

Tuesday – March 20, 2018 - 2:00 p.m.

Worksession

Present: Mayor Esther E. Manheimer, Presiding; Vice-Mayor Gwen C. Wisler; Councilman Brian D. Haynes; Councilman Vijay Kapoor; Councilwoman Julie V. Mayfield; Councilwoman Sheneika Smith; Councilman W. Keith Young; Interim City Manager Cathy Ball; City Attorney Robin T. Currin; and City Clerk Magdalen Burleson

Absent: None

Announcement

Mayor Manheimer read the following statement: “The Asheville City Council has unanimously decided to replace City Manager Gary Jackson effective at the close of business today. We appreciate the many successes Gary has brought Asheville in his 13 years here; however, we believe that making this change now is in the City and his best interests. Assistant City Manager Cathy Ball will serve as Interim City Manager until a new city manager is selected. Additionally, Councilwoman Gwen Wisler will lead transition planning *pro bono* to assist with the eventual transition to a new city manager. We wish Gary well and thank him for the good work that he has done for Asheville and the region. (Note: Under his 2005 employment agreement, the City is obligated to provide Mr. Jackson with his salary and regular benefits for six months unless he starts working for another employer.)”

Council’s Priorities in Addressing Policing in Asheville

Mayor Manheimer said the purpose of this meeting is for Council to come to the consensus of direction they would like to give staff around areas they want to explore and make changes in. Since this is a worksession, Council will not take public comment, but anyone is welcome to contact Council with their comments.

The first topic discussed was a third-party review of the Asheville Police Department (APD). Specifics include implementation of any recommendations of the review, to include: (a) Adopt new policies and procedures that ensure equal and fair treatment of all people, address selective enforcement, training and retraining (to include people of color), accountability measures; (b) All excessive use of force complaints to be investigated criminally, immediately (this change has already been made); and (c) Change administrative procedures to ensure Council notification of excessive use of force occurrences and/or complaints, and adopt a plan for notifying the DA and the SBI in all cases. The third-party will do a review around Mr. Johnnie Rush and former Officer Hickman and to give Council a set of recommendations around that incident. Mayor Manheimer said that she has had some preliminary conversations with Police Chief Tammy Hooper and she is receptive of this idea and will work with City Council.

Councilwoman Mayfield said that historically there has been a pretty clear gulf between policy that City Council sets and policy that gets set within the Asheville Police Department. She asked that either that be looked at separately or that this third-party can share with us ways that other cities have handled the relationship between the Council and the APD when it comes to setting policy.

Councilman Young moved to ask Interim City Manager Ball work with staff work to come up with a proposal for a third-party entity to review the APD and for this work to be done fairly quickly. This motion was seconded by Councilwoman Smith and carried unanimously.

The next topic discussed was the establishment of the Human Relations Commission of Asheville (HRCA) per the Blue Ribbon Task Force recommendations, to include (1) HRCA or Police Advisory Subcommittee to review all use of force occurrences and excessive use of force complaints; and (2) Enhance Equity and Inclusion Department staffing (this process is happening) (a) Explore whether a staff person from the Equity and Inclusion Department can review APD body camera footage.

City Attorney Currin said that an ordinance has been drafted with recommendations from the Governance Committee. That ordinance will be before Council for their consideration on April 10. Vice-Mayor Wisler, Chair of the Boards & Commissions Committee, said that once adopted, staff will begin advertising for the seats and potentially we could have a first meeting around June 1.

Mayor Manheimer said that she spoke with the Mayor of Greensboro (they have local legislation) and they have a Police Citizen Review Board but their review board cannot see body cam footage either. They have gone to court to see it once since the new law has been in place and the judge allowed them to see it with a gag order. We have some work to do in exploring the different options and it will require legislation for us to be able to emulate something like Greensboro.

When Councilwoman Smith asked if the Blue Ribbon Task Force discussed the Citizens-Police Advisory Committee (CPAC), Vice-Mayor Wisler said that they did not focus on this area. It was briefly discussed at the CPAC meeting and she envisioned that the HRCA would take it up as soon as possible. Mayor Manheimer said that we may have to have the HRCA work with the City Attorney's Office to come up with a proposal that we ask the legislature for, or if we are not able to get that legislation, what we can do.

