# City Council FY24 Budget Work Session

**April 11, 2023**

Taylor Floyd,
Finance & Management Services Department

THE CITY OF ASHEVILLE



# Outline

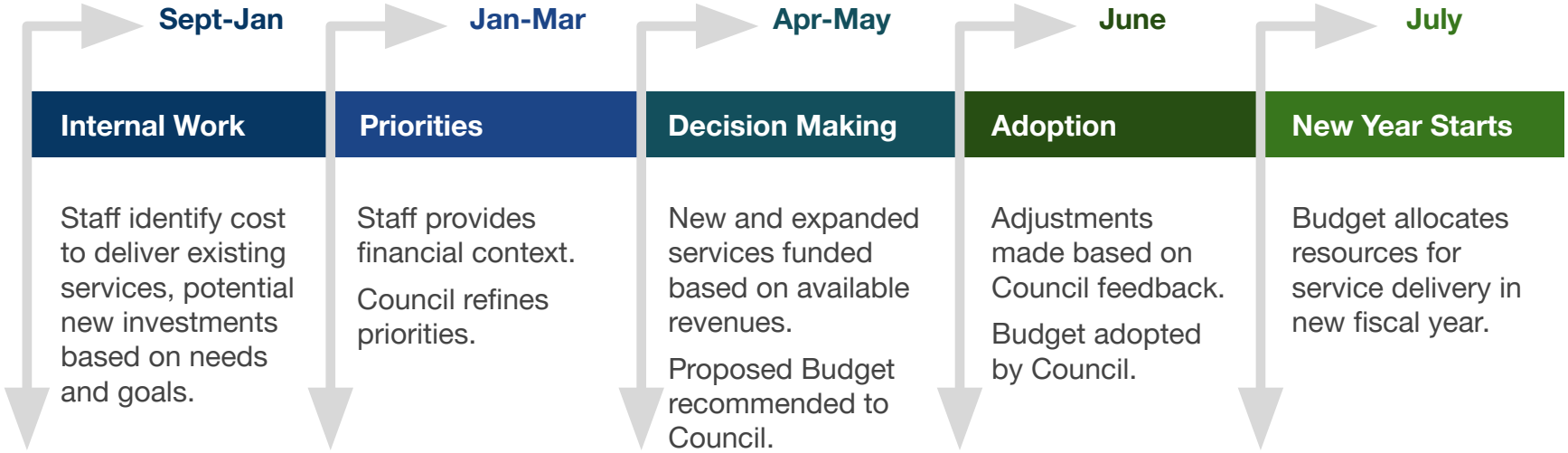
- General Fund updates
  - Fund balance estimate
  - Compensation
  - New investments
- Water Services Fee recommendation

THE CITY OF ASHEVILLE

# Key Takeaways

- Investments in employees are essential to service delivery and largest driver in budget development.
- Staff are working to balance increasing cost to deliver services, investments in strategic goals and available revenue sources.
- Recommended investments in the Water Fund are critical to service delivery and financial health.

# Budget Development Process




THE CITY OF ASHEVILLE

# City Council Priorities

- Equitable & Affordable Housing & Stability
- Houselessness Strategies
- Improve & Expand Core Services
- Neighborhood & Climate Resilience
- Reimagining Public Safety
- Reparations

THE CITY OF ASHEVILLE

# Guiding Principles

**Essential service delivery**
Ensuring departments have the resources required to meet service delivery expectations.

**Enhancing customer value**
Ensuring efficient service delivery that improves the customer experience.

**Strategic alignment**
Aligning resources (new and existing) to achieve community, Council and staff goals.

THE CITY OF ASHEVILLE

# Fund Balance & Revenue Summary

# Fund Balance Defined

- Available or unassigned fund balance is money that is left at the end of one fiscal year and may be appropriated to finance expenditures in the next year's budget.
- Reported in Annual Comprehensive Financial Report.
- NC Local Government Commission requires local governments to maintain a minimum of 8% fund balance.
- City of Asheville's internal policy is to maintain a fund balance of 15%.

