THE CITY OF ASHEVILLE

MEMORANDUM

TO: City Council

FROM: Debra Campbell, City Manager
Tony McDowell, Finance Director

DATE: October 25, 2022

SUBJECT: FY 2022-23 Q1 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 September 2022.

General Fund Revenues

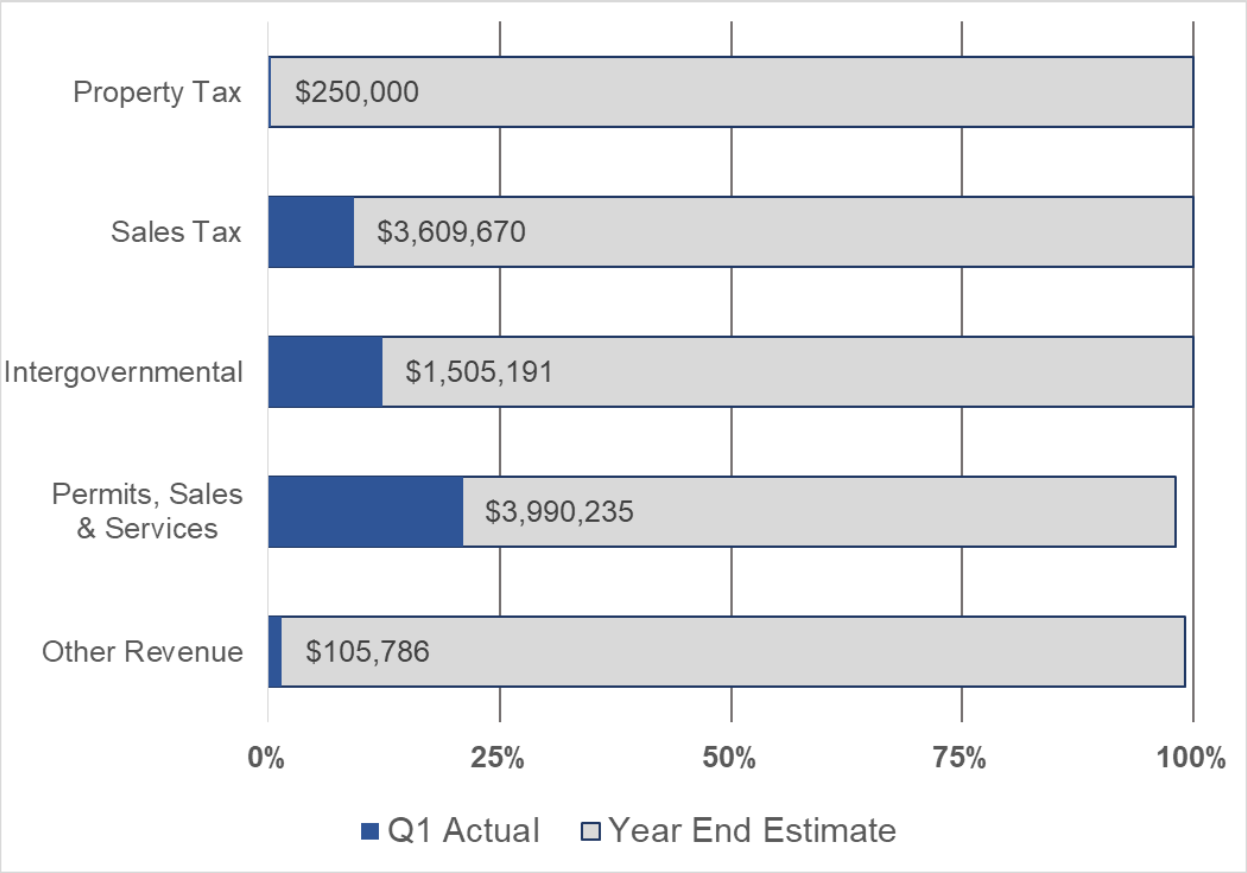
Through September 30, 2022, the City has collected approximately $9.5 million in General Fund revenue, which represents 6% of the revised General Fund revenue budget (not including fund balance appropriations). With so little collection data available through the first quarter, most of the FY23 revenue projections are based on prior year results and multi-year trends.

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 both of these revenues will end the year close to budget estimates.