It was the consensus of Council to instruct City Attorney Currin to explore whether a staff person from the Equity and Inclusion Department can review APD body camera footage. And, if it is possible, how would it fit with the current practices already established at the APD.

It was the consensus of Council, at the suggestion of Councilwoman Mayfield, that the third-party review of the APD include a review of the APD policy of auditing body cam footage, along with a revisit of the 60-day retention of body cam footage.

The next topic discussed was to fund an outside legal position to advocate for individuals filing complaints against law enforcement. Mayor Manheimer said the idea is to fund an attorney, perhaps at a non-profit like Pisgah Legal Services, who could represent people who are bringing complaints against law enforcement - APD and/or Sheriff's Department. She has had some preliminary discussions with the Chairman of the Buncombe County Commissioners about the possibility of co-funding this position. This position would be to help a complainant navigate the complaint system. Discussions would need to be held with Buncombe County and a third-party entity to house the position.

Councilwoman Mayfield moved to (1) explore funding an outside legal position to advocate policy around law enforcement, and advocate for individuals filing complaints against law enforcement; and (2) discuss co-funding the position with Buncombe County. This motion was seconded by Councilman Young and carried unanimously.

The next topic discussed was review of City of Asheville Personnel Policies and Civil Service Board Rules to allow the city to remove employees who demonstrate terminatable conduct. Mayor Manheimer said that the City's Personnel Policies are being reviewed. Any City

Personnel Policy will need to go to the Civil Service Board for review but not approval. The changes will be provided to City Council for review as well. Any amendment to the Civil Service Board Rules will require legislation. The City Attorney's Office will draft suggested legislation.

Vice-Mayor Wisler felt the Civil Service Board and the potential Police Advisory Subcommittee may have conflicting objectives, so before approaching our legislators we need to look at both policies.

Councilman Kapoor suggested we get some input from the City's Department Directors on their interaction with the Civil Service Board. He also suggested we not take such a narrow view of just terminatable conduct. Vice-Mayor Wisler explained that was specifically noted because no other civil service board in North Carolina has the ability to reinstate employees who have been terminated.

Councilwoman Mayfield moved to review the City of Asheville Personnel Policies and Civil Service Board Rules to more broadly explore the balance to protect the employees and protect the public and other employees, and giving the management the appropriate and legal discretion to take action in a timely manner. This motion was seconded by Councilman Kapoor and carried unanimously.

The next topic discussed was to create an aggressive plan to hire minority officers. Mayor Manheimer said that there is already work underway to do this and this would be to enhance that push. City Council may need to do more, i.e., funding, creative solutions that haven't been tried yet.

Councilman Young moved to instruct staff to work with the Police Chief to go to the Finance Committee and then the Governance Committee with a proposal about enhancing our minority recruitment efforts, along with funding for any enhancement. This motion was seconded by Vice-Mayor Wisler and carried unanimously.

The next topic discussed was to encourage and educate people about the process of bringing complaints against law enforcement along coupled with the use of an unbiased policing hotline. We need to make it easy for people to find out the process and it should be easily accessible on the APD's website. Mayor Manheimer said if the person has something that rises to the level of filing a complaint that they understand they have that option available to them. The outside legal position should be coupled with this idea of informing and encouraging people about how to bring complaints and the policing hotline.

Councilwoman Smith said that in order to help build trust, we will need some type of marketing strategy on making it more visible for people to make complaints against law enforcement.

Councilwoman Mayfield moved to explore the idea of educating and educating people on how to bring complaints against law enforcement coupled with the policing hotline. This motion was seconded by Vice-Mayor Wisler and carried unanimously.

The final topic discussed was to support legislative changes, to include (1) Support for HB 165 (citizen review of police complaints); (2) Civil Service Board changes; and (3) Personnel law changes (not just for police, but any employee) to allow complainants to learn the results of their complaint.