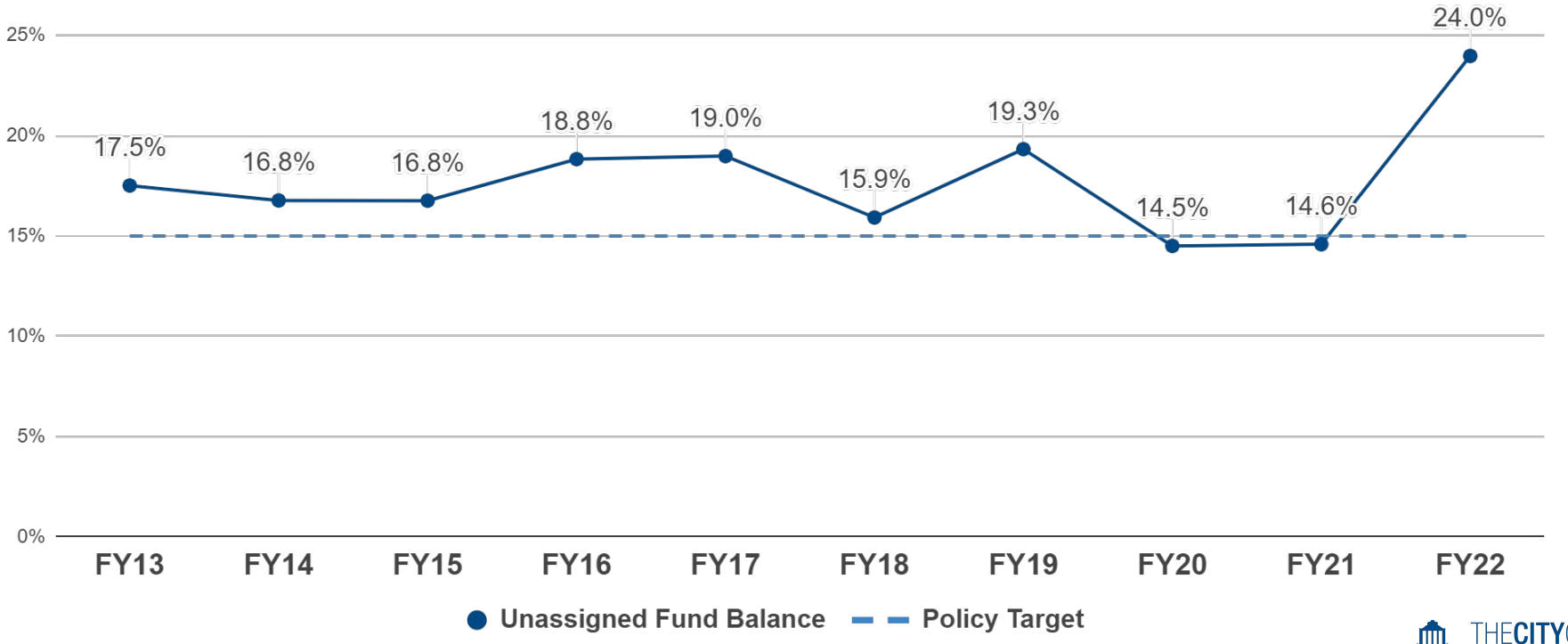
THE CITY OF ASHEVILLE

# Why Fund Balance is Important

- Cash flow management.
- Key measure of fiscal health.
- Factor in determining credit rating.
- Provides financial resources to weather unexpected crises.

THE CITY OF ASHEVILLE

# Fund Balance Actual History




THE CITY OF ASHEVILLE

# Fund Balance Budget History

| Year | One-time and/or funded with fund balance items |
|---|---|
| FY19 | Additional retirement contribution for firefighters ($155k).<br>Upgrade of public records position to full-time ($39k). |
| FY20 | No fund balance appropriation with budget adoption. |
| FY21 | COVID-19 operating costs ($100k).<br>Reimagining public safety community engagement ($50k).<br>Broadband access initiative ($50k). |
| FY22 | Neighborhood grants ($150k). |
| FY23 | Disparity Study ($375k). |

THE CITY OF ASHEVILLE

# Current Year Fund Balance Estimate

| Current Fiscal Year Estimates | |
|---|---|
| Estimated Revenues | $ 158.3M |
| Estimated Expenses | $ 156.6M |
| Revenues - Expenses | $ 1.7M |
| **Estimated Fund Balance** | |
| Beginning of fiscal year | $ 34.6M |
| Ending (Beginning + Rev-Exp) | $ 36.3M |
| Fund Balance % (Ending÷Exp) | 23% |

# Available Fund Balance

- Responsible financial management and strong sales tax growth have put the City in a positive financial position.
- Recommend up to $6.0M in fund balance for use in next year's budget.

