THE CITY OF ASHEVILLE

MEMORANDUM

TO: City Council

FROM: Tony McDowell, Finance Director
Lindsay Spangler, Budget and Performance Manager

DATE: February 24, 2026

SUBJECT: FY 2025-26 Q2 Quarterly Financial Report

SUMMARY STATEMENT:

The financial information in this report reflects the City's overall financial position for Fiscal Year 2025-26 (FY26) through December 2025.

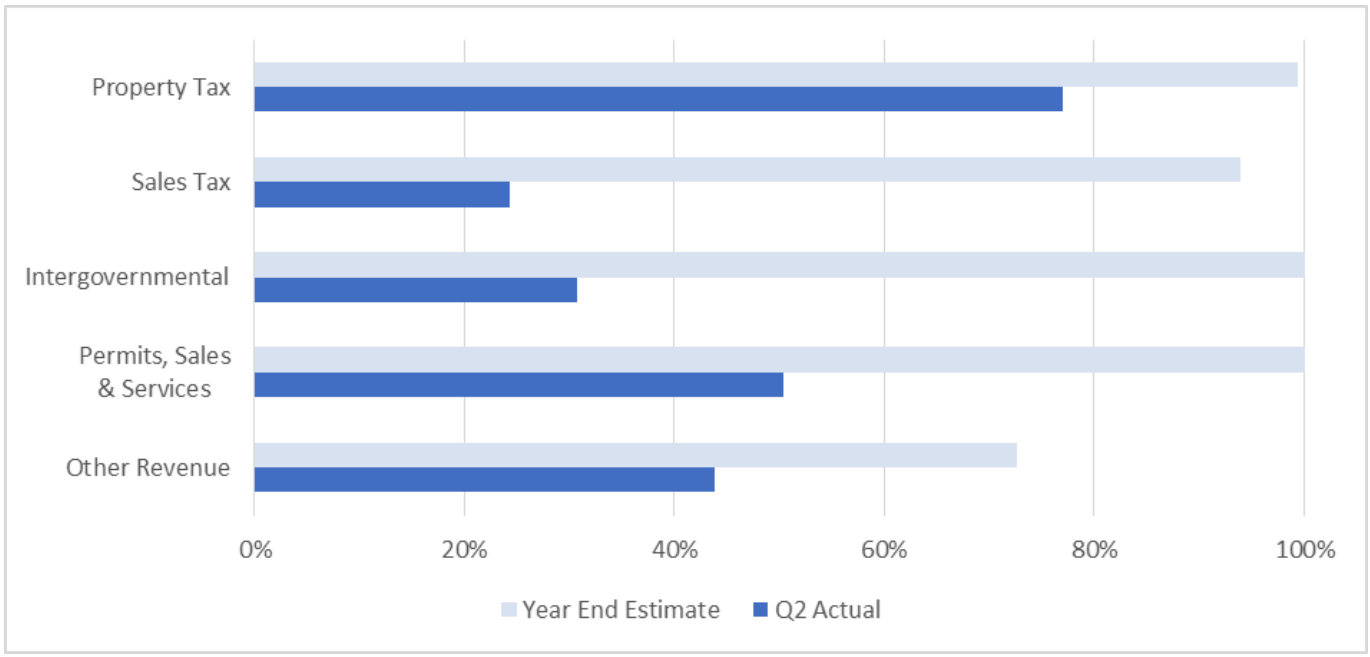
General Fund Revenues

Through December 31, 2025, the City has collected approximately $97 million in General Fund revenue, which represents 55% of the adjusted adopted General Fund revenue budget (not including fund balance appropriations). At the close of the 2nd quarter, which is halfway through the fiscal year, year-end estimates are based on a combination of prior year trends and year-to-date collections.

Property and sales taxes are the General Fund's largest sources of revenue, making up a combined 73% of total adopted General Fund revenue (not including fund balance appropriations).

