City Council Budget Work Session: Fiscal Year 2021-22

April 27, 2021

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Presentation Overview

- Budget process review
- Current year financial status update
- Next year General Fund base budget status
- Priorities and Additional Investments
- Revenue neutral property tax rate discussion

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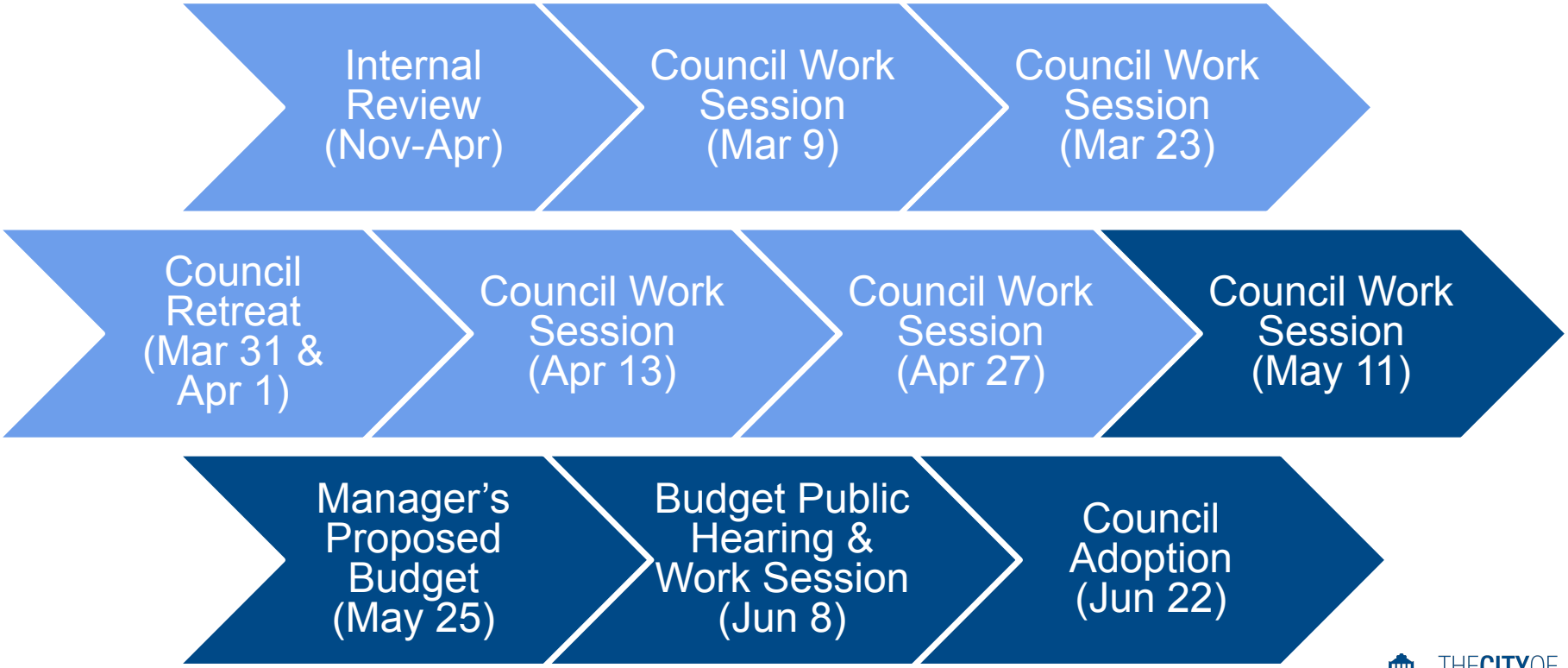
Key Takeaways

- Making budget and service delivery changes based on internal work, community input and Council priorities.
- Limited funding available to make new investments in Council priorities.
- Budget adoption is step in an ongoing process.

Fiscal Year 2021-22 (FY22) Budget Process Review

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Key Budget Dates for Council



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Internal Budget Development

Process Drivers	• Two crises (pandemic and social unrest). • Expected limited new revenue.
Challenges Identified	• Too few resources spread over services. • Differences in access to information and organization lead to inconsistent service delivery. • Inclusive community input is difficult to obtain.
Response Strategies	• Refocus engagement to neighborhood level. • Develop clear data-informed framework for decision making.

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Community Engagement Updates

Process Drivers	• Continued conversation from reimagining public safety work in 2020. • Online survey and 6 virtual sessions.
Challenges Identified	• Connecting City budget to individuals. • Access to City staff and services. • Support for neighborhoods.
Response Strategies	• Strategies identified through internal budget work. • Funding for small-scale neighborhood investment.

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City Council Strategies & Priorities

Process Drivers	Development of City Council priorities from Vision 2036 through priority strategies identified in 2019 to four priorities from April City Council Retreat.
Priorities Identified	• Reparations • Reimagining Public Safety • Compensation • Utilization of ARPA funding
Response Strategies	• Utilize internal and community strategies to guide future investments in priorities.

