April 14 FY 2027 Budget Work Session

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Agenda

I. Enterprise Funds
II. Business Improvement District (BID) Fund
III. General Fund Budget Status
IV. Property Tax Rate Discussion
V. Council Direction on Key Decisions
VI. Capital Improvement Program

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Enterprise Funds

Enterprise Funds Financial Status

Fund	Policy	Year End FY25	Year End FY25 Dollar Amount Above Policy
Water	100% of operating budget; 365 days of working capital	88%/320 days	$0
Stormwater	8% of the operating budget	81%	$5.5M
Transit	8% of the operating budget (portion may be reflected in the General Fund)	39%	$2.8M
Parking	8% of the operating budget	42%	$2M
Harrah's	16% of the operating budget	87%	$3.5M
Street Cut	8% of the operating budget	11%	<$100K

Note: Water, Stormwater and Parking fund balance (associated with on street revenue) cannot be transferred to the General Fund.

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Enterprise Funds Highlights

- Water Fund: $3.3M in new revenue from fee adjustments approved by Council on March 24.
  - Increased funding for Water's capital program.
  - Offset operating inflationary cost increases.
- Stormwater Fund: $626K in new revenue from fee adjustments approved by Council on March 24.
  - Increased funding will be utilized for capital and to offset inflationary cost increases.
  - Plan to also appropriate approximately $3M in fund balance for one-time capital costs and fee study.

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Enterprise Fund Highlights

- Transit Fund: The fund is facing decreased revenue and increased costs:
  - $800K increase to transit contract.
  - $150K increase to paratransit based on increased use.
  - Increased costs and decreasing revenue has led to a $1.2M budget gap next year, which will be covered with Transit fund balance.

Enterprise Fund Highlights

- Parking Fund:
  - Revenues adjusted slightly downward to match trend.
  - Transportation staff provided additional information on parking fee adjustments and a possible service expansion at the last budget work session.
  - Does Council want staff to include any of the parking fee adjustments or the South Slope expansion in the FY27 Manager's Proposed Budget? (see next slide)

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Parking Fund Continued

- Parking adjustment/expansion options:
  - Change “first hour free” to “first 15 minutes free”
  - Extend meters to 8pm
  - Expand meters to South Slope
  - Other minor fee changes such as monthly lot permits, special events, etc.

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Enterprise Fund Highlights

- HCCA Fund:
  - Budget is up due to anticipated increase in event load next fiscal year compared to this year.
  - HCCA fund balance will be used to cover the transfer from the General Fund (one time).
- Street Cut Fund: Continuation of existing programs.
  - Budget is down due to FY26 one-time fund balance use that is not repeated in FY27.

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Enterprise Funds FY27 Budget Summary

Fund	FY26 Budget	FY27 Projected	% Change
Water	$49,445,000	$52,960,000	7%
Stormwater	$9,319,906	$12,059,429	29%
Transit	$15,226,984	$15,974,149	5%
Parking	$7,143,500	$6,762,286	-5%
Harrah's	$6,089,447	$6,784,515	11%
Street Cut	$4,155,217	$3,059,474	-26%

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Business Improvement District (BID) Fund

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BID Fund Budget

- The City approved the BID in fiscal year 2025 (FY25) and adopted a property tax rate in the district of 8.77 cents per $100 of assessed value.
- This property tax rate generated approximately $1.3M in revenue in the FY26 budget.
- Property within the BID is included in the current revaluation so the City is required to calculate a BID-specific revenue neutral tax rate.
    - ***Preliminary*** revenue neutral rate has been calculated to be approximately 7.5 cents.

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ADID Current Contract Details

Category	Estimated Allocation	Primary Services
Cleanliness & Safety	$0.8M	Litter removal, directions, connections with unhoused, etc.
Administration	$0.2M	Management fees for administration, governance, and finance.
Special Projects & Operations	$0.3M	Marketing, training, legal, public lighting, etc.
Total	**$1.3M**	

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BID Fund Budget

- In August the City began receiving sales tax revenue associated with the BID property tax levy.
  - Buncombe County utilizes the ad valorem method for sales tax distribution and all property tax levies in the County are included in this formula.
  - The fund has collected $177K in the current fiscal year (5 months of revenue).
  - The estimated annual sales tax revenue from the BID tax levy is approximately $400K-500K.
  - This revenue is being recorded in the City's BID Fund.

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BID Fund Budget

- Next Steps:
  - ADID submitted an FY27 budget request of $1.43M and City Manager staff met with ADID leadership to review the request last week.
  - Staff recommends setting the tax rate at revenue neutral, which is currently estimated to cover ADID's budget request.
  - Staff will finalize the revenue neutral tax rate for the BID and include that in the Manager's FY27 Proposed Budget in May.
  - Staff is recommending that a portion of the sales tax revenue be used to fund holiday events and the AVL Arts Grant Program.
  - Staff, in coordination with Downtown stakeholders, will present additional options to Council on how to utilize the sales tax revenue at a later date.

