City Council Budget Work Session

April 12, 2022

Tony McDowell, Finance & Management Services Director
Taylor Floyd, Budget Manager



Presentation Overview

- Follow-up from previous meetings
  - Fund balance overview
  - Staffing costs and budgeting
  - Proposed fees and charges
  - Parking and Transit Funds update
- Memorial Stadium project funding

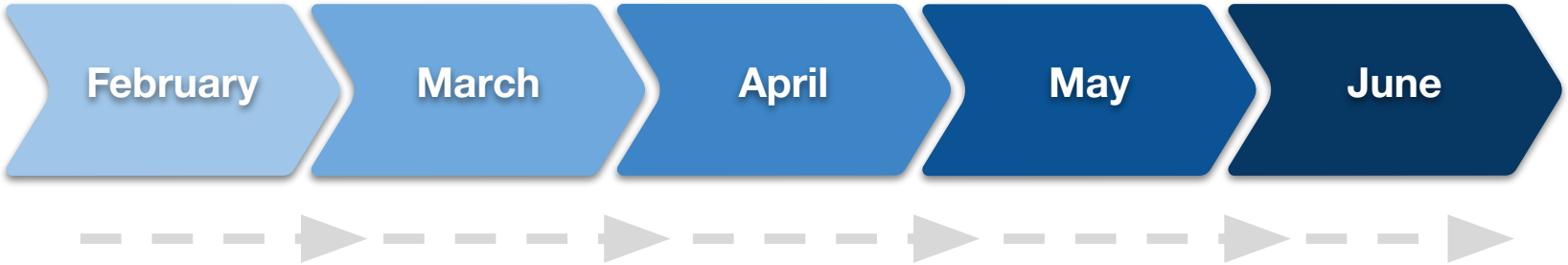
Key Takeaways

- Lingering impacts of the pandemic have created budget challenges
  - Inflation
  - Price volatility
  - Labor market
  - New service needs
- Limited capacity to fund new or expanded services.

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FY23 Council Budget Timeline

Approved by City Council at February 8, 2022 meeting.



2/22
Council Work Session

3/17 & 18
Council Retreat

4/12
Council Work Session

4/26
Council Work Session
Adopt Fees & Charges

5/24
Proposed Budget

6/14
Public Hearing

6/28
Adoption

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Summary of Feb. 22 Work Session

- Budget process is continuation of work completed in previous years, and will continue past budget adoption in June.
- Overall financial position in the current fiscal year is strong, with a positive outlook for next year.
- Working to develop a better understanding of our capital needs, prioritization and funding strategy.

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Summary of Council Retreat

- Overall positive economic outlook is reflected in projected General Fund revenue growth.
- Inflationary pressures in economy are impacting the cost to deliver existing services.
- Ability to fund new and expanded services will be limited.
- A data-driven review of facilities will provide a roadmap for long-term investments.

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Council Retreat - Identified Priorities

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

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Fund Balance Overview

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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%.

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Why Fund Balance is Important

