Budget Work Session

May 12, 2020

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Presentation Overview

- Update on Current Year Financial Status since April 14 Council Work Session.
- Preview of the Fiscal Year 2020-21 (FY21) Manager's Recommended Budget.

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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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Current Fiscal Year Update

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Current Year: Notes From April 14

- Operational changes:
  - Fare-free transit service.
  - Free on-street and garage parking.
  - Deferring/waiving some leases, monthly charges and loan payments.
  - Contribution to One Buncombe Fund.
  - Shelter for people experiencing homelessness.
- Significant revenue and expenditure impacts.

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Current Year: Notes From April 14

- Spending will continue for essential services & implementation of $31,200 minimum pay.
- Implementing targeted, strategic reductions and/or delays in spending where possible.
- General and Parking Funds will use fund balance, as expenses will exceed revenues.
- Federal/State assistance will help to mitigate some financial impact.

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Current Year: Changes Since April 14

General Fund

- Lowered ABC revenue estimate by $200,000.
- Anticipating ~20% decline from March to June in sales taxes after discussions with other cities.
- State deferral of vehicle registrations for five months.
- Ongoing **major uncertainty** in revenue estimates, especially sales taxes.

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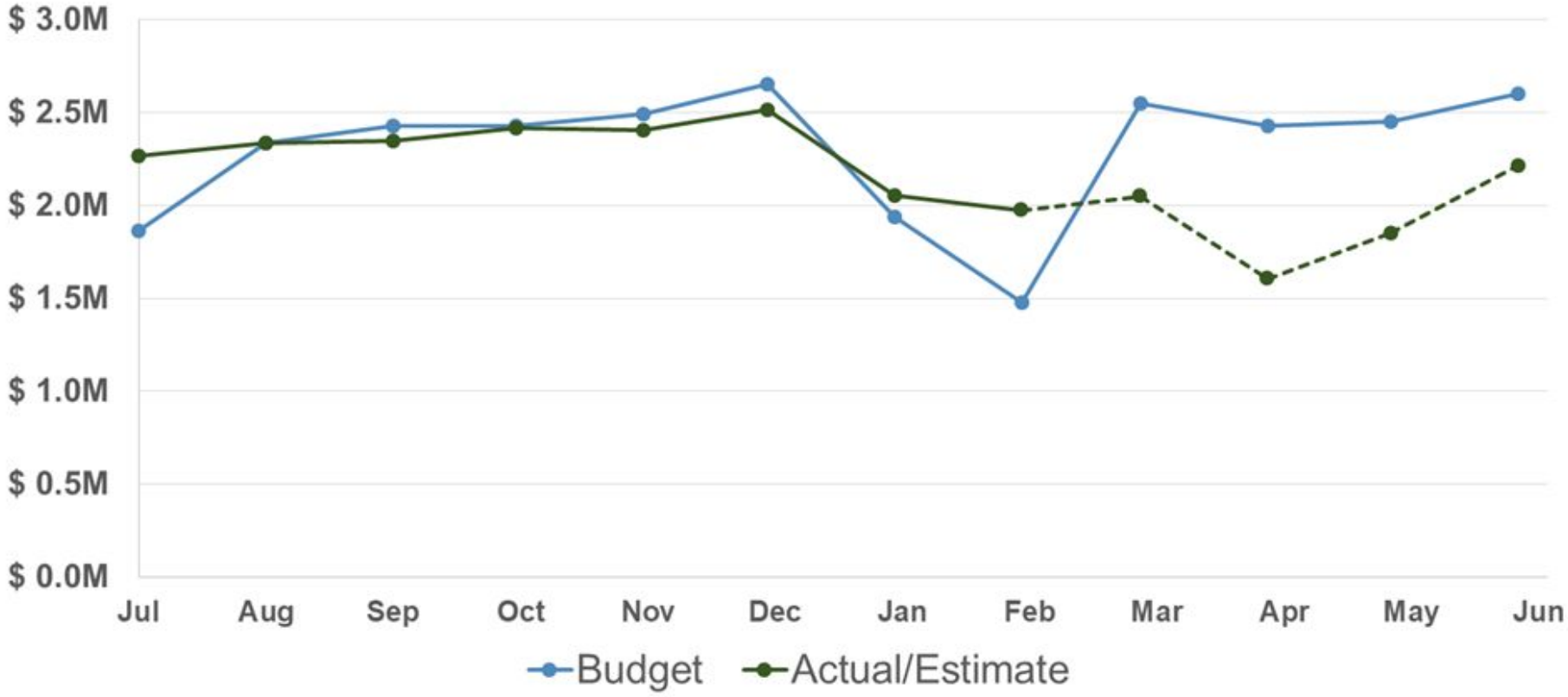
Current Year: Changes Since April 14

General Fund

- Identified approximately $1.0M in savings through departmental budget reviews and hiring freeze.
- Anticipating expenses will exceed revenues in the range of $2.5M - $5.0M (Previous est. $2.8 - $5.5M).
- Available fund balance at year end will drop to between 14-16%.
- Federal and State assistance amounts unknown.