Councilwoman Mayfield moved to support legislative changes to (1) support HB 165; (2) Civil Service Board changes; and (3) Personnel law changes to allow complainants to learn the results of their complaint. This motion was seconded by Vice-Mayor Wisler and carried

unanimously.

Councilman Young said that even though Council did not set specific timelines, it is very obvious that some of this will already be happening, is ongoing, will start very quickly, and will take some time. Therefore, it was the consensus of Council to ask Interim City Manager Ball to provide monthly updates on how we are moving forward on each of the topics discussed.

Aston Park Tennis Center Fees & Charges

ORDINANCE NO. 4659 - ORDINANCE AMENDING THE ASTON PARK TENNIS CENTER FEES & CHARGES

Chief Financial Officer Barbara Whitehorn said that this is the consideration of proposed fee adjustments at the Aston Park Tennis Center.

A study of Tennis Center operations, completed by City staff in 2014, reviewed opportunities to reduce the level of general fund subsidy. In a concurrent process, the City engaged Matrix Consulting Group (consultants) to conduct a Cost of Services Study for the Parks and Recreation Department. The Tennis Center was included as a component of the study. Based on the results of the Cost of Services Study and staff analysis, a step up plan was developed to incrementally increase pass holder fees over a three-year period. The most recent of those fee increases was approved by City Council in February 2017.

At two recent meetings (February 27 and March 7, 2018) the Finance Committee received presentations from City staff and from the tennis community, regarding the impact of the fee changes that have been approved to date. These increases resulted in a greater than anticipated decrease in annual passholders. While a shift from passholders to hourly court rentals has driven increased revenue, advocates for the tennis community asserted that the annual rates were unrealistically high. Discussion centered around the value of the Center to the tennis community and the neighborhood. The Matrix Study placed the Center in the higher cost recovery part of the equity/community value continuum; an important consideration when evaluating the cost and benefit of the Center for the community overall. At the March 7 meeting, staff brought forward a proposal that addressed the tennis community's concerns while maintaining a level of cost recovery in alignment with the Matrix Study recommendations. The Finance Committee endorsed staff's proposal to realign and reduce rates for annual passes while making slight increases to most hourly rates.

Staff will evaluate the financial performance and service levels of the Center during the 2018 season and will provide an update with data on attendance, programming and revenue at the December, 2018, Finance Committee meeting.

Pros:

- Staff analysis suggests that realigning the rates should have a slight positive impact on revenue.
- Collaborative solution reached with the tennis community and staff.

Con:

- Analysis suggesting a potential positive impact to revenues is based on assumptions about the shift from hourly to annual passes and the volume of hourly court rentals, and therefore may not be borne out when implemented.

As noted above, staff analysis suggests that realigning the rates should have a slight positive impact on revenue.

Staff recommends Council adopt the proposed fee adjustments at the Aston Park Tennis Center.

At the suggestion of Councilwoman Mayfield, it was the consensus of Council that senior level begin at age 65.

At the request of Vice-Mayor Wisler, Ms. Whitehorn said that staff will collect demographic information of elderly seniors (over 65) for the Finance Committee review in October so they can discuss whether elderly seniors should be given a reduced fee.

At the request of Councilwoman Mayfield, Ms. Whitehorn said that still will look at allowing people to pay in two installments making it easier for seniors on fixed incomes.

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

Vice-Mayor Wisler moved for the adoption of Ordinance No. 4659, with the senior age starting at age 65. This motion was seconded by Councilwoman Mayfield and carried unanimously.

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Operating Budget Forecast

Chief Financial Officer Barbara Whitehorn reviewed with Council the 2018-19 Budget Calendar; high level five-year forecast; discussion of 2018-19 budget drivers.

The 2018-19 Budget process began internally in September 2017, when staff began working on capital forecasting and planning. The operating budget process, began in November and has continued with departmental technical reviews and a Management Team workshop on March 9 to collaborate on efficiencies and discuss potential savings.

Budget staff developed a five-year financial forecast that takes base service level needs, accounts for inflation and other usual cost increases, and forecasts revenue changes over time. Three models were presented to the Finance Committee on February 27.