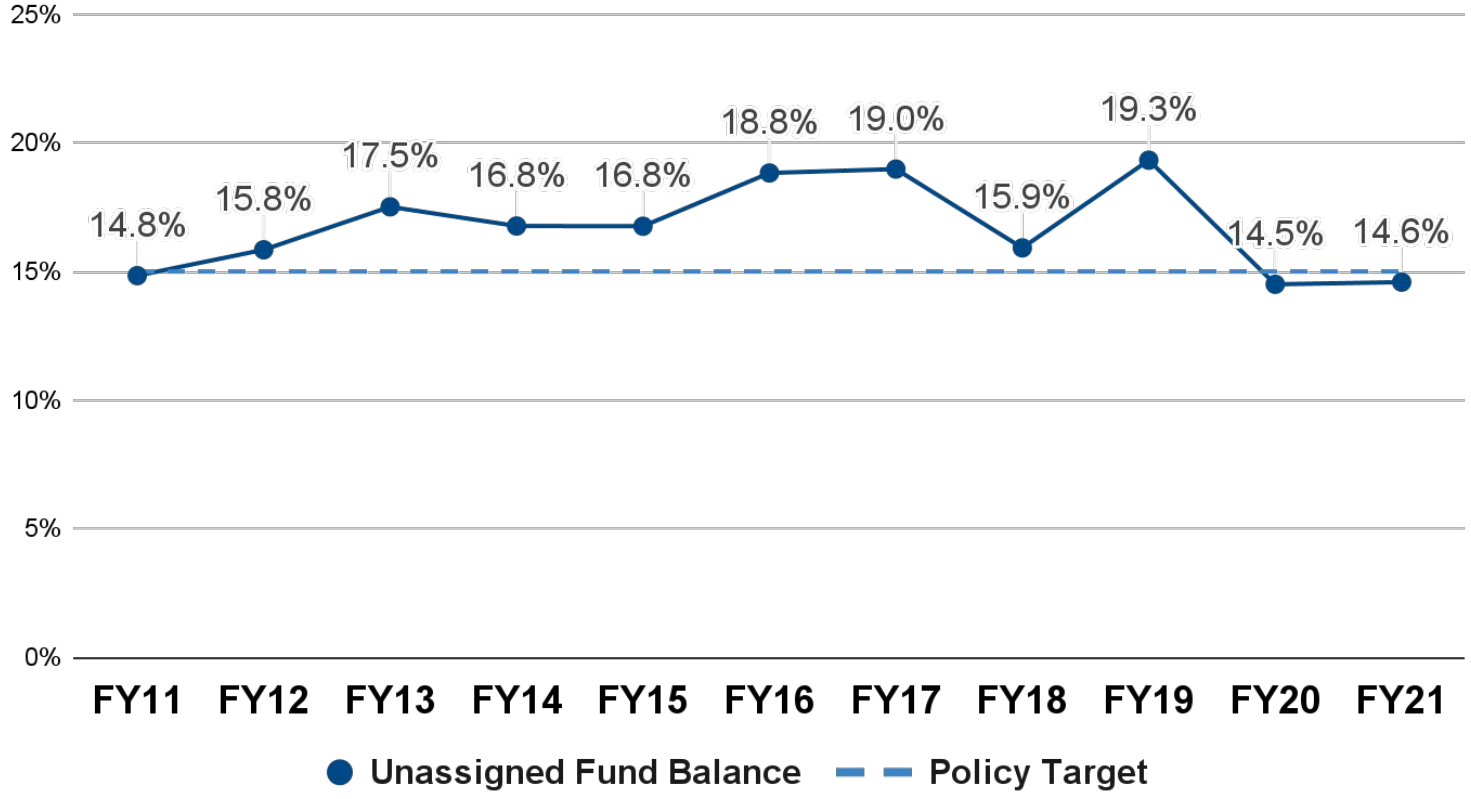
- Cash flow management.
- Key measure of fiscal health.
- Factor in determining credit rating.
- Provides financial resources to weather unexpected crises.

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Use of Fund Balance

- Fund balance must be appropriated by Council action at budget adoption or by budget amendment during the fiscal year.
- Only “used” if actual expenditures exceed actual revenues at the end of the fiscal year.

Fund Balance History



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Fund Balance Other NC Cities (FY21)

	Unassigned FB	Expenses	FB%	Policy
Greensboro	$ 29.6M	$ 299.6M	10%	9%
Jacksonville	15.4M	51.7M	30%	10%
High Point	16.0M	111.8M	14%	10%
Fayetteville	23.6M	171.2M	14%	10-12%
Chapel Hill	21.0M	59.4M	35%	12%
Winston-Salem	33.1M	210.1M	16%	14%
Raleigh	104.2M	485.3M	22%	14%
Asheville	***18.1M***	***124.3M***	***15%***	***15%***
Charlotte	120.1M	744.1M	16%	16%
Durham	61.8M	205.8M	30%	16.7%
Gastonia	30.0M	70.1M	43%	25%
Cary	43.6M	197.9M	22%	25%
Wilmington	47.9M	114.2M	42%	20-25%
Concord	$ 54.7M	$ 108.6M	50%	30-35%