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FY27 General Fund Budget Status Update

FY27 GF Changes Since Last Work Session

- **$3M** COLA / Initial Salary Study built into personnel expenditures.
- 911 cost share: FY27 City contribution will be ~half of FY26 **($1.5M)**. Then, County will absorb full cost in future years.
- Agreement with HACA to provide more APD presence at their properties - $200k in revenue and expense **(net $0)**.
- County and City both agreed to contribute an additional **$50K** each to Code Purple to cover increased costs.
- Additional tipping fee increase being considered by County **$50K**.

All items are included in the current estimates

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FY27 General Fund Revenues

General Fund	FY26 Budget (Adjusted)	FY27 Projected	FY26 vs FY27	% Increase
Property Taxes	$91.5	$92.6	$1.1	1%
Property Taxes (GO Bond)	$0.0	$6.6	$6.6	100%
Sales & Other Taxes	$42.3	$42.4	$0.1	0%
Intergovernmental	$14.2	$14.9	$0.7	5%
Fees & Charges	$15.7	$17.6	$1.9	12%
Investment Earnings	$2.5	$2.4	-$0.1	-4%
ABC Revenue & Other	$3.2	$3.6	$0.4	13%
FY26 One-Time Revenues	$5.6	$0.0	-$5.6	-100%
Total	**$175.0**	**$180.1**	**$5.1**	**3%**

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FY27 General Fund Expenditures

General Fund	FY26 Budget	FY27 Projected	FY26 vs FY27	% Increase
Personnel Costs	$117.4	$128.0	$10.6	9%
Operating Costs	$32.3	$34.2	$1.9	6%
Transfer to Other Funds	$11.1	$12.4	$1.3	12%
Capital/Debt Program	$16.3	$22.8	$6.5	40%
Subtotal	**$177.1**	**$197.4**	**$20.3**	**11%**
Savings	$0.0	-$6.9	-$6.9	100%
Total	**$177.1**	**$190.5**	**$13.4**	**8%**

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FY27 Recommended Savings

Category	Recommended
Efficiencies	$0.8
Eliminate Non-Critical Vacancies	$0.3
Employee Benefits/Incentives	$1.4
Program Pause	$0.5
Reduction to Match Trend	$0.2
Service Reduction	$1.8
Transfer to Other Funds	$1.9
Grand Total	**$6.9**

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FY27 New Funding Requests

- Departments submitted $7.5M in new funding requests, including 38 new positions.
  - Included in the requests was 16 new firefighters to continue implementing the 4th shift ($1.4M).
- **These needs are not part of the expenditure projections for FY27.**
  - Exception: Affordable Housing position

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FY27 General Fund Revenues Vs Expense (in millions)

General Fund	FY26 Budget	FY27 Projected
Revenues	$175.0	$180.0
Expenses	$177.1	$190.5
Fund Balance Used	**$2.1**	**$10.5**
Fund Balance %	**14.1%**	**8.1%**

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Property Tax Rate Discussion

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Property Tax Rate Discussion

- FY27 is a revaluation year in Buncombe County.
- As a result, as part of the budget process, the City is required to calculate and publish a revenue neutral tax rate, which shows what the property tax rate would need to be to achieve the same amount of revenue if revaluation had not occurred.
    - The State provides a required methodology for how this calculation must be completed which is based on average annual tax base growth since the last revaluation occurred.

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Property Tax Rate Discussion

- The current City property tax rate is 44.19 cents per $100 of assessed value.
- Based on the *preliminary* revaluation numbers provided by the Buncombe County Tax Assessor, City staff has calculated that revenue neutral tax rate would be approximately 33 cents per $100 of assessed value.
- ***This calculation is preliminary and will change as we receive updated information from the County.***

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Property Tax Rate Discussion

- Reminder - Prior to revaluation 1-cent on the tax rate generated approximately $2.0M.
- Based on the preliminary revaluation data, 1-cent on the tax rate will now generate approximately $2.75M
- Staff has used this preliminary data to calculate the potential impact to tax payers if the tax rate is set above revenue neutral.
- For illustrative purposes staff is using $500K as the property value for a typical residential property.
    - Used $350K prior to revaluation

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Property Tax Rate Discussion

Scenarios (***Preliminary***)	Tax Rate Above Revenue Neutral	Homeowner Impact (Annual)	Homeowner Impact (Monthly)
Fully Budget 2024 GO Bonds & Affordable Housing Position ($6.6M)	2.40 cents	$120	$10.00
Close the Budget Gap ($10.5M)	3.82 cents	$191	$15.91
Total	6.22 cents	$311	$25.91

Assumes residential tax value of $500,000 and every 1-cent tax rate increase generates $2.75M.

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Property Tax Rate Summary

- The current City property tax rate is 44.19 cents per $100 of assessed value.
- Based on preliminary revaluation numbers staff has calculated a revenue neutral tax rate of approximately 33 cents.
- To balance the General Fund budget and fully budget the 2024 GO Bonds, staff is estimating that the FY27 tax rate would need to be approximately 39 cents.
- ***These numbers are preliminary and will change before final budget adoption.***

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Discussion

- Increase the tax rate by 2.4 cents to fully budget the $6.6M needed for the 2024 GO Bonds and 1 affordable housing position?
- Recommend a structurally balanced General Fund budget (no fund balance usage) to close the $10.5M gap by including a 3.82 cent tax rate increase?
- Are there any other items you want to be considered or reconsidered as staff finalizes the manager's proposed budget?

