# City Manager's Proposed Budget 2026-2027

**May 12, 2026**

DK Wesley, City Manager

Tony McDowell & Lindsay Spangler
Finance & Management Services



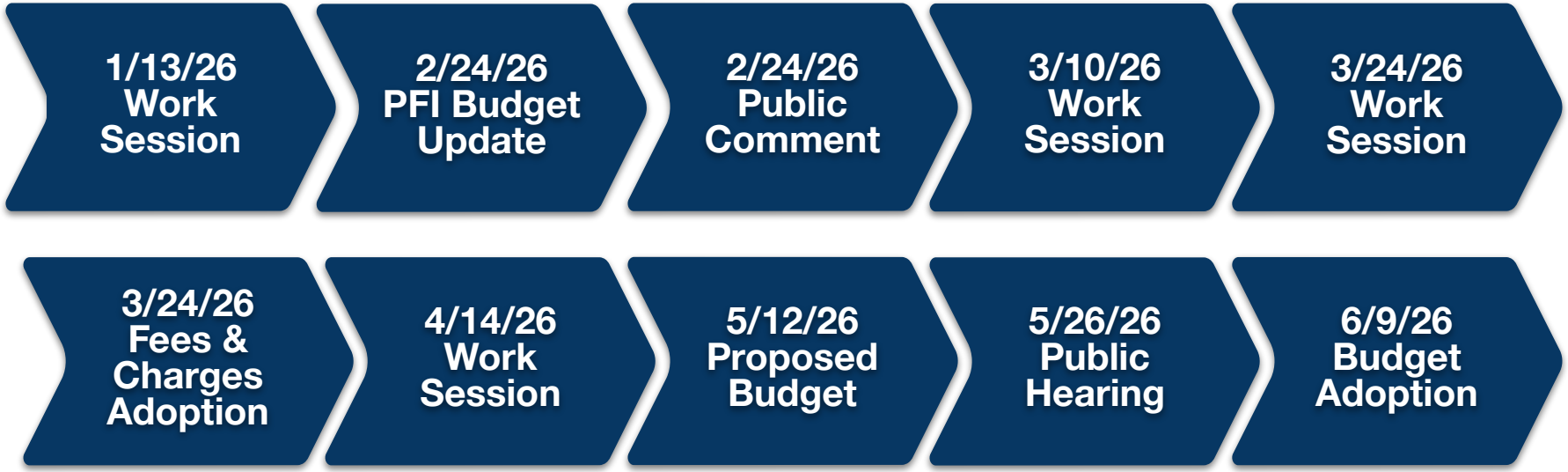
# Agenda

I. Background & Overview
   A. Budget Process Timeline
   B. Financial Environment
   C. Process Objectives
   D. Balancing Progress
II. Fund Summaries
   A. All Funds
   B. General Fund
III. Enterprise & BID Funds
IV. Capital Improvement Plan
V. Next Steps

THE CITY OF ASHEVILLE

# Background & Overview

# FY27 Budget Process Timeline




THE CITY OF ASHEVILLE

# FY27 Financial Environment

- Expenses
  - One-time savings in FY26
  - Personnel costs increasing (health care major driver)
  - Non-discretionary and inflationary increases for existing operations
- Revenues
  - Sales tax growth has slowed compared to prior years
  - One-time revenues in FY26 not available in FY27
- GO Bonds
  - Voters approved a tax increase for debt service that has not been implemented yet due to TS Helene

THE CITY OF ASHEVILLE

# FY27 Budget Process Objectives

- **Structural Balance:** expenditures aligned w/revenues
- **Long-term Fiscal Stability:** avoid short-term fixes & advance multi-year planning
- **Core Services and Quality of Life:** focus on providing reliable service to the community
- **Prioritize Employees:** retain a dedicated & prepared workforce.
- **Helene Recovery:** focus on building back resiliently

THE CITY OF ASHEVILLE

# Balancing Progress

## January

- One-time fixes from FY26
- Health care/retirement increases
- Transit/other contract increases
- GO Bond debt service
- **Gap: $30M**

## February

- Continuation of some cuts from FY26
- Refined health care and personnel estimates
- **Gap: $26.4M**

## March/April

- Fees and charges approved
- Budget balancing strategies
- Refined estimates
- **Gap: $10.5M**

## May

- Additional savings & balancing strategies
- **Gap: $8.9M**

THE CITY OF ASHEVILLE

# Balancing Progress

- After the April 14th work session, staff identified an additional $1.6M in budget reductions:
  - Eliminating additional vacancies
  - Eliminating funding for initial salary study implementation
  - Further reducing community center security contract
  - Continuing to suspend contribution to Other Post Employment Benefits Fund