- Property tax payments are due in January and are expected to come in at the normal collection rate. Through December, 77% of the adopted budget has been collected.
- Based on 5 months of sales tax data (July-November), we expect to do better this year as we continue to recover from Helene. Nevertheless, sales tax is still expected to come in at only 94% of budget.
- National economic uncertainty, inflation concerns, and the slow return of the tourism industry after the storm will likely continue to temper sales tax growth in the current fiscal year.
- Based on current year end projections, staff estimate fund balance usage will be approximately $1.6 million (compared to the $2.2 million budgeted).

FY26 General Fund Revenues: Q2 Actuals & Year End Estimates as a Percentage of Adjusted Adopted Budget



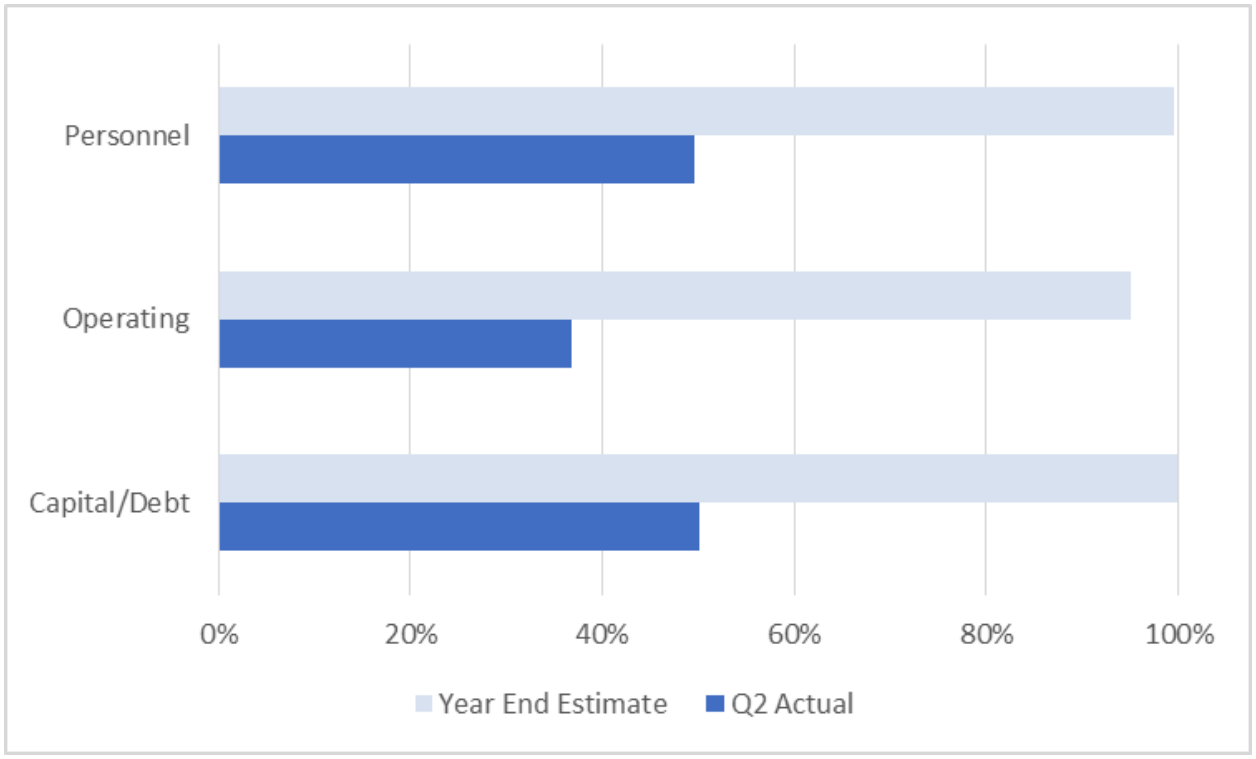
**The Adjusted Adopted Budget reflects a change in accounting for cost allocation charges.*

General Fund Expenditures

Second quarter General Fund expenditures generally align with expectations at 45% of the adopted budget. Personnel expenditures are tracking with the budget based on the City's payroll cycles. Operating (non-personnel) expenditures also track typical spending patterns. Staff is monitoring some costs that may change projections later in the year:

- An increase in Asheville Police Department (APD) personnel costs.
- Continued cost increases due to inflation, particularly in health care, which ended last FY higher than expected.
- The City instituted a hiring freeze in February 2026 to help reduce personnel spending as we go through the FY27 budget process. This will offset some of the increased spending listed above.