# Available Resources (General Fund)

| Revenue Source | Est. Available |
|---|---|
| Revenue growth (property & sales tax) | $ 4.7M |
| Sanitation fee | $ 0.4M |
| ARPA | $ 2.0M |
| Fund Balance | $ 4.2M |
| **Total** | **$ 11.3M** |

THE CITY OF ASHEVILLE

# Revenue Summary

- Growth in property and sales tax revenue continues, but not at the same pace as the cost to deliver services.
- Opportunity for strategic use of fund balance and ARPA.
- Economic uncertainty is always a factor.

THE CITY OF ASHEVILLE

# Questions/Discussion

THE CITY OF ASHEVILLE

# Compensation & Benefits Update

THE CITY OF ASHEVILLE

# Comp. & Benefits: Baseline Changes

General Fund

- Full year cost of mid-year adjustments and APD incentives.
- Mandated increase in employer state retirement contribution: $550k.
- Increase in employer health care contribution: $1-1.5M.
- Evaluating health plan design and employee contribution.

THE CITY OF ASHEVILLE

# Compensation: Under Consideration

- Above Just Economics “Pledged” Living Wage
- Differential salary increases (including 6% for APD)
- ***Increased night shift and on-call pay***
- Certification incentive pay
- Wellness incentive
- Signing bonuses
- Career ladder for trades
- 401(k) retirement account match

THE CITY OF ASHEVILLE

# Compensation: Shift Differential Pay

Additional pay for working evening, night and weekend shifts ($0.75 per hour).

- Original Proposal: increase to $1.50.
- Council Request: increase to $3.00.
- Updated recommendation: increase to $2.00.
- Est. annual cost: **$250k** (General Fund).
- Ex. departments impacted: Police, Public Works, Water, Transportation.

THE CITY OF ASHEVILLE

# Shift Differential Recommendation

- Based on research, $2.00 is competitive with benchmarked peers.
- Avoids disincentivizing shift work during regular hours.
- Minimize impact on compression adjustments that were recently implemented.

THE CITY OF ASHEVILLE

# Compensation: On-call Pay

Additional pay for being available to work outside of normal hours ($20.00 per day).

- Original Proposal: increase to $30.00.
- Council Request: increase to $40.00.
- Updated recommendation: increase to $30.00.
- Est. Annual Cost: **$150k** (General Fund).
- Ex. departments impacted: Fire, Police, Public Works, Water, Development Services, Information Technology, CAPE.

THE CITY OF ASHEVILLE

# On-Call Pay Recommendation

- Primary goal of compensation recommendations is to reward employees on the job.
- Employees called in are paid at overtime rate, which will increase with base pay recommendations.

# Compensation & Benefits Summary

| Item | Est. Cost |
|---|---|
| 5% increase (not including sworn) | $ 2.9M |
| 6% increase for sworn APD positions | $ 1.1M |
| Additional employer health contribution | $ 1.3M |
| Additional employer 401(k) contribution | $ 0.7M |
| Additional shift differential | $ 0.3M |
| Additional on-call pay | $ 0.2M |
| Critical staffing supplement | $ 0.3M |
| Intermediate law enforcement cert. | $ 0.2M |
| APD wellness incentive | $ 0.2M |
| Additional temp/seasonal | $ 0.2M |
| **Total** | **$ 7.2M** |

