

Thursday, February 13, 2025 - 9:00 a.m.  
200 College Street - Asheville, N.C.

#### First Day of City Council Annual Retreat - February 13, 2025

Present: Mayor Esther E. Manheimer, Presiding; Vice-Mayor S. Antanette Mosley; Councilman Bo Hess, 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

Mayor Manheimer convened and welcomed everyone to the City Council Annual Retreat.

Mayor Manheimer then introduced Beau Mills from Fountainworks, who would be facilitating the retreat, noting that this retreat will mainly be focused on recovery.

Mr. Mills gave a brief overview of the retreat. Each Council member expressed what they hoped to accomplish during this retreat, with the main accomplishment being how we can move forward together with realistic goals that don't overburden staff.

Sustainability Director Bridget Herring provided Council with a list of Asheville's long-term recovery and accomplishments as follows: (1) First responders conducted 1,000 evacuations, 140 rescues, and searched more than 1,000 miles for victims; (2) Interagency Teams and volunteers set up: (a) 5 points of water and food distribution; (b) 2 community care stations; and (c) And addressed the needs of people in our most vulnerable communities by supporting; and (c) direct delivery needs; (2) Distributed 3.9 million bottles and 1-liter cartons of drinking water, plus: (a) Over 22,000 gallons of potable water; (b) 260,000 gallons of non-potable water; (c) 252,000 ready-to-eat meals; and (d) 2,900 blankets; (3) Non-potable water was restored in 21 days; potable water in 52 days; (4) Over 275,000 cubic yards of debris has been collected (as of 1/23); (5) Council approved \$4,667,000 in funding allocations to support: Rental assistance, home repair, emergency shelter, and small business grants; (6) Received an allocation of \$225 million in funds from U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant Disaster Recovery (CDBG-DR) program; (7) Administered the Asheville Recovery Priorities survey, which received ~6,900 responses; and (8) outstanding service and communication in response.

After reviewing these accomplishments, Mr. Mills said that Chairs and Co-Chairs were asked at the February 4, 2025, Boards & Commissions Listening Session what accomplishments they have seen during recovery that they are proud of: (1) The City checked in on us individually in the immediate aftermath of Helene; (2) City leaders were directly connecting with the community; (3) City leaders are keeping going in a turbulent political environment; (4) Outstanding permitting process during recovery; (5) How quickly we got busses running and roads open; (6) The memorial service was a moment for all to acknowledge what our community went through; (7) The City had thorough and consistent communications during Helene; and (8) The City supported community disaster relief sites.

Council also spoke about the many other accomplishments made by Council, City staff, and community members.

Discussion occurred when Community & Public Engagement Director Dawa Hitch provided Council with the survey highlights of key areas of concern among respondents: (1) strengthen infrastructure - focus on water system improvements and climate-adaptive rebuilding; (2) expand housing solutions - increase emergency shelter, rent assistance, and affordable housing development; (3) support economic recovery - focus on business assistance and workforce stabilization; (4) enhance food security - ensure access to essential supplies during crises; and (5) maintain sustainability focus - integrate climate resilience into recovery planning.

Ms. Hitch said that regarding the public input overview, the survey was (1) non-scientific survey; (2) nearly 6,900 responses; (3) primarily conducted online with paper copy option; and (4) offered in multiple languages. The outreach included (1) daily social media promotions on City platforms; (2) media coverage in local news outlets and City Manager briefings; (3) announcements in city newsletter and email campaigns; (4) direct engagement with neighborhood groups and organizations; (5) flyer distribution at City community centers, the transit center, and public bulletin boards within the survey area; and (6) door-to-door outreach in historically underserved neighborhoods through the City's Community Connectors program.

The recovery theme of resilient infrastructure is (1) 96% rated infrastructure repair as "essential" or "very important,"; (2) 94% supported rebuilding infrastructure to be stronger and more store-resilient (even if it takes longer), whereas only 52% supported restoring infrastructure to pre-storm standards; and (3) 94% highlighted road repairs, while infrastructure improvements such as sidewalk repairs (68%), greenways (63%) and bikeways (44%) were rated as lower importance.

