City Council Budget Work Session: Fiscal Year 2021-22

April 13, 2021

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Presentation Overview

- Budget process review and updates
- General Fund status
- American Rescue Plan (ARPA) planning
- Capital Improvement Program (CIP) development process update

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Key Takeaways

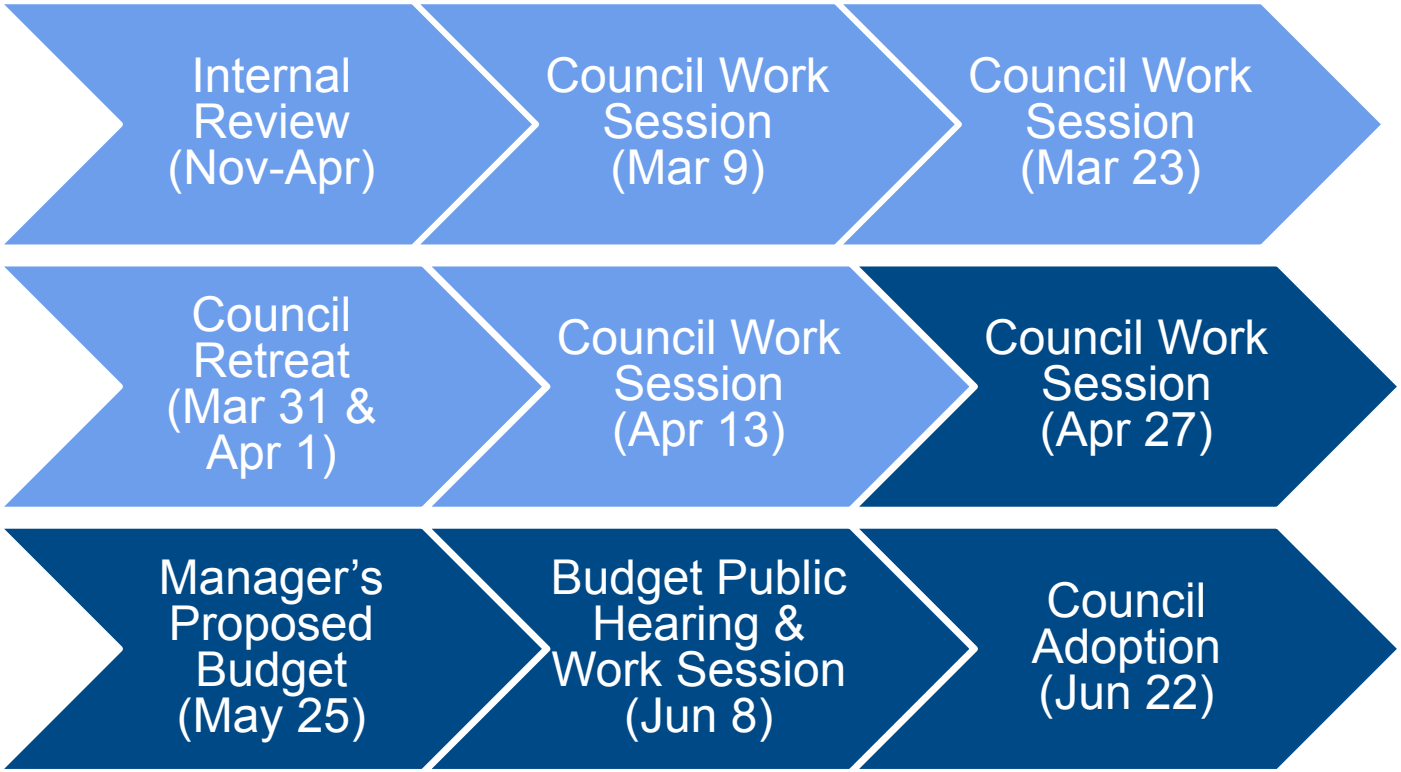
- Staff working to link ongoing community engagement and internal budget work.
- Revenue growth in General Fund will likely be absorbed by increased cost to provide existing level of service.
- Reviewing guidance on ARPA and will need additional staff to support the program.
- Significant capital needs will require additional funding to address.

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Fiscal Year 2021-22 (FY22) Budget Process Review

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Key Budget Dates for Council



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Upcoming Budget Dates for Council

April 20: Fee adjustments at Finance & HR Committee.