THE CITY OF ASHEVILLE

# Fund Summaries

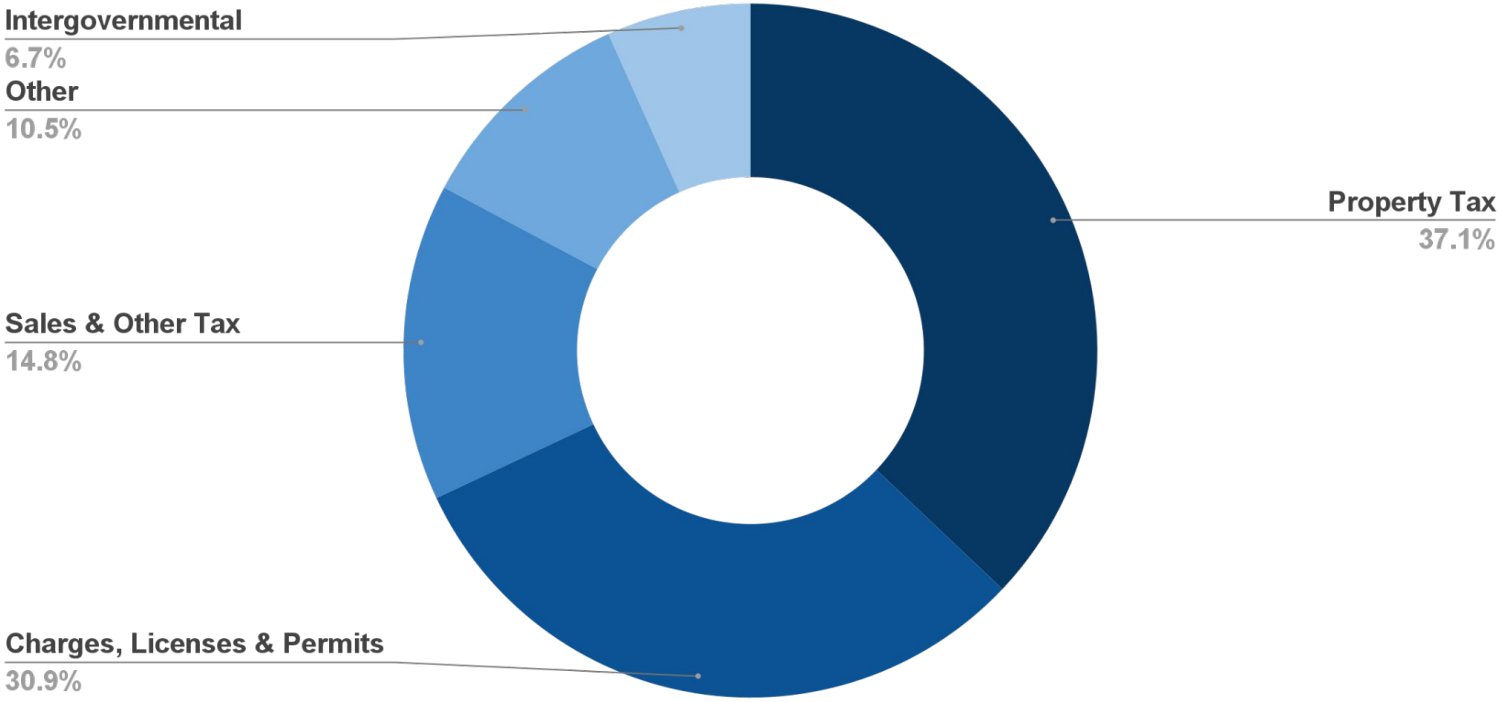
# All Funds

# Proposed Budget Summary

| | FY26 Adopted | FY27 Proposed | Change | |
|---|---|---|---|---|
| | | | $ | % |
| General Fund | $ 182.82M | $ 187.46M | $ 4.64M | 2.5% |
| Water Resources | $ 49.45M | $ 53.16M | $ 3.72M | 7.5% |
| Transit Services | $ 15.23M | $ 16.08M | $ 0.86M | 5.6% |
| Stormwater | $ 9.32M | $ 12.92M | $ 3.60M | 38.6% |
| Parking Services | $ 7.14M | $ 7.37M | $ 0.23M | 3.2% |
| Harrah's Center | $ 6.09M | $ 6.73M | $ 0.64M | 10.5% |
| Street Cut Utility | $ 4.16M | $ 3.56M | -$ 0.60M | -14.4% |
| **Total** | **$ 274.20M** | **$ 287.28M** | **$ 13.08M** | **4.8%** |
| Interfund Transactions | -$ 17.84M | -$ 11.69M | $ 6.14M | -34.4% |
| **Net Budget** | **$ 256.36M** | **$ 275.58M** | **$ 19.22M** | **7.5%** |

