Fiscal Year 2020-21 Budget Development Process

January 14, 2020

THE CITY OF ASHEVILLE



Agenda/Goals

- Current year update and financial context.
- Identify challenges and opportunities in next year budget.
- Feedback to inform next steps in budget process.

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Guiding Principles

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

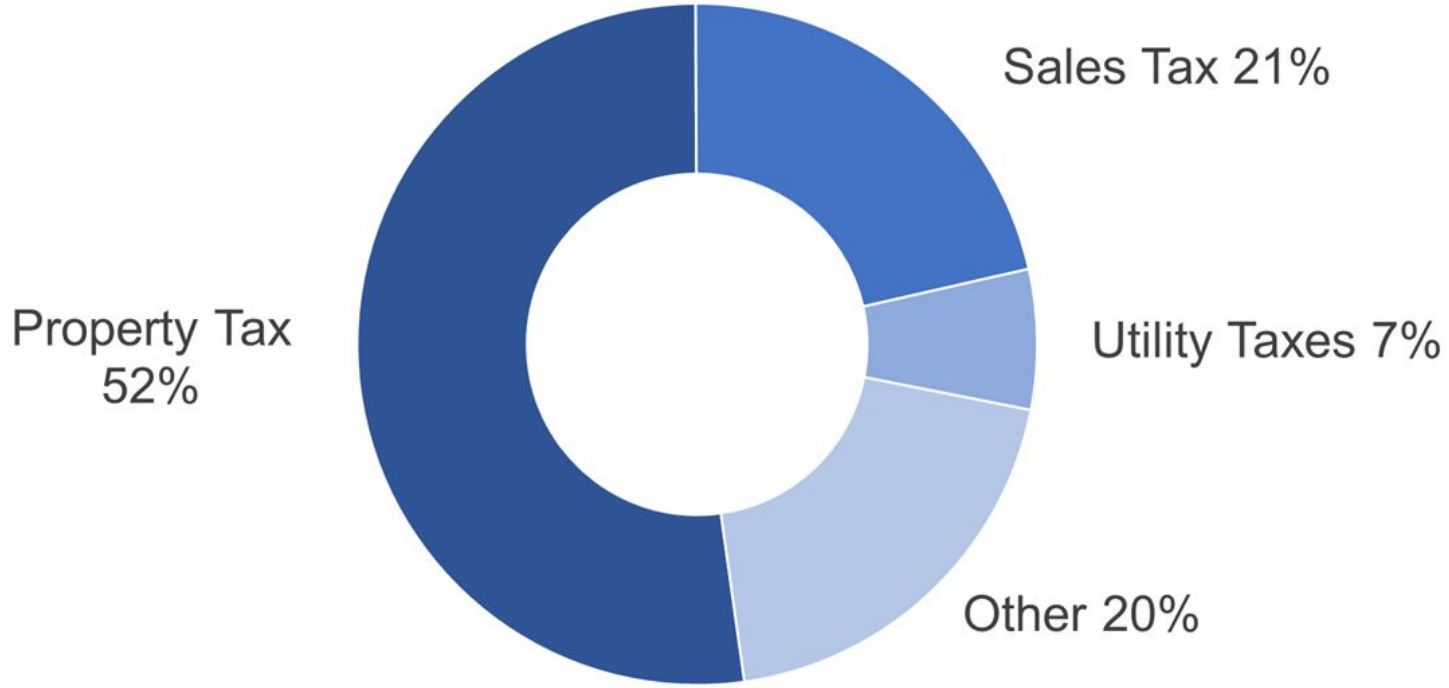
Enhancing customer value
Ensuring efficient service delivery that improves the customer experience.