THE CITY OF ASHEVILLE

# Questions/Discussion

THE CITY OF ASHEVILLE

# Investments in Council Priorities

THE CITY OF ASHEVILLE

# *Ongoing* Funding Examples

| | Ongoing Costs | Core Service | Climate & Nbrhd Resilience | Home-lessness | Reimagining Pub. Safety | Affordable Housing | Repara-tions |
|---|---|---|---|---|---|---|---|
| Housing Trust Fund | $ 500k | | ✔ | | | ✔ | |
| LUIG | $ 608k | | ✔ | | | ✔ | |
| Development Fee Rebates | $ 85k | | ✔ | | | ✔ | |
| Reparations Allocation | $ 500k | | | | | | ✔ |
| Homelessness Coordinator | $ 70k | | | ✔ | ✔ | | |
| Enhanced parks maint. | $ 300k | ✔ | ✔ | | | ✔ | |
| HR Info. System | $ 250k | ✔ | | | | | |
| Expanded rec center hours | $ 450k | ✔ | ✔ | | | | |

# *Ongoing* Funding Examples

| | Ongoing Costs | Core Service | Climate & Nbrhd Resilience | Home-lessness | Reimagining Pub. Safety | Affordable Housing | Repara-tions |
|---|---|---|---|---|---|---|---|
| Parks maint. relocation | $ 200k | ✔ | ✔ | | | | |
| 911 consolidation | $ 2M | ✔ | ✔ | | ✔ | | |
| EMT pay supplements | $ 75k | ✔ | | | ✔ | | |
| Code Purple sheltering | $ 50k | | ✔ | ✔ | | | ✔ |
| Homeowner tax grant | $ 150k | | ✔ | ✔ | | ✔ | |
| Homelessness outreach | $ 110k | | ✔ | ✔ | ✔ | | |
| Strategic Partnership Funds | $ 242k | | ✔ | | | | |
| Neighborhood grants | $ 150k | | ✔ | | | | |

# *New* Staffing Request Examples

| | Ongoing Costs | Core Service | Climate & Nbrhd Resilience | Home-lessness | Reimagining Pub. Safety | Affordable Housing | Repara-tions |
|---|---|---|---|---|---|---|---|
| Solid Waste Driver | $ 85k | ✔ | ✔ | | | | |
| Purchasing Coordinator | $ 75k | ✔ | | | | | |
| Facility Maintenance Janitor | $ 65k | ✔ | | | | | |
| Animal Care Naturalist | $ 78k | ✔ | | | | | |
| City Attorney Admin. Asst. | $ 62k | ✔ | | | | | |
| Constituent Svcs Coord. | $ 78k | ✔ | ✔ | ✔ | ✔ | ✔ | |

# *New* Other Operating Examples

| | Ongoing Costs | Core Service | Climate & Nbrhd Resilience | Home-lessness | Reimagining Pub. Safety | Affordable Housing | Repara-tions |
|---|---|---|---|---|---|---|---|
| APD uniforms (one-time) | $ 122k | ✔ | | | | | |
| Solid Waste Master Plan (one-time) | $ 350k | ✔ | ✔ | | | | |
| Solid Waste vehicle (one-time) | $ 175k | ✔ | | | | | |
| City/County Transit Plan (one-time) | $ 300k | ✔ | ✔ | | | | |
| Transit management consultant (one-time) | $ 100k | ✔ | | | | | |
| APD camera upgrade (one-time) | $ 78k | ✔ | | | ✔ | | |
| HR Info System expansion | $ 50k | ✔ | | | | | |
| Fleet mgmt software | $ 70k | ✔ | ✔ | | | | |
| Add'l reparations allocation | $ 10k | | | | | | ✔ |

# Future Considerations

- Significant prior year investments in homelessness and affordable housing.
- Awaiting HIAC recommendations based on NAEH report.
- Other funding sources (e.g., opioid settlement, ARPA) potentially available to address.