The recovery theme of housing stability is (1) 74% rated affordable housing development as "essential" or "very important," including: renters (88%), lower-income respondents (86%), younger respondents (83%), and BIPOC residents (80%); (2) 71% supported rent/mortgage assistance to prevent displacement.

The recovery theme of economic recovery is (1) 76% supported business recovery efforts; (2) 29% lost jobs/income, with significant impact on lower-income respondents (48%), business owners (47%), BIPOC respondents (39%), and younger respondents (39%); and (3) 17% cited financial assistance as an immediate need.

The recovery theme of food security is (1) 77% ranked food security systems as a high area of interest; and (2) 74% supported using Community Resource Centers as neighborhood hubs during future crises.

The recovery theme of sustainability and smart growth is (1) 82% highly value thoughtful land use planning in storm-damaged areas; and (2) 80% of those surveyed rated sustainability and environmental protection as "essential" or "very important."

The recovery theme of recreation and public spaces is (1) 64% showed support for repairs and updates to city parks; (2) 45% indicated support for recreation opportunities; (3) 43% supported updating recreation centers; and (4) Many chose "Less Important" or "Not Important" as their responses to recreation opportunities (22%), updates of recreation center (22%) and repairs to bikeways (28%).

A high level review of impacts by key groups is (1) BIPOC communities - greater importance given to housing, food security, and transportation accessibility; (2) business owners - greater importance given to business recovery (89%) and arts funding (75%); (3) displaced residents - greater importance given to basic needs; (4) lower-income respondents - greater importance given to affordable housing, rent assistance, and emergency shelter; (5) renters - greater importance given to affordable housing, emergency shelter; and tenant protections; and (6) younger respondents (25 & Under) - noted high percentages of emotional distress, challenges to food access and income loss.

Ms. Hitch said that next steps include (1) These survey insights and input from the workshop with Asheville Board & Commission chairs were compiled to help inform City Council's discussion around Helene Recovery Priorities; (2) They are a first step in understanding community impacts and needs; and (3) Moving forward, there will be additional input opportunities for deeper understanding: (a) CDBG-DR (currently underway) - Visit [PublicInput.com/CDBG-DR](https://PublicInput.com/CDBG-DR); Feb. 18

(Virtual); Feb. 19 (Virtual); Feb. 24 (Wesley Grant Southside Community Center); Feb. 26 (East Asheville Library); and (b) Long-term recovery planning.

Council members spoke about what they are hearing from the community.

Council went into break-out groups to discuss their vision for recovery. After the discussion, in summary, it was the consensus of Council that their recovery vision be “rooting in resilience, rising in unity, repairing with care, ready for tomorrow.”

Mr. Mills then spoke about their guiding principles for recovery to guide the process going forward. After their break-out groups discussion, in summary, it was the consensus of Council that their six guiding principles are uniqueness; strength, resilience and sustainability; accountability and transparency; community-centered; innovation; and collaboration.

Discussion took place amongst Council regarding Asheville’s recovery priorities - people (community-led; staff; business; equity); economy; infrastructure and environment (living infrastructure); and housing.

Mr. Mills talked about the clarity of the role of the City in recovery. Council then drew their thoughts on the different roles that are present in the running of the City, focusing on recovery. Council then outlined the roles of Council vs. the role of staff. Some Council roles, but are not limited are: set vision, policy and other high level guides; work well with each other; and advocate for community voices. Some staff roles, but are not limited are: bring the expertise; develop plans and solicit feedback; and implementation.

