

May 26, 2015

Honorable Mayor Manheimer and City Council Members:

It is my pleasure to respectfully submit to you the City Manager's Proposed Budget for the fiscal year beginning July 1, 2015 and ending June 30, 2016 with a total operating budget of \$154 million. The proposed budget includes a total General Fund Budget of \$103 million, a 3.6% increase over the adopted fiscal year 2014-2015 budget. The proposed budget includes an increase to the property tax rate of 1.5 cents per \$100 of valuation, bringing the total millage rate to 47.5 cents.

### **Economic Improvements and Constraints**

The 2015-2016 proposed budget for operations continues existing service levels while striving for a more balanced financial foundation. The City of Asheville has entered a period of consistent growth. After several years of experiencing the negative effects of the Great Recession, Asheville has, over the last few years, witnessed slow but steady economic improvement. This improvement has provided opportunity for the City to begin addressing long-term structural sustainability. Meanwhile, City staff continues to work on reengineering and managed cost savings with a goal not only of long-term structural sustainability but also continued high level of service.

Asheville entered the operating budget process for fiscal year 2015-2016 with clear direction from City Council: fund the implementation of the classification and compensation study, continue funding strategic improvements in the Police Department, and evaluate City programs and services that are taxpayer subsidized for potential reductions in the level of subsidy. I am pleased to once again present a proposed budget that successfully meets the City Council strategic goals, while maintaining the high level of service the citizens of Asheville expect.

City staff has planned, prioritized, and worked cross-departmentally to ensure that the budget for fiscal year 2015-2016 includes the efficient use of resources while continuing current service levels. In the past year, Asheville has been highlighted nationally for its culture, cuisine and quality of life. While this is exciting and inspiring, the City of Asheville's fiscal health is dependent on two distinct factors: the local, regional, and national economy and the legislative environment within the North Carolina General Assembly. The General Assembly continues to pursue a number of legislative issues, in particular sales tax redistribution, which could impact municipal finances and service delivery. Asheville staff works to optimize the use of limited resources while attempting to contingency plan for legislative and regulatory changes. Ongoing careful fiscal management and reengineering efforts allow management to entertain strategic goals beyond the maintenance of core services. Asheville has shown remarkable increases in sales tax collections and development revenue over the last year. Sales tax receipts are a lagging economic indicator, suggesting this phase of economic recovery is well underway within the City. Increasing development revenue indicates not only the City's current positive economic health, but the likelihood of continued growth. More visitors and more residents add pressure to the City's aging infrastructure and make investment in long-term capital improvements all the more important. As the economic hub of Western North Carolina, Asheville's long-term financial sustainability has a significant impact on the economic health of the region as a whole.

Though Asheville successfully weathered the economic storm of the Great Recession, costs of supporting existing city services continue to outpace growth in revenues. One consequence of a recovering economy is an increasing cost of materials and labor. These increases are good for

Asheville's economy as a whole, but make managing costs for the City more challenging. This ongoing structural gap is a phenomenon familiar to cities, particularly to those cities that are long-established and have infrastructures dating back a hundred years or more, which adds pressure to operating and capital budgets already stretched to cover rising costs. Over the past few years, Asheville has addressed this gap by reducing expenditures, primarily through freezing salaries, reducing staffing levels through hiring freezes, and deferring capital improvements. Unfortunately, while these tactics allowed the City to weather the economic storm, they did not come without consequences. The City fell behind in capital maintenance and investment, employee compensation fell behind market, and current staffing levels are inadequate to maintain a high level of service.

In addition to challenges facing cities throughout the United States, the North Carolina General Assembly passed HB 1050 in the 2014 Short Session, eliminating cities' ability to charge a local privilege license fee as of July 1, 2015. This bill has had a significant impact on North Carolina cities. As a result of this legislative action, Asheville started the budget planning for 2015-2016 with a revenue hole of \$1.5 million, or almost 1.5 percent of the General Fund budget. In order to fill this gap, the proposed budget contains a 1.5 cent increase in the property tax rate, as mentioned above.