THE CITY OF ASHEVILLE

# Revenue & Expense Summary

| Expense Adjustments (Gen Fund) | |
|---|---|
| Base changes | $ 2.5M |
| Compensation | $ 7.2M |
| New one-time | $ 1.1M |
| New staffing | $ 0.4M |
| New other operating | $ 0.1M |
| **Total** | **$ 11.3M** |

| Available Resources (Gen Fund) | |
|---|---|
| Revenue Growth | $ 5.1M |
| ARPA | $ 2.0M |
| Fund Balance | $ 4.2M |
| **Total** | **$ 11.3M** |

THE CITY OF ASHEVILLE

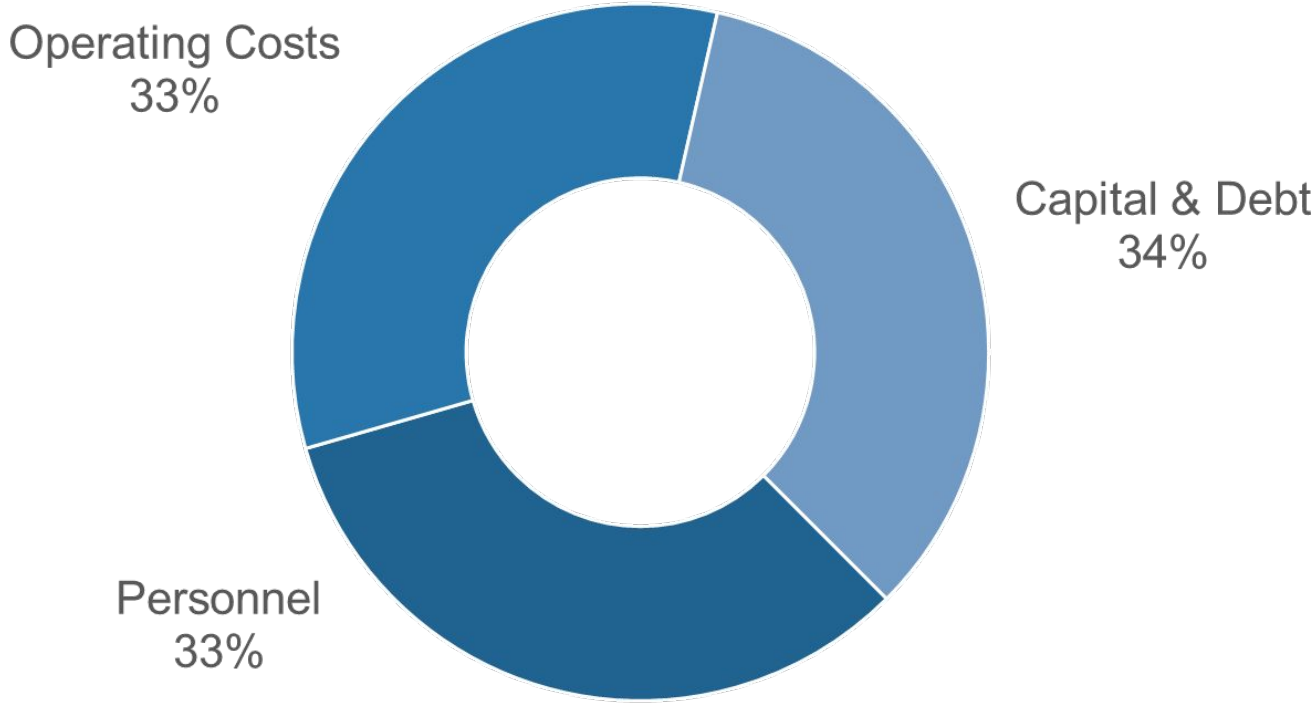
# Questions/Discussion

THE CITY OF ASHEVILLE

# Water Resources

THE CITY OF ASHEVILLE

# Water Resources Fund




FY22-23 Water Fund Budget: $40,346,600

THE CITY OF ASHEVILLE

# FY24 Expenses - Base Budget

- Overall 3% increase compared with current year.
- Maintains current operations (i.e., no enhancements).
- Slightly increases current capital transfer to $5.9M.
- Does not include proposed salary changes or mandated LGERS increase.
- **Estimated Total: $41,650,000.**