City Council went back into break-out sessions to discuss partners in recovery. Some are, but are not limited to (1) Federal - Federal Emergency Management Association; U.S. Forest Service; US Dept. of Housing & Urban Development; Congress; Small Business Association; (2) State - Governor; legislature; WNC Recovery Committee; Grow NC, N.C. Dept. of Transportation, N.C. Dept. of Environmental Quality; Hazard Mitigation Grant Program; N.C. Dept. of Emergency Management, Water System Infrastructure Program; (3) Regional - WNC Recovery Committee; Land-of-Sky Regional Council; Home Consortium; United Way Long-Term Recovery Group; American Flood Coalition; (4) Business - hotels as emergency housing; workforce; business advocacy groups; (5) People - residents, neighborhood and community associations; workers, tourists, Asheville Independent Restaurant Association; River Arts District Business Association; West Asheville Business Association; advisory boards; Chamber of Commerce; (6) Philanthropy - established foundations; corporate philanthropy; (7) Non-Profits - faith community; A-B Community Christian Ministry, United Way - 211; Crisis Response; volunteer coordination; resource coordination; and (8) Others - peer cities, subject matter experts; peer elected, subject matter experts.

City Council determined that some things City Council can do to leverage on partnerships include listening; leveraging relationships; build the ask with regional partners; use people’s expertise; capacity building; use time and resources wisely; work with our lobbyists; work with the Governor; talking with other cities; be an advocate in state legislature; consistent messaging; etc.

At 4:00 p.m., Mayor Manheimer recessed the meeting until 9:00 a.m. on February 14, 2025.

Friday – February 14, 2025 - 9:00 a.m.  
200 College Street - Asheville, N.C.

Second Day of City Council Annual Retreat - February 14, 2025

Present: Mayor Esther E. Manheimer (arrived at 10:30 a.m.), Presiding; Vice-Mayor S. Antanette Mosley; Councilman Bo Hess, 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

At 9:00 a.m., Vice-Mayor Mosley welcomed everyone to the second day of the City Council Annual Retreat.

Finance Director Tony McDowell reviewed the following key takeaways from his budget update and outlook: (1) Last year's budget process (FY25) was challenging financially due to slowing revenue growth and continued inflationary pressures, especially in relation to personnel costs; (2) Tropical Storm Helene has created major impacts on the local economy and the City's budget; (3) To date, the City has spent or is under contract to spend approximately \$41.5M on the initial Helene response, with most of this spending expected to be covered by FEMA reimbursement; (4) Estimated revenue losses in the current fiscal year total \$17.6M, and are not eligible for FEMA reimbursement; (5) Staff has implemented strategies to slow spending for the remainder of this fiscal year; (6) As we begin next year's budget process (FY26), we are in an unprecedented situation especially in relation to the level of uncertainty around our revenue outlook; (7) Even though we face fiscal challenges within the normal operating budget, we also have opportunities via other funding sources and partnerships (CDBG-DR for example) to address Council's priorities and Helene recovery; (8) Five-Year capital spending plan is being revised to include Recovery, GO Bond, and "regular CIP" projects; and (9) No final decisions are necessary at this retreat, but staff will share key decisions that staff and Council will need to make to help inform upcoming budget work sessions.

He then outlined their presentation as follows: (1) Recap of the fiscal year (FY25) budget process; (2) Helene Impact's impact on FY25 (a) Economic data; (b) City expenses and revenues; and (c) Budget savings strategies; (3) FY26 Budget Outlook & Capital Planning; and (4) Next Steps.

Key decisions include (1) Manager's office has developed and began implementing key cost savings in the current fiscal year to help balance this year's budget; (2) What cost savings and other actions should be considered in the future to address FY26 budget needs?; (3) Should a salary increase for City employees be considered in next year's budget?; (4) How to restore fund balance to meet policy objectives of at least 15% or greater in the wake of Helene?; and (5) Should a tax increase be considered to raise revenue in FY26 to fund employee compensation increases, offset revenue losses, and/or maintain fund balance?

Mr. McDowell then provided the FY25 budget process recap as follows: (1) Council adopted the budget on June 11 in a 4-3 vote; (2) The budget included a 0.63 property tax rate increase to fund compensation adjustments beyond initial proposals; (3) For the second year in a row, the budget included a significant use of fund balance (\$7.8M) due to slowing revenue growth; (4) Health care and retirement costs continued to increase; (5) Outside of personnel costs, operating budgets were generally held flat and only a very limited number of new positions (mostly enterprise funds) were approved; (6) \$80M GO Bonds were introduced and passed in November; and (7) Staff messaged as part of its five-year forecast that a property tax rate increase would likely be needed in the FY26 budget.

