THE CITY OF ASHEVILLE

MEMORANDUM

TO: City Council

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

DATE: May 21, 2026

SUBJECT: FY 2025-26 Q3 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 March 2026.

General Fund Revenues

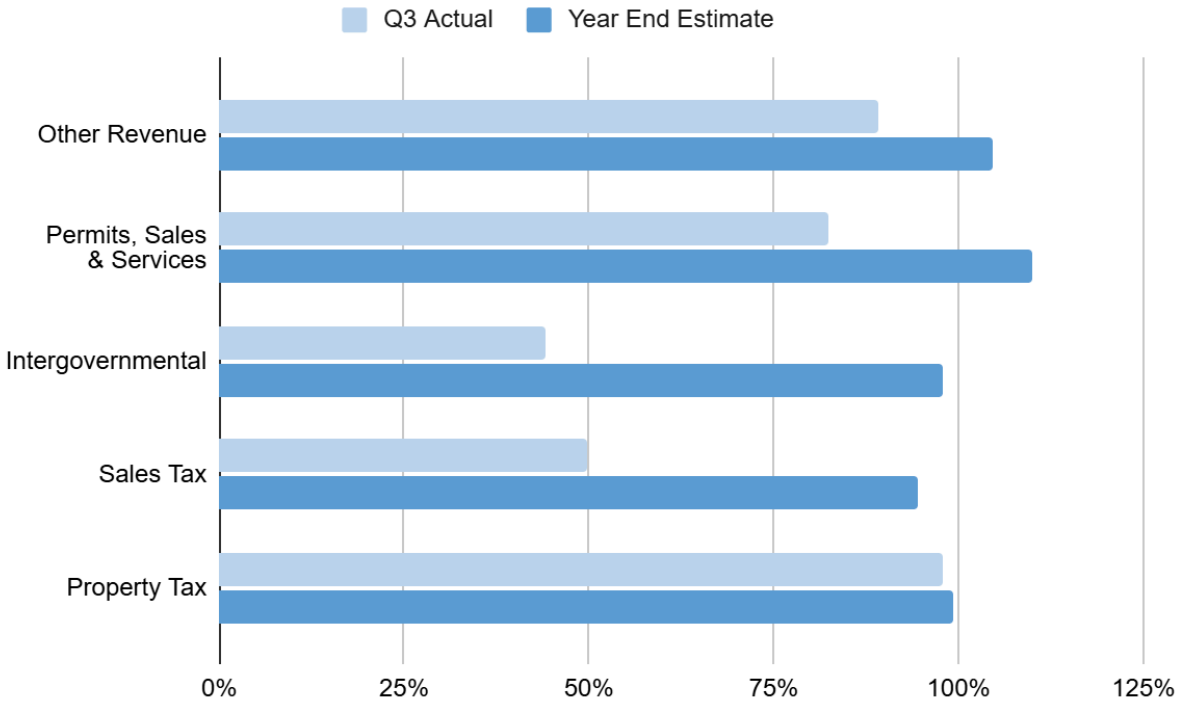
Through March 31, 2026, the City has collected approximately $137.5 million in General Fund revenue, which represents 79% of the adjusted adopted General Fund revenue budget (not including fund balance appropriations). At the close of the 3rd quarter, year-end estimates are based on a combination of 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 were due in January, so the vast majority has been collected to date. Through March, 98% of the adopted budget has been collected. Collections will continue through the remainder of the fiscal year.
- Based on 7 months of sales tax data (July-January), we expect to do better this year compared to prior year (5% increase) as we continue to recover from Helene. Nevertheless, sales tax is still expected to come in below 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 trends in the first three quarters, fees and charges are expected to end the year above budget by about $1.5 million. This is due to conservative budgeting after Helene and higher than expected solid waste fee collections.

- Intergovernmental revenue is only showing 2 quarters of collections for some sources, so although the actuals appear low, they are still trending close to budget.
- Based on current year end projections, staff estimate fund balance usage will be approximately $0.8 million (compared to the $2.2 million budgeted) and that unassigned fund balance will end the year at 14.6% of expenses.

