FY 2020-21 Manager's Recommended Budget

May 26, 2020

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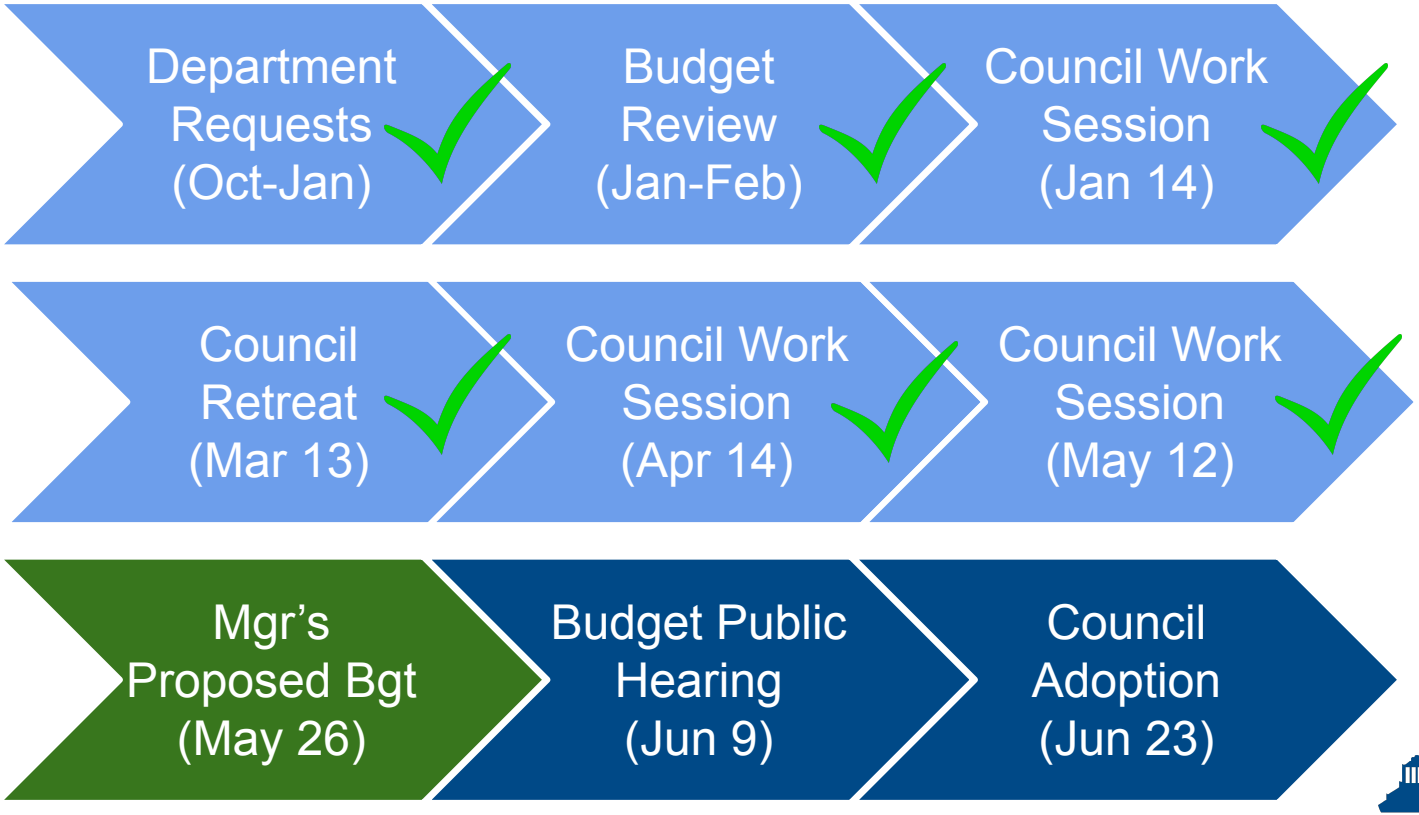


Overview

- Brief Discussion of Expected Year-End Results
- FY 2020-21 Manager's Recommended Budget
  - Challenges of budgeting in uncertain economic times
  - Recommendations

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Budget Schedule



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Key Takeaways

- Ongoing major uncertainty.
- Continuation budget with limited service enhancements.
- Departments worked to make cuts with a focus on minimizing operational impacts.
- Even with state/federal support, fund balance needed to support operations.