Regarding the FY 25 budget process recap on compensation, (1) Flat dollar increase of \$4,053 for beginning on-shift Firefighters to increase the lowest paid on-shift Firefighter by 8.8%; (2) 6.0% increase for employees on the Police Pay Plan; (3) Increase of \$2,400 or 4.11% whichever is greater for all regular full-time permanent employees on the City's other pay plans to increase the lowest paid employee pay by 6.3%; and (4) Overall, the general fund budget included a \$6.6M increase in personnel costs.

Regarding the FY 25 budget process recap on Fund Balance, for the second year in a row, the budget included a significant use of fund balance (\$7.8M) due to slowing revenue growth. Fund balance as a % of expenses for FY 2024 year ended was 16.8% and for Fiscal Year Budget 15.9%. The City's policy goal is 15.0%.

Regarding the FY 25 budget process recap on the 5-year forecast, (1) FY26 was scheduled to be a property revaluation year in Buncombe County; (2) Staff forecasted that after revaluation, a property tax rate increase would be needed to fund the \$80M GO bonds and avoid continued use of fund balance in the budget; and (3) Total forecasted property tax rate increase for both was 5.8 cents, which would have increased the average residential taxpayer's bill by approximately \$275 per year.

Using charts and graphs, Budget Performance Manager Lindsay Spangler reviewed with Council the FY 25 budget status regarding the local economic impact of Helene as follows: (1) unemployment in the Asheville area spiked to 8.5% in October 2024 - although it has been decreasing steadily, it remains above normal; (2) occupancy taxes are an indicator of tourism activity - collections remain down significantly after the storm but trending upwards; (3) sales tax collections were already down before Helene; (4) after large declines in Sept. and Oct. collections improved in November; and (5) Down 6.5% to-date this fiscal year.

Ms. Spangler said that regarding the FY25 budget status - Helene expense impact, (1) Operating expenses of \$7.9M to date with another \$8.0M under contract in all funds except Water; (2) In the Water Fund - \$5.5M in operating and capital expenses with another \$15.1M under contract; (3) An estimated \$5M in overtime and extra pay expenses across all funds; (4) City has received \$9.86M to-date in revenue as part of FEMA's expedited public assistance program; and (5) The City currently expects to receive 100% FEMA reimbursement for emergency response-related expenses.

She said that regarding the FY25 budget status - Helene recovery impact on the Enterprise Fund Revenue Loss Estimates: (a) Water Fund - \$7.0M-\$8.0M from customer charges; (b) Parking Fund - \$2.0M-\$2.5M from on-street & garage revenues; (c) Harrah's - \$1.5M-\$2.5M from events cancelled; and (d) Transit - \$125k-\$150k from passenger fare revenue - Transit also includes \$950k in revenue from Parking Fund that may be lost if parking revenues do not cover parking expenses.

Mr. McDowell provided the following information on the General Fund Revenue Loss Estimates - Property Taxes: (a) FY25 property tax revenue is based on assessed values as of January 1, 2024; (b) Buncombe County mailed out FY25 property tax bills in August 2024 with a due date of January 2025; (c) As of January 31, 2025 City property tax collections were at 96.26% of the total levy (January 2024: 96.66%); (d) Approximately \$3.0M in City property taxes remained uncollected as of January 31; and (e) Unknown: How will remaining collections fare? City staff estimating revenue will be \$1.5M under budget.

Ms. Spangler said the General Fund Revenue Loss Estimates: are (1) Sales Taxes - (a) 3-month lag in State reporting; (b) Revenues were down even before Helene; (c) October was down 14% and November was down 1.5%; and (d) City staff estimating revenue will be \$4.1M under budget; (2) Other revenues impacted - Development Services, Parks, Nature Center, ABC

revenue; and (3) FEMA does not reimburse for revenue loss. Using a chart, she said the General Fund revenue adopted is \$172.0 M; revenue projected is \$166.6 M with a shortfall of -\$5.4 M.