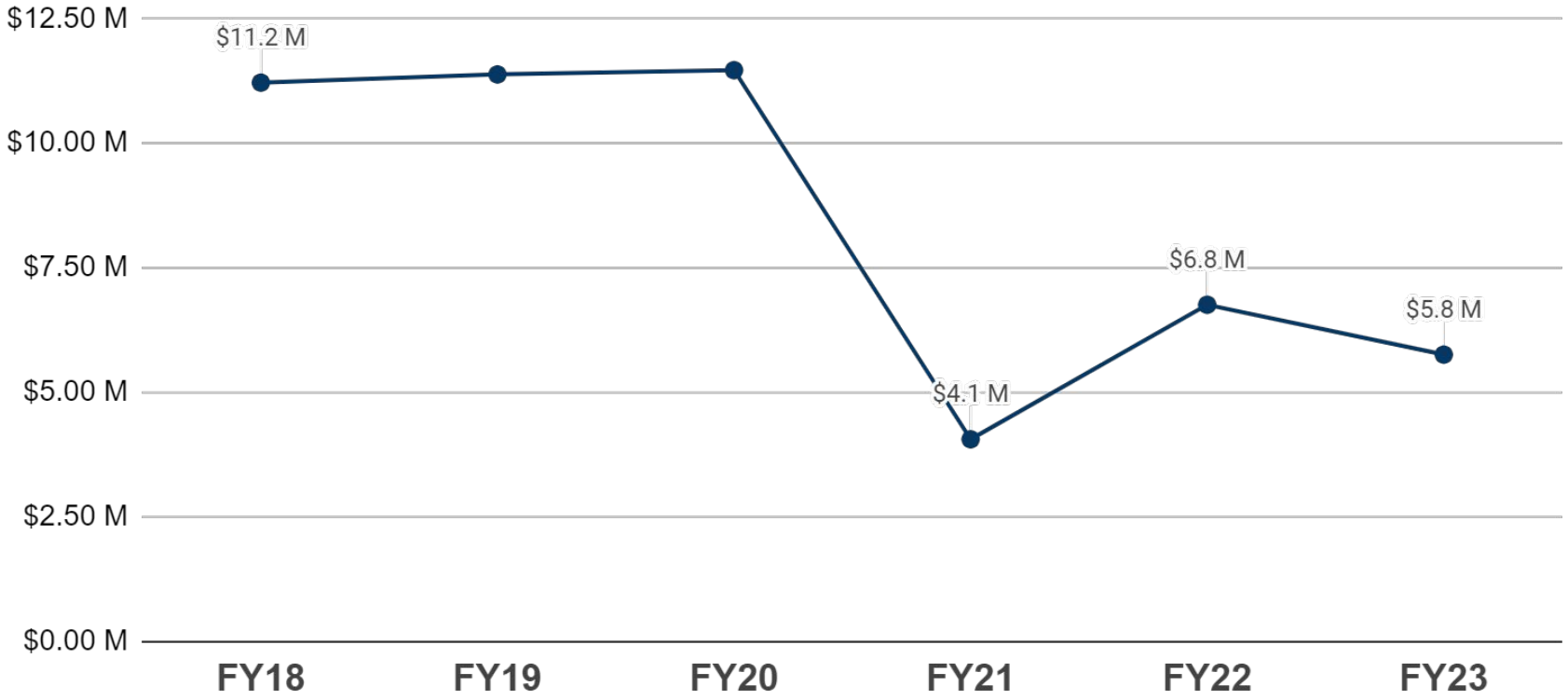
THE CITY OF ASHEVILLE

# Planned Service Enhancements

- Additional maintenance crew.
- Staffing to enhance night coverage at water treatment plants.
- Staffing to improve critical communication and customer engagement.
- Customer service staff to support meter project transition.
- Continue to recover lost revenue from loss of capital fee in FY19-20.
- **Estimated Total: $1,119,000.**

THE CITY OF ASHEVILLE

# Capital Allocation History




THE CITY OF ASHEVILLE

# Proposed Compensation Changes

| Item | Estimated Cost |
|---|---|
| Across the board 5% increase | $ 455,000 |
| Shift Differential increase | $ 35,000 |
| On-Call increase | $ 38,000 |
| LGERS increase | $ 171,000 |
| **Total** | **$ 699,000** |

THE CITY OF ASHEVILLE

# Water Fund FY24 Expense Summary

| Item | Estimated Cost |
|---|---|
| Base Budget | $ 41,650,000 |
| Proposed Salary Changes | $ 699,000 |
| Service Enhancements | $ 1,119,000 |
| **Total** | **$ 43,468,000** |

THE CITY OF ASHEVILLE

# Recommended Water Fee Changes

- An increase in base fees charged to customers according to meter size.
- An increase in consumption fees charged to customers based on the volume of water used.
- An increase in hydrant meter rental deposits.

