THE CITY OF ASHEVILLE

MEMORANDUM

TO: City Council

FROM: Tony McDowell, Finance Director
Taylor Floyd, Budget Manager

DATE: February 14, 2023

SUBJECT: FY 2022-23 Q2 Quarterly Financial Report

SUMMARY STATEMENT:

The financial information in this report reflects the City's overall financial position for Fiscal Year 2022-23 (FY23) through December 2022.

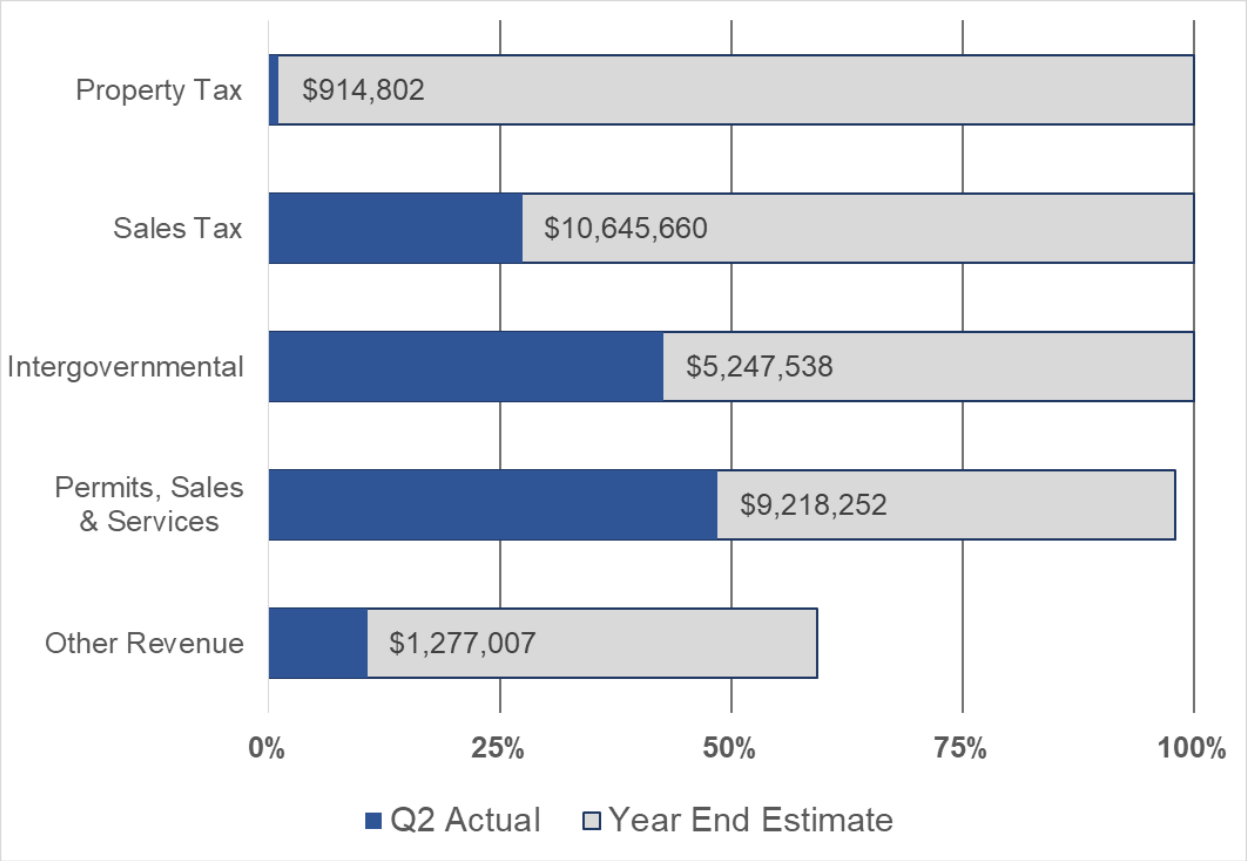
General Fund Revenues

Through December 31, 2022, the City has collected approximately $27.3 Million in General Fund revenue, which represents 17% of the revised General Fund revenue budget (not including fund balance appropriations).

Property and sales taxes are the General Fund's largest sources of revenue, making up a combined 74% of total adopted General Fund revenue. Staff is currently projecting that property tax revenue will end the year near budget estimates, and that sales taxes will exceed budget estimates.