It is important to note that the City's financial forecast changes continuously with new information, so estimates moving forward likely will not match exactly with information previously provided.

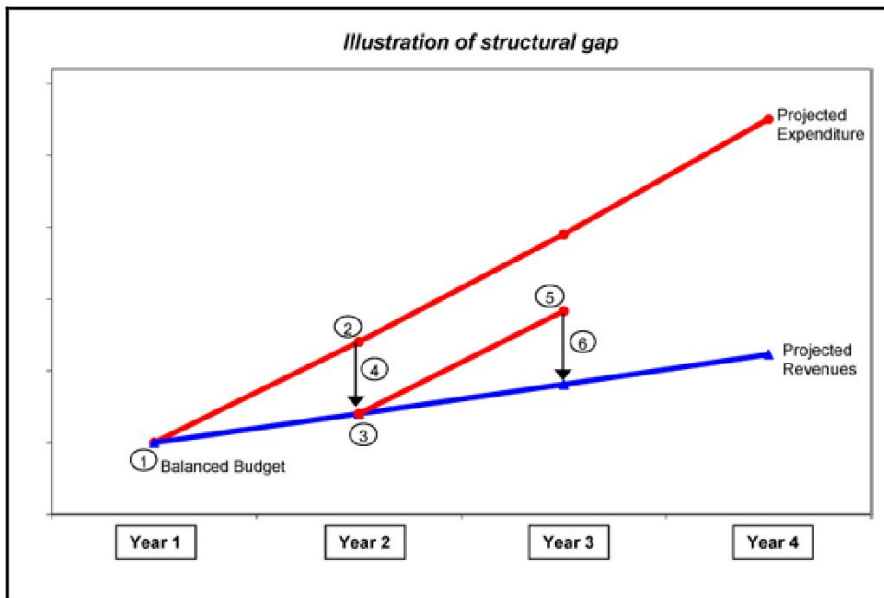
Looking at the forecast over the long term, it is clear that the City of Asheville struggles with a structural imbalance between revenues and expenditures. The use of "structural" to describe the imbalance conveys that this is not a short-term, single budget cycle issue, but rather a long-term problem caused by the structure of the City's revenue streams as opposed to the growth of expenditures. General Fund revenues consistently grow at a rate slower than expenditures. In part, this is driven by the service nature of the City's business. More than 60% of the General Fund budget is personnel-related.

City revenue streams are limited by the NC General Assembly and only fees for services and property tax are within local control. Even these have limitations, some fees are restricted by the State for specific uses, and legislation can limit or change revenue streams at any time. Asheville is the main economic engine of western North Carolina; however, Asheville does not benefit directly from most of the revenue it generates. The City receives no revenue from surrounding areas (i.e. commuter fees), nor does it directly receive room tax to help offset the

impact of tourism on the City's infrastructure and service delivery. Asheville's population increases daily with workers commuting to work from Buncombe and surrounding areas, and the Buncombe County Tourism Development Authority (TDA) estimated that in 2016, an average of 29,800 people visited Asheville *daily*. This puts immense pressure on infrastructure and resident services.

Asheville benefits from tourism through grants from the TDA for capital projects that can be directly linked to maintaining or increasing Asheville's popularity as a tourist destination. Asheville also benefits from sales tax collected on money spent locally; however, sales tax is collected by the State, which retains the majority, disbursing the remaining funds to counties. Counties then have the option to distribute tax proceeds to taxing entities in the county (including municipalities) by population or property tax levy. Buncombe County distributes by tax levy, and the City of Asheville nets approximately 3.5-cents per dollar collected. Put another way, the City receives \$1.00 in sales tax revenue for every \$350.00 of taxable sales. (The dedicated sales tax for AB Tech is separate from the distribution of sales tax to taxing entities.)

Given the limited nature of existing revenue streams and lacking the ability to access different and/or new revenue sources increases the pressure on local government property tax. This perpetuates the structural gap, putting pressure on management to save money wherever possible while increasing the impact on property taxpayers. Following is the illustration of the structural gap and its annual impact from the white paper, A Community Crossroads, presented to Council in 2013.