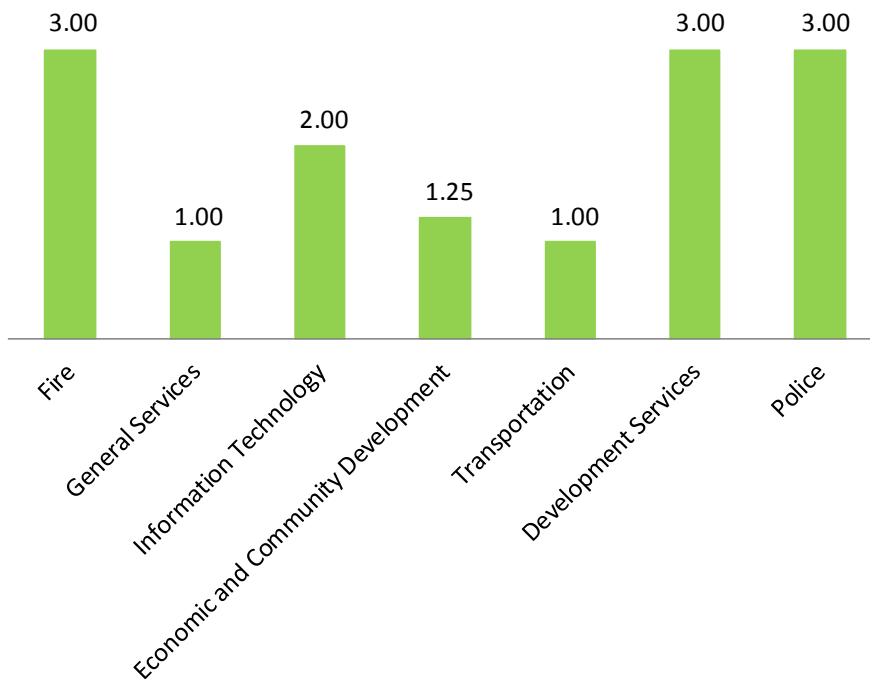
### **Management Initiatives, Compensation and Staffing**

The 2015-2016 operating budget proposes implementation of the city-wide Classification and Compensation Study completed in April, 2015, as well as a one-percent across the board increase for all employees. The classification structure and compensation plan developed by Segal Water consultants working with Human Resources and other teams within the city, will enable Asheville to establish a baseline for competitive salaries that should reduce turnover and improve recruitment of qualified candidates. The recommendations include market increases for employees making less than the minimum for their job, and compression increases to account for the time an employee has served in a role. The total cost of these initiatives is \$1.15 million. With the additional one-percent across the board increase, the total compensation increase in the General Fund for fiscal year 2015-2016 is \$1.65 million. The operating budget also includes \$250,000 to extend the living wage to temporary/seasonal classified employees. At the May 12 work session, Council directed management to further evaluate the classification of employees as temporary/seasonal versus permanent part-time; staff evaluation of positions is currently underway.