She reviewed a chart showing the General Fund detail - which shows a -5.4 M shortfall.

Saving strategies include (1) Hiring review - all requests to fill vacancies reviewed by committee; (2) Suspend annual contribution to OPEB (Other Post Employment Benefit) Trust Fund; (3) Suspend training and travel with exceptions for trainings related to required employee certifications and recovery-specific travel; and (4) Additional one-time budget reductions identified collaboratively between Budget staff and departments. Using charts, Ms. Spangler showed the General Fund adopted budget and targeted strategies, along with the General Fund detail.

The work plan priorities through the end of FY25 include (1) Council Retreat; (2) Helene Recovery; (3) Capital Projects/Bond Implementation; (4) Budget Development/Adoption; (5) BID Implementation; (6) Council Committees and Boards and Commissions (selected); (7) HR Audit Implementation; (8) Reparations; and (9) City Manager Recruitment.

In summary, (1) FY25 budget process was challenging due to slowing revenue growth and inflationary pressures; (2) Tropical Storm Helene has created major impacts on the local economy and the City's budget; (3) Significant Helene-related expenses to-date but we anticipate most if not all will be FEMA reimbursed; (4) Helene-related revenue losses are also significant and reimbursement is unlikely at this point; and (5) Staff has identified savings strategies that serve the dual purpose of closing out FY25 and positioning us for FY26 budget development.

Mr. McDowell said that regarding the FY26 budget outlook and capital planning, the overview is (1) Challenges and Opportunities in the FY26 budget (a) Resources are likely to remain constrained within the regular operating budget; (b) Unavoidable cost increases for employee health insurance and state-mandated retirement; (c) \$225M in CDBG-DR funds provides resources outside the regular operating budget to help fund recovery and Council priorities; and (d) Hopeful for additional state and/or federal funding to offset revenue losses and assist with recovery; and (2) Five-Year capital spending plan is being revised to include Recovery, GO Bond, and "regular CIP" projects.

He reviewed the process, guiding principles, and key themes of (1) the Budget will continue to provide funding to maintain the City's core services; (2) The Budget will minimize cost increases to residents and businesses as we recover from Hurricane Helene; (3) The City will look to one-time revenue sources, such as CDBG-DR and FEMA, to fund the community's recovery priorities; and (4) The Budget will be developed in a fiscally responsible way in order to maintain the City's financial metrics and strong credit ratings.

He then used charts to show the General Fund revenue sources, and the General Fund expenditure categories. The financial forecast is (1) The General Fund revenue outlook is uncertain but property and sales taxes are likely to remain below FY25 budgeted amounts; (2) Employee health care costs and state-mandated retirement increases expected to add \$2.5M in expenses in the General Fund - Will recommend that OPEB Trust funding be utilized to help offset health care increases; (3) Will be challenging to provide employee salary increases without additional resources; (4) Hiring review and other budget savings strategies will likely need to continue into FY26; (5) Core operating budgets will need to remain flat and reductions outside of core services may have to occur; (6) City will need to budget conservatively in order to maintain credit ratings - Standard & Poor's (S&P) has put the City's General Fund on "negative outlook" due to impacts of Helene; (7) Staff will be recommending that Council proceed with the planned 3-year phased-in rate adjustments in the Water Fund (a) 7.5% rate increase for residential users with higher adjustments for some other customer classes; and (b) Rate increase is

needed to fund capital improvements and maintain financial metrics associated with debt covenants and ratings; (8) S&P has put Water on a “credit watch with negative implications” pending outcome of rate discussions; and (9) No fee increases will be proposed for other major fees: stormwater, solid waste, or parking.