April 27: Additional Council budget work session.

May 11: Fee adjustments at City Council.

May 25: Presentation of Manager's Recommended Budget.

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March 23 Work Session Review

- Pandemic has adversely impacted enterprise funds' operations and revenues.
- Assessing fees for customer impact (cost and service).
- Water fee realignment needed to fund system maintenance.
- American Rescue Plan can help to address, but planning will be critical.

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March Community Engagement

- Included virtual meetings and online survey.
- Continuing conversation from reimagining public safety engagement work.
- Asked for feedback on how to improve
  - Budget transparency
  - Access to services
  - Community engagement

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March Community Engagement

- Still reviewing information.
- Early feedback
  - Clarify connection between budget and impact on individuals.
  - More convenient access to city staff.
  - Funding support for neighborhoods.

April Community Engagement

- Upcoming sessions:
  - April 20 6:00-7:30 p.m.
  - April 22 6:00-7:30 p.m.
  - April 23 10:00-11:30 a.m.
- Will include update on internal work, Council priorities and continue conversation on how to advance equitable service delivery.

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Questions

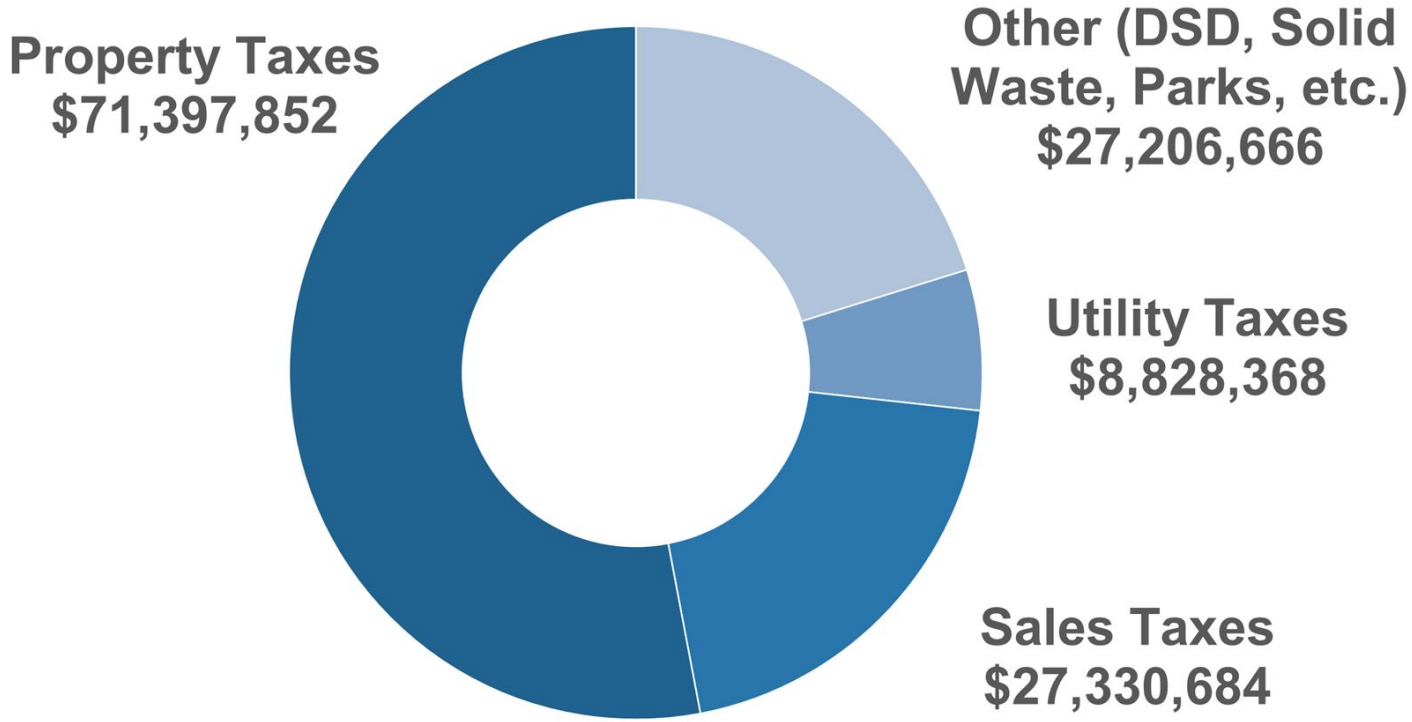
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FY22 General Fund Baseline Revenues & Expenditures

Baseline: continuation of current trends in revenues and operating costs assuming no significant changes in economic conditions or service delivery.

