THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: June 28, 2022

Subject: Adoption of the Fiscal Year 2022-23 Annual Budget

Staff Resource: Tony McDowell, Finance and Management Services Director

Actions Requested: (1) Adoption of an ordinance adopting the Fiscal Year 2022-23 Annual Budget; (2) Motion to recuse Mayor Manheimer from voting on the attached budget amendment in accordance with N.C. Session Law 2021-191 (S.B. 473) (Economic Development Coalition); (3) Adoption of a Fiscal Year 2022-23 budget amendment in the amount of $100,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to nonprofits with which members of council are associated (Economic Development Coalition); (4) Motion to recuse Councilwoman Turner from voting on the attached budget amendment in accordance with N.C. Session Law 2021-191 (S.B. 473) (Sports Commission); and (5) Adoption of a Fiscal Year 2022-23 budget amendment in the amount of $45,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to nonprofits with which members of council are associated (Sports Commission).

Background:

- The Fiscal Year (FY) 2022-23 Proposed Annual Operating Budget was presented to City Council on May 24, 2022.
- In accordance with the North Carolina Local Government Budget and Fiscal Control Act, a summary of the Proposed Budget along with a notice of the Public Hearing was published on June 3, 2022.
- The Proposed Budget, which totals $217.6 million dollars: is a balanced and fiscally responsible spending plan that:
    - Recommends no change in the current property tax rate;
    - Continues funding core community services in a time of rising costs and provides additional investments that align with Council priorities,
    - Funds employee compensation adjustments that reflect inflation in the labor market and local cost of living increases;
    - Strategically utilizes fund balance and American Rescue Plan (ARPA) funding to advance Council's priorities and balance the budget.
- City Council conducted a Public Hearing on the Proposed Budget on June 14, 2022.
- Speakers at the Public Hearing expressed support for several items already included in the Proposed Budget, such as:
    - The recommended living wage increase for City employees;
    - The inclusion of an Urban Forester position in the revised Proposed Budget; and
    - Funding for the relocation of the Parks and Recreation maintenance facility.
- Several speakers also raised concerns about the amount of funding included in the proposed Police Department's budget.
- The following changes to the Proposed Budget that was presented on May 24, 2022 are included in the budget ordinance that Council is considering tonight:
    - Increase the FY 2022-23 budget for Reparations from $365,000 to $500,000.
    - In addition, in future fiscal years staff will plan on budgeting Reparations similar to how the current annual funding is handled for the Housing Trust Fund (also $500,000).

    - Specifically, staff will include at least $500,000 for Reparations in future base budgets, subject to financial feasibility and eventual final budget approval by City Council;
    - Adjust the compensation plan for FY 2022-23 to include an additional increase in January 2023 to bring the City's minimum annual full-time salary to $36,816 (for 40-hour per week employee) and make associated compression adjustments;
    - Add an Urban Forester position in FY 2022-23 to enhance staff capacity and professional expertise to implement the Tree Canopy Protection Ordinance Amendment (e.g., development project review, field implementation), disburse fee-in-lieu funds, provide cross-departmental coordination, and effectively engage community partners.
    - In order to keep the FY 2022-23 General Fund Budget balanced staff is proposing the following revenue adjustments:
        - Fund the $135,000 increase in the Reparations budget by making minor adjustments to several small revenues based on updated trend data.
        - Utilize an additional $408,000 in American Rescue Plan (ARPA) funding to support the January 2023 salary adjustments ($300,000) and the addition of the Urban Forester position ($108,000).
    - Staff also made revisions totaling approximately $190,000 in Enterprise Fund budgets associated with the additional January 2023 salary adjustments.
- Under N.C. Session Law 2021-191 (S.B. 473), councilmembers are prohibited (subject to certain exceptions) from participating in making or administering a contract, including the award of money, with any nonprofit with which the public official is associated, effective January 1, 2022.
- In accordance with this law, funding that was included in the Proposed Budget for the Economic Development Coalition and the Sports Commission has been moved to City Manager's Contingency.
- City Council must take separate actions via the attached budget amendments to allocate funding to the Economic Development Coalition and the Sports Commission.