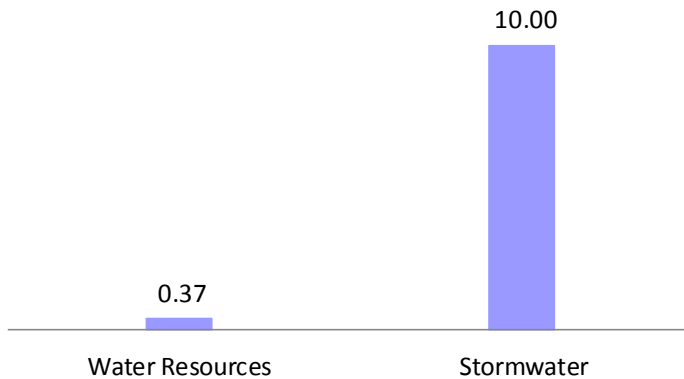
The economic growth in Asheville is exciting. In order to support the City's investment in Innovation Districts and job creation in our improving economy, the operating budget includes an increase from \$60,000 to \$100,000 for the City's contribution to the Asheville Economic Development Coalition and Asheville 5x5 Plan. While an improving economy presents opportunity, growth is placing considerable pressure on existing City staff. Improving compensation is part of the equation to address this challenge; however, in order to maintain a high level of service, staffing levels have to increase. Some positions were added during fiscal year 2014-2015 to address this challenge; additions below are included in the 2015-2016 budget. Staff evaluates opportunities for efficiency and considers multiple alternatives before recommending any additional full-time equivalent positions be added to the City budget. In several cases, staff collaborated to provide resources across departments, sharing positions or transferring vacant, authorized positions to other areas.

The fiscal year 2015-2016 operating budget will add 14.25 positions in the General Fund and 10.37 in enterprise funds.

## General Fund



## Enterprise Funds



### Right Size, Right Staff

The Police Department will add an Administrative Services Manager, a Financial/Budget Analyst, two part-time Property and Evidence Technicians, and other administrative service positions. Several of these are offset by efficiencies and reallocations of existing positions, for a net increase of three full-time equivalents. These additions will help address challenges faced by the department. The Fire Department will add three fire inspectors with an expectation that the associated costs will be 100% offset by increased inspection revenues. Development Services, in light of the significant increase in workload, will add Permit Facilitators and move to a five-day

schedule for the Development Services office. The Stormwater Fund will have an additional ten positions, including a crew of six maintenance workers, with a goal of reducing capital costs over the long term by increasing the amount of current maintenance work that can be completed. Fractions of positions above indicate the conversion of a part-time position to full-time. In addition, based on Council direction to more closely regulate short-term rental properties, a full-time inspector position, with offsetting fee revenue, will be incorporated by the conclusion of the budget process.

To address the increasing cost of labor and the challenge of retention, staff is working to identify the right mix of employees: full-time, permanent part-time, temporary/seasonal and temporary contract. The first step has been to identify temporary contract employees in important roles across the City that are full-time and could be defined as permanent. Through this analysis, five positions were identified for conversion from temporary contract positions to permanent City positions. These changes have no net financial impact.

### **Capital Improvement Program**

The capital budget for fiscal year 2015-2016 continues the rolling five-year capital improvement program (CIP). The program seeks to address Council priorities, infrastructure needs and deferred maintenance by including projects that meet one or more of the City Council's strategic goals: economic growth and sustainability, affordable housing and community development, and high quality of life. Additionally, projects are evaluated for potential outside funding sources in the form of grants or contributions, and perceived return on investment using a triple bottom line approach considering social, environmental, and financial returns. The plan will be revisited annually, at which point project timelines may shift and priorities realign. As a rolling five-year budget for capital projects, each year, one year of the five-year plan will be adopted as the capital budget.

The capital improvement program, begun in fiscal year 2013-2014 is now in full swing. The program, which leverages the funds available for CIP through a long-term debt model and the use of outside sources of funds, will enable the City to fund significant investment in capital improvements city-wide over the next five years, including the construction of signature projects like the Riverfront Redevelopment, greenways, sidewalks and other transportation connections, investment in the City's aging fleet and critical infrastructure repairs. Capital investment needs, which could easily cost more than \$400 million, continue to far exceed available resources which forced staff to work diligently to prioritize projects and ensure that the available CIP funds are put to the highest and best use.

|   |                |
|---|----------------|
| Capital Expenditures (Cash Flow), FY 2014-FY 2015 | \$ 16,919,385  |
| Capital Expenditures (Cash Flow), FY 2016         | \$ 26,241,588  |
| Capital Expenditures (Cash Flow), FY 2017-FY2020  | \$ 64,328,405  |
| Total from Inception, FY 2014- FY 2020            | \$ 107,489,378 |

Details of the capital budget begin on page 69.