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

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Current Fiscal Year (FY) Update

FY19-20 General Fund Budget



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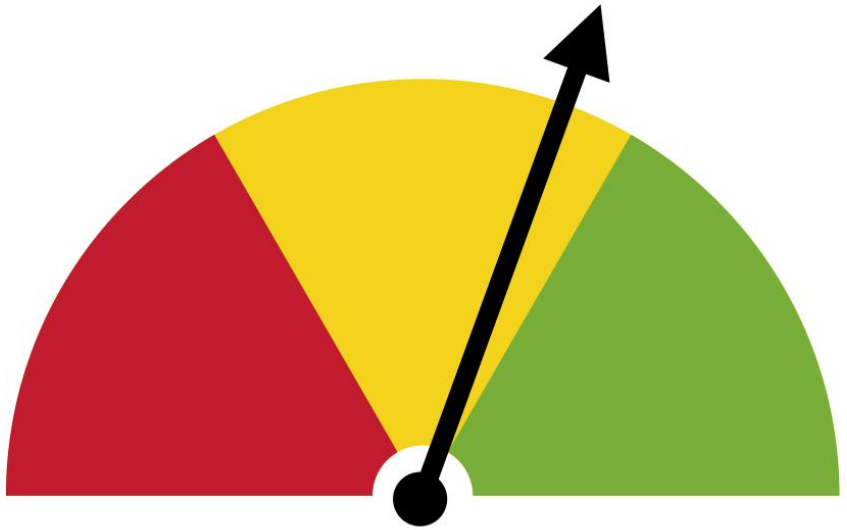
General Fund Revenues Status

Property Tax

Sales Tax

State Utility Tax

Other



OVERALL REVENUE

Above expectations On target Below expectations

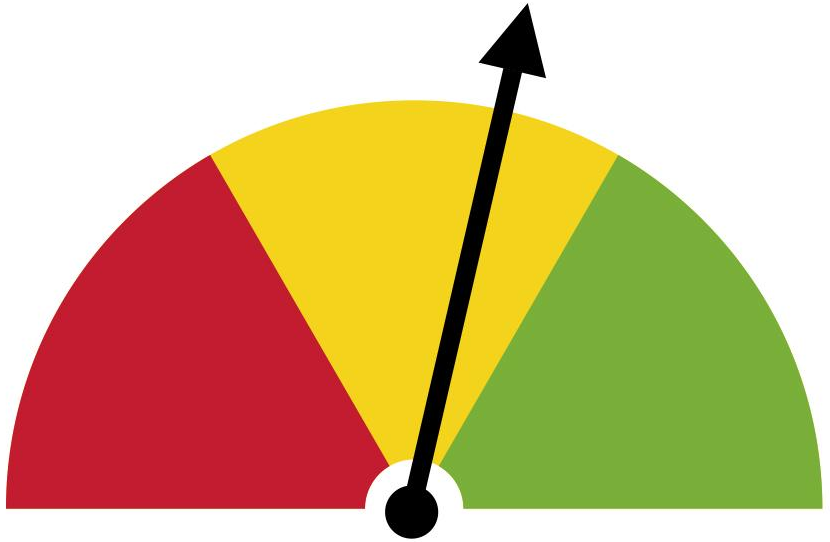
General Fund Expenditures Status

Personnel Cost Management

Utilities

Fleet Management / Fuel

Health Care



OVERALL EXPENDITURES

Above expectations On target Below expectations

Total Compensation Study Update

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Total Compensation Study

- Compensation & Classification Study
- Update on Phase I
- Preliminary Findings of Phase I
- Recommendations, Summary & Next Steps

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Scope of Work

- Consultants were engaged to analyze the City's salary and benefits package and provide a recommendation to the City Manager on the following:
  - Is the current **pay** and **benefits** package competitive with the market?
  - What is the feasibility of raising the minimum salary to $31,200 annually (based on 40 hour work week)?
  - What if any compression issues exist and how should those be addressed?
  - What if any inequities exist and how should they be addressed?

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Update on Phase 1: Scope of Work

- Assess impact of moving employees to a minimum of $31,200/yr (based on a 40 hour work week).
  - Calculate and estimate the base pay and related costs associated with moving all employees earning less than $31,200 annually to $31,200.
- Evaluate the impact of these increases on the base pay of others earning in the range of $31,200 - $33,280; and make recommendations.

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Update on Phase 1: Scope of Work (cont.)