Council Goal(s):
- A Financially Resilient City

Committee(s):
- N/A

Pro(s):
- Ensures City's compliance with North Carolina General Statutes that require local governments to adopt a balanced budget ordinance by July 1 of each year.
- General Fund and Enterprise Fund budgets are balanced for ongoing operating expenses, and all essential City services are continued.

Con(s):
- The revised Proposed Budget recommendations includes an additional $408,000 allocation from ARPA American Rescue Plan (ARPA) funding.

Fiscal Impact:

- As noted above, the FY 2022-23 General Fund budget is balanced and recommends no change to the current property tax rate of $0.403 per $100 of assessed valuation.

Suggested Motions:

- Motion to adopt an ordinance adopting the Fiscal Year 2022-23 Annual Budget.

- Motion to recuse Mayor Manheimer from voting on the attached budget amendment in accordance with N.C. Session Law 2021-191 (S.B. 473) (Economic Development Coalition).
- Motion to adopt a Fiscal Year 2022-23 budget amendment in the amount of $100,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to nonprofits with which members of council are associated (Economic Development Coalition).
- Motion to recuse Councilwoman Turner from voting on the attached budget amendment in accordance with N.C. Session Law 2021-191 (S.B. 473) (Sports Commission).
- Motion to adopt a Fiscal Year 2022-23 budget amendment in the amount of $45,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to nonprofits with which members of council are associated (Sports Commission).

Attachments:

- Budget Ordinance
- Budget Amendments

ORDINANCE NO. _____

AN ORDINANCE ADOPTING THE ANNUAL BUDGET AND FIXING THE TAX RATE FOR THE CITY OF ASHEVILLE FOR THE FISCAL YEAR 2022-23

WHEREAS, Article 3 of Chapter 159 of the N. C. General Statutes requires local governments in North Carolina to adopt ordinances establishing an annual budget, in accordance with procedures specified in said Article 3; and

WHEREAS, the Asheville City Council, following a public hearing as required by law has considered the proposed annual budget for the City of Asheville for the 2022-23 fiscal year;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

Section 1. The following anticipated revenues and authorized expenditures by fund, together with a financial plan for internal service funds, are hereby appropriated for operating City government for the fiscal year beginning July 1, 2022 and ending June 30, 2023.

GENERAL FUND

Revenues:		
Taxes - Ad Valorem	$81,404,292	
Other Taxes	38,853,015	
Intergovernmental Revenue	12,247,445	
Licenses and Permits	5,411,496	
Sales and Services	13,584,359	
Investment Earnings	673,000	
Miscellaneous Revenue	3,255,803	
Other Financing Sources - ARPA	2,008,000	
Other Financing Sources	1,640,534	
Total Revenues		$159,102,944
Appropriations:		
City Manager's Contingency	$145,000	
Departmental Operations	158,957,944	
Total Expenditures		$159,102,944

WATER RESOURCES FUND

Revenues:		
Sales and Services	$39,864,600	

Investment Earnings	432,000	
Miscellaneous Revenue	50,000	
Total Revenues		$40,346,600
Appropriations:		
Water Resources Operations		$40,346,600

PARKING SERVICES FUND

Revenues:		
Investment Earnings	35,000	
Miscellaneous Revenue	5,616,885	
Total Revenues		$5,651,885
Appropriations:		
Parking Services Operations		$5,651,885

STORMWATER FUND

Revenues:		
Licenses and Permits	$419,715	
Sales and Services	7,062,808	
Investment Earnings	15,000	
Miscellaneous Revenue	6,500	
Total Revenues		$7,504,024
Appropriations:		
Stormwater Operations		$7,504,024

TRANSIT SERVICES FUND

Revenues:		
Intergovernmental Revenue	$3,111,302	
Intergov. Revenue - Transit ARPA	800,000	
Licenses and Permits	369,706	
Sales and Services	536,852	
Other Financing Sources - ARPA	300,000	
Other Financing Sources	7,616,932	
Total Revenues		$12,734,792
Appropriations:		
Transit Services Operations		$12,734,792