(This graph shows projected expenditures growing at 4-5% and projected revenues growing at 1-2%.)

- (1) Budget is at balance in Year 1 with expenditures equal to revenues.
- (2) With expenditures growing at 4-5%, the cost of offering the same programs in Year 2 grows to here.
- (3) Meanwhile, revenues grow at only 1-2%, to here in Year 2.
- (4) The difference between expenditure and revenue growth leads to a gap, requiring a cut in expenditures to balance the budget.
- (5) If the budget cut affects only the level, but not the growth of expenditures, remaining expenditures will continue to grow at 4-5%. The level of expenditures needed to provide the same level of services as in the previous year grows to here.
- (6) This structural difference in revenue and expenditure growth creates the need for another budget cut in the following year (Year 4). The problem continues until structural changes can be made that equalize the growth rates of expenditures with revenues.

2018-19 Revenues - Overall, revenues are anticipated to be up a total of approximately 1.7%, or \$2,000,000, over FY 2017-18. This increase includes a 3% increase in property tax collections and a 6% increase in sales tax, and is net of an anticipated 10% decrease in development service fees. Utility revenues, a revenue received from the State, is expected to be flat year-over-year. Revenue performance is aligning with forecasts and while forecasts of individual items may change slightly, staff does not expect any material changes in revenue estimates barring unforeseen economic or legislative pressures.

2018-19 Expenditures - Developing the FY 2018-19 General Fund Operating Budget began with a careful analysis of programs and costs. Each department director was tasked with developing a base budget that would allow their department to continue service levels at their current level, assuming only inflation and/or other factors that impact cost. (i.e. changes in the cost of raw materials for streets maintenance)

With Asheville's current development boom, the cost of providing services including sanitation, streets maintenance, parks maintenance and other City functions that rely on the same labor pool and materials has increased significantly. After technical reviews of department submitted budgets, FY 2018-19 expenditures exceeded revenue by approximately \$5.9 million.

Base Budget Starting Point Breakdown

Additional Revenue	\$2,000,000
Additional Expenditures	
Inflation and normal cost increases	\$3,500,000
Partially Funded enhancements from 2017-18	\$4,000,000
One-time moved to operations (EITF)	\$205,000
Maintenance driven by CIP	\$116,000
Total Expenditure Increase	\$7,821,000
GAP	<u>-\$5,821,000</u>

Generally the process begins with a structural imbalance gap of \$1.5-2 million, and the Management Team works with the Budget Division to narrow the gap, find efficiencies and identify savings.

For the FY 2018-19 budget, the structural imbalance is not the only driver of the gap between revenues and expenditures. Enhancements made to the FY 2017-18 budget while maintaining a revenue-neutral tax rate (with the exception of the 3.5 cents dedicated to the capital program) are an important of the budget discussion for FY 2018-19. Several enhancements were added with half-year or less funding, with the intention to revisit the long-term financial impact in the FY 2018-19 budget discussion.

The following were included in the FY 2017-18 operating budget without long-term funding:

- New Transit contract; expanded transit service
- APD patrol improvements and realignment of districts
- Compensation: funding for market adjustments and incentives (language and education pay)
- AFD retirement plan city match

FY 2017-18 enhancements and their financial impact.

Program	FY 2017-18 Budget	FY 2018-19 Budget	Increase (decrease)
Transit Operations: ½ year expansion funded in FY18; new mgmt contract*	\$3,792,000	\$4,654,000	\$862,000
APD patrol improvements**	-0-	\$1,225,000	\$1,225,000
Compensation: market adjustments, education, language and shift pay***	-0-	\$1,087,000	\$1,087,000
AFD retirement plan, add'l 2%, ½ year	\$153,000	\$309,000	\$156,000
Restoring cuts from 2017-18	-0-	\$467,000	\$467,000
TOTAL	\$3,945,000	\$7,742,000	\$3,797,000

***Transit Enhancements.** In FY 2017-18 the City paid for three months of overlapping service with the exiting and the new management companies. This overlap, as well as the budget amendment to cover the higher cost of the “turn-key” management contract, and the January 1 implementation of additional service enhancements to the system, drive the year-over-year difference. Were the City not paying for three months of overlap in the current fiscal year, the variance between FY 2017-18 and proposed FY 2018-19 would be several hundred thousand dollars higher. Implemented service expansions are below.