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Fiscal Year 2019-20 Year-End Update

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Year-End Results: General Fund

- Significant revenue loss from sales taxes, ABC revenue, and investment earnings
- Identified $1 million in savings
- $2.5-4.5 million use of fund balance
- Available fund balance at year end will drop to between 14-16%.

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Year-End Results: Tracking Sales Tax

Retail Sales Year Over Year	March	April
National……....	-5.7%	-21.6%
North Carolina…….....	+1.8%	Mid-June
Buncombe……....	+1.9%	Mid-June
Staff Sales Tax Revenue Estimate	-15.00%	-30.00%
When Sales Tax Revenue Received	Mid-June	Mid-July

Year-End Sale Tax Estimate	$ 26,049,399
Sales Tax Budget	27,650,204
Difference	$ (1,600,805)

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State and Federal Assistance

- State CRF Assistance
  - $942,000 from Buncombe County.
- Federal CARES Act Funding
  - $615,000 Community Development Block Grant (CDBG) Program.
  - $3.7 million for COVID-19 Transit Impacts.
- Dept. of Justice Coronavirus Emergency Supplemental Funding Program (CESF)
  - $153,000 for the Police Department.

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Year-End Results: Enterprise Funds

Parking

- Revenue loss from free parking.
  - $500,000/month
- Identified savings to reduce expected fund balance use to $1.4 million.

Transit

- Revenue loss from fare-free.
- Transit COVID-19 expenses and budget shortfall will be covered with CARES Act funding.

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Year-End Results: Financial Summary

- General Fund use of fund balance - range of $2.5 - $4.5M.
- Continue to monitor sales taxes and regularly report to Council.
- Parking Fund use of fund balance - approximately $1.4M.
- State & federal assistance helping offset financial impacts.

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Fiscal Year 2020-21 (FY21) Manager's Recommended Budget

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Key Drivers in Budget Development

- **Even more** uncertain economic outlook.
- **Minimal** revenue growth will be used up by ongoing operating cost increases, **even after making reductions to expenditures.**
- **While enhancements can be considered if the fiscal picture improves later in the year,** additional revenue will be needed to fund any new capital or operating investments.

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Guiding Principles

Essential service delivery
Ensuring departments have the resources required to meet service delivery expectations.

Enhancing customer value
Ensuring efficient service delivery that improves the customer experience.

Strategic alignment
Aligning resources (new and existing) to achieve community, Council and staff goals.

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How do we implement Guiding Principles in a crisis?

1. **Ensure safety** of our staff and community.
2. Work to **limit impacts** on existing services.
    - Whether essential or strategic, not the time to reduce the services our community relies on.
3. **Be prepared** for the plan to change.

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FY21 Recommended Budget

- **Continues funding for existing services** with limited enhancements, new programs or initiatives.
- Maintains current property tax rate (42.89¢) and recommends **no fee increases**.

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Summary Budget

Fund	2020-21 Budget	Increase/ Decrease	Reason for Change	Use of Fund Balance
General Fund	$134.6M	+1.7%	Transit support	$1.5M
Transit Services	$ 12.3M	+20.6%	Enhancements, Jan. 2020; paratransit	Gen. Fund Supported
Parking Services	$ 6.6M	-7.3%	Anticipated impact COVID-19	none
Harrah's Center	$ 3.8M	-21.5%	Anticipated impact COVID-19	$217k
Water Resources	$ 33.2M	-18.3%	Removal of Capital Fee	$7.4M (Capital)

FY21 General Fund Revenues

Property Tax	3.9% growth, but lowered collection rate
Sales Tax	no growth, but increase from Mission/HCA merger
Development	7% decline
ABC Revenue	10% decline
Investment Earnings	$ 1.1M decline

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FY21 Gen. Fund Operating Expenditures

- Primary goal: **continuity of operations**.
- Continued **transit** support.
- Collaborative work with departments to hold operating budgets flat year over year.
- Budget developed with **intentionality** and a focus on **equity**.

