavy retail purchases. We are monitoring that weekly and will report back in the first quarterly report.

In response to Councilman Mumpower's concern about the state reaching into cities pockets, City Manager Jackson said the state's direction for their departments to find cost-cutting measures inevitably will roll down to cities. The City's two greatest concerns are (1) sales tax; and (2) what will be passed down to us from the state.

Mayor Bellamy said that City Managers Association and the U.S. Conference of Mayors are putting together information for the N.C. League of Municipalities to use to educate our legislators about the local impacts of whatever is passed down to cities across North Carolina.

Councilman Mumpower supported the City's efforts in being conservative financially and encouraged the City Manager to be overly conservative in anticipation of what might happen financially.

Councilwoman Cape also supported the City's conversation efforts. She asked that City staff continue to provide Council with the right information in order for them to make good decisions regarding reduction of capital improvement investments vs. the rising costs of energy, gas, materials, etc. City Manager Jackson responded that staff will provide Council with options regarding specific policy decisions, noting that in times of economic decline we need to have strong public safety services. He said we are right-sizing the Capital Improvement Plan before we raise expectations about what we are going to do. Mr. Durant and our Budget Director Tony McDowell have seeking outside financial advice in looking at what our capacity is in the municipal markets compared to other organizations. That report should be coming to Council later this month.

Mayor Bellamy looked forward to the continuous updates to the City's website and urged citizens to sign up for the City's e-News for up to date information.

Mr. Durant said that no Council action is necessary. He said this report was for updating purposes only.

Adjournment

At 6:17 p.m., Mayor Bellamy adjourned the meeting.

CITY CLERK

MAYOR