THE CITY OF ASHEVILLE

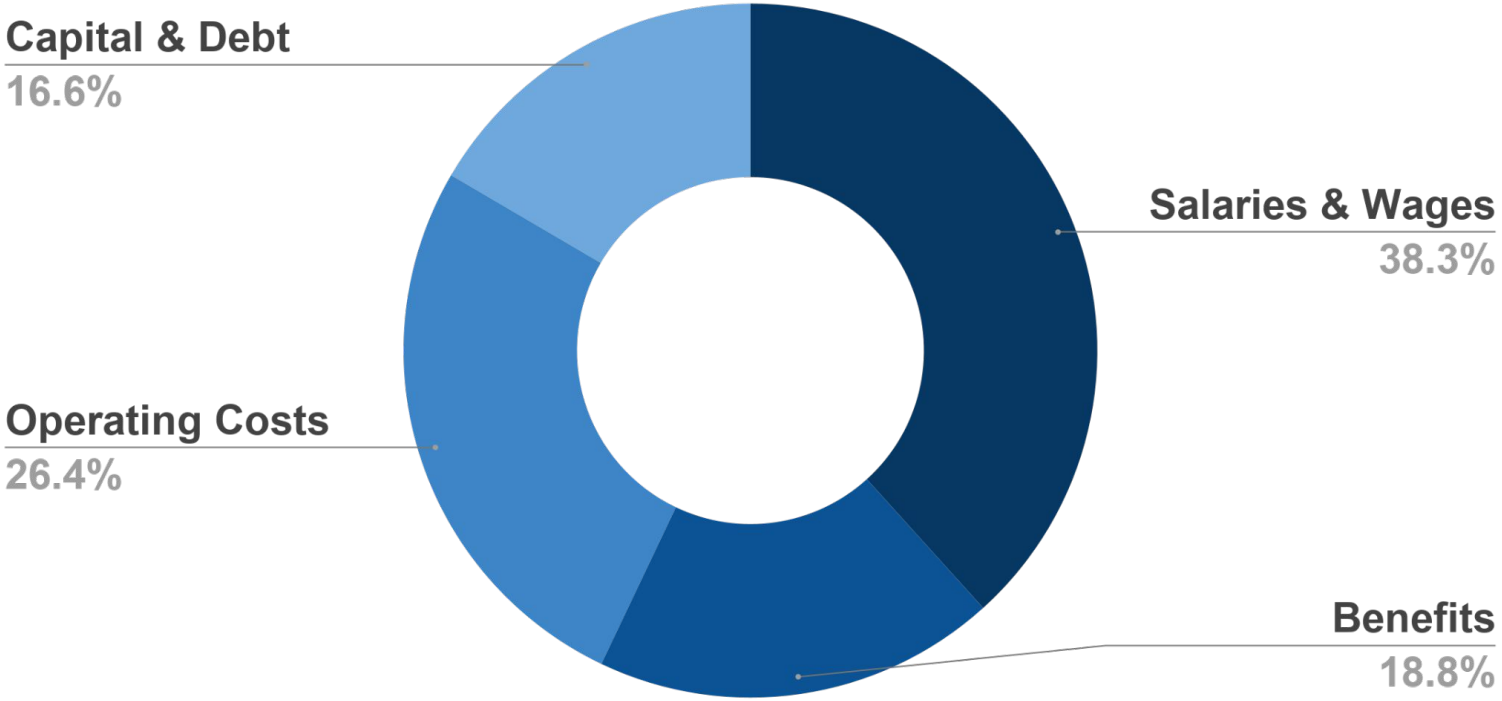
# Revenues - All Funds




**Total Budget (Net): $275.6M**

THE CITY OF ASHEVILLE

# Expenditures - All Funds




**Total Budget (Net): $275.6M**

THE CITY OF ASHEVILLE

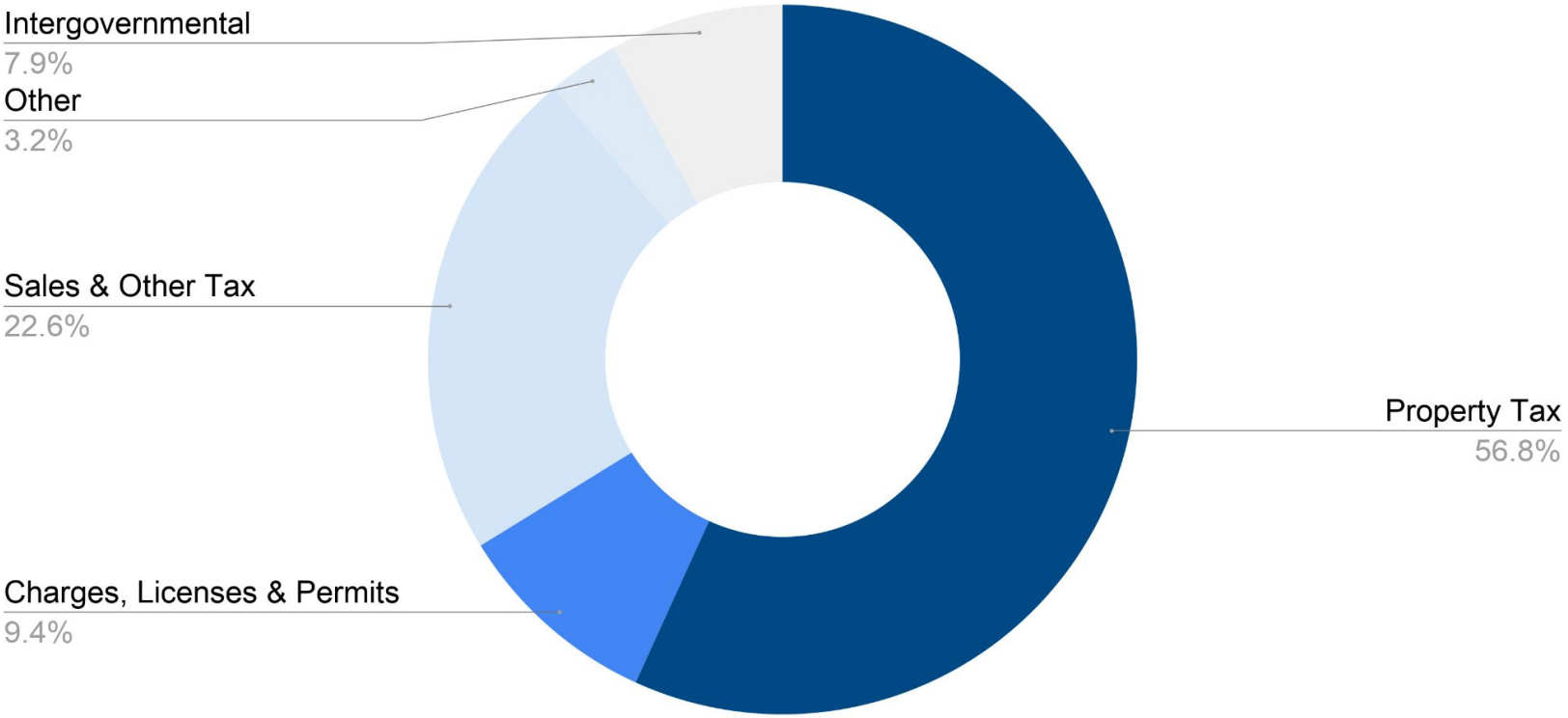
# General Fund

# GF Revenue Summary

| Revenues | FY26 Adopted | FY27 Proposed | $ Change | % Change |
|---|---|---|---|---|
| Property Tax | $ 91.51M | $ 106.47M | $ 14.96M | 16.3% |
| Sales & Other Taxes | $ 42.27M | $ 42.43M | $ 0.16M | 0.4% |
| Intergovernmental | $ 19.18M | $ 14.86M | -$ 4.31M | -22.5% |
| Licenses & Permits | $ 5.22M | $ 5.63M | $ 0.42M | 8.0% |
| Charges for Services | $ 16.17M | $ 12.02M | -$ 4.15M | -25.7% |
| Investment Earnings | $ 2.50M | $ 2.40M | -$ 0.10M | -4.0% |
| Miscellaneous | $ 3.22M | $ 3.06M | -$ 0.15M | -4.7% |
| Other Sources | $ 2.76M | $ 0.58M | -$ 2.18M | -79.1% |
| **Total** | **$ 182.82M** | **$ 187.46M** | **$ 4.64M** | **2.5%** |

THE CITY OF ASHEVILLE

# FY27 General Fund Revenue




**Total Budget: $187.5M**

THE CITY OF ASHEVILLE

# General Fund Revenues

- Property taxes: see later slides for proposed tax rate discussion.
- Sales tax held flat: trends show slow growth in revenue
- $1.1M in fee increases approved on 3/24, plus additional natural growth
- Minor changes in other revenue sources