Property tax scenarios include (1) A property tax increase may be needed to balance the General Fund budget - Revenue generated from a 1-cent increase in the Property Tax Rate: \$2.0M; and (2) Tax Rate Increase Scenarios: (a) Eliminate Use of Fund Balance: \$7.8M (i) Tax Increase: 3.88 cents; (b) Offset Potential FY26 Revenue Reductions: \$5.4M (i) Tax Increase: 2.70 cents; and (c) Every 1% Employee Salary Increase: \$1.0M (i) Tax Increase: 0.50 cents.

Mr. McDowell used a chart to show the different tax rate increases and what it would mean for the average homeowner annually and monthly (assuming average residential tax value of \$350,000). City Manager Campbell stressed that this is not a recommendation. It represents example tax increases for various budget scenarios.

Capital Management Director Jade Dundas said regarding the CIP development, (1) Staff is developing a 5-year Capital Improvement Plan that incorporates three types of work: (a) Recovery projects; (b) GO Bond projects, and (c) Rehab or replacement of existing; (2) Projects will be prioritized by: (a) Financial Capacity; (b) Facility Study/Capital Predictor, Pavement Condition Index, Planning studies; and (c) Community input/preferences; (3) Details on CIP projects will be shared with Council in an upcoming work session; (4) Financial Assumptions: (a) Approx. \$20M per year of City funding (long-term debt only); (b) GO bonds and recovery- related separate; and (c) Federal and State funding for recovery and resilience will become available through FEMA Public Assistance and competitive funding processes; and (5) Projects pulled from: (a) Past CIPs & requests; (b) Facility Study, Recreate Asheville, Gap Plan, etc.; and (c) Collaboration between all City departments. The goals are (1) Establish a long range predictable yet flexible budget document; (2) Create a document that is consistent and tells a story; (3) Develop a system that allows for large projects to develop over time; (4) Allow departments to see the impacts of individual projects on the overall budget; and (5) Create a CIP budget process that is repeatable.

Potential recovery projects are (1) Scope and funding for recovery work is still being developed based on ongoing damage assessments; (2) Less complex recovery projects are underway; (3) More complex recovery projects are being developed through the FEMA public assistance process (a) These projects will develop over the next several years and will follow the normal project development processes which include public engagement, design, permitting, etc.; (b) Staff is looking for every opportunity to expedite the process which includes considering multiple sites in one project; and (c) This will help with contracting and project management efficiencies.

The damage assessment overview is (1) 23 facilities, including community centers, communication towers, fire stations, restrooms and maintenance buildings; (2) 22 parks and entertainment facilities; (3) 6 greenways; (7) 200+ points of damage to streets, bridges, sidewalks, and stormwater utilities; (5) 16 points of damage to the water assets associated with treatment facilities and the distribution system; and (6) Mitigation will be the focus on all recovery projects to ensure resilience during future flooding events.

Mr. McDowell then reviewed the chart showing next steps regarding the budget process.

Throughout the budget overview/CIP presentation, City Council raised several questions/ comments in which City Manager Campbell or Mr. McDowell responded.

Council then did a brief budget debrief which included (1) appreciation of staff process; (2) innovation and collaboration; (3) retaining staff; (4) diversified economy leads to regional leadership; and (5) regional economic impact.

Mr. Mills then reviewed the work of Council during the first day of the retreat.

Mr. Mills then explained the station exercises at which time City Council refined Asheville's recovery priorities. Group discussion took place on the Council's defined recovery priorities of economy, people, infrastructure and environment; and housing. Mr. Mills said they would work with staff to develop a game plan (what needs to happen in the short term, what needs to happen in the long-term, who is involved, what resources are needed and what are the challenges) and bring that game plan back to City Council for their review and approval.

Council then each outlined how they best feel they can engage together, with City staff, and with fully leveraging partners. Some thoughts were, but are not limited to: clear direction; return of some three-by-three Council checkins; resume City Council Committee meetings; work with advisory boards; listen; be respectful; no surprises; allow everyone to be themselves; and search ability for follow-up documents.

At 2:48 p.m., Mayor Manheimer adjourned the meeting.

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CITY CLERK

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MAYOR