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Questions

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Current Year (FY21) Status: Financial Update since early March

Reminder of Strategies to Balance FY21

In response to economic downturn:

- Avoided layoffs, furloughs, or service reductions.
- Appropriated fund balance.
- No raises for employees.
- Implemented hiring review & held positions vacant.
- Kept operating budgets flat.
- No new services or expansions.

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Positive Signs on Revenues Continue

Sales Tax	+8.4% (Jul - Feb)
Property Tax	Growth in base higher than original estimate.
Others (Gen. Fund)	Generally on budget.

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Positive Signs on Expenses Continue

Operating Costs	On budget.
Personnel Costs	Achieved planned savings from hiring freeze. Utilized savings & CARES Act to recognize frontline & onsite employees.

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Current Year General Fund Summary

	Budget	Mar Est.	Apr Est.
Revenues	$ 133.1M	$ 136.2M	$ 137.1M
Expenses	$ 134.8M	$ 133.4M	$ 133.4M
Rev. vs. Exp.	($ 1.6M)	$ 2.8M	$ 3.7M
Fund Bal. %	13.4%	16.8%	17.6%

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Current Year General Fund Summary

- Revenue trending better than expected.
- Budget strategies utilized to balance the current year helped in the short term.
- Unassigned fund balance will slightly exceed policy target.

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Enterprise Funds Update

Water Resources	FY21: On budget. FY22: Proposed fee increase to begin recovering lost CIP fee revenue.
Stormwater	FY21: On budget FY22: Midyear service & fee review.
Street Cut	FY21: On budget. FY22: No changes.

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Enterprise Funds Update

HCCA	FY21: Revenue down $2.6M (Jul-Mar) Prioritize ARPA to cover loss FY22: Positive trend in booked events.
Parking	FY21: Revenue down $2.6M (Jul-Mar) Prioritize ARPA to cover loss FY22: Proposed fee changes.
Transit	FY21: Fare free continues with add'l $2M in costs Utilize federal funds to cover loss FY22: State grant (SMAP) funding likey restored Contract increase (ongoing service)

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FY22 General Fund Base Budget

Next Year Strategies

Challenges Identified	• Too few resources spread over services. • Access to City staff and services. • Inclusive engagement & neighborhood support.
Council Priorities	• Reparations • Reimagining Public Safety • Compensation • Utilization of ARPA funding
Response Strategies	• Refocus engagement to neighborhood level. • Develop clear data-informed framework for decision making.

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Baseline General Fund Revenue

Sales Tax	5% growth (est.)
Property Tax	2.6% growth in base (est.)
Fund Balance	$0 (no usage)
Other Revenues	Historic levels
Total	***Growth of $5.6M (+4.2%)***

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Expense Drivers: Personnel Examples

Fully budget current year frozen positions	$1.15M
Add'l state retirement contribution	$700k
New fire station staffing	$488k
Reduced grant funding Fire staffing	$176k
RADTIP maintenance staffing (full year)	$154k
Examples Total	***$2.7M***

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Expense Drivers: Operations Examples

Economic incentive agreements	$380k
Body-worn camera maintenance	$180k
Storm response	$200k
Recycling contract	$300k
Security contract	$76k
Public safety timekeeping system	$70k
Expanded homeless outreach	$60k
Business Inclusion training	$60k
Examples Total	***$1.3M***

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Long-term Financial Stability

General Fund budget for the following items held flat with FY21 budget amounts:

- Other Post-Employment Benefits (OPEB)
- Capital and debt
- Employee health
- Workers Compensation
- Liability (Risk)

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FY22 General Fund Base Budget Status

Base Revenue	$ 140.2M
Base Expenditures	$ 139.0M
Net	***$ 1.2M***

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FY22 Priorities & Additional Investments

Next Year Strategies

Challenges Identified	• Too few resources spread over services. • Access to City staff and services. • Inclusive engagement & neighborhood support.
Council Priorities	• Reparations • Reimagining Public Safety • Compensation • Utilization of ARPA funding
Response Strategies	• Refocus engagement to neighborhood level. • Develop clear data-informed framework for decision making.

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Council Priority Strategies

1. Implement Transit Master Plan (E.2).
2. Affordable housing development (D.2).
3. Partner with ACS through the Equity Collaborative (A.5).
4. Amend the UDO (B.1).
5. Develop a business inclusion program (F.1).
6. Review and update Comprehensive Housing Affordability Strategy (D.1).
7. Foster economic mobility (A.6).
8. Reduce municipal carbon footprint by 4% per year (C.2).
9. Partner with BCTDA to develop a capital investment plan (H.8).
10. Dedicated revenue for transit (H.9).
11. Develop new tax revenue (H.11).
12. Complete corridor studies (B.3).
13. Maintenance, new construction and operational needs (H.1).