FY26 General Fund Revenues: Q3 Actuals & Year End Estimates as a Percentage of Adjusted* Adopted Budget



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

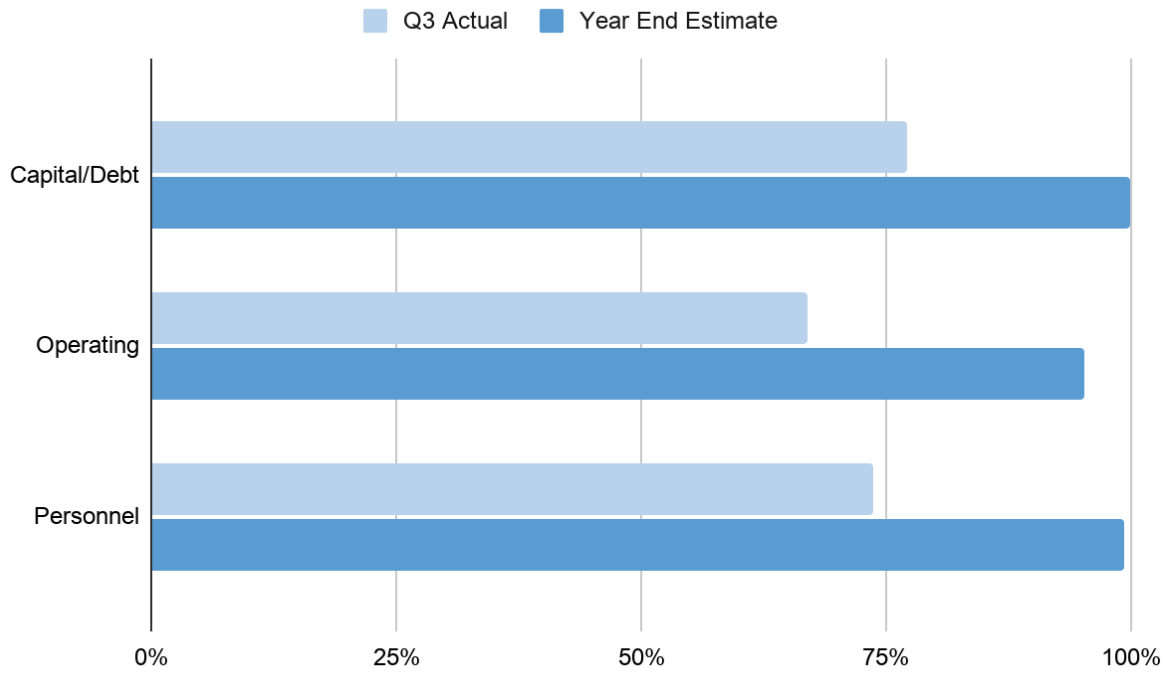
General Fund Expenditures

Third quarter General Fund expenditures generally align with expectations at 72% 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:

- Asheville Police Department (APD) personnel costs: Although expected to end the year above budget, recent hiring and attempts to reduce overtime have led to lower projections compared to the second quarter.

- 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 has helped to offset some of the increased spending listed above.
- Staff is monitoring fuel spending following increased fuel prices across the country.

FY26 General Fund Expenditures: Q3 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 Q3 Projection
Revenues	$175.0M	$173.4M
Expenses	$177.2M	$174.2M
Fund Balance Used	**$2.2M**	**$0.8M**
Fund Balance %	**14.0%**	**14.6%**