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General Fund Revenues



FY20-21 General Fund Budget: $134,763,570

Baseline GF Revenue - Property Taxes

- Tax base growth in current fiscal year exceeded budget estimates.
- Based on 3-year average growth, staff is assuming 2.6% revenue growth next fiscal year.
- Assumes Council adopts revenue neutral property tax rate.
- ***Total additional property tax revenue: $3.2M***

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Baseline GF Revenue - Sales Taxes

- Sales tax revenue in current fiscal year up 8.4% through 7 months, which is ahead of budget estimates.
- Staff is assuming 5.0% revenue growth for the rest of this fiscal year and next.
- ***Total additional sales tax revenue: $4.8M***

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Baseline GF Revenue: Summary

- Assume revenue neutral property tax rate.
- Sales tax growth of 5.0%.
- All other General Fund revenues continue at historical levels.
- No fund balance usage.
- ***Expect total General Fund revenue growth of $5.6M or 4.2%***

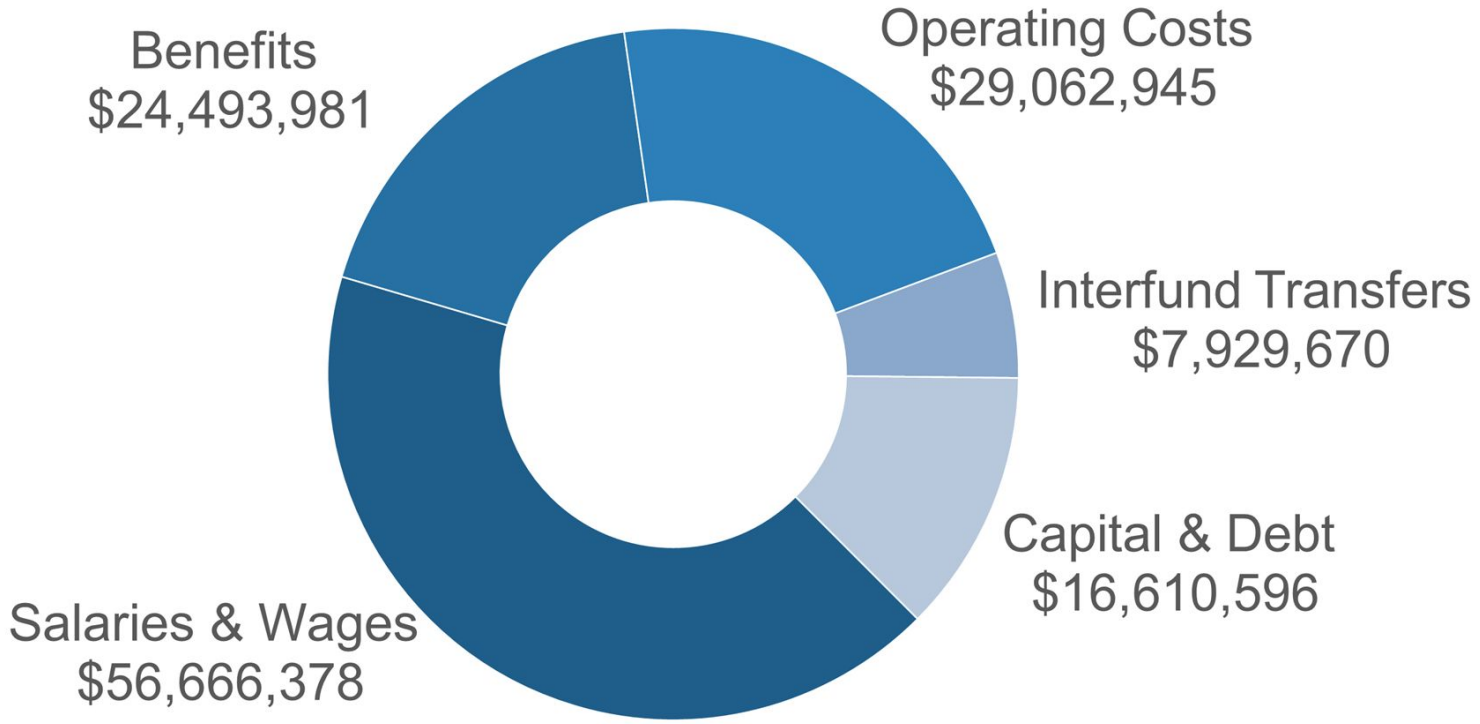
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Baseline GF Revenue