### **Summary**

2014-2015 has shown steady growth in revenues, with notable growth in local development permitting revenue and sales tax, as previously mentioned. Permitting activity has increased precipitously in the last two years; 2013-2014 revenue increased almost 32% over the previous year, and 2014-2015 is anticipated to increase another 6%. As a leading indicator of the economic

health of the City of Asheville, increases in permit activity will translate over time into additional ad valorem taxable value. The turnaround for projects from permit to completion is usually 12-24 months, so the City should start to see the impact of the increased activity as early as fiscal year 2015-2016.

## **Legislative Climate**

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 2015-2016 budget is adopted. Several key legislative assumptions are included in the budget:

- **Disposition of the City of Asheville's Municipal Water System:** On June 9, 2014, Judge Manning issued a Memorandum of Decision and Order RE: Summary Judgement. In the Decision, Judge Manning ruled that HB 488 violates Article II, Section 24 of the North Carolina Constitution (prohibiting local acts related to health and sanitation), Article I, Section 19 of the N.C. Constitution (prohibiting the taking of a proprietary asset with no rational basis), and Article I, Section 19 and 35 of the N.C. Constitution (because the taking results in no change in use and is not a valid exercise of the legislative power to condemn). Judge Manning ruled further, if it were determined that HB 488 was a valid exercise of the sovereign power of the State of North Carolina, then the City would be entitled to just compensation for its water system. The State of North Carolina filed a Notice of Appeal from Judge Manning's Memorandum of Decision and Order RE: Summary Judgement to the North Carolina Court of Appeals on July 8, 2014. Allowing time for preparation of the Record on Appeal and briefing of the issues, it is anticipated the North Carolina Court of Appeals may issue a decision in the case in the next few months. It is unlikely that the Appeals Court would overturn the decision of Judge Manning.
- **Senate Bill 369, Sales Tax Fairness Act; Senate Bill 608, Simple and Fair Formula for Sales Tax Distribution:** These two bills convert the local sales and use tax authorized under Articles 39, 40 and 42 of the North Carolina General Statutes to a State sales and use tax. Both bills redistribute this state revenue to counties on a per capita basis; the key difference is that SB 608 begins with a base level of revenue that will not be reallocated. Proposed reallocation would negatively impact all of the State's economic engines and redistribute tax from sales in areas of economic growth to rural counties. Cities like Asheville, experiencing economic growth including increasing sales tax, would be hardest hit. Using information provided by the State and the North Carolina League of Municipalities, the revenue loss to the City of Asheville is estimated to be between \$250,000 and \$4.1 million in budget year 2015-2016 were one of the bills to pass. These bills not only directly impact the financial health of cities, they redefine the tax itself as a State tax, no longer controlled by cities or counties, which could be redefined, reallocated, or removed from cities' revenue altogether. While it does not appear that there is enough support in the General Assembly for one of these bills to pass, the devastating effect that they could have on the fiscal health of the City cannot be understated.
- **House Bill 903, County Tax Flexibility/Municipal Rev Opts.** This bill would give counties increased flexibility within their current authority for sales and use tax and would allow cities to adopt, by resolution, a local one-quarter cent sales and use tax to offset the loss of the privilege license tax repealed in 2014. This bill is not considered likely to pass; however, were one of the other bills to pass, this bill's passage would become important in order for cities to maintain service levels.

## Government-wide Highlights

### **City Council budget goals 2015-2016**

#### **Classification and Compensation Study, Managed Savings**

- City of Asheville Staff has worked to carefully manage departmental budgets since the financial downturn. With slow but steady improvement in revenues, this conservatism created adequate savings to fund an increase in employee compensation in the fiscal year 2014-2015 budget, as well as funding a classification and compensation study to evaluate whether the City's compensation package is adequate to recruit and retain high quality employees. In order to ensure that any adjustments to the compensation plan could be funded, staff was tasked with continuing careful budget management. Asheville continues to pursue rightsizing and reengineering of service delivery to make the most cost effective use of the limited resources available. The FY 2015-2016 budget for personnel costs includes fully implementing the classification and compensation study recommendations, as well as a 1% across the board increase for all City employees.