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Current Year Sales Tax Estimates

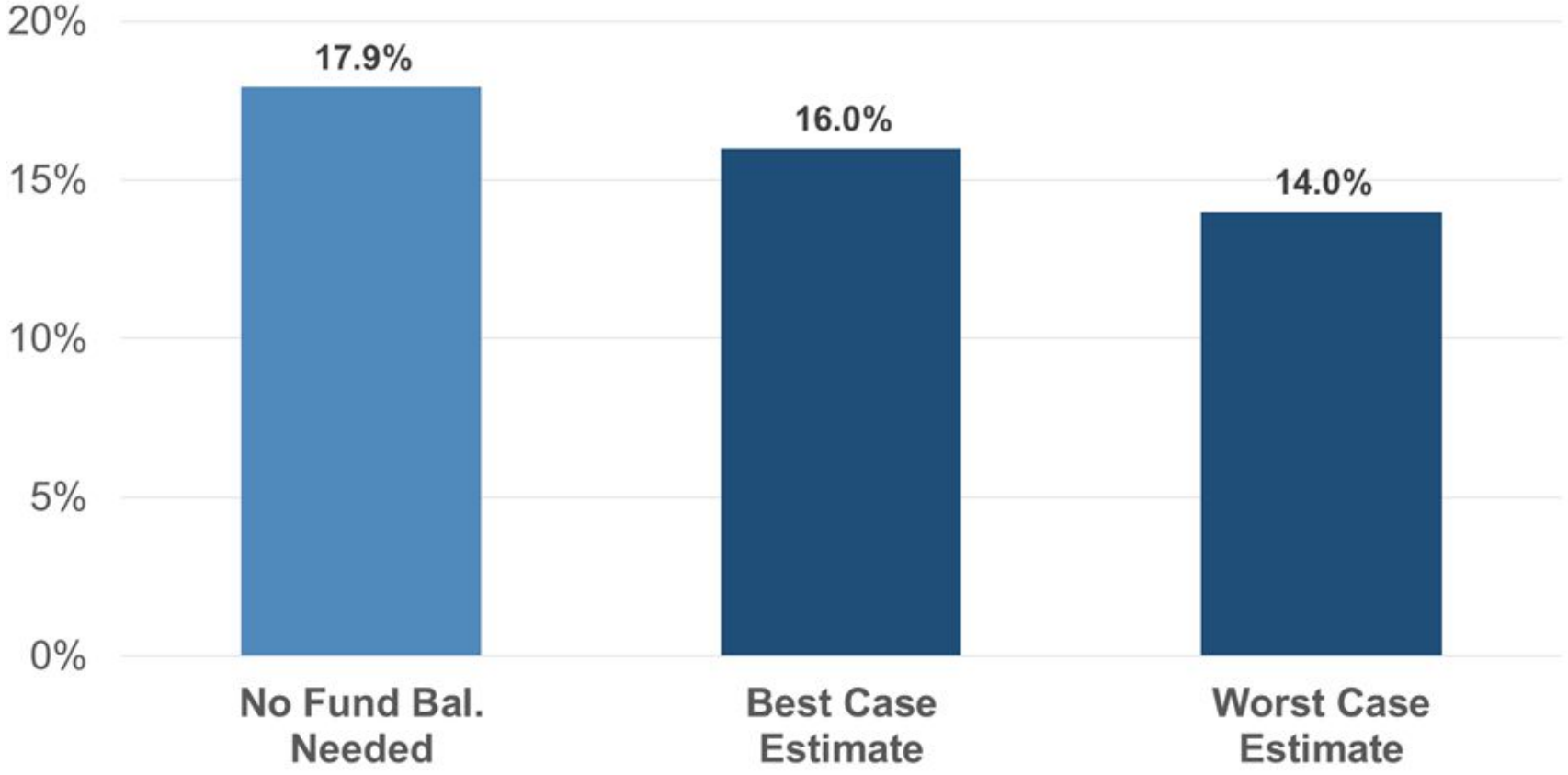


Current Year General Fund Update

	Mar. Est.	Est. Changes
Revenues	$ 133.4M	$ 2.5M - $ 4.0M
Expenses	$ 132.8M	$ 0.0M - $ 1.0M
Rev. vs. Exp.	$ 0.6M	$ 2.5M - $ 5.0M