	FY21 Budget	FY22 Projection	$ Change
Property Taxes	$ 71.4M	$ 74.6M	$ 3.2M
Sales & Other Taxes	$ 27.3M	$ 32.1M	$ 4.8M
Intergovernmental	$ 13.3M	$ 12.8M	$ (0.5M)
Licenses & Permits	$ 5.5M	$ 5.4M	$ (0.1M)
Sales & Services	$ 11.9M	$ 12.0M	$ 0.1M
Investment Earnings	$ 0.5M	$ 0.6M	$ 0.1M
Miscellaneous	$ 3.1M	$ 2.9M	$ (0.3M)
Appropriated Fund Balance	$ 1.6M	$ 0.0	$ (1.6M)
Total Revenue	***$ 134.8M***	***$ 140.2M***	***$ 5.6M***

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General Fund Expenditures



FY20-21 General Fund Budget: $134,763,570

Other Key Baseline GF Expense Assumptions

Maintain at current year amount:

- Other Post-Employment Benefits (retiree healthcare)
- Capital contribution
- Health Fund contribution
- Overall departmental operating budgets

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Expense Drivers: Personnel

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

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Expense Drivers: Operations Examples

Transit contract (ongoing service)	$175k
Storm response	$250k
Recycling contract	$300-400k
Security contract	$76k
Public safety timekeeping system	$70k

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Expense Drivers: Operations Examples

Expanded homeless outreach	$60k
Business Inclusion training	$60k
Body-worn camera maintenance	$130k

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$5.6M in revenue growth will be mostly used up by ongoing operating cost increases.

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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).

Council Funding Priorities

- Reparations
- Reimagining Public Safety
- Compensation
- Utilization of ARPA funding

Will bring more specific funding proposals for Council consideration at April 27 budget work session.

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Questions

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American Rescue Plan (ARPA)

- Awaiting guidance from US Department of the Treasury.
- $26M direct allocation to City of Asheville.
- Provided in two payments:
  - First half: 60 days from when signed into law
  - Second half: One year later
- December 31, 2024 is current deadline to spend.

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ARPA Qualified Uses

- Respond to the COVID-19 emergency and address its economic effects, including aid to households, small businesses, nonprofits, and industries such as tourism and hospitality.
- Provide premium pay to essential employees or grants to their employers.
- Provide government services affected by a revenue reduction resulting from COVID-19.
- Make investments in water, sewer and broadband infrastructure.

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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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School of Gov. Guidance on ARPA

- Still limited by state authority granted to municipalities.
- Consistency with other laws and policies (e.g., employment law, personnel policy)
- May not use infrastructure monies for operating expenses.
- A local government likely will not be able to construct broadband infrastructure absent additional legislative authority.

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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

Think holistically

Use an equity lens

Invest in resilience

Focus on measurable impact

Consider the long term

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Asheville ARPA Next Steps

- Await guidance from U.S. Treasury on eligible uses of funds.
- Time-limited staffing to support management.
- Develop and prioritize project ideas from Council, departments, and the community.
- Council approval of spending priorities.
- Launch initial projects in early FY22.

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Capital Improvement Program (CIP)

Capital Planning Overview

What is a capital asset?

- Land
- Buildings & improvements
- Infrastructure (streets, sidewalks)
- Equipment and machinery



Wesley Grant Center Concept

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Capital Budgeting Overview

Why is capital separate from operating?