#### **Asheville Police Department Management Goals and Strategic Plan**

- Chief William Anderson retired in December 2014. Chief Steve Belcher, a well-known police consultant, has filled the chief's role since February 2015. Chief Belcher has worked to identify challenges within the Asheville Police Department (APD) and develop management strategies for improvement in line with the strategic plan to improve service delivery, employee retention, and resolve structural issues within the department. The 2015-2016 budget funds several changes within the civilian support structure of the APD, including the addition of an Administrative Services Manager, as well as assigning a Human Resources Consultant and a Financial Analyst who will work with the APD but will report to Human Resources and Finance, respectively. This structure is intended to increase communications and cross-departmental cooperation. The classification and compensation study performed in 2014-2015 evaluated issues of compensation in the police department, including salary compression, which will be addressed with the implementation of the plan in fiscal year 2015-2016.
- The replacement of the aging APD vehicle fleet will continue to be funded in fiscal year 2015-2016, working toward the eventual goal of replacing patrol vehicles on a five-year asset life schedule. APD management is evaluating the department's take-home vehicle policy to determine the most efficient and effective method to manage such a program so that it benefits not only the employees, but the community with the visibility of take-home vehicles in neighborhoods.

#### **Reducing Taxpayer Subsidy of Programs**

- An ongoing area of focus is examining programs and services that the City provides that are taxpayer subsidized, some of which might be more appropriately funded through user fees and other sources of revenue. The Solid Waste Collections fee will increase in 2015-2016 according to the plan developed by staff in 2011 to move the program toward full-cost recovery. Additionally, the City contracted a comprehensive Parks and Recreation fee study in fiscal year 2014-2015, which helped staff identify which programs are most heavily subsidized. Identified among these were the Aston Park Tennis Center, which was 80% taxpayer subsidized, and the Western North Carolina Nature Center, which was 65%

taxpayer subsidized. Council expressed a desire to reduce the subsidy at the Tennis Center. New fees adopted in March accomplish this by shifting costs to the users, while still maintaining a facility that is significantly less expensive to use than other comparable clay-court facilities in the region. The Council goal for the Nature Center is to reduce the taxpayer subsidy to more accurately reflect the use of the facility by City of Asheville residents. Residents make up about 25% of the visitors to the Center annually. Staff developed a three-year plan to reduce the subsidy. Key components of the plan include increase financial support from the Friends of the Western North Carolina Nature Center and raising gate admission rates, which have not been increased since 2007. The new rates will remain below the national average for similar facilities. City of Asheville residents will continue to receive a discounted rate for gate admission.

### **Continuing Sound Financial Management by Addressing Long-Term Liabilities**

- The City contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing defined benefit pension plan administered by the State of North Carolina. No increase is required in fiscal year 2015-2016.
- In December 2011, the City of Asheville created an irrevocable trust and fully funded the City's net obligation for Other Post-Employment Benefits (OPEB), which consists of retiree health care benefits. The City invested its assets with the State of North Carolina State Treasurer's OPEB Investment Fund, which mirrors investments used for statewide pension funds. Concurrent with establishing the trust, the City also adopted a five-year step up plan to fully fund the annual required contribution to meet the ongoing OPEB obligation. The proposed FY 2014-2015 budget includes an annual contribution in the amount of \$800,000. It should be noted that the City suspended offering the retiree health care benefit to new employees hired after June 30, 2012, which will limit future growth of the OPEB obligation. These actions show that Asheville is taking deliberate steps to ensure retiree health care benefits are sustainable and affordable over the long term.