HARRAH'S CHEROKEE CENTER - ASHEVILLE FUND

Revenues:		
Sales and Services	$3,490,484	
Investment Earnings	53,000	
Miscellaneous Revenue	175,000	
Other Financing Sources	1,204,420	
Total Revenues		$4,922,904
Appropriations:		
HCCA Operations		$4,922,904

STREET CUT UTILITY FUND

Revenues:		
Sales and Services	$1,949,101	
Miscellaneous Revenue	60	
Other Financing Sources	100,000	
Total Revenues		$2,049,161
Appropriations:		
Street Cut Operations		$2,049,161

HOUSING PARTNERSHIP FUND (GENERAL FUND)

Revenues:		
Miscellaneous Revenue	$152,400	
Other Financing Sources	500,000	
Total Revenues		$652,400
Appropriations:		
Housing Partnership Fund Operations		$652,400

SUSTAINABILITY FUND

Revenues:		
Sales and Services	$2,500	
Miscellaneous Revenue	80,000	
Other Financing Sources	840,512	
Total Revenues		$923,012
Appropriations:		
Sustainability Fund Operations		$923,012

INTERNAL SERVICES FUNDS

Revenues:		
Sales and Services	$19,607,878	
Investment Earnings	75,000	
Miscellaneous Revenue	1,350,486	
Other Financing Sources	1,133,974	
Total Revenues		$22,167,338
Appropriations:		
Health Insurance	$17,796,063	
Workers Compensation	1,656,000	
Property and Liability	2,715,275	
Total Expenditures		$22,167,338

CAPITAL 2100 FUND (GENERAL FUND)

Revenues:		
Other Financing Sources	$15,516,557	
Total Revenues		$15,516,557
Appropriations:		
Capital 2100 Fund Operations		$15,516,557

Section 2. All appropriations included in the following Capital Project funds and other multi-year funds are approved for the financing life of each project, which may extend beyond one fiscal year.

GENERAL CAPITAL PROJECTS FUND

Revenues:		
Intergovernmental Revenue	$1,289,200	
Sales and Services	400,000	
Miscellaneous Revenue	60,000	
Other Financing Sources - ARPA	2,500,000	
Other Financing Sources	17,048,120	
Total Revenues		$21,297,320
Appropriations:		
Reparations	$500,000	

General Capital Fund Expenditures	20,797,320	
Total Expenditures		$21,297,320

WATER CAPITAL PROJECTS FUND

Revenues:		
Transfer from Water Resources Fund	$5,758,695	
Total Revenues		$5,758,695
Appropriations:		
Water Capital Fund Expenditures		$5,758,695

TRANSIT SERVICES MULTI-YEAR FUND

Revenues:		
Intergovernmental Revenue	$192,683	
Other Financing Sources	757,350	
Total Revenues		$950,033
Appropriations:		
FY21 JARC (Section 5307) Grant	$10,000	
FY21 Section 5310 Grant	128,544	
FY21 ARPA Section 5310 Grant	54,139	
Transit Bus Purchases	757,350	
Total Transit Multi-Year Fund Expenditures		$950,033

STORMWATER CAPITAL PROJECTS FUND

Revenues:		
Transfer from Stormwater Fund	$350,000	
Intergovernmental Revenue	1,200,000	
Other Financing Sources	896,000	
Total Revenues		$2,446,000
Appropriations:		
Stormwater Capital Fund Expenditures		$2,446,000

PARKING CAPITAL PROJECTS FUND

Revenues:		
Transfer from Parking Operating Fund	$150,000	
Total Revenues		$150,000
Appropriations:		
Parking Capital Fund Expenditures		$150,000

HARRAH'S CHEROKEE CENTER - ASHEVILLE CAPITAL PROJECTS FUND

Revenues:		
Miscellaneous Revenues	$500,000	
Other Financing Sources	221,739	
Total Revenues		$721,739
Appropriations:		
HCCA Capital Fund Expenditures		$721,739

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

Revenues:		
Federal Grant FY 2022-23	$1,028,896	
Program Income	75,000	
Total Revenues		$1,103,896
Appropriations:		
Total CDBG Program Expenditures		$1,103,896

HOME OWNERSHIP GRANT (HOME) FUND

Revenues:		
Federal Grant FY 2022-23	$1,411,582	
Program Income	12,876	
Total Revenues		$1,424,458
Appropriations:		
Total HOME Program Expenditures		$1,424,458