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Current Year Fund Balance Update



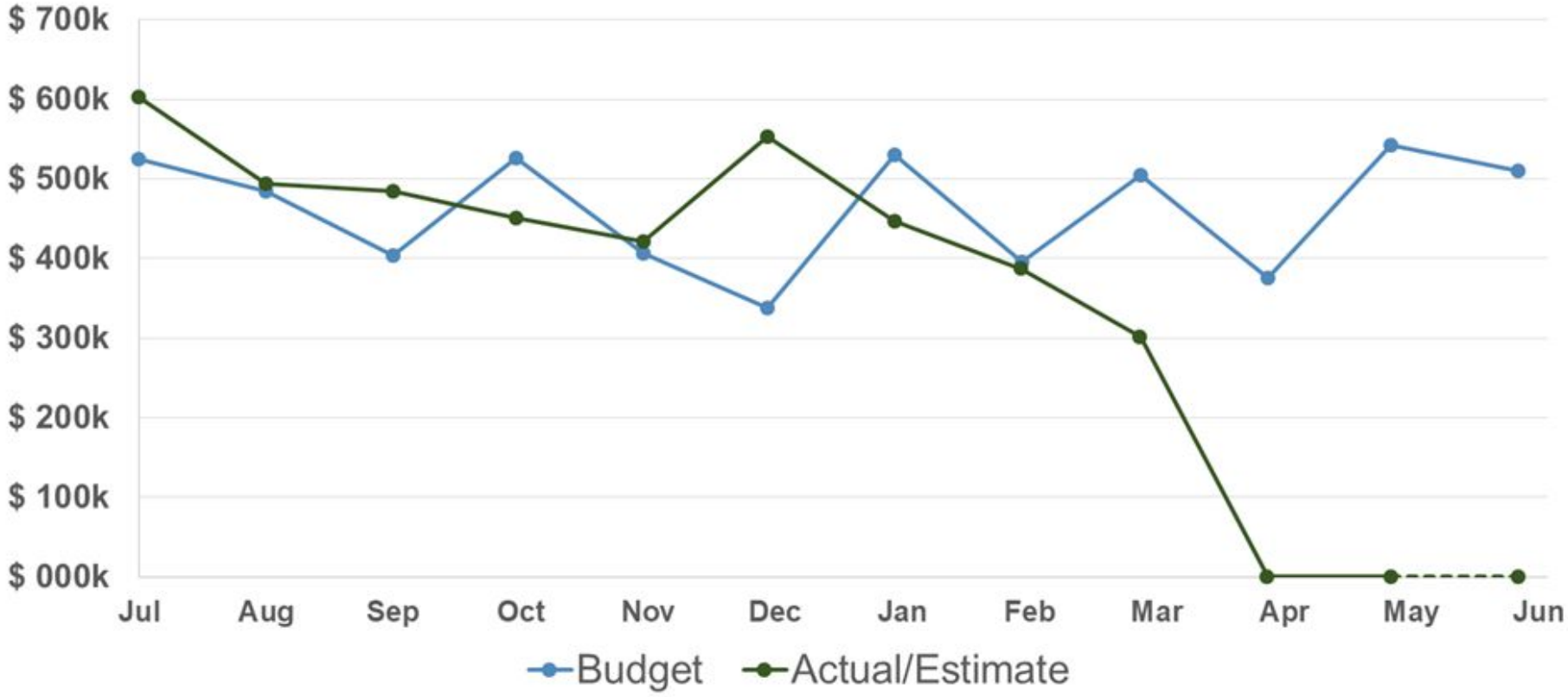
Current Year Updates Since April 14

Enterprise Funds

- Transit COVID-19 expenses and budget shortfall will be covered with CARES Act funding.
  - $500,000 May 12 budget amendment for bus driver protective equipment.
- $1.5M shortfall in Parking Fund due to suspension of parking deck and on-street parking fees.