### **General Fund Highlights**

#### **Revenue Highlights:**

- The property tax is the single largest source of revenue for the City. Based on projections received from the Buncombe County Tax Office, staff is assuming a 1.8% increase in the City's property tax base in FY 2015-16. The proposed FY 2015-16 budget also includes a 1.5 cent increase in the City's property tax rate to offset the loss of revenue from the business privilege license fees which were eliminated by state legislation. If staff's proposal is approved by City Council, the City's tax rate for FY 2015-16 will be 47.5 cents per \$100 of assessed valuation.
- Based on statewide projections from the North Carolina League of Municipalities and local trend data, staff is projecting a 7.5% increase in sales tax revenue in the current fiscal year and a 4.0% increase in FY 2015-16.
- Revenue from licenses and permits in the General Fund shows a 12.0% decrease due to the loss in revenue from business privilege licenses. Part of the loss in this category is offset by continued strong performance from development services (DSD) permit revenue. Based on current year trends, DSD revenue shows a budget-to-budget increase of 35% or approximately \$900,000.

- Intergovernmental revenue in the General Fund, which includes state-shared utility taxes as well as Powell Bill funding, is budgeted to increase 5.4% in FY 2015-16 mostly as a result of an increase in utility tax revenue due to changes in the distribution method for the electricity sales tax. It should be noted that intergovernmental revenue is negatively impacted by the expiration of the COPs grant.
- The FY 2015-16 proposed General Fund budget includes no fund balance appropriation, which is shown in the table below under Other Financing Sources.

|                         | 2012-13<br>Actual | 2013-14<br>Actual | 2014-15<br>Budget | 2015-16<br>Proposed |
|-------------------------|-------------------|-------------------|-------------------|---------------------|
| <b><u>Revenues:</u></b> |                   |                   |                   |                     |
| Property Taxes          | 46,891,865        | 52,052,585        | 52,103,473        | <b>54,833,390</b>   |
| Intergovernmental       | 11,171,151        | 10,801,589        | 11,476,750        | <b>12,098,379</b>   |
| Sales & Other Taxes     | 17,067,516        | 17,793,854        | 18,704,766        | <b>20,079,180</b>   |
| Charges For Service     | 4,594,340         | 8,673,961         | 8,595,455         | <b>9,985,234</b>    |
| Licenses & Permits      | 5,382,921         | 5,844,444         | 5,175,010         | <b>4,550,994</b>    |
| Investment Earnings     | 69,341            | 158,368           | 150,000           | <b>150,000</b>      |
| Miscellaneous           | 1,755,350         | 1,917,784         | 1,342,500         | <b>1,401,450</b>    |
| Other Financing Sources | 3,604,870         | 83,765            | 2,000,000         | <b>0</b>            |
| <b>Total Revenues</b>   | <b>90,537,354</b> | <b>97,326,350</b> | <b>99,547,954</b> | <b>103,098,627</b>  |

#### **Expenditure Highlights:**

- The FY 2015-16 proposed budget includes General Fund expenditures that are 3.6% more than the FY 2014-15 adopted budget.
- Public Safety is the largest General Fund service area, accounting for 45% of all general fund expenditures. Public Safety expenditures show a \$1.0 million increase in FY 2015-16. A portion of this increase is the result of the salary adjustments discussed early in the budget document. In addition, the Police Department proposed budget includes funding to begin implementation of the Strategic Operating Plan & Organizational Assessment. Specific items funded in the budget include the addition of a Deputy Chief, an Administrative Services Manager, a Financial Analyst, and Property & Evidence Technicians, along with additional funding for management training and development. A portion of the cost of these enhancements will be offset through the reallocation and freezing of existing vacant positions along with some reductions in the overtime budget. The new impact of the changes is approximately \$157,000. The Fire Department budget includes funding to add three positions to enhance the fire inspection program. The cost of the three positions will be fully offset by additional revenue from the inspections that they perform.
- Environment & Transportation represents 15% of the FY 2015-16 General Fund budget. This service area shows an increase of approximately \$354,000, which is primarily the result of the salary adjustments discussed early in the budget document, as well as the addition of one greenway position in the Transportation Department and the shifting of the



mowing program from the Parks and Recreation Department to the Public Works Department.