- A limited amount of property tax revenue was recorded through December. These revenues are generally recorded on the City's financial system in January and will be shown as part of the third quarter report. The City received official FY23 tax base data from Buncombe County at the end of January, which confirmed that revenue is on track to meet budget estimates.
- The City has received four months of sales tax revenue to date and revenues are up 12.1% compared to the first four months of the prior fiscal year.
- Other General Fund revenues are trending toward budget estimates at this point in the fiscal year.

FY23 General Fund Revenues: Q2 Actuals & Year End Estimates as a Percentage of Revised Budget



Notes:

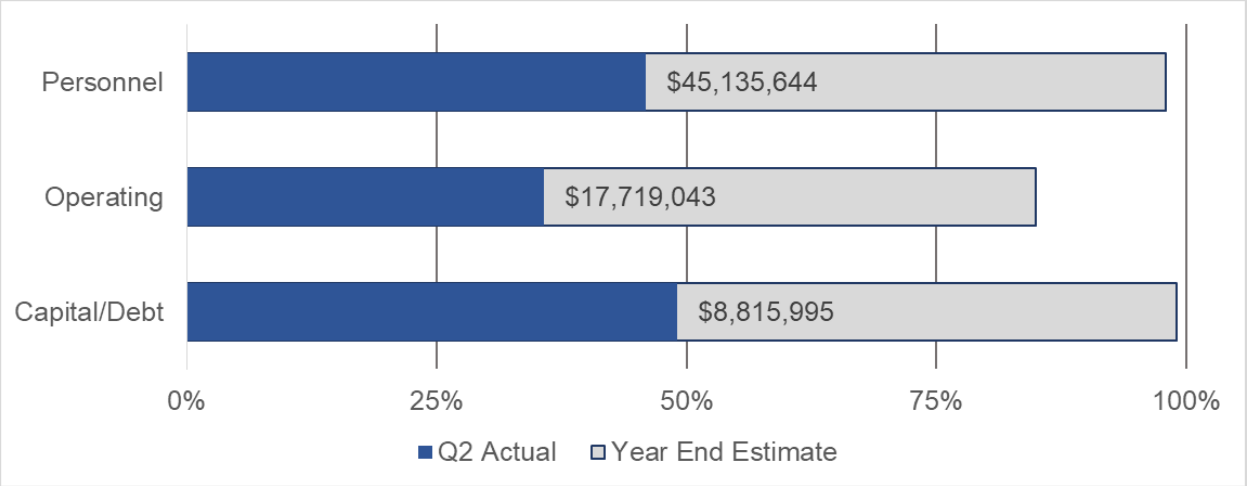
1. *Dollar figures are total actuals through the second quarter of FY23 (December 2022).*
2. *Revised Budget includes encumbrances carried forward from the prior fiscal year.*

General Fund Expenditures

General Fund expenditures through the second quarter generally align with expectations at 43% of the revised budget. While personnel expenditures to date appear low relative to budget, planned pay adjustments to address compression and increase the City's minimum salary for full-time employees to $36,816 were made effective November 26, 2022, which will increase expenses over the remainder of the fiscal year. In addition as noted in the first quarter report, several pay adjustments and incentives have been added since budget adoption in an effort to recruit and retain staff in the Asheville Police Department. Staff anticipate that these changes can be absorbed within APD's personnel budget through additional APD savings that have been identified based on higher than previously projected vacancy rates.

Operating (non-personnel) expenditures track typical spending patterns. Staff will continue to monitor economic trends as inflation concerns expand from goods to services and fuel prices remain volatile. While fuel prices have moderated, lack of staffing and related need to contract for vehicle repairs have increased fleet repair costs. The contract for management of the Municipal Golf Course approved earlier this fiscal year may also impact operating expenses as the year continues. This new agreement provides a profit sharing arrangement between the company and City. While staff believe this agreement will provide a higher quality experience for players and additional revenue to the City, losses may be incurred as the new company makes improvements to the course and related amenities. Current estimates of the impact for these costs totals $225,000.

FY23 General Fund Expenditures: Q2 Actuals & Year End Estimates as a Percentage of Revised Budget



Notes:

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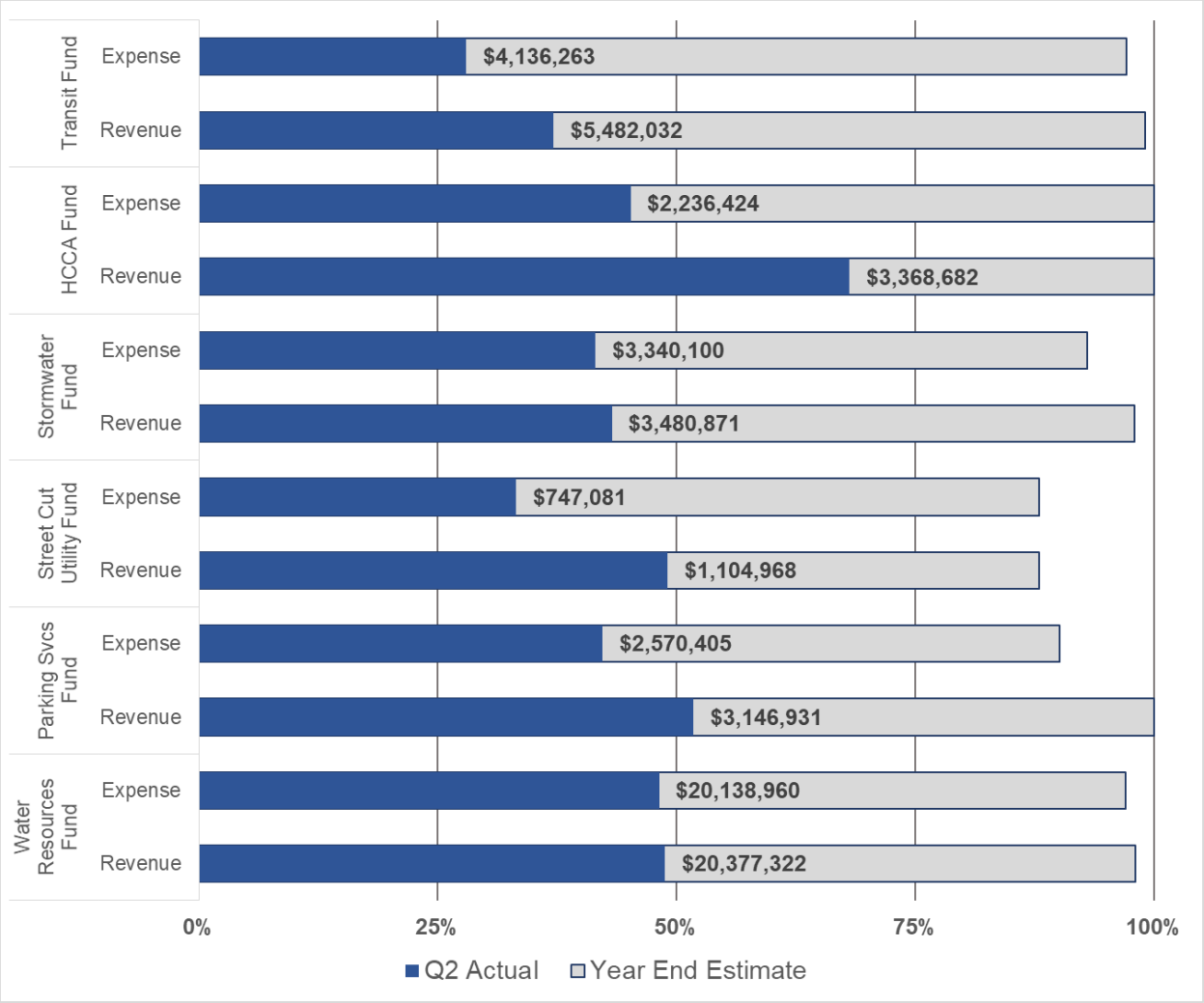
Enterprise Funds

The following information summarizes year-to-date and year-end projections for the City's six enterprise funds. Revenues and expenses in enterprise funds are generally on target relative to budget through the second quarter, and track prior year trends.

- Parking Services Fund revenues, which were significantly under budget in the prior fiscal year, are performing better than expected. FY23 parking garage revenues through the first two quarters were 61% of budget, compared to 18% last fiscal year. This more closely aligns with pre-pandemic revenues.

- The HCCA event load in FY23 has been significantly higher than initially forecasted during last year's budget process. As a result, HCCA concessions, ticketing and other show related revenues are expected to exceed the adopted budget. Additional budget will be needed for concessions purchases, show settlements, and other expenses that increase along with additional bookings. Staff plan to recommend a budget amendment for the HCCA Fund to City Council at the February 28 meeting.

FY23 Enterprise Funds Q2 Actuals & Year End Estimates as a Percentage of Revised Budget



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Summary

Based on the information currently available, revenues and expenses in all funds are performing as expected through the second quarter of the fiscal year. Staff will continue to monitor trends

and assess the impact of changes, especially inflation, fuel prices, and the potential for economic recession.

Information about the status of individual capital projects can be found on the Capital Project Dashboard at https://dashboards.ashevillenc.gov/capital_projects.