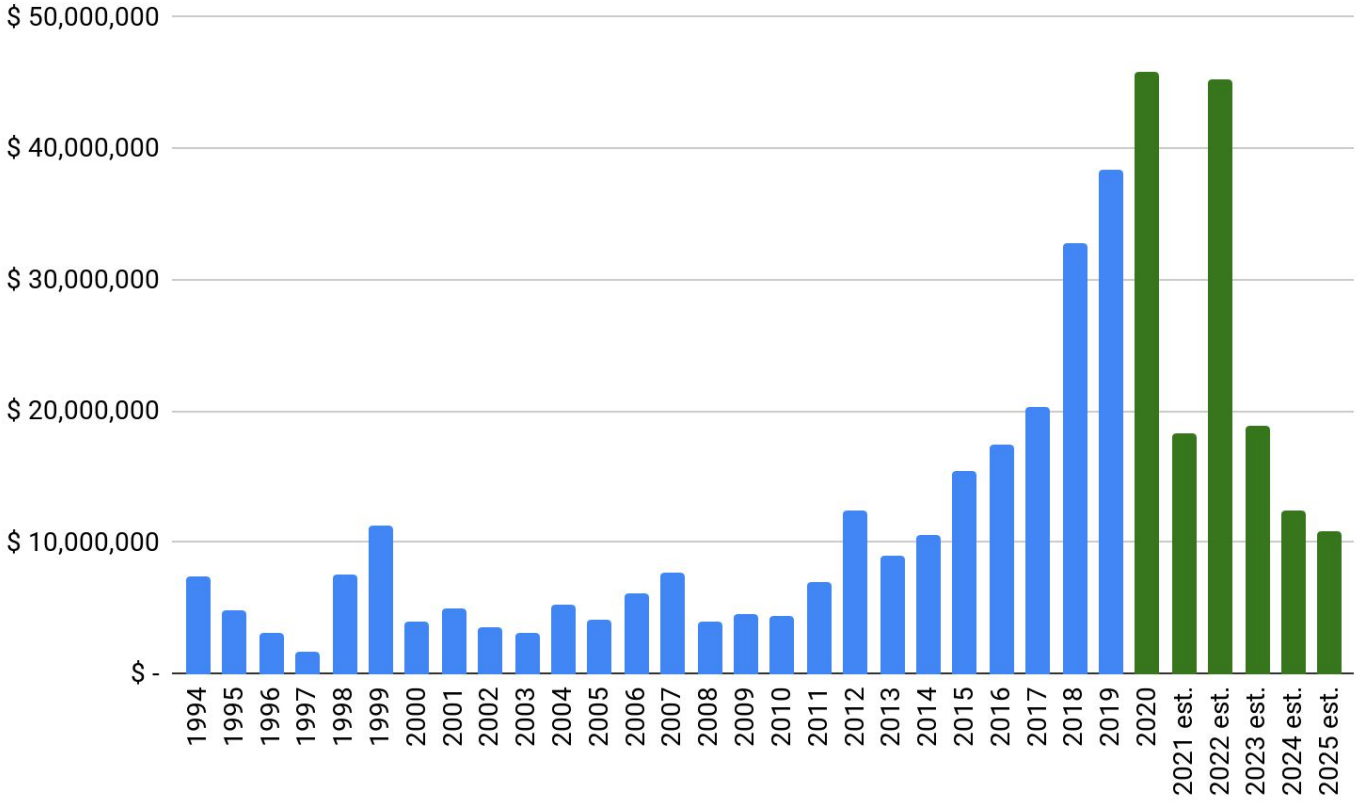
- Project-based not program-based
- Scale of investment
- Longer time horizon
- Use of debt