- The increase in General Government expenses is due to several factors including: 1) a \$538,000 increase in economic incentive payments; 2) the inclusion in the budget of every-other-year City Council election costs and; 3) mid-year FY 2014-15 staffing additions in the Human Resources Department and the Communication & Public Engagement Division.
- The budgetary change most directly impacting the Culture and Recreation service area is the proposal to begin paying all temporary/seasonal staff a salary that meets the living wage guidelines for Buncombe County. This change has the biggest effect in Parks & Recreation and at the US Cellular Center, which are both large users of non-benefitted labor. In Parks & Recreation, the estimated impact is \$150,000 and at the US Cellular Center it is \$90,000.
- The slight increase in the Community Development service area is primarily the result of the addition of 2 FTE positions to help meet increased workload in the Development Services Department.

| <b><u>Service Areas</u></b>  | <b>2012-13<br/>Actual</b> | <b>2013-14<br/>Actual</b> | <b>2014-15<br/>Adopted</b> | <b>2015-16<br/>Proposed</b> |
|------------------------------|---------------------------|---------------------------|----------------------------|-----------------------------|
| Public Safety                | 40,978,957                | 42,668,751                | 45,499,309                 | <b>46,569,606</b>           |
| Environment & Transportation | 12,919,184                | 13,994,542                | 14,919,678                 | <b>15,274,671</b>           |
| General Government           | 10,339,111                | 12,847,324                | 14,053,914                 | <b>15,785,300</b>           |
| Culture & Recreation         | 10,420,301                | 9,596,690                 | 10,774,113                 | <b>10,955,585</b>           |
| Capital Pay-Go/Debt          | 6,038,478                 | 8,057,714                 | 8,995,878                  | <b>9,086,878</b>            |
| Community Development        | <u>7,287,481</u>          | <u>4,930,139</u>          | <u>5,305,062</u>           | <b><u>5,426,587</u></b>     |
| <b>Total General Fund</b>    | <u>87,983,512</u>         | <u>92,095,160</u>         | <u>99,547,954</u>          | <b><u>103,098,627</u></b>   |

#### Unassigned Fund Balance Analysis

The City of Asheville Financial Management Policy recommends that the City maintain a fund balance in the General Fund equal to 15% of expenditures. The City ended FY 2013-14 with \$17.0 million in unassigned fund balance. The adopted FY 2014-15 budget included a \$2.0 million fund balance appropriation, which brought that total down to \$15.0 million. Since the start of the fiscal year, an additional \$218,518 has been appropriated from fund balance. Based on the positive revenue and expenditure trends observed through the first three quarters, staff is projecting that instead of decreasing, fund balance will actually increase slightly in the current fiscal year. Current revenue and expenditure projections for FY 2014-15 indicate that unassigned fund balance at June 30, 2015 will be \$17.7 million or 18.0% of estimated expenditures. As noted earlier, the FY 2015-16 General Fund budget does not include any appropriation from fund balance. Therefore, based on the proposed budget total of \$103 million, unassigned fund balance at the end of the FY 2015-16 would be 17.2%.

## Highlights from Other Funds

### **Water Resources Fund**

- In April, City Council approved minor rate adjustments for the 2015-16 fiscal year based on the Raftelis financial model. These rate adjustments are expected to generate approximately \$465,000 in additional revenue.
- The FY 2015-16 proposed budget includes \$11.98 million in pay-as-you-go funding for water capital improvement projects and \$335,000 to fund the routine replacement of vehicles and equipment. The capital budget is partially funded with a \$1.89 million appropriation from Water fund balance.
- Operating costs show an increase due to \$750,000 budgeted in Professional Services for on-call professional engineering contracts. On-call contracts will allow the department to expedite project design, bidding, and construction
- City staff is currently in the process of completing a refunding of water debt that was issued in 2005 and 2007. This refunding will result in substantial debt service savings over the life of the repayment. Since the transaction has not closed yet (scheduled for June 11), staff has not adjusted the debt service budget for FY 2015-16.