Service Expansion implemented January 2018

- 1) Eight additional hours of evening service per day, Monday-Saturday (48 additional weekly hours)
- 2) Sunday/Holiday service on all routes (76.5 additional weekly hours)
- 3) One additional daily trip on Route 170 to Black Mountain (dependent on JARC grant application approval)

****APD Operational Enhancements.** The initial cost of implementing the plan for a downtown district that would allow improved allocation of police resources city-wide, was \$1,123,265, reduced to \$567,807 after Council directed staff to phase in the staffing increases, reducing the operational impact. The APD and other General Fund departments identified one-time savings to cover the cost for FY 2017-18. The ongoing cost reflects the restoration of the cuts and the implementation of the second phase of the plan. Below is an excerpt from the information provided to Council on May 23, 2017.

Left are the initial and final proposal for the implementation of the plan, right details the cuts made to cover the May 23rd proposed cost by APD and other departments.

APD Downtown District Implementation

	Initial Proposal	5/23/2017 Proposal
Personnel Costs	\$ 938,015	\$ 469,007
Uniforms & Equipment	\$ 185,250	\$ 98,800
Total Operations	\$1,123,265	\$ 567,807
Increase to APD 2017-18 Ops Budget	\$1,123,265	-0-

Department	Amount Cut
Fire	\$ (50,000)
Police	\$ (430,000)
Parks & Recreation	\$ (35,000)
Public Works	\$ (35,000)
Other	\$ (17,800)
Total Cuts	\$ (567,800)

*****Compensation.** \$500,000 in one-time funds were reserved for market competitive adjustments and changes to the compensation plans to include education and language pay, as well as shift differentials, all of which were anticipated to be implemented for less than a full year. The ongoing cost of the changes is \$1,087,000. Turnover, a critical issue that the compensation changes were designed to combat, is showing a decline.

In addition to the operational enhancements discussed above, unassigned fund balance was used to fund several initiatives in FY 2017-18. Fund balance is used for one-time expenditures that are not intended to become part of the operating budget.

Fund Balance Allocations

Program or Project	Amount
Energy Innovation Task Force	\$ 205,000
Tree Canopy Study	25,000
Payroll/Benefits Audit Recommendations	200,000
Police Staffing Vehicles	384,000
Election Costs	275,000
Additional Strategic Partnership Funding	42,000
Neighborhood Opportunity Fund	50,000
TOTAL	\$ 1,181,000

Of the fund balance allocations above, the EITF funding has been put forth for addition to the operating budget, adding \$205,000 to the operating base.

Completed capital projects add maintenance costs that are ongoing, for example, the radio project completed in FY 2017-18, which replaced the public safety radios and improved connectivity throughout the service area, adds an ongoing maintenance cost of \$116,000. The City leases tower space to telecom companies, which partially offsets this cost. The offsetting revenue is included in the forecast. In the same way, additional greenways add maintenance costs to keep the facilities clean and clear of weeds and brush. Staff works to balance additional costs with offsetting savings or revenue wherever possible.

In total, the normal operating gap of about \$1.5 million, combined with the unfunded and/or under-funded enhancements drives the \$5.9 million budget gap.

Revenue Forecast	\$ 122.8 million
Expenditure Estimate	<u>(128.7 million)</u>
Surplus (Deficit)	\$ (5.9 million)

On March 9, 2018, the department directors and support staff held a workshop to consider budget balancing strategies in the following areas:

- Trend of underspent line-items: a trend analysis of all expenditures, by line-item, was completed by the Budget Team and provided to the participants for discussion.
- Nips and Tucks: Directors and staff were tasked with identifying areas in which they could make small cuts to operational budgets, with the idea that if every department made small cuts, the savings overall could be significant.
- One-time changes: given the large budget gap, Directors were asked to identify temporary cuts that could be made to balance the budget this year, with the intention to identify efficiencies and other cost savings measures that could replace the one-time cuts for a financially sustainable model going forward.
- City-wide changes: Directors and staff were encouraged to think about revenue and expenditures holistically, considering potential new revenue streams, broad efficiencies that require a coordinated approach and the buy-in of multiple departments, and brainstorm opportunities that might not be immediately feasible but with planning could positively impact the budget in the long term.