- Limited number of property tax payments have been received, these revenues generally pick up during the second quarter as property owners pay annual tax bills.
- Buncombe County and HCA have reached a settlement on disputed property tax valuation for Mission Hospital. As part of this settlement, overpayment of prior year taxes by HCA will be deducted from their current property tax bill. This will result in a reduction of approximately $483,000 in City property tax revenues. While significant, staff anticipate that higher than projected growth in the property tax base from new construction will make up for this revenue loss.
- The City received its first month of sales tax revenue on October 12. This figure is included in the Q1 actuals. July 2022 sales tax revenue was up 8.5% compared to July 2021. While a significant increase, it is under the year-over-year growth from FY22 to FY21 (17%). Inflation is likely also a factor, as the Consumer Price Index for July rose 8.5%.

- Despite strong performance through the pandemic, economic uncertainty, interest rate increases, and inflation concerns will likely temper sales tax growth in the current fiscal year.

FY23 General Fund Revenues: Q1 Actuals & Year End Estimates as a Percentage of Revised Budget



Notes:

1. *Dollar figures are total actuals for the first quarter of FY23.*
2. *Revised Budget includes encumbrances carried forward from the prior fiscal year.*

General Fund Expenditures

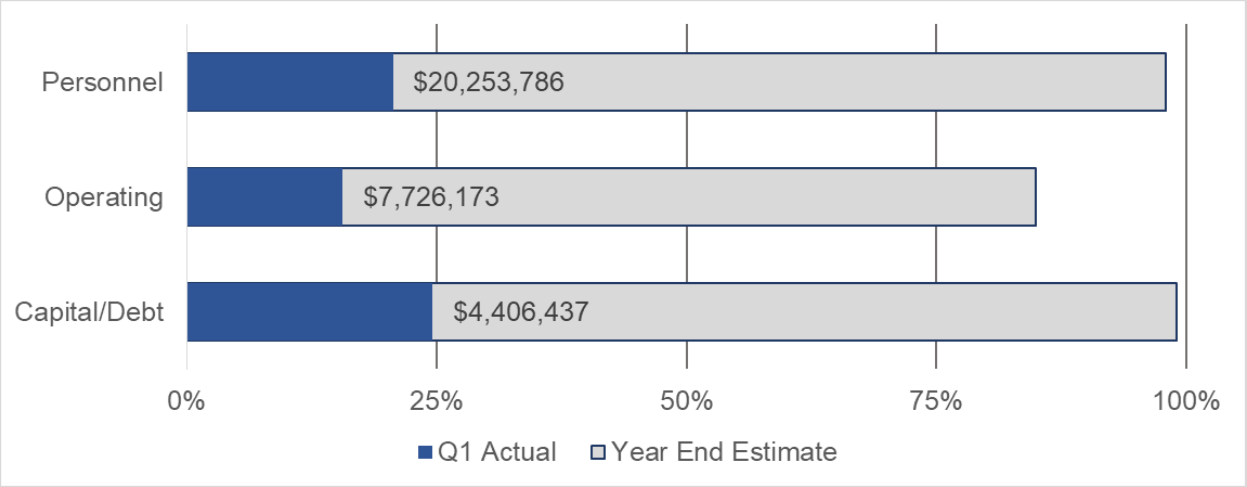
First Quarter General Fund expenditures generally align with expectations at 20% of the revised budget. While personnel expenditures appear low relative to budget, planned pay adjustments to address compression and increase the City's minimum salary for full-time employees to $36,816 will occur later in the fiscal year. In addition, several adjustments have been made since budget adoption in an effort to recruit and retain staff in the Asheville Police Department, including:

- Pay to employees with advanced law enforcement certification has changed from a one-time payment of 5% of their salary to an ongoing 5% supplement.
- Hiring bonus structure providing incentives to current employees that refer new hires ($1,000), new hires into the training academy ($3,500), and certified new hires ($5,000).
- Relocation assistance and enhanced leave benefits.

Staff estimate 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. A recently approved contract for management of the Municipal Golf Course 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.