### **Stormwater Fund**

- Based on the financial model developed in the previous fiscal year, staff submitted and City Council approved in April a 5% increase in Stormwater fees for FY 2015-16. This rate adjustment is expected to generate approximately \$240,000 in additional revenue for the fund.
- The proposed budget includes funding for an additional crew of 6 FTE to enhance the stormwater maintenance program. The crew will be utilized to perform additional preventative maintenance services including performing ditching activities and replacing failed drainage systems.
- In addition to the crew noted above, there were several other position changes during FY 2014-15 including the addition of a utility locator, a project manager, and a customer service representative. Half of the salary of an engineering technician position formerly charged to the General Fund is now also being charged to Stormwater.

### **Transit Fund**

- The adopted FY 2014-15 budget included a half-year of funding to implement limited Sunday service and make other minor route changes on January 1, 2015. The FY 2015-16 proposed budget includes a full year of grant and City funding for these service enhancements.
- Overall operating costs for the transit system, including the item noted above, are up about \$260,000 in FY 2015-16.

### **Parking Services Fund**

- Revenues in the current fiscal year are performing better than budget, and this trend is expected to continue next fiscal year. There are no rate changes included in the FY 2015-16 proposed budget.
- The proposed budget includes a \$300,000 appropriation from Parking fund balance for capital projects including: 1) elevator rehabilitation in the three older garages, and 2) structural maintenance in the Civic Center Garage.
- The proposed budget also includes funding to hire a consultant to prepare a comprehensive parking study from a “big picture” vantage point in order to develop the appropriate strategic framework and philosophy to help formulate policy decisions to ensure that resources are used efficiently during the next 10 to 15 years.
- A half-time account clerk position was added to the budget during FY 2014-15.

### **US Cellular Center Fund**

- Event bookings and operating revenue have been lower than originally anticipated in the adopted FY 2014-15 budget, and this trend is expected to continue in FY 2015-16.
- The proposed US Cellular Center budget includes funding to pay all temporary/seasonal employees a living wage beginning in FY 2015-16.
- The General Fund transfer shows a slight decrease due to a reduction in the Center’s charge for indirect costs.

### **Street Cut Utility Fund**

- The FY 2015-16 proposed budget includes \$240,000 for equipment/vehicle replacement in the Street Cut Fund. Debt proceeds will fund these purchases.
- Otherwise, the FY 2015-16 proposed budget for the Street Cut Fund reflects a continuation of existing programs and services.

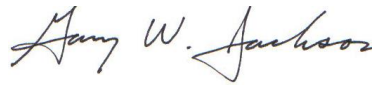
### **Conclusion**

I am pleased to present a proposed budget for Fiscal Year 2015-2016 that make improvements to service delivery and continues the comprehensive capital improvement program begun in 2014-2015 that is sustainable and will move Asheville to a higher level of financial sophistication and security.

I would like to take this opportunity to thank our department director team for their leadership during the budget process and recognize the tremendous work of the staff in the budget division, Tony McDowell, John Sanchez and Erin Marie Wheeler. Special thanks to the project managers, directors, staff, Barbara Whitehorn, Paul Fetherston and Cathy Ball for their tireless work on the capital improvement program. I would also like to recognize the efforts of all city employees for their dedication to delivering quality services to the Asheville community.

I look forward to working with you and the community to adopt the Fiscal Year 2015-2016 Budget.

Sincerely,

A handwritten signature in cursive script that reads "Gary W. Jackson". The signature is written in black ink and is positioned above the printed name and title.

Gary W. Jackson  
City Manager