

Risks and Uncertainties

A level of uncertainty remains in the intergovernmental arena, and Asheville will need to remain flexible and adaptive as the North Carolina General Assembly's legislative session comes to a close and the FY 2014-2015 budget is adopted. Four key legislative assumptions contemplated in the proposed budget that may impact our financial projections include:

- **Disposition of the City of Asheville's Municipal Water System:** In May, 2013, the North Carolina General Assembly passed legislation requiring the transfer of Asheville's water system to an independent authority, an action that would cost Asheville's General Fund \$1.9 million due to the loss of the water system's contribution to shared central services. The Asheville City Council unanimously voted to legally challenge this legislation. Because the length and outcome of the legal case is still unknown, the FY 2014-2015 proposed budget assumes the City's continued ownership and operation of the water system. The judge heard arguments in the case on Friday, May 23, 2014. It is anticipated that he will announce his ruling within the following two months.
- **House Bill 1050 Privilege License Tax Reform:** Comprehensive tax reform continues to be a major policy focus of the North Carolina General Assembly Short Session in 2014. HB 1050 proposes reforming the local privilege license tax. This bill is highly significant for municipalities. The State estimates that cities will lose more than \$40 million if the tax is repealed. The General Assembly is considering expanding the privilege license tax base, and creating a flat tax of \$100 per business. In either scenario, the City of Asheville will lose considerable revenue, likely between \$500,000 and \$1.5 million. HB 1050 would not go into effect until tax years beginning after January 1, 2015; the change would therefore not impact the 2014-2015 budgeted revenue. The impact of tax reform will, however, continue to be a significant issue for cities to monitor throughout the coming fiscal year and in future budgets.