FY26 General Fund Expenditures: Q2 Actuals & Year End Estimates as a Percentage of Adjusted Adopted Budget



**The Adjusted Adopted Budget reflects a change in accounting for cost allocation charges.*

FY26 Projected Fund Balance Use

General Fund	FY26 Adjusted Adopted Budget*	FY26 Q2 Projection
Revenues	$175.0M	$172.8M
Expenses	$177.2M	$174.4M
Fund Balance Used	**$2.2M**	**$1.6M**
Fund Balance %	**14.0%**	**14.1%**

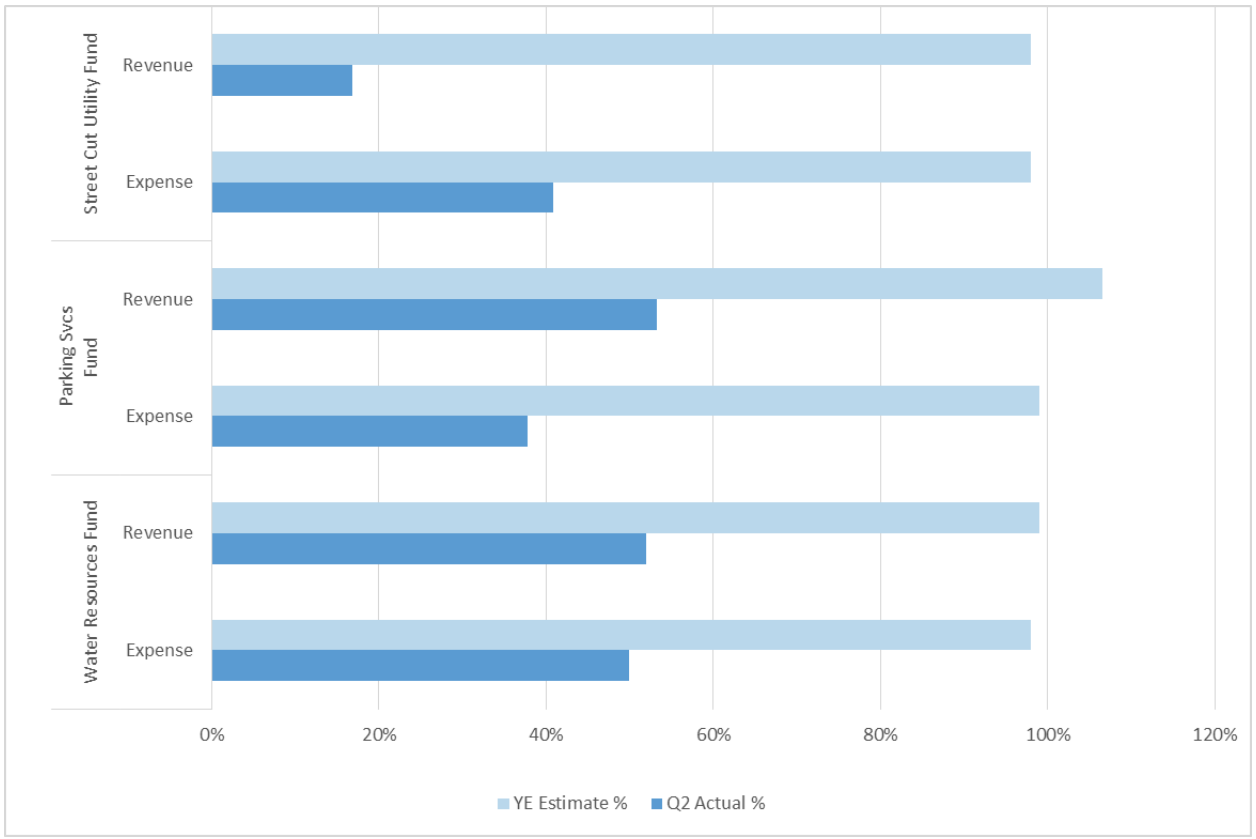
**Reflects change in accounting for cost allocation charges.*