Current Year Fund Balance Estimate

Current Fiscal Year	
Estimated Revenues	$ 148.7M
Estimated Expenses	$ 145.5M
Revenues - Expenses	$ 3.2M
Fund Balance	
Beginning of fiscal year	$ 18.1M
Ending (Beginning + Rev-Exp)	$ 21.3M
Fund Balance % (Ending÷Exp)	14.6%

Fund Balance Summary

- A key metric of financial health.
- A point-in-time calculation of reserves relative to expenses.
- Grows if actual revenues exceed expenses at fiscal year end.
- Should only fund one-time expenses.

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Discussion & Questions

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Staffing & Personnel Costs

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What are Salaries, Wages & Benefits?

Salaries & Wages

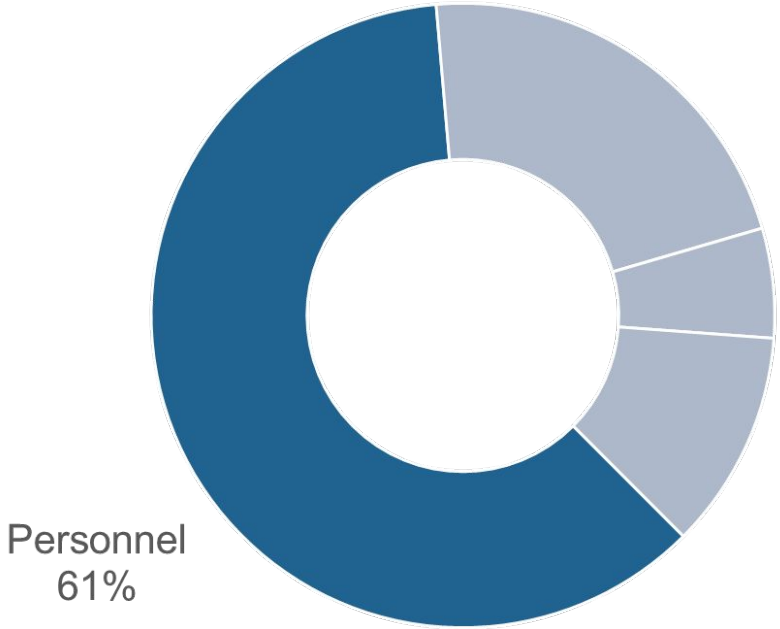
- Full Time
- Part Time
- Temp/Seasonal
- Overtime
- Police Separation Allowance
- Stand by Pay
- Quality of Service Award

Benefits

- FICA Tax
- Employer - Retirement System (LGERS)
- Employer - 401(K)
- Employer - Fire 457(b)
- Workers Compensation
- Unemployment
- Vehicle Allowance
- Tuition Reimbursement
- Health, Dental, Life Insurance
- Firefighter Pension
- OPEB Pension Contributions

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Why Are Salaries Important?



- Employer of choice
- Recruitment
- Retaining employees
- Providing services

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How Personnel Costs are Budgeted

- Assume most departments will have vacancies during the fiscal year.
- Most vacant positions budgeted at 20% above minimum of pay grade.
- Estimates for temporary/seasonal employees, overtime and other pays based on historical spending trends.

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Current Year Adopted Budget

- Assumed 50 vacancies in APD.
  Utilized savings to cover compensation study implementation and other costs for APD.
- Increased assumed vacancy rate from 1.5% to 1.75%.
- Estimated impact of implementation of Class & Compensation Study recommendations.