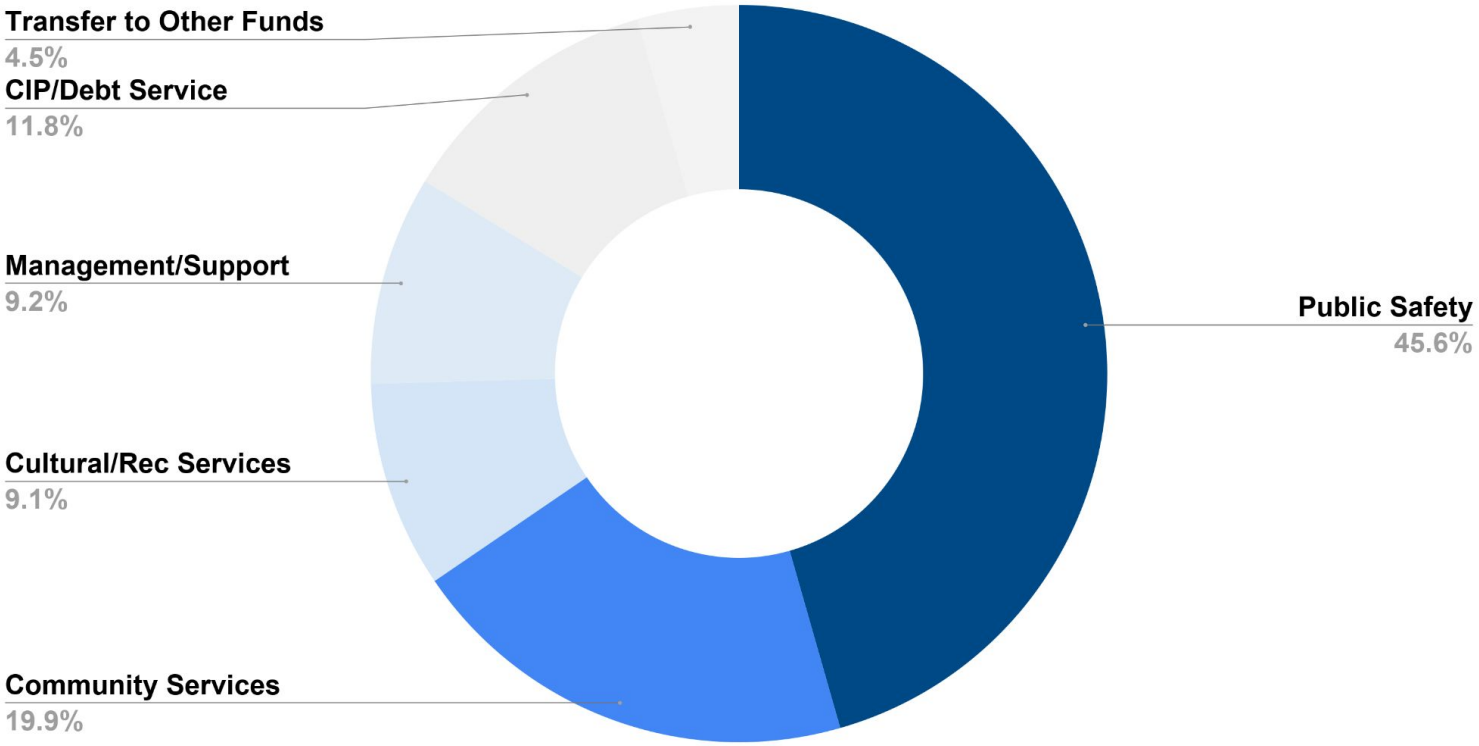
THE CITY OF ASHEVILLE

# GF Expenditure Summary

| Expenditures | FY26 Adopted | FY27 Proposed | $ Change | % Change |
|---|---|---|---|---|
| Salaries & Wages | $ 80.93M | $ 83.30M | $ 2.38M | 2.9% |
| Benefits | $ 36.44M | $ 40.48M | $ 4.04M | 11.1% |
| Operating Costs | $ 38.53M | $ 32.95M | -$ 5.45M | -14.5% |
| Interfund Transactions | $ 9.55M | $ 8.43M | -$ 1.13M | -11.8% |
| Capital & Debt | $ 17.37M | $ 22.30M | $ 4.93M | 28.4% |
| **Total** | **$ 182.82M** | **$ 187.46M** | **$ 4.77M** | **2.5%** |

THE CITY OF ASHEVILLE

# FY27 General Fund by Function




**Total Budget: $187.5M**

CITY OF ASHEVILLE

# FY27 General Fund Major Expenditure Drivers

| Expense Increases | $ (in millions) |
|---|---|
| Health Care & Retirement | $5.1 |
| 2.8% Cost of Living Adjustment | $2.6 |
| APD Staffing | $1.8 |
| Community Center Security | $1.3 |
| Fleet Maintenance | $0.5 |

THE CITY OF ASHEVILLE

# FY27 GF Budget Reductions: Personnel & Internal Services

- Eliminating a 1% 401(k) match previously offered to eligible employees.
- Eliminating a net of 16.5 vacancies.
- Identifying minor adjustments to the City's health care plans to offset growing costs.
- Reviewing existing contracts and adjusting the budget to match historical spend rates.

# FY27 GF Budget Reductions: Service Reductions

- Reducing community center hours to pre-COVID levels.
- Pausing the annual contribution to the public art fund (while leaving the existing balance intact).
- Eliminating FY27 purchase of bear-proof trash cans.
- Reducing mowing services around guardrails and medians.
- Reducing the hours for security services across community centers.

THE CITY OF ASHEVILLE

# FY27 GF Budget Reductions: One-Time Balancing Strategies

- Continued pause of contribution to the OPEB (Other Post Employment Benefits) Trust Fund.
- Appropriating Transit Service fund balance to cover contract increase.
- Appropriating Harrah's fund balance to support operations, replacing the usual General Fund transfer.

THE CITY OF ASHEVILLE

# FY27 General Fund Ongoing Investments

# FY27 GF Investments: Public Health & Safety

- AFD REST team provides needed support particularly downtown.
- AFD will operationalize 4th shift, increasing hourly pay for firefighters.
- APD will continue to fill their vacancies and provide increasing support in priority areas.
- Increased support for Code Purple to meet increased demand.
- Trash & recycling pick up will continue at the same levels, despite increased costs of taking waste to landfills and recycling.

THE CITY OF ASHEVILLE

# FY27 GF Investments: Culture & Recreation

Parks will continue to provide quality and affordable year-round programming, including summer camp.