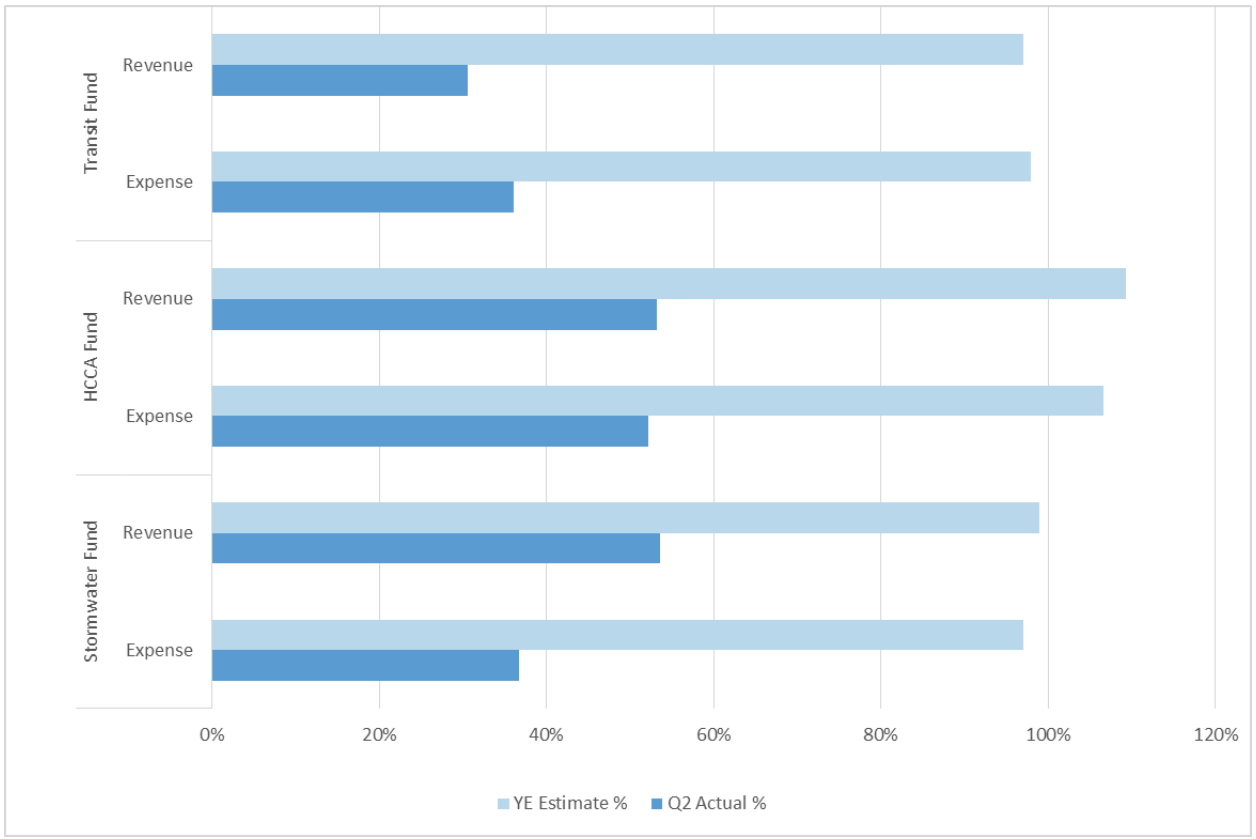
Enterprise Funds

The following information summarizes year-to-date and year-end projections for the City's six enterprise funds. Second quarter revenues and expenses in most enterprise funds are generally on target relative to budget.

- Parking Fund and Harrah's Fund both expect to receive more revenue than budgeted. We are planning to take a budget amendment to Council soon to budget the additional revenue and associated event costs for the Harrah's Fund.

FY26 Enterprise Funds Q2 Actuals & Year End Estimates as a Percentage of Adopted Budget





Summary

Based on the information currently available, revenues and expenses in all funds are performing as expected through the second quarter of the fiscal year. Staff continues to monitor trends such as sales tax revenue, APD personnel spending, and local economic indicators and will provide an update to Council in the Fiscal Year 3rd Quarter Financial Report.