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Capital Improvement Program (CIP)

Key Takeaways

1. Over the next 5 years, the CIP, will support some significant capital investments, which will include relying upon external funding partners to support some of the identified projects
2. Helene recovery will occupy a large portion of the City project delivery resources over the next 5 years. A portion of the annual CIP capacity will be reserved as a funding buffer.
3. Staff will continue to focus on long range capital planning in order to ensure strategic capital investment

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FY 2027-31 General Fund CIP Development

- **Financial Assumptions:**
  - General Fund CIP budget capacity is $20M to $25M per year
- **Resources that informed the current project list:**
  - Past CIPs
  - Planning Docs - Facility Study, Recreate Asheville, Gap Plan, etc.
  - Cross-departmental collaboration
- **Projects prioritized by a cross-departmental review team:**
  - Required - High priority prior commitments, maintenance, safety
  - Right - Alignment with priorities
  - Readiness for implementation
  - Financially feasible within capacity

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FY27 Capital Spending Breakdown

General Capital Allocation - $11.38

- Large Vehicles (Buses and Fire Trucks) - $3.43M
- Helene Recovery Contingency - $7.00M
- In-house Project Management - $0.95



Maintenance Allocation - $4.16M

- Street Resurfacing - $2.16M
- Facility Maint. Program - $2.00M



Bond Supplement - $1.45M

Project Allocation - $2.94M

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Helene Recovery Contingency

- $7M contingency supports $250M in recovery investments providing:
  - **Speed**: Faster implementation of recovery projects not as closely tied to delays in funding approvals
  - **Flexibility**: Ability to address unexpected project costs or minor additions for a comprehensive project approach
  - **Reliability:** Ensure minimal impact to steady state projects

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2024 Bond Supplement Details

- CIP funds used to ensure that there is adequate funding to complete identified bond projects

Project Name	Project Est.
Shiloh Center Upgrades	$ 87,500
Boosting the Block (Eagle/Market)	$ 405,187
Pickleball Courts	$ 850,000
Smith Mill Creek Greenway	$ 100,000
Fire Station 8	$ 11,758
Total	**$1,454,445**

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FY27 Project Allocation Details

Project Name	FY27 Est. Project Cost	FY27 City Investment
Craven Street Pedestrian Bridge	$ 5,000,000	$1,050,000
Bridge Maintenance	$ 1,250,000	$1,250,000
School Zone Safety	$ 750,000	$170,000
Deaverview Rd Ped. Improvmts.	$ 710,000	$50,000
Downtown Signal Replacement	$ 417,500	$417,500
Total	**$8,127,500**	**$2,937,500**

- Funds designated to complete new construction projects and major infrastructure renovations.

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FY27 High Priority Required Project List

Subtotal Project Estimates w/Grant & Other Funds	Budget Year	Plan Years			
Project Name	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**
Craven Street Pedestrian Bridge	$ 5,000,000	$ 5,300,000			
Bridge Maintenance	$ 1,250,000				
School Zone Safety	$ 750,000				
Deaverview Rd Ped. Improvmts.	$ 710,000		$ 7,200,000		$ 1,456,000
Downtown Signal Replacement	$ 417,500				
I-26 Improvements*		$ 5,889,024			
Transit Maintenance Center		$ 300,000	$ 4,800,000		**
City Hall Renovation			$ 943,424	$ 8,972,815	
Subtotal	$ 8,127,500	$ 11,489,024	$ 12,943,424	$ 8,972,815	$ 1,456,000

Notes: *All FY27 projects have existing funding from prior appropriations except for bridge maintenance.
**Transit Maintenance Center funding shown is 80/20 match for Design only. Construction costs estimated at $55M.

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Leveraging Funds - 5 year projection

Project Name	Total Est. Project Cost	Est. City CIP Investment
Craven St Pedestrian Bridge	$10,300,000	$1,776,800
Deaverview Rd Ped. Improv	$9,366,000	$1,560,810
Transit Maintenance Facility	$5,100,000	$1,260,000
School Zone Safety	$750,000	$170,000

- Grants are essential to support the City long term capital development and recovery strategies
- Grants are the only way to advance large capital projects

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Other Capital Considerations

- Enterprise Funds
  - Harrah's Center
  - Parking
  - Stormwater
  - Water
- Recovery projects (examples)
  - French Broad and Azalea Parks
  - Public Works Infrastructure
  - Water System Improvements
- Bond (examples)
  - Malvern Hills Pool
  - Oakley - Fire Station 9 and East Police Substation
  - Boosting the Block





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Key Takeaways

1. Over the next 5 years, the CIP, will support some significant capital investments, which will include relying upon external funding partners to support some of the identified projects.
2. Helene recovery will occupy a large portion of the City project delivery resources over the next 5 years. A portion of the annual CIP capacity will be reserved as a funding buffer.
3. Staff will continue to focus on long range capital planning in order to ensure strategic capital investment.

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