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Salaries & Wages Budget History

	Adjusted Budget	Actual	(Over)/Under Budget	% of Budget
FY17	$ 50,274,404	$ 49,472,505	$ 801,899	98.4%
FY18	$ 51,413,654	$ 52,198,189	$ (784,535)	101.5%
FY19	$ 54,472,610	$ 53,820,177	$ 652,433	98.8%
FY20	$ 56,743,470	$ 56,584,851	$ 158,619	99.7%
FY21	$ 56,666,378	$ 54,824,963	$ 1,841,415	96.8%
FY22*	***$ 61,585,702***	***$ 61,955,935***	***$ (370,233)***	***100.6%***

**estimate for current fiscal year (FY22)*

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Current Year Changes Since Adoption

- AFD: Adjusted salaries to prevent promotions from causing pay inequities.
- AFD: Additional overtime to maintain staffing, including for additional holidays and family leave.
- APD: Additional overtime pay
  - Maintain minimum staffing.
  - Provide required security at city-sponsored events.
- Adjustments in other departments on a case-by-case basis.

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Changes for Next Fiscal Year

Item	Impact
Employer retirement contribution	$ 520,000
Adjustment to APD vacancy budget	$ 1,125,000
Additional AFD overtime	$ 1,935,000
Employer health insurance contribution (5%)	$ 503,000
Compensation adjustment (each 1% increase)	$ 740,000

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Personnel Budgeting Summary

- As a service-based organization, staffing (and associated costs) are most critical resources needed to deliver services and achieve goals.
- Historically, personnel budget-to-actuals are within a small variance.

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Proposed Fees & Charges

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Fees & Charges

- Finance & Human Resources Committee recommended most proposed fees changes with 3-0 vote, including:
  - Water
  - Stormwater
  - Solid Waste
  - Minor changes to development, parking, code enforcement, and traffic control fees.
- Changes to event application and Pack Square Park rental fees recommended with 2-1 vote.

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Household Impact of Changes

Fee	Bi-Monthly Bill Increase	Annual Increase
Solid Waste	$ 4.00	$ 24.00
Stormwater (Tier 2)	$ 1.53	$ 9.18
Water (6 CCFs/month)	$ 4.92	$ 29.52
Total	*$ 10.45*	*$ 62.70*

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Proposed Fees & Charges

- Presentation of proposed changes at regular City Council Meeting on April 26.
- Additional revenues from adopted fee changes will be incorporated into the Proposed Budget.
- Adopted fee changes will be effective on July 1, 2022.

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Discussion & Questions

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Parking Fund Update

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Current Year Parking Fund

- Budgeted assuming normal operations.
- Old gating equipment was beyond end-of-life and experiencing intermittent failures starting in late 2020.
- New equipment installed in November 2021, intermittently operable due to software and firewall issues.
- Equipment is operational as of March 2022.

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Parking Garage Revenues

	FY18-19	FY19-20	FY20-21	FY21-22*
Jul-Mar Actuals	$ 2.91M	$ 2.74M	$ 1.35M	$ 1.34M
Year-end Actuals	$ 3.84M	$ 2.76M	$ 1.89M	$ 1.60M to $ 2.00M
Budget	$ 4.2M	$ 3.95M	$ 3.82M	$4.25M
Difference (Bgt - Year-end)	$ 0.37M	$ 1.18M	$ 1.93M	$ 2.65M to $ 2.25M

**Year-end actuals are estimated for the current fiscal year (FY21-22).*

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Parking Current Year Estimate

	Budget	Year End Estimate	Estimate - Budget
Revenues:			
Garages	$ 4,250,000	$ 1,859,000	$ (2,391,000)
Meters	2,410,000	2,181,000	(229,000)
Other	417,680	143,000	(274,680)
Total	**7,077,680**	**4,183,000**	**(2,894,680)**
Expenses:			
Personnel & Operating	4,648,096	3,451,000	(1,196,805)
Debt	852,709	852,709	0
Transfer to Transit	1,576,875	0	(1,576,875)
Total	**$ 7,077,680**	**4,303,709**	**$ (2,773,680)**
Rev - Exp	**0**	**120,709**	

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Parking Fund Summary

- Per state law, parking fund must cover parking expenses before being used for other services.
- Parking Fund subsidy of Transit is budgeted at $1,576,875 in the current fiscal year.
- Parking Fund revenues will not support making transfer to Transit.
- Staff will continue to monitor current year actuals to inform recommendation for Proposed Budget.