Holiday celebrations and other downtown events will continue to receive City support with sales tax revenue in the BID fund.

Continued support for athletics, including at parks, Aston Tennis Center, Muni Golf Course, etc.

THE CITY OF ASHEVILLE

# FY27 GF Investments: Community & Organizational Investments

- Support bus services with stricter performance standards, on-site crisis counselor, and enhanced metrics.
- Dedicated staff for affordable housing development.
- 2.8% cost of living salary adjustment to support existing staff in managing rising costs.
- Maintaining the vast majority of employee health care premiums despite rising costs.
- Funding to complete a salary study to make data-driven decisions.

THE CITY OF ASHEVILLE

# Strategic Investments

- Continued focus on access and engagement for our residents especially the City's historically underrepresented populations.
- Support of the neighborhood matching grant program, providing funds for community projects directly to neighborhood groups.
- Support for key organizations that provide community services
- Contribution to County Homeowner Grant program.

THE CITY OF ASHEVILLE

# Homeowner Grant Program

- FY27 budget includes $75K for the Homeowner Grant Program, established and managed by Buncombe County.
- The County is proposing to revamp the program and use the funds for Health and Human Services General Assistance.
- The current program is underutilized. If funding is moved, more grants would be distributed because the requirements would be less restrictive and require less documentation.
- Owners would now be eligible for assistance even if they are utilizing other assistance programs.
- Also expands potential use of funds beyond homeowners.

# 2024 GO Bonds

- Asheville voters approved $80M in General Obligation (GO) Bonds in November 2024 for improvements to Public Safety Facilities, Transportation, Parks, and Affordable Housing.
- The estimated annual debt service on the bonds is $6.6M, including 1 Affordable Housing Project Manager.
- The City delayed the tax rate increase in FY2026 due to Helene and the fact that revaluation did not occur.
- FY2027 proposed budget includes 3/4 debt service, the Project Manager, and the tax rate increase ($4.95M).

THE CITY OF ASHEVILLE

# FY27 Property Tax Revaluation

- 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.

THE CITY OF ASHEVILLE

# FY27 Property Tax Revaluation

- The current City property tax rate is **44.19 cents** per $100 of assessed value.
- Based on the revaluation numbers provided by the Buncombe County Tax Assessor as of April 22, City staff has calculated the revenue neutral tax rate to be 32.89 cents per $100 of assessed value.
- To balance the General Fund budget and partially budget the 2024 GO Bonds, the proposed budget includes a FY27 tax rate of **37.84 cents** - 4.95 cents above revenue neutral
- This rate could change prior to budget adoption if the County updates assessed valuation numbers before then.

