

# BUDGET SUMMARY - FUNDS

## 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.

### Revenues:

	2012-13 Actual	2013-14 Actual	2014-15 Budget	2015-16 Proposed
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 Actual</b>	<b>2013-14 Actual</b>	<b>2014-15 Adopted</b>	<b>2015-16 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>	<b><u>87,983,512</u></b>	<b><u>92,095,160</u></b>	<b><u>99,547,954</u></b>	<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
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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.
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