In all, the team identified \$2.27 million in potential savings and \$380,000 in additional revenue.

Initial Gap	\$ (5.9 million)
Staff identified savings and revenue	<u>2.7 million</u>
Surplus (Deficit)	\$ (3.2 million)

New Council Goals and Objectives - Council objectives requiring additional resources are not included above, but are listed below with estimates of the cost of implementation. NOTE: these estimates are based on experience and preliminary research and may vary significantly from the actual cost of implementation.

- 1) Establish and staff an Office of Equity and Inclusion
 - a) Set-up cost: \$40,000 (one-time)
 - b) On-going cost: \$350,000
- 2) Contract an audit of police procedures and training
 - a) Contract cost: between \$200,000 and \$400,000 (one-time)
 - b) Implementation of recommendations: unknown (ongoing)
 - c) Audit follow-up: unknown (ongoing)

- 3) Additional Transit service expansion
 - a) Implementation: usually ½ of 1-year of the annual cost in year one (implementation is usually January 1)
 - b) Contract impact: Unknown. The contract with MacDonald requires a renegotiation of the contract if service expansions exceed a certain percentage of the existing service level.
- 4) Additional labor in-sourcing
 - a) Additional full-time equivalent or part-time benefited positions adds to the City's cost of providing insurance and retirement benefits, which amounts to approximately 30% of the annual pay of a position.
- 5) Participatory Budgeting
 - a) Annual allocation: to be determined by Council, addition to base ongoing
 - b) Cost of implementation: variable
 - i) Consultant-led process: \$15,000-\$50,000
 - ii) Staff-led process: cost would be absorbed by existing budget

If these additional goals are added for FY 2018-19, the budget gap could widen from \$3.2 million to somewhere between \$4 and \$5 million. A more specific number will not be available until staff is able to nail down variables and estimates.

Closing the Gap - What are the alternatives for closing a budget gap of this magnitude? It is important to recognize that while a \$3-5 million gap seems enormous, it amounts to between 2% and 4% of the total General Fund operating budget. The challenge lies in balancing the budget when the “low hanging fruit” has all been picked.

In the absence of new revenue, adding programs or projects to the operating budget requires an offsetting reduction which will require service reductions.

Ms. Whitehorn said that the following is a five-year projection of General Fund revenues and expenditures . This projection was developed primarily by analysis of prior year trends, but also anticipates future changes in spending. The Fiscal Year (FY) 18 projection is based on year end estimates as of the Q2 Financial Report. The FY19 projection has been updated to reflect FY19 base budget submittals by departments as well as staff's initial efforts at balancing the budget. As with most multi-year forecasting, confidence in the accuracy of the projections decreases with each succeeding year. The following table provides a high level summary of the projection.

General Fund Actual Expenditures and Revenues (in Millions) by Fiscal Year (FY)

	Actual	Projected					
	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Revenues	\$111.37	\$120.25	\$123.12	\$126.42	\$129.29	\$132.23	\$135.25
Expenditures	\$108.37	\$120.13	\$126.27	\$131.55	\$137.03	\$143.28	\$148.79

This projection assumes ongoing increases in employee compensation (4.6% per year) and employer share of total healthcare costs (4.8% per year) based on historical trends. The increase in compensation assumes that the City continues to provide modest salary increases for current employees and adds additional staff to maintain existing levels of service in a growing community. This projection also assumes that the City continues to increase funding for Other Post Employment Benefits (OPEB) by \$200,000 per year, consistent with prior practice.

