City of Asheville Staff Report

City Council Meeting Date: June 9, 2026

Staff Resources: Tony McDowell, CFO, Finance and Management Services Director, Lindsay Spangler, Budget and Performance Manager

Action Requested: (1) Adoption of the Fiscal Year 2026-27 Annual Budget Ordinance; (2) Recusal of Mayor Manheimer from voting on the attached budget amendment in accordance with N.C.G.S.§ 14-234.3 (Economic Development Coalition); (3) Adoption of a Fiscal Year 2026-27 budget amendment in the amount of $100,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to the Economic Development Coalition; (4) Recusal of Councilwoman Turner from voting on the attached budget amendment in accordance with N.C.G.S.§ 14-234.3 (Sports Commission); and (5) Adoption of a Fiscal Year 2026-27 budget amendment in the amount of $45,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to the Sports Commission.

Background:

- The FY 2026-27 Proposed Annual Budget was presented to City Council on May 12, 2026, and totaled $275.6 million.
- In accordance with the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-12), a notice of the public hearing was published on May 15, 2026.
- In summary the Proposed Budget was balanced and included the following:
    - A recommended property tax rate of 37.84 cents per $100 of assessed valuation, which is 4.95 cents above the revenue neutral rate, to sustain essential city services amidst fiscal challenges. The recommended rate is 6.35 cents below the adopted FY 2025-26 tax rate.
    - Various budget savings strategies totaling almost $9 million, including:
        - Net elimination of 16.5 vacant positions.
        - Departmental reductions to training, supplies, software, contracted services, etc.
        - Reduction of budgets to match historical trends.
        - Reduction of community center hours to Pre-COVID levels.
        - Reduction of median and guardrail maintenance and mowing.
        - Transition of the Arts AVL Grant program and support for holiday events to the Business Improvement District, to be funded with sales tax revenue received in that fund.
        - Continuing the pause of the Housing Trust Fund and the Other Post Employment Benefits Trust Fund contributions.
        - Pause of the Quality of Service Award program and elimination of the 1% 401(K) matching program.
    - 2.8% cost of living increase for all permanent staff.
    - A revenue neutral tax rate of 7.63 cents per $100 of assessed valuation for the Business Improvement District.
    - A robust capital program which includes Helene recovery projects, General Obligation Bond projects, and other capital improvements.

- City Council conducted a Public Hearing on the Proposed Budget on May 26, 2026.
- The following adjustments were made after the Public Hearing:
    - Increase the property tax collection rate to 99.5% for a $466,000 increase in revenue.
    - Decrease of $226,000 in APD personnel costs from the General Fund, which will instead be covered with sales tax revenue from the BID Fund.
    - Decrease of $153,656 in APD personnel costs to align budget with planned academy start date.
    - Decrease of $110,000 for further reductions to the community center security contract.
    - After accounting for these adjustments, the recommended property tax rate was reduced to 37.50 cents per $100 of assessed value, which is 4.61 cents above the revenue neutral rate and 6.69 below the adopted FY 2025-26 tax rate .
    - The attached Budget Ordinance reflects these adjustments and changes the total annual budget from $275.6 million to $275.1 million.
- The attached Budget Ordinance also includes adoption of the City's pay plans, which includes a 1.5% increase for all pay plans except the temporary/seasonal plan.
- Under N.C. Session Law 2021-191 (S.B. 473), Councilmembers are prohibited (subject to certain exceptions) from participating in making or administering a contract, including the award of money, with any nonprofit with which the public official is associated.
- In accordance with this law, funding that was included in the Proposed Budget for the Economic Development Coalition and the Sports Commission has been moved to City Manager's Contingency.
- City Council must take separate actions via the attached budget amendments to allocate funding to the Economic Development Coalition and the Sports Commission.

Vendor Outreach: N/A

Council Vision 2036 Focus Area(s):

- A Financially Resilient City

Council Priority Recovery Area(s):

- Economic Recovery

Committee(s): N/A

Fiscal Impact: As noted above, the FY 2026-27 General Fund budget is balanced and recommends a property tax rate of $0.3750 per $100 of assessed valuation, representing an increase of $0.0461 cents above the revenue neutral tax rate.

Suggested Motion:

- Motion to adopt an ordinance adopting the Fiscal Year 2026-27 Annual Budget.
- Motion to recuse Mayor Manheimer from voting on the attached budget amendment in

accordance with N.C.G.S.§ 14-234.3 (Economic Development Coalition).

- Motion to adopt a Fiscal Year 2026-27 budget amendment in the amount of $100,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to the Economic Development Coalition.
- Motion to recuse Councilwoman Turner from voting on the attached budget amendment in accordance with N.C.G.S.§ 14-234.3 (Sports Commission).
- Motion to adopt a Fiscal Year 2026-27 budget amendment in the amount of $45,000 in the General Fund to allocate budget from City Manager's Contingency to fund the City's annual contribution to the Sports Commission.

Attachment(s):

- Budget Ordinance
- Budget Amendments

City of Asheville Ordinance Number _____

Ordinance Description

An ordinance adopting the annual budget and fixing the tax rate for the City of Asheville for the Fiscal Year 2026-27.

Ordinance Details

Whereas, Article 3 of Chapter 159 of the N. C. General Statutes requires local governments in North Carolina to adopt ordinances establishing an annual budget, in accordance with procedures specified in said Article 3; and

Whereas, the Asheville City Council, following a public hearing as required by law has considered the proposed annual budget for the City of Asheville for the 2026-27 fiscal year;

Now, therefore, be it ordained by the City Council of the City of Asheville that:

Section 1

The following anticipated revenues and authorized expenditures by fund, together with a financial plan for internal service funds, are hereby appropriated for operating City government for the fiscal year beginning July 1, 2026 and ending June 30, 2027.