SPECIAL REVENUE FUND

Revenues:		
Taxes - Ad Valorem	$339,226	
Other Taxes	140,245	
Intergovernmental Revenue - ARPA	4,808,000	
Intergovernmental Revenue	150,727	
Miscellaneous Revenue	48,000	
Total Revenues		$5,468,198
Appropriations:		
ARPA	$4,808,000	
Continuum of Care Grant (HMIS)	120,727	
Fire Protection Districts	479,471	
Parks & Recreation Grants & Donations	48,000	
PEG Funding	30,000	
Total Appropriations		$5,468,198

Section 3. It is estimated that revenues in the amounts indicated in the foregoing schedule will be available to support the foregoing appropriations. The fees & charges, as readopted and changed on April 26, 2022 in ordinance number 4940 and May 24, 2022 in ordinance number 4947, shall be set forth in a Fees and Charges Manual to be kept on file in the Office of the City Clerk.

Section 4. There is hereby levied for the fiscal year ending June 30, 2023, an Ad Valorem tax rate of $0.403 per $100 assessed valuation of taxable property as listed on January 1, 2022 for purposes of raising the revenues from current year's property tax as set forth in the foregoing estimates of revenues and in order to finance the foregoing appropriations.

Section 5. The City Manager is authorized to revise the budget by transfer of appropriations within each fund. All amendments affecting revenues, total fund appropriations, or the General Fund City Manager's Contingency amount shown in Section 1 shall be approved by ordinance by the City Council, to be acted on at any regular or special meeting and approved by a simple majority of those present and voting, a quorum being present. Only one reading will be required and a public hearing or publication of notice is not necessary unless requested by Council.

Section 6. The reserve for encumbrances at June 30, 2022 and carry-over appropriations, representing prior commitments as of that date shall be re-appropriated pursuant to North Carolina General Statute 159-13, to the departments within various funds, under which

expenditures may be made during fiscal year 2022-23 as the previous commitments are satisfied.

Section 7. Copies of this ordinance shall be furnished to the City Manager and Director of Finance, to be kept on file by them for their direction in the collection of revenues and expenditures of amounts appropriated.

Section 8. The Pay & Classification Plan is amended to incorporate all personnel actions such as reclassifications and pay modifications recommended by the Human Resources department and approved by the City Manager. Funding for the plan and compensation items is included in the various departments. The amended plan will become effective with the pay cycle that begins on June 25, 2022.

Section 9. Base pay for the Mayor, Vice-Mayor and Councilmembers will be $24,643, $20,451, and $18,105, respectively. Travel for official activities will be reimbursed under the same plan used for City employees.

Section 10. Should any section, paragraph, sentence, clause or phrase of this ordinance be declared unconstitutional or invalid for any reason, the remainder of said ordinance shall not be affected thereby.

Section 11. That this ordinance shall be in full force and effect upon date of final passage.

Read, approved and adopted this 28th day of June, 2022.

_____ _____

City Clerk Mayor

Approved as to form:

_____

City Attorney

ORDINANCE NO. _____

BUDGET ORDINANCE AMENDMENT

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE

That Section 1 of the City of Asheville FY 2022-23 Budget Ordinance be amended to fund the City's annual contribution to nonprofits with which members of council are associated (Economic Development Coalition), as follows:

GENERAL FUND

Appropriations:

City Manager's Contingency	-$100,000
General Fund Operations	$100,000
Total	$0

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this 28th day of June, 2022.

_____ _____

City Clerk Mayor

Approved as to form:

_____

City Attorney

ORDINANCE NO. _____

BUDGET ORDINANCE AMENDMENT

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE

That Section 1 of the City of Asheville FY 2022-23 Budget Ordinance be amended to fund the City's annual contribution to nonprofits with which members of council are associated (Sports Commission), as follows:

GENERAL FUND

Appropriations:

City Manager's Contingency	-$45,000
General Fund Operations	$45,000
Total	$0

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this 28th day of June, 2022.

_____ _____

City Clerk Mayor

Approved as to form:

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City Attorney