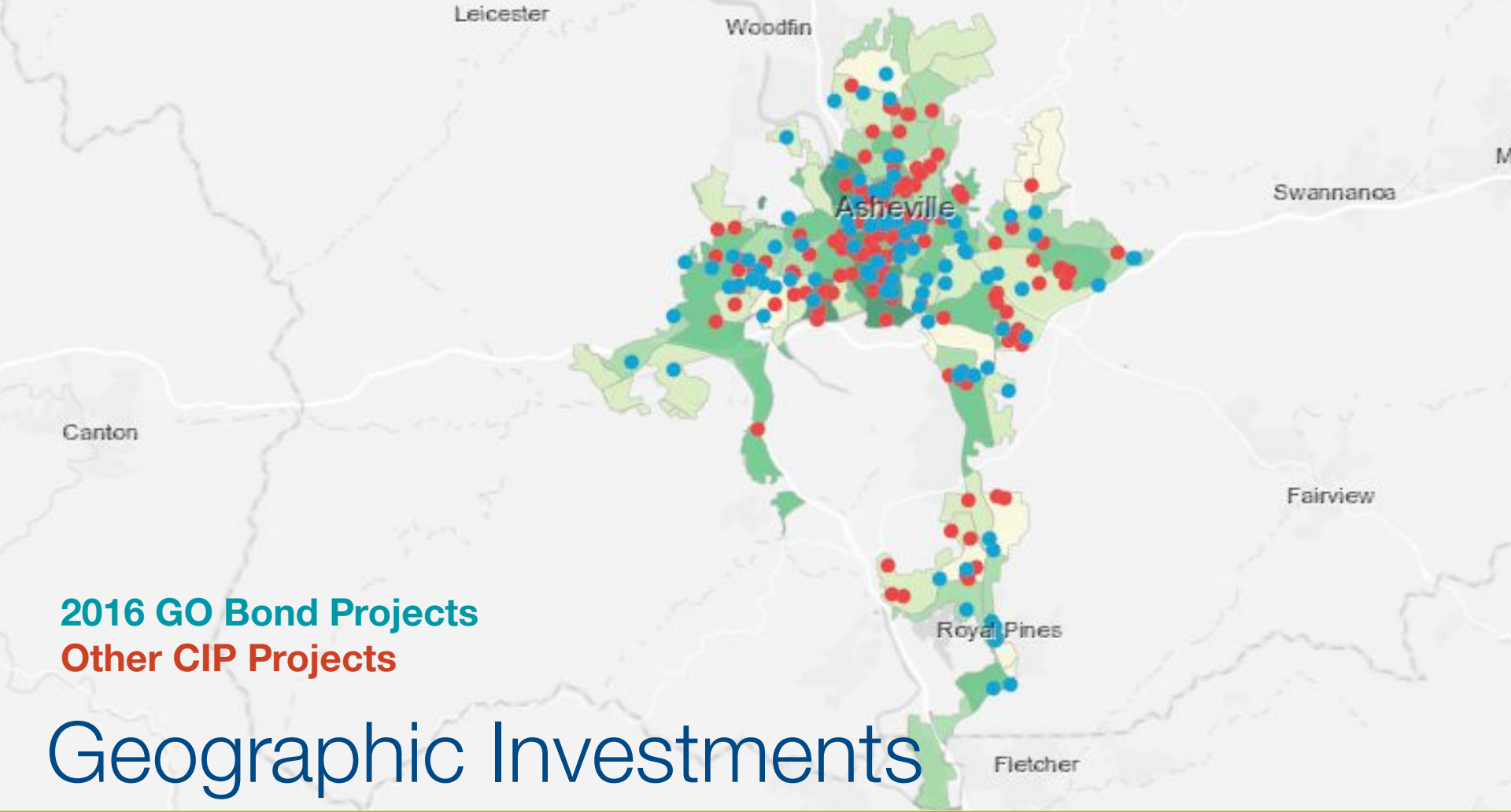
Broadway Public Safety Center

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Historic & Projected Capital Spending



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Geographic Investments

Planning Future Investments

- Limited resources and significant needs.
  - Projects identified: $700 million
- Clear decision-making criteria, especially how equity is incorporated.
- Beginning longer-term planning.

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CIP Next Steps

- In proposed budget:
  - Projects prioritized for funding
  - Timeline
- Continuing work:
  - Develop criteria for all project prioritization
  - Identify additional funding to address needs
  - Neighborhood review
  - Opportunity for federal infrastructure funding

Questions

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Key Takeaways

- Staff working to link ongoing community engagement and internal budget work.
- Revenue growth in General Fund will likely be absorbed by increased cost to provide existing level of service.
- Reviewing guidance on ARPA and will need additional staff to support the program.
- Significant capital needs will require additional funding to address.

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Upcoming Budget Dates for Council

April 20: Fee adjustments at Finance & HR Committee.

April 27: Additional Council budget work session.

May 11: Fee adjustments at City Council.

External Equity-Focused Budget Sessions

- Round Two Sessions:
  - April 20 - 6:00-7:30 p.m.
  - April 22 - 6:00-7:30 p.m.
  - April 23 - 10:00-11:30 a.m.

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Discussion