- Will the increases to $31,200 cause greater pay compression?
  - Determine how to address identified compression.
  - Determine timing for necessary compression adjustments.
- Compression:
  - The situation that occurs when there is only a small difference in pay between employees regardless of their skills or experience.
  - Result of the market rate for a given job outpacing the increases historically given by the organization to high tenure employees.

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Movement of Salaries to $31,200

- This move aligns with a commitment to the concept of a *living wage*.
- Living Wage: Understood to mean the ability to afford food, housing and other essential items. No generally-accepted definition.
- Many US cities are raising minimum wage offered employees.
- Some large employers, e.g. Walmart, Target, Costco and Amazon, are moving minimum salaries up to or toward $15.00/hour.

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Movement of Salaries to $31,200

- The City of Asheville, Buncombe County and other local area employers have committed to pay, at a minimum, a current living wage.
- The City's current salary and benefits survey will provide information regarding current practices in comparable municipalities related to pay for entry level jobs.

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Compensation & Classification Study
Preliminary Findings of Phase 1

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Employees Below Proposed Minimum

City Employees	Positions
Total full-time & regular part-time	1,256
Earning less than $31,200	93

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Impacted Positions by $31,200 Analysis

Job Title	Employees
Facility Attendant	11
Inventory Clerk	1
Laborer	18
Parking Attendant	4
Records Clerk	1
Security Guard	2
Auto Services Tech.	1
Parking Enforcement Ofc.	1
Program Leader	12
Water Plant Operator Trainee	2
Senior Office Assistant	1
Customer Service Rep.	9
Meter Reader	1
Traffic Engineering Apprentice	1
Water Maintenance Worker I	15
Equipment Operator	10
Groundsworker	2
Guest Services Rep.	1

- 93 positions identified to adjust to $31,200/yr.
- Reviewed positions in pay grades 201 - 206.
- Departments with impacted positions:
  - Capital Projects
  - Community & Econ. Development
  - Parks & Recreation
  - Police
  - Public Works
  - Transportation
  - Water Resources

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Cost of Additional Wages & Benefits

Estimated **annualized** cost for adjusting salary for 93 employees including overtime, increase in cost of benefits, additional City contribution to the retirement system and life insurance premiums.

Component	**Estimated Annualized Cost**
Pay increase, including overtime	$ 343,800
Additional benefits	$ 68,760
Total (wages & benefits)	**$ 412,560**

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Compression Analysis

- If $31,200 becomes the new wage floor - the shift causes additional compression as a group of employees' pay shifts upward.
  - The adjustments to $31,200 applies to those earning less than that, regardless of time in the job.
  - Compression focus on employees in pay grades where employees would be moving to $31,200/yr.
- Additional employees could potentially be impacted by the new wage increase. The cost to adjust for compression could be **$30,000 to $196,000**.
- There is likely to be pay compression in other pay grades.

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Compensation & Classification Study Summary & Next Steps

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Comp. & Classification Next Steps

- When Phase II of the Total Compensation Study is complete, the following recommendations will be provided:
  - Position compensation based on responsibilities.
  - Adjustments for market and internal compensation inequities.
  - Adjustments to address pay compression in the current plan and the impact of new pay grades and ranges.

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Summary & Next Steps

- Phase I: Initially identified positions to be adjusted to $31,200/year.
  - Supports commitment to adjust lower pay rates first.
  - Staff will provide additional information and options at Council retreat in February.
- Phase II Timeline:
  - Additional data collection including market analysis (Jan - Mar).
  - Preliminary Report (Apr - May).
  - Final Report (May - Jun).