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Current Year Parking Major Revenues



Transit Use of CARES Act Funding

	FY20 Estimate
Ensuring Safety	$ 511,000
Continuing Service	$ 150,000
Mitigating Revenue Loss	$ 865,000
Total	**$ 1,526,000**

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Transit Use of CARES Act Funding

	FY21 Estimates (Months)		
	3	6	12
Ensuring Safety	$3,000	$6,000	$12,000
Continuing Service	$390,000	$780,000	$1,560,000
Mitigating Revenue Loss	$825,000	$1,650,000	$3,300,000
Total	**$1,218,000**	**$2,436,000**	**$4,872,000**

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Financial Impact Summary

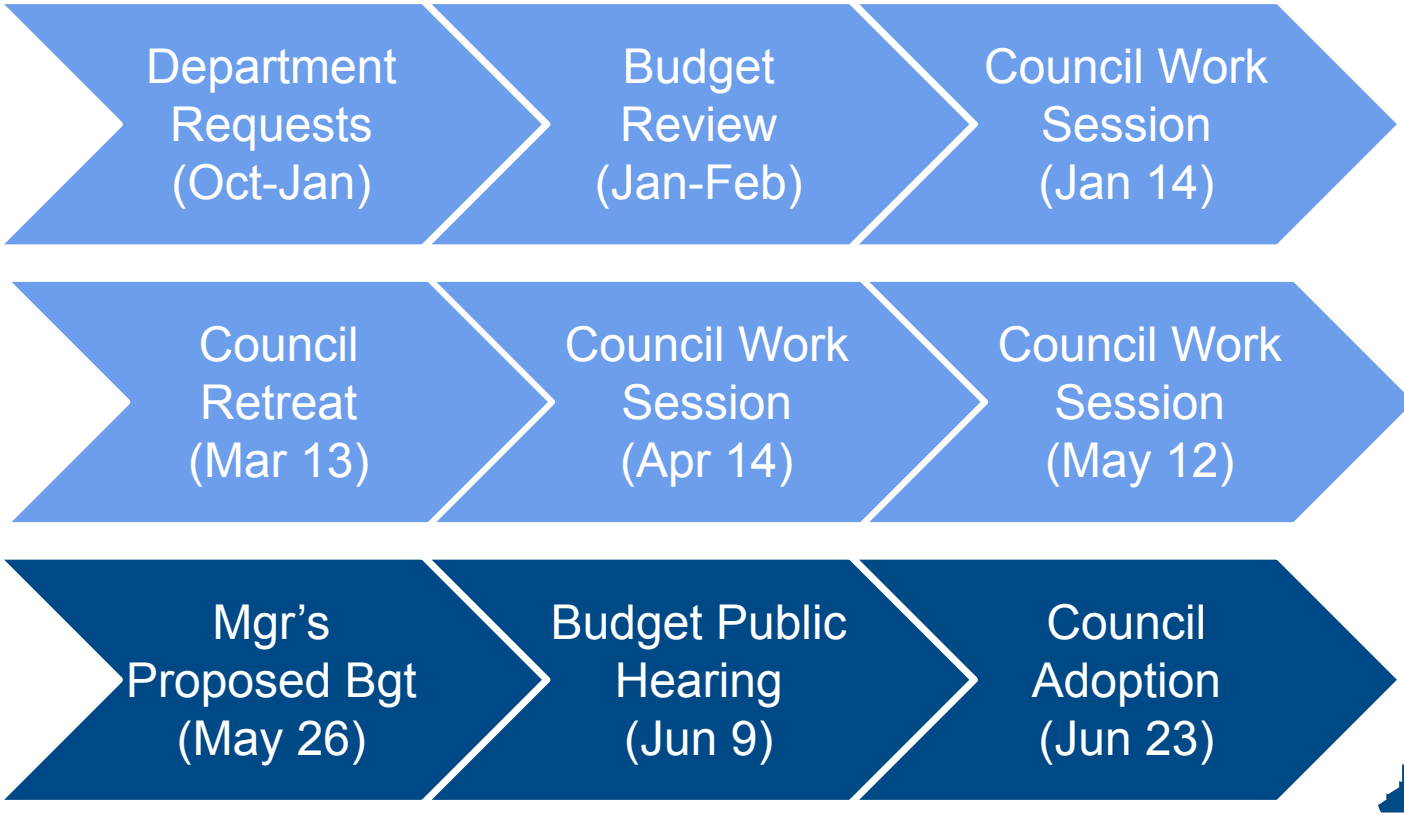
- General Fund projected fund balance decline: $2.5M - $5.0M.
- Parking Services Fund projected fund balance decline: $1.5M.
- Other Enterprise Funds unlikely to experience major financial impact in the current year.