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Transit Fund Update

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Current Year Transit Fund

- Due to driver shortage, transit provider utilizing supervisors and maintenance workers to service routes.
- Reviewing options to minimize impact of service interruptions.
- Reviewing options to address driver shortage, will likely have significant ongoing cost for service.

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Current Year Planned Transit Expansion

- The FY22 budget allocated $1.1 million to continue implementing the Transit Master Plan beginning in October 2021 to include:
  - Extended evening hours (completion of year one of Transit Master Plan).
  - Increased frequency on S3 and S6 routes (from 90 minutes to 45 minutes).
- Expansion has not been implemented due to bus driver shortage.

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Transit Current Year Estimate

	Budget	Year End Estimate	Estimate - Budget
Revenues:			
Grants, Fares & Other	$ 3,673,502	$ 3,673,000	$ (502)
General Fund	6,916,932	6,916,932	0
Parking Fund	1,576,875	0	(1,576,875)
Transit ARPA	1,000,000	1,000,000	0
Total	**13,167,309**	**11,589,932**	**(1,577,406)**
Expenses:			
City Admin/Operations	1,071,542	901,000	(170,542)
RATPDev	10,295,767	9,300,000	(995,767)
Paratransit	1,300,000	750,000	(550,000)
Fuel	500,000	694,000	194,000
Total	**$ 13,167,309**	**$ 11,645,000**	**$ (1,522,309)**
Rev - Exp	**0**	**(55,068)**	

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Transit Fund Summary

- Staff recommends using Transit-specific ARPA funding to cover current year gap.
- Evaluating options to address driver shortage in current fiscal year.
- Until staffing issues are addressed, implementing service enhancements will be challenging.

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Discussion & Questions

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Memorial Stadium Project

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Council Action from March 22

Authorize the City Manager

- To identify funding for phase 2 of the Memorial Stadium improvements as recommended by staff.
- To enter into the design phase to include a 6-lane competitive track with dimensions as described in the exhibit.
- Begin implementation of other staff recommendations as described in the staff presentation on March 22, 2022.

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Main Scope Items

- 400 meter, 6-lane competitive rubber surfaced track.
- Reduce largest marked field to 65 x 120 yards.
- Replace existing restroom/create additional equipment storage.
- Replace western bleachers with concrete plaza to allow for temporary seating.
- Paved asphalt walking trail.
- Playground improvements.



Proposed Funding Sources

ARPA	$ 2,500,000
Parks GO Bond	$ 944,000
CIP Contingency	$ 750,000
Unspent Fleet Replacement	$ 148,345
Total	**$ 4,342,345**

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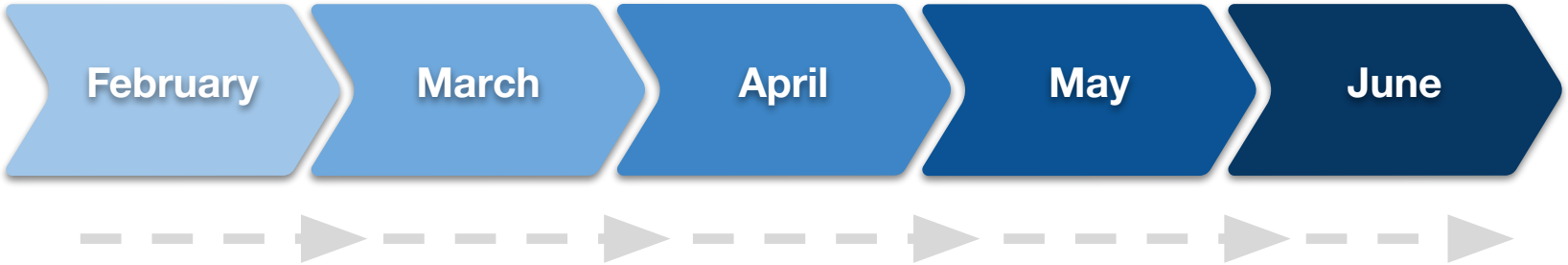
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