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Questions & Discussion

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Current Year General Fund Summary

	FY20 Est.
Revenues	$ 133.4M
Expenses	$ 132.6M
Rev. vs. Exp.	**$ 0.8M**

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Enterprise Funds Status

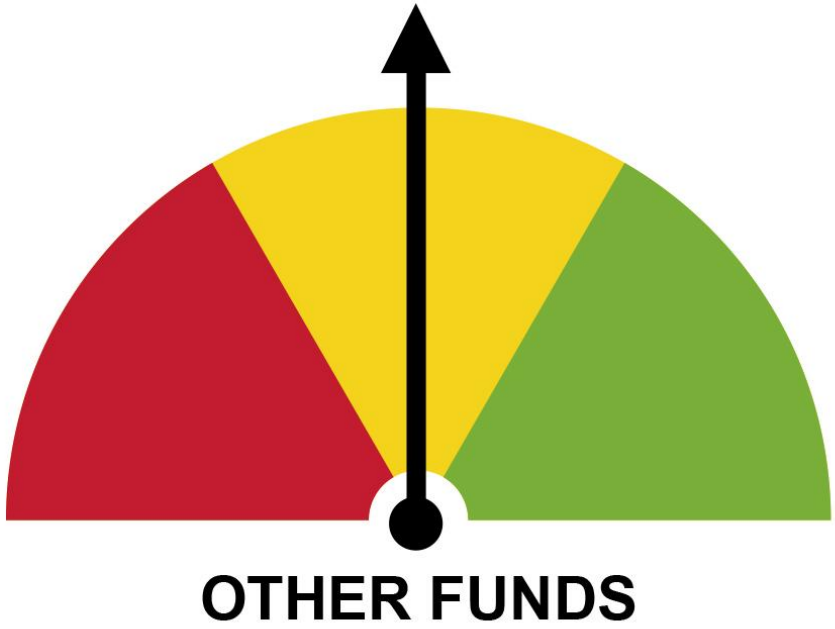
Water Fund

Civic Center Fund

Parking Fund

Stormwater Fund

Street Cut Fund



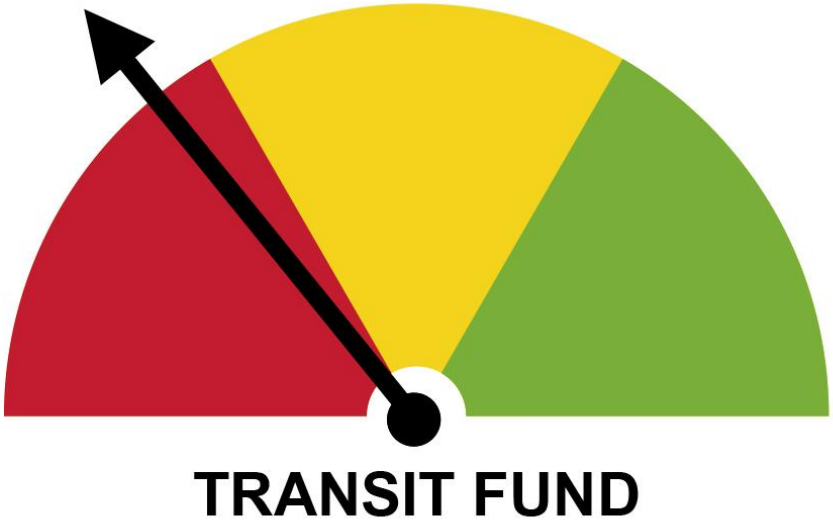
Above expectations

On target

Below expectations

Transit Fund Status

Total Budget	$10.2 M
Projected Actual	$10.7 M
Shortfall	**$ 0.5 M**



Above expectations On target Below expectations

Transit Fund Status Details

Trending $500,000 over budget due to increased cost of:

- Fuel/Electricity
- Paratransit service

City Portion of Paratransit Service Costs

FY18 Act.	FY19 Act.	FY20 Bgt.	FY20 Est.	FY21 Est.
$439,045	$548,866	$735,000	$1,123,709	$1,750,000

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Paratransit Service Details

- The Americans with Disabilities Act requires public transit agencies to provide equivalent services to people with disabilities.
- Door-to-door service is provided for eligible riders throughout the entire city above and beyond federal requirements.
- City contracts with Buncombe County to provide service.