FY23 General Fund Expenditures: Q1 Actuals & Year End Estimates as a Percentage of Revised Budget



Notes:

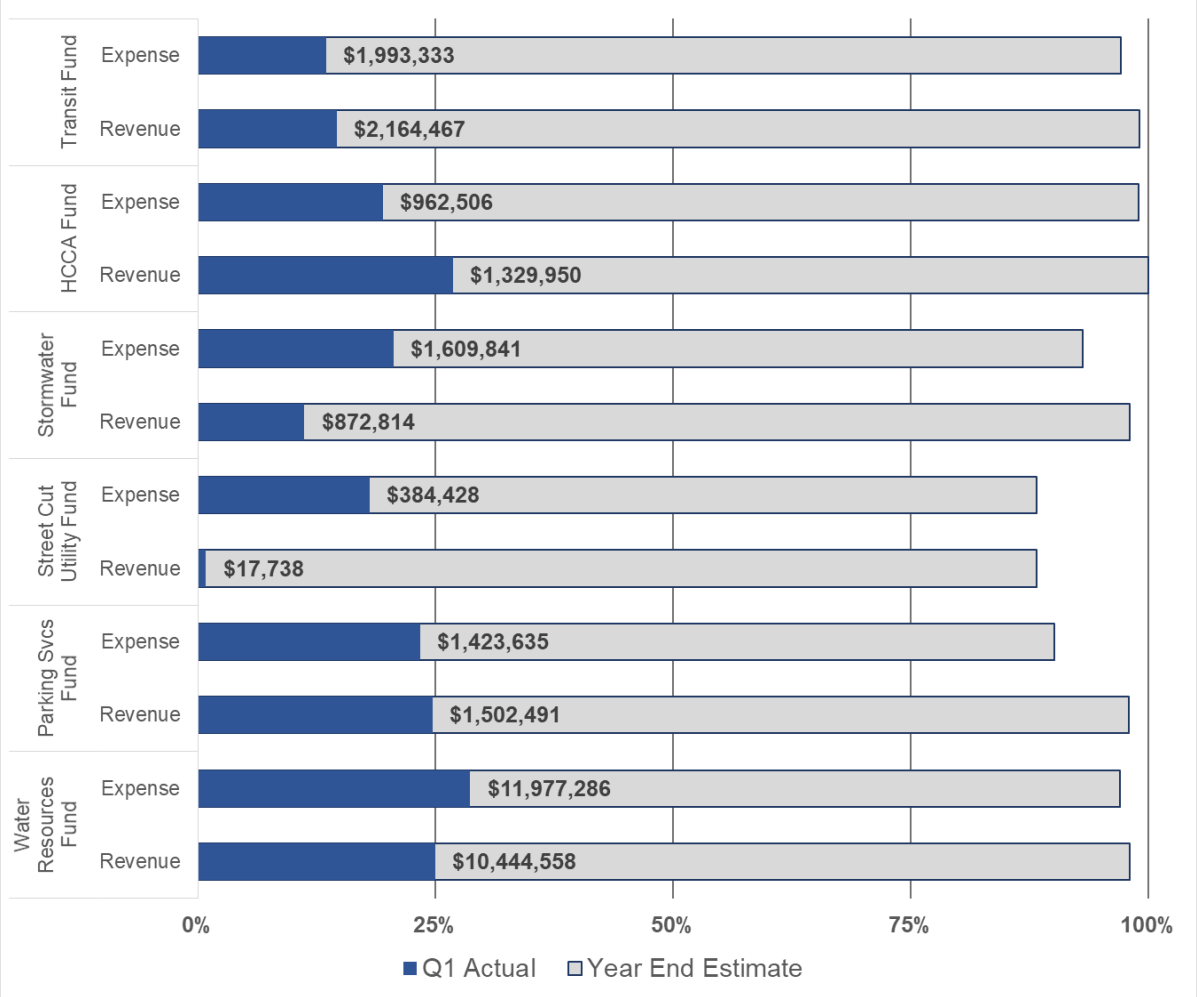
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Enterprise Funds

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

- Parking Services Fund actual revenues, which were significantly under budget in the prior fiscal year, are performing as expected. First quarter FY23 parking garage revenues were 27% of budget, compared to 7% last fiscal year. While this more closely aligns with pre-pandemic budget performance, actual revenues remain below pre-pandemic levels.
- Street Cut Utility Fund revenues are billed quarterly to customers based on actual expenses. As a result, revenues generally lag expenses.

FY23 Enterprise Funds Q1 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 first 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. More data, especially sales tax revenues and personnel costs, will be available with the second quarter report scheduled for presentation on January 24.

An update on capital projects will be provided as part of a City Council Work Session scheduled for December 13. In the interim, project-specific information can be found on the Capital Project Dashboard at https://dashboards.ashevillenc.gov/capital_projects.