Transit Investments



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Sustainability Investments

- Developing a climate justice screening tool.
- Exploring pathways to hire more BIPOC members to help with education and outreach.
- Utilizing existing funding and partnerships to support low and moderate income solar installations.
- Partnering with Asheville Buncombe Food Policy Council and Bountiful Cities to create templates for food emergency preparations.
- Partnering with Planning and Fire Department to help inform, create and support Resiliency Hubs.

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Priority Strategies

Additional Investments	
Transit Master Plan implementation	$ 1.0M
Small-scale neighborhood grants	$ 50k

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Reparations

Additional Investments	
Planning & Community Engagement Process	$200k-$300k

Employee Compensation

Additional Investments	
Move employees to new minimums	$ 4.5M
Compression adjustments for employees at or above new pay grade minimums	$ 3.3M
Total	$ 7.8M

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Reimagining Public Safety

Ongoing Investments
Reallocated funding to neighborhood support (CAPE), Data & Performance, and homelessness outreach.
Reallocated service delivery for noise ordinance enforcement and animal services (DSD), park wardens (Parks & Rec).

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Reimagining Public Safety

Additional Investments	
911 Service consolidation	$ 1.0M
Staffing to support noise ordinance enforcement & animal services (DSD)	$ 100k
Crisis response team for mental health & substance abuse	TBD
Houselessness response team	TBD

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Prioritizing Use of ARPA Funding

- Intersection of existing priorities and authorized use of funds.
- Move faster to utilize funding where prior work and plans already exist.
- Engage those that were most impacted by pandemic to determine how funding can best help them recover and provide future resilience.

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GFOA Guidance on ARPA

Government Finance Officers Association

- Prioritize non-recurring expenses.
- Spread over the qualifying period.
- Replenishing reserves (offsetting revenue loss) should be given high priority.
- Consider regional initiatives.
- Adequate time should be taken to carefully consider all alternatives for the prudent use of funding prior to committing the resources.

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NLC Guidance on ARPA

National League of Cities

- Assess government operations and community needs.
- Gather your team.
- Build connections.
- Solicit input.
- Make racial equity part of your plan.

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Asheville ARPA Guiding Principles

- Align with priorities
- Use an equity lens
- Focus on measurable impact
- Leverage partnerships
- Invest in resilience
- Consider the long term

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American Rescue Plan (ARPA)

Prioritized Uses	Estimate
Financial stability (revenue loss)	$ 5.0-6.0M
Staff support to manage funding (3 positions over 3 years)	$ 600k
Non-congregate sheltering	$ 1.2M
Low Barrier Shelter	$ 5.0M

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Potentially Eligible for ARPA

External Requests	
Homeward Bound	$ 2.0M
Helpmate	$ 2.0M

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Revenue Neutral Property Tax Rate

Revenue Neutral Tax Rate

"The rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred."

(NC G.S. §159-11)

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Calculating Revenue Neutral

"The budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal."

(NC G.S. §159-11)

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Revenue Neutral Known Values

	Current	Reappraisal
Assessed Value (Base)	$ 16.9B	$ 19.4B
Tax Rate	¢ 42.89	?
Levy (Base x Rate)	$ 72,487,013	

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Revenue Neutral Rate Calculation

1. Determine the tax rate that would produce revenue (levy) equal to current year.
2. Increase the rate by the average annual increase in the tax base.

Current Levy		Reappraisal Assessed Value		Avg. Tax Base Growth
$ 72,487,013	÷	$ 19.4B	×	2.62%

Tax rate that would produce the same levy as the current tax rate on the new valuation is ***¢38.30***.

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Potential Property Tax Rates

- Each penny above revenue neutral generates $1.9M in additional property tax revenue.
- Impact of additional penny on property owners:
  - $250,000 property: $25 annually or $2.08/mo.
  - $400,000 property: $40 annually or $3.33/mo.

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Summary

Priorities & Funding Sources

New Investments	
Reparations process	$ 0.3M
Employee compensation	$ 7.8M
911 service consolidation	$ 1.0M
Noise & Animal Svcs	$ 0.1M
Transit Expansion	$ 1.0M
Crisis response program	TBD
Total	***$ 10.2M***

New Resources	
Base revenue	$ 1.2M
Fund balance	$ 0.3M
Total	***$ 1.5M***

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Key Takeaways

- Making budget and service delivery changes based on internal work, community input and Council priorities.
- Limited funding available to make new investments in Council priorities.
- Budget adoption is step in an ongoing process.

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Upcoming City Council Dates

May 11	Council Work Session Approval of Fee Changes (regular mtg)
May 25	Presentation of Manager's Proposed Budget
June 8	Budget Public Hearing
June 22	Budget Adoption

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