THE CITY OF ASHEVILLE

# Household Impact

Impact of fee changes on typical household.

| Fee | Bi-Monthly Bill Increase | Annual Increase |
|---|---|---|
| Solid Waste | $ 2.00 | $ 12.00 |
| Stormwater (Tier 2) | $ 1.76 | $ 10.58 |
| Water (6 CCFs/month) | $ 7.13 | $ 42.78 |
| **Total** | **$ 10.89** | **$ 65.36** |

THE CITY OF ASHEVILLE

# 3/28 Council Feedback

- Additional peer system comparisons.
  - More detailed comparative data.
- Impact of freezing residential rates.
  - Estimated $2.5M less in revenue.
- How to reduce impact on residential customers.
  - Recommend adjusting fees once consultant work is complete.

THE CITY OF ASHEVILLE

# Current System Users by Class

As of calendar year 2022, Asheville Water Resources had nearly 60,700 customer accounts that consumed 7.7M centum cubic feet (CCF) of water.

| Customer Class | Accounts | | Billed Water | |
|---|---|---|---|---|
| | Number | % | CCF | % |
| Single Family Residential | 53,528 | 88.2% | 2,875,186 | 37.5% |
| Multi-Family Residential | 1,764 | 2.9% | 1,319,515 | 17.2% |
| Commercial | 4,653 | 7.7% | 2,560,303 | 33.4% |
| Manufacturing | 11 | 0.0% | 303,369 | 4.0% |
| Irrigation | 717 | 1.2% | 107,879 | 1.4% |
| Wholesale | 8 | 0.0% | 496,083 | 6.5% |
| **Total** | **60,681** | **100.0%** | **7,662,335** | **100.0%** |

THE CITY OF ASHEVILLE

# Benchmarked Municipalities

Why these municipalities?

- Boone - identified as peer by council/community; mountain region; high tourism.
- Charlotte - large system; no differential residential rate structure.
- Hendersonville - neighboring community; similar existing rate structure.
- Raleigh - “average” from last benchmarking information provided.

THE CITY OF ASHEVILLE

# Peer Benchmark: Boone

## Residential Rate Comparison

| | Asheville | Boone (inside) | Boone (outside) |
|---|---|---|---|
| **Base Charge** | | | |
| 5/8" | $6.18 | N/A | N/A |
| 3/4" | $8.64 | $18.25 | $36.50 |
| **Volumetric (per CCF/per month)** | | | |
| 0-2.7 | $4.77 | no charge | no charge |
| 2.8-6.7 | $4.77 | $7.30 | $14.60 |
| 6.8-13.4 | $4.77 | $7.60 | $15.20 |

THE CITY OF ASHEVILLE

# Peer Benchmark: Charlotte

## Residential Rate Comparison

| | Asheville | Charlotte (all customers) |
|---|---|---|
| **Base Charge** | | |
| 5/8" | $6.18 | $6.60 |
| 1" | $13.57 | $8.54 |
| **Volumetric (per CCF/per month)** | | |
| 0-4.9 | $4.77 | $1.78 |
| 5.0-8.9 | $4.77 | $2.30 |
| 9.0-16.9 | $4.77 | $5.32 |

THE CITY OF ASHEVILLE

# Peer Benchmark: Hendersonville

## Residential Rate Comparison

| | Asheville | Hendersonville (inside) | Hendersonville (outside) |
|---|---|---|---|
| **Base Charge** | | | |
| 5/8" | $6.18 | N/A | N/A |
| 3/4" | $8.64 | $8.32 | $11.23 |
| **Volumetric (per CCF/per month)** | | | |
| 0-8.0 | $4.77 | $4.48 | $6.05 |
| 8.1-18.6 | $4.77 | $4.93 | $6.65 |
| 18.7+ | $4.77 | $5.60 | $7.56 |