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Transit Fund Status Details

- In October, Council asked staff to monitor the budget to see if the last half of the 1st year of the Transit Master Plan (extended hours of operation) could begin this fiscal year.
- A cost analysis was prepared and considered:
  - When would the extended hours of operation begin
  - Paratransit increase
  - Maintenance impacts
  - ART staff increases (drivers/dispatch/mechanics)
  - Vehicle availability
  - Additional security needs at transit station
  - Fuel increase + increased fuel cost

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Transit Funds Status Details

- Cost to extend the hours of operation to complete Yr. 1 of the Transit Master Plan (+ $1.1M for full year):
  - Extended hours of operation - $950,000
  - Upgrade/purchase operational software - $150,000
- Due to existing projected shortfall in Transit Fund of $500,000, cost to implement for partial year approximately $250,000-$300,000, and logistical challenges of quick turnaround, it is unlikely for this fiscal year.

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Current Year General Fund Summary

	FY20 Est.
Revenues	$ 133.4M
Expenses	$ 132.6M
Rev. vs. Exp.	**$ 0.8M**
Transit Shortfall	($ 0.5M)
Rev. vs. Exp.	**$ 0.3M**

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Questions & Discussion

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Next Fiscal Year Budget Development

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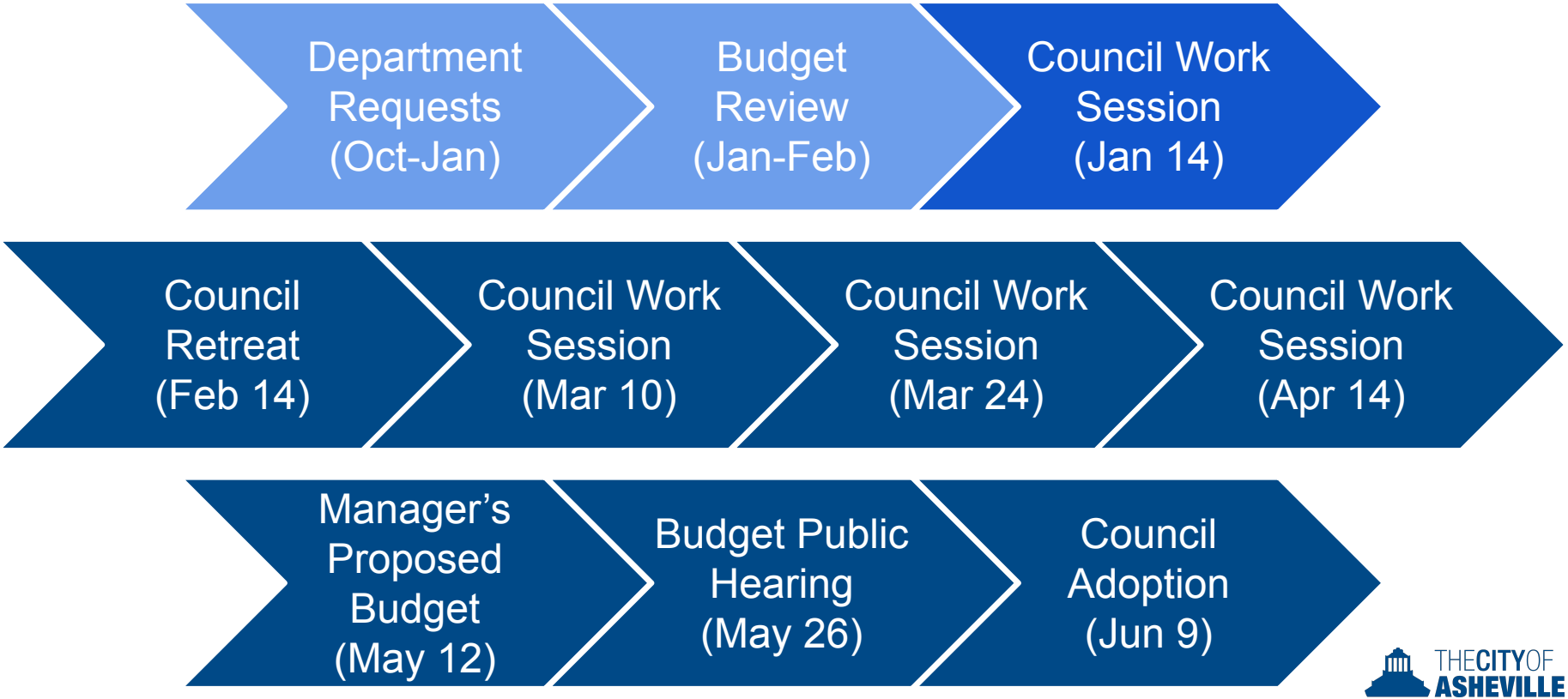
Internal Progress Update