Other significant non-personnel expenditures are mainly held at the current funding levels, including the following:

- Housing Trust Fund (\$500,000 per year)
- US Cellular Center operating support (\$1,066,834 per year - reduced for FY19)
- Strategic Partnership and other external support (approximately \$508,400 per year)
- Economic Incentives (amount varies year-to-year, projection includes only agreements that have already been approved by Council)
- Capital funding, which accounts for the significant increase from Fiscal Year 2016-17 to 2017-18, is assumed to follow the debt cash flow model provided by our financial advisors.

Additional increases in expenditures for Fiscal Year 2018-19 are related to full year funding of items included partially funded in the current year budget, including the following:

- Expanded transit service
- Continued implementation of the Downtown police district
- Market adjustments for police staff
- Enhanced benefits for firefighters
- Public safety staff compensation for education attainment, foreign language skills
- Compensation for staff required to perform shift work or be available in off-hours

Other Council living-wage goals that impact the operating budget:

- Maintaining a living wage pay scale for all City employees
- Employ workers in-house instead of contracting for temporary/seasonal labor

Revenue assumptions include continued moderate increases in property tax revenue (2% per year), sales tax revenue (5% initially then 3% per year) and other revenues. Although Buncombe County will revalue all property within the City in 2022, this projection assumes no significant revenue changes will occur (i.e., a revenue neutral tax rate is assumed). While the City has experienced strong revenue growth in recent years, a significant portion of City revenue (including sales tax and development fees) is dependent on overall economic conditions beyond the City's control. These revenue sources would be significantly impacted by a recession or other decline in economic activity. In addition, changes made by the state legislature to the sales tax distribution could significantly impact sales tax revenue received by the City.

Ms. Whitehorn responded to various questions/comments from Council.

There was a brief discussion, initiated by Councilwoman Mayfield, regarding Fund Balance, noting that our minimum is 15%.

Ms. Whitehorn said that she would provide Council with (1) the list of items the Department Directors identified-savings of \$2.27 million, noting which items might be on-going savings vs. one-time cuts; (2) a list of all the community partnership funds, along with the contract terms and amounts; and (3) memo and list of priority based budgeting results.

Vice-Mayor Wisler noted this is a continuation budget with no additions of resources for Council's new goals and objectives. If we put in additional programs, we must cut other things. She suggested, and it was the consensus of Council, that the Finance Committee hold a special meeting to "take a deep dive" into the budget and look at what staff suggested for cuts and see if they can come up with any proposals to bring forward to Council.

Councilman Haynes said that he supports the funding of the Council's new goals and objectives that are currently unfunded. He also recalled that last year there was a major funding request for the Police Department, and at this time he has some concerns about the budget

moving forward.

Mayor Manheimer said that staff understands Council's priorities and the Finance Committee will be working on the budget. After we receive the Finance Committee's recommendation we can prioritize Council's new priorities, if necessary.

It was the consensus of Council to ask staff to continue to work with the Finance Committee to identify the actual costs associated with the Council objectives that require additional resources.

Mayor Manheimer said that Council will reconvene in the Chamber after closed session.

Closed Session

At 3:37 p.m. Councilwoman Smith moved to go into closed session (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, but not limited to, a lawsuit involving the following parties: Bach vs. City of Asheville. The statutory authorization is N.C. Gen. Stat. sec. 143-318.11(a)(3). This motion was seconded by Vice-Mayor Wisler and carried unanimously.

At 4:06 p.m., Vice-Mayor Wisler to come out of closed session. This motion was seconded by Councilman Kapoor and carried unanimously.

Meeting Continued - Removal of City Manager Gary Jackson

Councilman Kapoor moved that City Council remove Gary Jackson as the City Manager effective at the close of business today. This motion was seconded by Councilwoman Smith and carried unanimously.

Mayor Manheimer explained that Mr. Jackson's employment contract requires that he be paid salary and benefits for 180 days following any removal unless, there is any criminal activity (that is not an issue in this case) or unless Mr. Jackson was provided six months notice which he was not. Mr. Jackson's contract is a public document.

At 4:10 p.m., Mayor Manheimer adjourned the meeting.

City Clerk

Mayor