# Peer Benchmark: Raleigh

## Residential Rate Comparison

| | Asheville | Raleigh (inside) | Raleigh (outside) |
|---|---|---|---|
| **Base Charge** | | | |
| 5/8" | $6.18 | $6.45 | $12.90 |
| 3/4" | $8.64 | $8.76 | $17.52 |
| **Volumetric (per CCF/per month)** | | | |
| 0-4.9 | $4.77 | $2.67 | $5.34 |
| 5.0-10.9 | $4.77 | $4.45 | $8.90 |
| 11+ | $4.77 | $5.93 | $11.86 |

THE CITY OF ASHEVILLE

# Peer Benchmarking - Customer Costs

| | Monthly Inside Residential (⅝" meter, 6 CCF) | Monthly Outside Residential (⅝" meter, 6 CCF) | Monthly Inside Commercial (1.5'' meter; 15 CCF) | Monthly Outside Commercial (1.5'' meter; 15 CCF) |
|---|---|---|---|---|
| Boone | $42.34 | $84.68 | $147.39 | $294.78 |
| Hendersonville | $35.20 | $47.53 | $80.35 | $108.50 |
| **Asheville** | **$34.80** | **N/A** | **$86.48** | **N/A** |
| Raleigh | $24.25 | $48.50 | $76.67 | $153.34 |
| Charlotte | $17.80 | N/A | $57.98 | N/A |

Notes:

1. Comparison based on the typical meter size and usage by customer class within the City of Asheville system.
2. Boone and Hendersonville don't offer a 5/8" meter. Instead their smallest residential meter (3/4") is used for their calculations.

THE CITY OF ASHEVILLE

# Water Resources Revenue Options

| Rate Options Revenue | Est. FY24 |
|---|---|
| No Change | $ 40,347,000 |
| Freeze Residential | $ 41,458,000 |
| Recommended Increase | $ 44,006,000 |
| **Expenses** | |
| Base + Comp. Adjustments | $ 42,349,000 |
| Service Enhancements | $ 1,119,000 |
| **Total Expenses** | **$ 43,468,000** |

THE CITY OF ASHEVILLE

# Rate Model Study/Update

## Scope

- Define cost of service by functional area (e.g., production, distribution).
- Assess rate structure and make recommendations for an equitable and functional rate model.
- Incorporate changes into updated financial planning model.

## Timeline

- Anticipated study completion of fall 2023.

THE CITY OF ASHEVILLE

# Impact on Long Term Needs & Debt

- Continued capital investment in water infrastructure is critical to maintaining the production and distribution systems.
- Water debt rating reliant on sound financial planning.
- Likely to issue debt for meter project in FY24, which will require LGC approval.

THE CITY OF ASHEVILLE

# Water Resources Summary

- Challenging to maintain current level of service without recommended fee increases.
- Difficult for staff to assess impact of substantial changes to rates and structure.
- Additional fee adjustments can be made once consultant has completed work.
- Council action tentatively scheduled for April 25.

THE CITY OF ASHEVILLE

# Questions/Discussion

THE CITY OF ASHEVILLE

# Summary & Next Steps

THE CITY OF ASHEVILLE

# Key Takeaways

- Investments in employees are essential to service delivery and largest driver in budget development.
- Staff are working to balance increasing cost to deliver services, investments in strategic goals and available revenue sources.
- Recommended investments in the Water Fund are critical to service delivery and financial health.

THE CITY OF ASHEVILLE

# Remaining Budget Schedule

| | |
|---|---|
| City Council Formal Meeting<br>- Proposed Budget Presentation<br>- Set Public Hearing | May 9, 2023 |
| City Council Formal Meeting<br>- Budget Public Hearing | May 23, 2023 |
| City Council Formal Meeting<br>- Budget Adoption | June 13, 2023 |

THE CITY OF ASHEVILLE