THE CITY OF ASHEVILLE

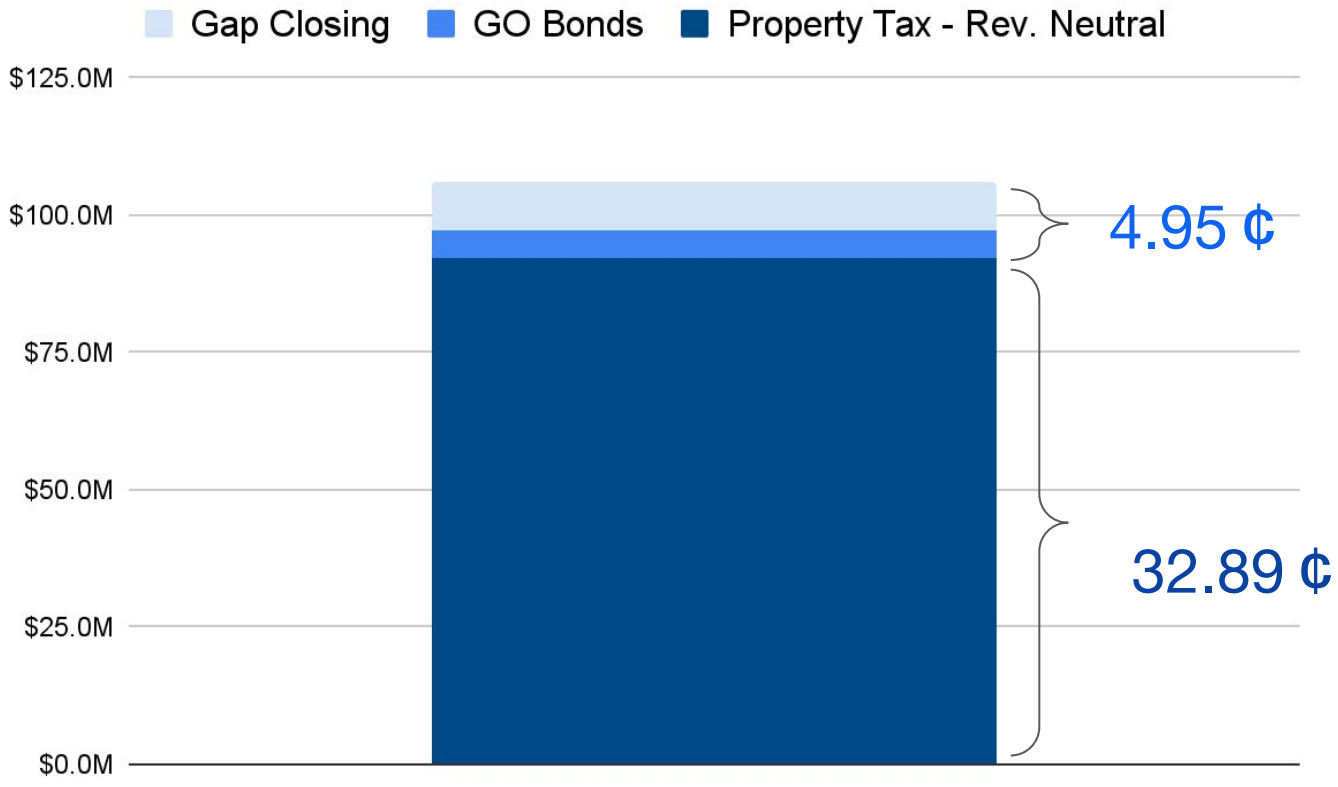
# Proposed Property Tax Rate

| Scenarios | Tax Rate Above Revenue Neutral | Homeowner Impact (Annual) | Homeowner Impact (Monthly) |
|---|---|---|---|
| Partially Budget 2024 GO Bonds & Affordable Housing Position ($4.95M) | 1.77 cents | $85 | $7.05 |
| Close the Budget Gap ($8.9M) | 3.18 cents | $152 | $12.69 |
| **Total** | **4.95 cents** | **$237** | **$19.73** |

*Assumes residential tax value of $478,500 and every 1-cent tax rate increase generates $2.8M.*

THE CITY OF ASHEVILLE

# FY27 Property Tax Rate: 37.84 ¢




THE CITY OF ASHEVILLE

# Senate Bill 889 Proposed Changes

- Senate Bill 889 proposes counties that conducted a property reappraisal effective January 1, 2026, would require a temporary adjustment in the values used for tax purposes. For Fiscal Year 2026-27, those counties would be required to use the schedule of values from their previous reappraisal rather than the newly updated values.
- Bill would create a one-year delay in implementing updated property values in a limited number of counties including Buncombe.
- Bill would not limit local governments' ability to raise property tax rates

THE CITY OF ASHEVILLE

# Property Tax Rate Under Senate Bill 889

- The current City property tax rate is **44.19 cents** per $100 of assessed value.
- Based on the pre-revaluation numbers required under Senate Bill 889, the FY27 tax rate needed to balance the General Fund budget and partially budget the 2024 GO Bonds would be **51.13 cents** per $100 of assessed value, an increase of 6.94 cents above the current rate.

THE CITY OF ASHEVILLE

# Senate Bill 889 Proposed Property Tax Rate

| Scenarios | Tax Rate Above Revenue Neutral | Homeowner Impact (Annual) | Homeowner Impact (Monthly) |
|---|---|---|---|
| Partially Budget 2024 GO Bonds & Affordable Housing Position ($4.95M) | 2.48 cents | $87 | $7.22 |
| Close the Budget Gap ($8.9M) | 4.46 cents | $156 | $13.02 |
| **Total** | **6.94 cents** | **$243** | **$20.23** |

*Assumes residential tax value of $350,000 and every 1-cent tax rate increase generates $2.0M.*

THE CITY OF ASHEVILLE

# Enterprise Funds & BID

# 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 utilize approximately $3M in fund balance for one-time capital costs and fee study.

THE CITY OF ASHEVILLE

# 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.
- Parking Fund:
  - Budget includes the expansion of meters into South Slope and other adjustments. Fee changes will be included as part of budget adoption.

THE CITY OF ASHEVILLE

# 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.

THE CITY OF ASHEVILLE

# BID Fund

- The current tax rate for the BID is **8.77 cents**. After reval, the BID tax rate will decrease to the revenue neutral rate: **7.63 cents**.
- Property tax will be used to fund the BID management contract with Asheville Downtown Improvement District (ADID).
- The FY27 budget also includes $400K in anticipated sales tax revenue.
    - A portion of the sales tax revenue will be used to fund holiday events and the AVL Arts Grant Program ($174K).
    - Staff, in coordination with ADID leadership, will present additional options to Council on how to utilize the remaining sales tax revenue at a later date.