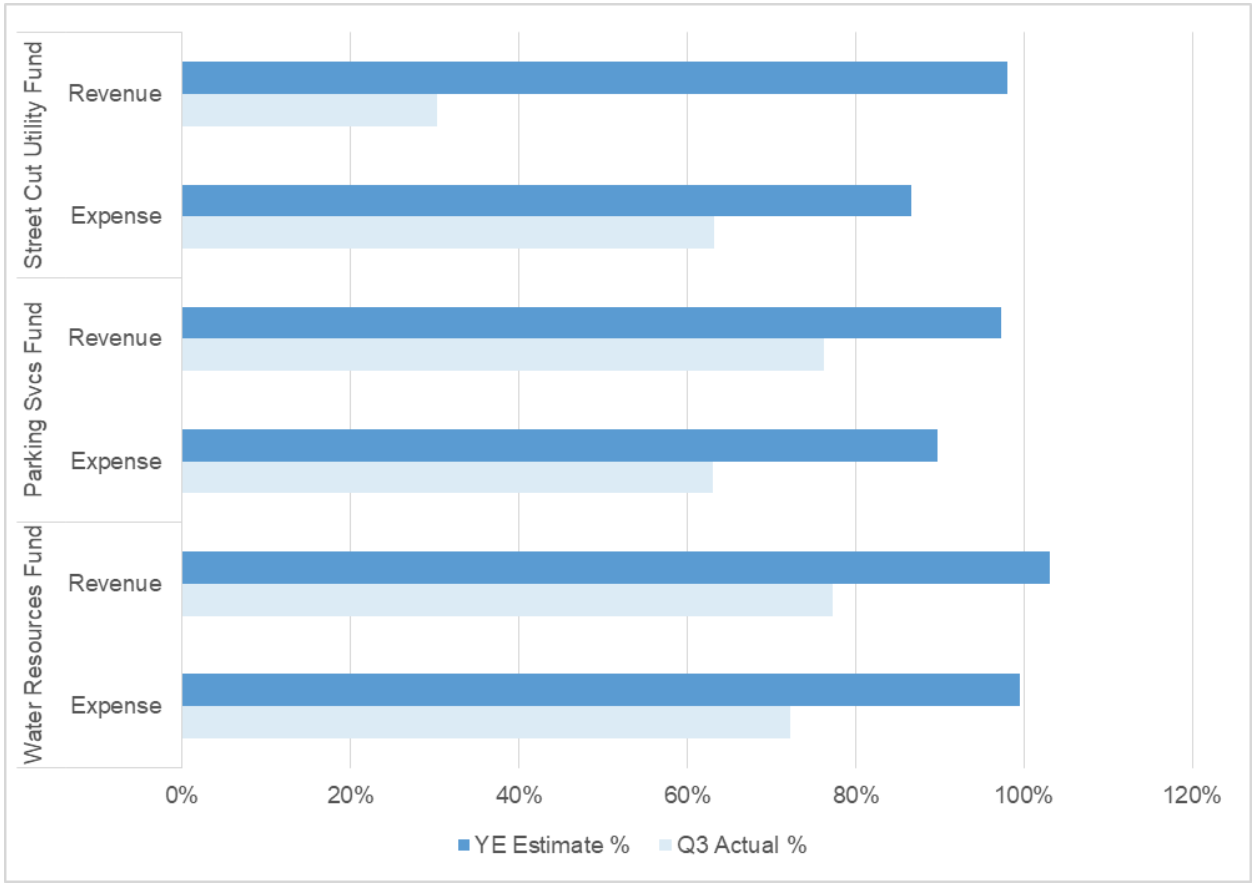
**Reflects change in accounting for cost allocation charges.*