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FY21 Salaries & Wages

- Funding for $31,200 minimum annual pay, LGERS required increase.
- No general wage increase for employees.
- Assuming continuation of hiring freeze through first six months of FY21.
- Delayed implementation of other recommendations of Compensation Study.
  - Base pay of all employees, including firefighters being evaluated

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FY21 Salaries & Wages

- Firefighter Pay Plan
  - Trainee pay: $32,630 annually (6 mo.)
  - Firefighter starting pay: $33,935 annually (~2 yrs.)
    - Step increases, 2.5%
  - Sr. Firefighter pay: $40,603 annually
  - Other Pay
    - Education Pay, 1.5-5%
    - Certification Pay, 2-3%

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Why Aren't We Making Deeper Cuts Today?

- Flat Budgets
  - Maintain levels of service for the community.
  - Departments minimized increases.
  - Overall increase driven by Transit improvements in FY20.
- Staffing
  - Amount of work expected of employees is *increasing* during the crisis.
- Hold Steady and Prepare for Change

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Strategies for a Prolonged Recession

Communicate Early and Often with Council and the Community.

- Continuation of hiring freeze.
- Maintenance and Capital Investments.
  - Defer facility and infrastructure maintenance.
  - Defer capital projects not already in progress.
- Service Cuts.

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FY21 Gen. Fund Operating Recommendation

- Recommend reallocation of a portion of Strategic Partnership Funds (SPF) to support equity and address opportunity gap goals:
  - $35,000 to support ACS After-School Coordinator.
  - $43,000 to Parks & Recreation for extended community center hours & summer youth/teen programming.
  - $15,000 to Pisgah Legal Services Tenant Eviction Response Team.

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Council Strategic Priorities - Ongoing

Transportation & Accessibility	Transit Master Plan phase one.
Quality Affordable Housing	Utilize city-owned land to incentivize affordable housing development.
Equitable & Diverse Community	Expand partnership opportunities with Asheville City Schools.
Well-Planned & Livable Community	Haywood/Page Plan to guide redevelopment of city-owned site.
Thriving Local Economy	Develop a business inclusion program to increase minority vendor participation.
Clean and Healthy Environment	Climate justice initiative and renewable energy installations.

General Fund Summary

Revenue	$ 133.1M
Expenditures	$ 134.6M
Use of Fund Balance	$ 1.5M

- Continuity of operations and existing programs with no additional funding for new or enhanced services.
- Fund balance appropriation of $1.5M included in the budget, reducing fund balance to the range of 13-15%.

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FY21 Enterprise Funds

- **No fee increases** in water and stormwater.
- Uncertainty around re-implementation of fees for transit and parking may impact revenues in those funds.
- Parking revenue likely will be slow to rebound.

FY21 Enterprise Fund Summary

Transit Fund

- $2.1 million (21%) increase in costs.
  - Continuation of service enhancements implemented in January, 2020.
  - Increased paratransit costs.

Harrah's Cherokee Center Fund

- Budget reduced by $1.1 million to reflect fewer expected events.
  - Use of $217k in fund balance.

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FY21 Enterprise Fund Summary

Water Resources Fund

- No fee increases.
- Water CIP charge to be eliminated ($7.4 million reduction in revenue).
  - Water capital fund balance to make up difference.
  - External consultants working on rate study to better balance cost burden between commercial and residential customers.

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Enterprise Numbers Summary

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Harrah's Center	$ 3.8M	-21.5%	Anticipated impact of COVID-19	$217k
Water Resources	$ 33.2M	-18.3%	Removal of Capital Fee	$7.4M (Capital)

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FY21 Capital Improvement Program

- Projects already underway will continue.
- No new projects funded.
- Projects included if a delay could jeopardize external funding.
- GO bond projects continuing to ensure completion within timeframe.

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Next Steps



- Public Hearing June 9
  - Live telephone, pre-recorded and written public comment will be accepted.
- Budget Adoption June 23

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Public Hearing June 9: How to Participate

1. **Watch live** on television on **Charter Cable channel 193** and on **AT&T U-Verse channel 99** or by **live stream** through https://www.publicinput.com/hub/88.
2. **Listen live** by calling **855-925-2801** and entering code **8958**.
3. Make **live telephone comments** on the agenda by calling **855-925-2801** and entering code **8958**.
4. Make **pre-recorded voicemail comments** on the agenda by calling **855-925-2801** and entering code **8958**.
5. Submit **written comments** on the agenda by emailing AshevilleCityCouncilJune92020@publicinput.com.

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