THE CITY OF ASHEVILLE

# FY 2027-2031 Capital Improvement Program

THE CITY OF ASHEVILLE

# FY 2027-2031 CIP Summary

- 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
- 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.
- Staff will continue to focus on long range capital planning in order to ensure strategic capital investment

THE CITY OF ASHEVILLE

# FY 2027-2031 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

THE CITY OF ASHEVILLE

# FY 2027-2031 Proposed General Fund CIP

| | FY27 | FY28 | FY29 | FY30 | FY31 |
|---|---|---|---|---|---|
| Facility Maintenance | $ 2.01M | $ 1.92M | $ 8.50M | $ 9.50M | $ 5.00M |
| Fleet & Equipment | $ 7.79M | $ 8.35M | $ 8.47M | $ 8.58M | $ 8.70M |
| Recreation & Entertainment Facilities | $ 0.95M | $ 0.27M | $ 2.22M | $ 0.52M | $ 3.52M |
| Streets & Sidewalks | $ 12.96M | $ 13.46M | $ 9.58M | $ 2.50M | $ 4.08M |
| Sustainability Allocation | $ 0.50M | - | - | - | - |
| In-House Labor | $ 0.95M | $ 0.98M | $ 1.01M | $ 1.04M | $ 1.07M |
| Public Art Allocation | - | $ 0.22M | $ 0.20M | $ 0.22M | $ 0.19M |
| CIP Contingency | $ 0.75M | $ 0.75M | $ 0.75M | $ 0.75M | $ 0.75M |
| TSH Recovery Contingency | $ 7.00M | $ 7.00M | $ 5.00M | $ 5.00M | $ 3.00M |
| *Total* | *$ 32.91M* | *$ 32.95M* | *$ 35.73M* | *$ 28.11M* | *$ 26.32M* |

THE CITY OF ASHEVILLE

# General Fund FY27 Capital Highlights

- Annual funding to address facility maintenance needs
- Fleet replacement, including buses and fire apparatus
- Supplemental funding for 2024 GO bond projects: pickleball courts, Fire Station 8, Shiloh community center, Smith Mill Creek Greenway
- Funding to match a NCDOT grant to construct a pedestrian bridge at Craven St.

THE CITY OF ASHEVILLE

# General Fund FY27 Capital Highlights

- Sustainability Allocation: funding for capital projects to support costs arising from the inclusion of more sustainable and energy efficient design elements.
- Public Art: usually a pay-go transfer from the General Fund, this was paused in FY27 as a budget balancing strategy.
- TSH Recovery Contingency: set aside for potential funding gaps in recovery projects.

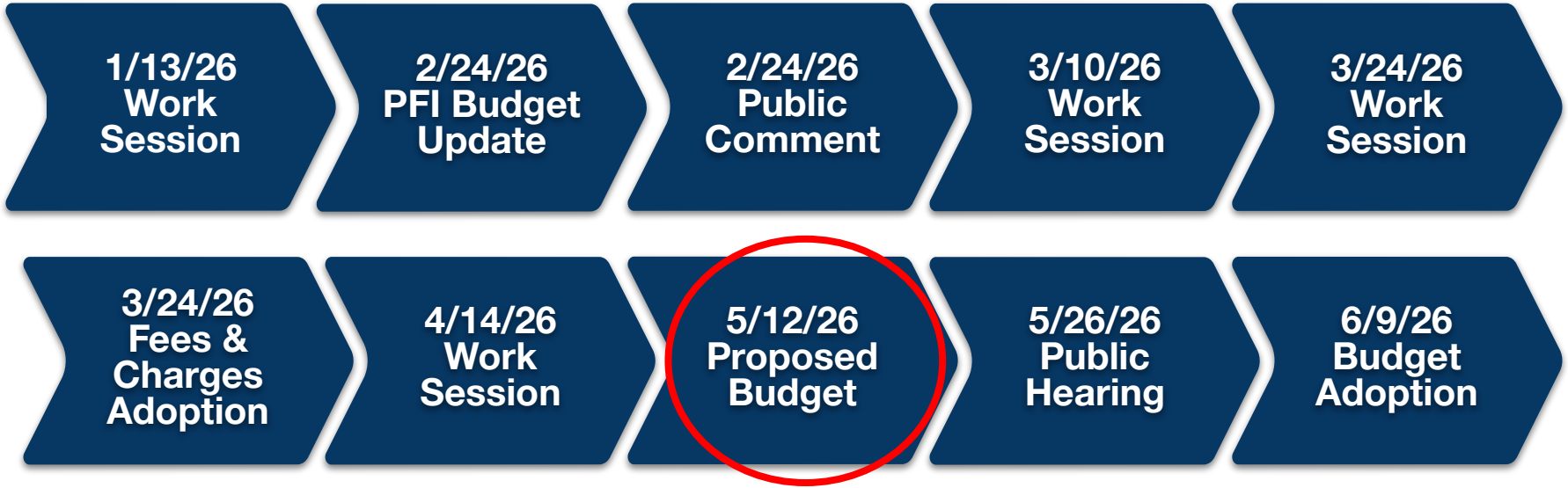
THE CITY OF ASHEVILLE

# Enterprise Fund FY27 Capital Highlights

- **Water:** Waterline replacement at Coxe Ave, funding to relocate water lines impacted by NCDOT projects, and regular maintenance of water lines
- **Parking:** Maintenance at Harrah's and Biltmore Garages
- **Stormwater:** Edwin Pl, Celia Pl, and Canterbury Dr Drainage

THE CITY OF ASHEVILLE

# FY27 Budget Next Steps




THE CITY OF ASHEVILLE