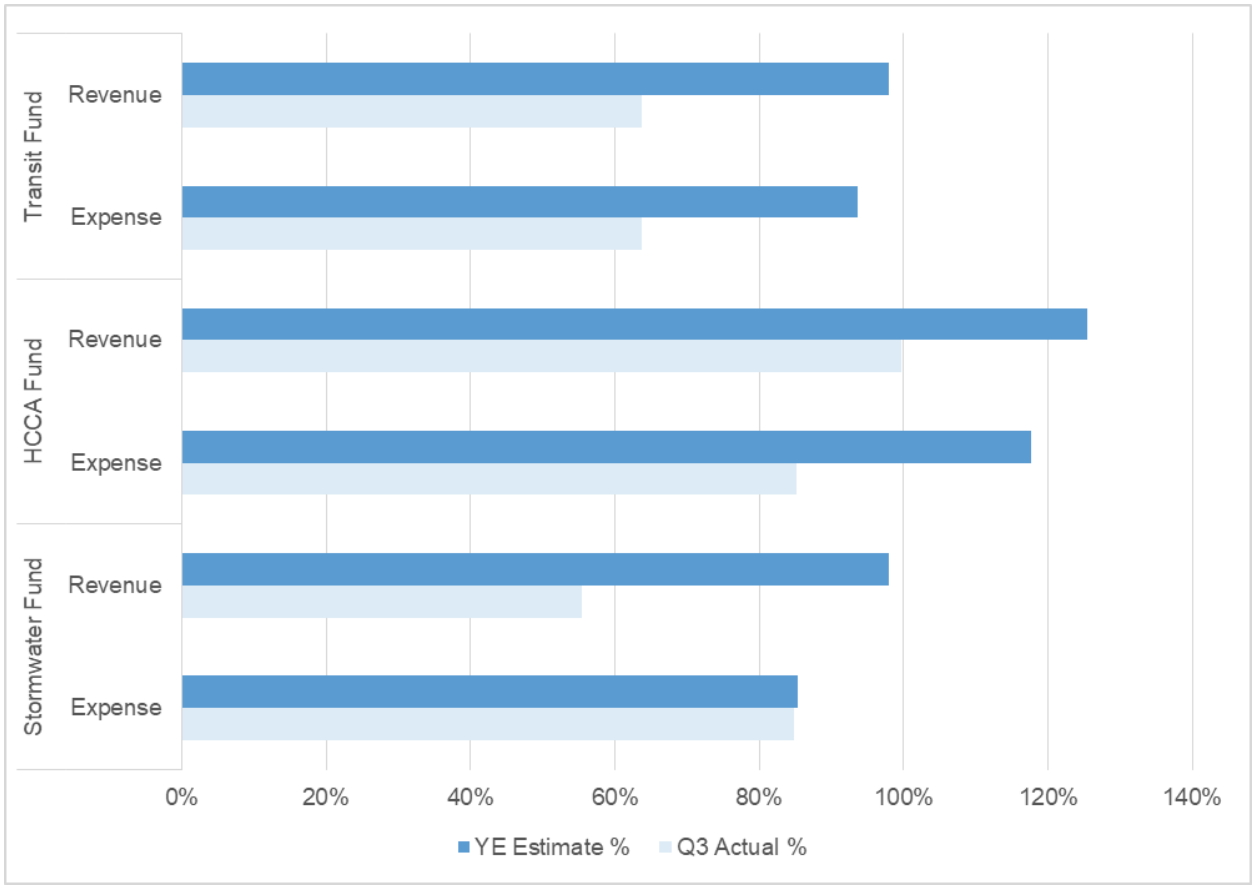
Enterprise Funds

The following information summarizes year-to-date and year-end projections for the City's six enterprise funds. Third quarter revenues and expenses in most enterprise funds show no major areas of concern. Some items to note include:

- The Water Resources Fund is expected to achieve more revenue than budgeted, a sign that the system has bounced back after last year's low revenues after Helene.
- Council approved a budget amendment on 5/12 to add additional funding to Harrah's since it was expected to achieve additional revenue from an increased event load.
- Some enterprise funds are showing decreased personnel spending due to vacancies.

FY26 Enterprise Funds Q3 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 third quarter of the fiscal year. Based on current year end projections, staff estimate fund balance usage in the General Fund will be approximately $0.8 million (compared to the $2.2 million budgeted) and that unassigned fund balance will end the year at 14.6% of expenses, just slightly under the City's 15% policy target.

Staff continues to monitor trends such as sales tax revenue, personnel spending, and local economic indicators and will provide an update to Council after the end of the fiscal year, with the presentation of the Annual Comprehensive Financial Report (ACFR).