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Discussion

Framework for FY 2020-21 Manager's Preliminary Recommended Budget

Budget Schedule - Updated



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Updates to Key Takeaways from Retreat

- **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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1. Ensure Safety

- Critical, even if at a higher cost.
- Likely to receive some financial support to offset additional costs from federal and/or other sources.

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2. Limit Impact: Ongoing Services

- Temporarily forgo regular OPEB Trust, Risk Fund, Health Fund and Capital Transfers.
- Do not use one-time revenue sources to add new recurring costs.

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3a. Be Prepared: Contingency Planning

Outlook Worsens

1. Operational reductions with goal to minimize impact on customers.
2. Service reductions.
3. Deferred maintenance.
4. Possible continued deferral of some transfers to OPEB Trust, Risk Fund, Health Fund and Capital.

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3b. Be Prepared: Contingency Planning

Outlook Improves

1. Address operational needs.
   - Restore deferred maintenance funding.
   - Compensation Study implementation.
2. Reinstate transfers to OPEB Trust, Risk Fund, Health Fund and Capital.
3. Additional resources towards achieving strategic goals.

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Discussion

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

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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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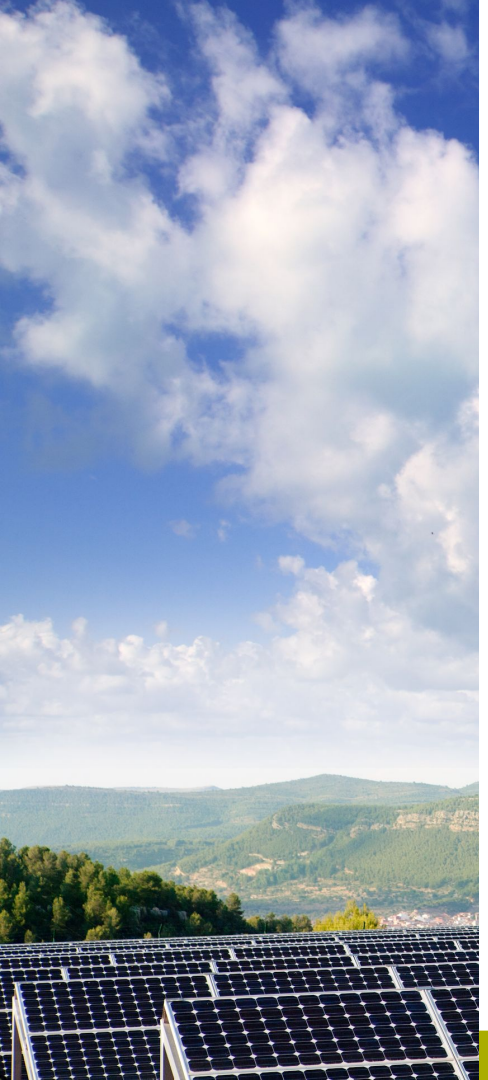


Strategic Alignment

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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.
Financially Resilient City	Provide resources to address maintenance, new construction and operational needs.



Clean & Healthy Environment

Sustainability Initiatives

- Renewable energy installations
  - Burton Street Community Center
  - Linwood Crump Shiloh Center
  - Fire Station #10
  - Fire Station #11
  - Wall Street Parking Deck
  - Transit Center
- Climate Justice Initiative

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FY21 Budget Details

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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 Salaries & Wages

- Funding for $31,200 minimum pay, LGERS required increase.
- No funding to implement other recommendations of Compensation Study.
- No general wage increase for employees.
- Assuming continuation of hiring freeze through first six months of FY21.

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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 Gen. Fund Operating Expenditures

- Recommend reallocation of 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 and summer youth/teen programming.

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FY21 General Fund Summary

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

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FY21 Enterprise Fund Summary

- **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.

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FY21 Enterprise Fund Summary

- Water CIP charge to be eliminated ($7M 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.
- Harrah's Center budget reduced to reflect fewer expected events.

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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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Continuation of Capital Investments

- Ongoing allocations for:
  - Facility maintenance
  - Computer replacement
  - Vehicle replacement
  - Road resurfacing
  - Neighborhood sidewalks

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Key Takeaways

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- Continuation budget with limited service enhancements.
- Departments worked to make cuts with a focus on minimizing operational impacts.
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Next Steps

Manager's Recommended Budget	May 26
Budget Public Hearing	June 9
FY21 Budget Adoption	June 23

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