- Facility & infrastructure maintenance identified as high priority by Management Team.
- Departments completing development of budget proposals (operating & capital).

External Progress Update

- Budget process information shared with Boards & Commissions.
- Capital financing and forecast information shared with Finance & Human Resources Committee.

Key Budget Dates for Council



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Preliminary Revenue Projections

- Property tax growth to follow recent trends.
- Moderating sales tax growth.
- Additional Mission-HCA revenue ($2.2M).
- Minor growth in other revenues.
- **Current estimate: $5-6M additional revenue.**

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Examples of Expense Increases

- Full year of transit service improvements.
- Paratransit, fuel & electricity.
- Maintenance in River Arts District.
- Additional ongoing personnel costs.
- Annual capital debt model allocation.
- **Current estimate: $6-8M additional operating costs.**

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Revenue growth is expected to be used up by ongoing operating cost increases.

Questions & Discussion

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Investments in Short Term (1-3 year) Priority Strategies

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Recent Strategic Investments

Transportation & Accessibility	✓ Implement transit route reconfigurations. ✓ Add frequency on some transit routes.
Clean & Healthy Environment	✓ Solar panel installation (ART Station). ✓ Building controls upgrades (USCC & Muni). ✓ Electric transit bus purchases. ✓ Solar ready roof replacement. ✓ LEED Fire Station with renewables.
Financially Resilient City	✓ Total compensation study.

Recent Strategic Investments (cont.)

Quality Affordable Housing	✓ Bond-funded property purchases. ✓ Updates to LUIG & fee rebate policy.
Well-Planned & Livable Community	✓ Additional planning staff. ✓ Haywood/Page city-owned site planning. ✓ Pedestrian/ADA/Greenway plan.
Thriving Local Economy	✓ Minority small business training program

Strategic Investments for Review

Quality Affordable Housing	• Additional city investments to leverage public-private partnerships.
Clean & Healthy Environment	• Additional solar investments. • Solid waste master planning. • Urban forest management.
Well-Planned & Livable Community	• Initiate UDO overhaul.
Financially Resilient City	• Compensation study implementation. • Facility & Infrastructure maintenance.

Strategic Investment: Transit

Transportation & Accessibility

Base Budget (+ $2.5M)

✓ Annualizes first portion of Year 1 (launched Jan. 5th).
✓ Increases paratransit cost.
✓ Increases fuel/electricity cost.

Additional Service: Transit Master Plan Year 1 (+ $1.1M for full year)

- Add extended hours of operation - $950,000.
- Upgrade operational software - $150,000.

Additional Service: Transit Master Plan Year 2 (+ $1.1M for full year)

- Additional north & south crosstown route.
- Added frequency on S3 and S6.

Strategic Investment: Capital

Financially Resilient City

Current Investment

✓ Annual contribution is roughly $15M (12% of General Fund).

✓ Have spent more in last six years than previous 20 years.

Additional Needs

- Facility & infrastructure maintenance identified as high priority by Management Team.
- Significant unfunded needs over next ten years (125 projects identified at over $600M).
- Capital debt model has limited capacity to fund additional projects.

Summary

Strategic Investment Funding

- Revenue growth is expected to be used up by ongoing operating cost increases.
- Additional revenue required to fund any of these new investments.
- Revenue options to be determined.

Council Retreat

- Budget Discussion Agenda:
  - Affirm guiding principles.
  - 5-year forecast.
  - More detailed budget information.
  - Alignment with Council Priorities.
  - Is other/additional information needed?