GENERAL FUND

Revenues:

Taxes – Ad Valorem	$105,982,469
Other Taxes	42,431,945
Intergov. Revenue	14,864,479
Licenses and Permits	5,633,000
Sales and Services	12,020,030
Investment Earnings	2,400,000
Miscellaneous Revenue	3,064,150
Other Financing Sources	576,609
Total Revenues	$186,972,682

Appropriations:

City Manager's Contingency	$145,000
General Government	20,928,275
Public Safety	85,708,794
Transportation	8,706,396
Environmental Services	10,617,070

Economic & Physical Development	11,677,248
Culture & Recreation	13,793,161
Entertainment Facilities	3,329,137
Transfers to Other Funds	32,067,601
Total Expenditures	$186,972,682

WATER RESOURCES FUND

Revenues:

Sales and Services	$47,880,000
Investment Earnings	1,300,000
Miscellaneous Revenue	3,980,000
Total Revenues	$53,160,00

Appropriations:

Water Resources Operations	$53,160,000

PARKING SERVICES FUND

Revenues:

Licenses and Permits	8,000
Investment Earnings	118,877
Miscellaneous Revenue	7,242,100
Total Revenues	$7,368,977

Appropriations:

Parking Services Operations	$7,368,977

STORMWATER FUND

Revenues:

Licenses and Permits	$427,300
Sales and Services	9,516,250
Investment Earnings	120,000
Miscellaneous Revenue	5,000
Other Financing Sources	2,851,428
Total Revenues	$12,919,978

Appropriations:

Stormwater Operations	$12,919,978

TRANSIT SERVICES FUND

Revenues:	
Intergov Revenue	$4,428,052
Licenses and Permits	390,000
Sales and Services	580,000
Investment Earnings	20,000
Other Financing Sources	10,666,015
Total Revenues	$16,084,067

Appropriations:	
Transit Services Operations	$16,084,067

HARRAH'S CHEROKEE CENTER - ASHEVILLE FUND

Revenues:	
Sales and Services	$5,934,595
Investment Earnings	116,510
Miscellaneous Revenue	276,000
Other Financing Sources	400,000
Total Revenues	$6,727,105

Appropriations:	
HCCA Operations	$6,727,105

STREET CUT UTILITY FUND

Revenues:	
Sales and Services	$3,017,777
Investment Earnings	45,000
Other Financing Sources	493,900
Total Revenues	$3,556,677

Appropriations:	
Street Cut Operations	$3,556,677

HOUSING PARTNERSHIP FUND (GENERAL FUND)

Revenues:	
Sales and Services	$1,800
Miscellaneous Revenue	225,000
Total Revenues	$226,800

Appropriations:

Economic & Physical Development	$226,800

SUSTAINABILITY FUND

Revenues:

Sales and Services	$2,500
Other Financing Sources	801,870
Total Revenues	$804,370

Appropriations:

Sustainability Fund Operations	$804,370

INTERNAL SERVICES FUNDS

Revenues:

Sales and Services	$29,060,413
Investment Earnings	225,000
Miscellaneous Revenue	2,639,532
Total Revenues	$31,924,945

Appropriations:

Health Insurance	$27,318,806
Workers Compensation	1,770,267
Property and Liability	2,835,872
Total Expenditures	$31,924,945

CAPITAL 2100 FUND (GENERAL FUND)

Revenues:

Miscellaneous Revenue	$2,100,000
Other Financing Sources	21,251,695
Total Revenues	$23,351,695

Appropriations:

General Government	$23,351,695

Section 2

All appropriations included in the following Capital Project funds and other multi-year funds are approved for the financing life of each project, which may extend beyond one fiscal year.

GENERAL CAPITAL PROJECTS FUND

Revenues:	
Intergovernmental Revenue	$5,190,000
Sales and Services	310,370
Miscellaneous Revenue	0
Other Financing Sources	25,303,741
Total Revenues	$30,804,111

Appropriations:	
Reparations	$541,216
General Capital Fund Expenditures	30,262,895
Total Expenditures	$30,804,111

WATER CAPITAL PROJECTS FUND

Revenues:	
Transfer from Water Resources Fund	$10,750,000
Other Financing Sources	1,000,000
Total Revenues	$11,750,000

Appropriations:	
Water Capital Fund Expenditures	$11,750,000

TRANSIT SERVICES MULTI-YEAR FUND

Revenues:	
Intergovernmental Revenue	$328,140
Other Financing Sources	1,274,460
Total Revenues	$1,602,600

Appropriations:	
Transit Services Capital Expenditures	$1,602,600

STORMWATER CAPITAL PROJECTS FUND

Revenues:	
Other Financing Sources	$5,147,000
Total Revenues	$5,147,000

Appropriations:	
Stormwater Capital Fund Expenditures	$5,147,000

PARKING CAPITAL PROJECTS FUND

Revenues:	
Transfer from Parking Operating Fund	$550,000

Other Financing Sources	9,910,000
Total Revenues	$10,460,000

Appropriations:

Parking Capital Fund Expenditures	$10,460,000

HARRAH'S CHEROKEE CENTER - ASHEVILLE CAPITAL PROJECTS FUND

Revenues:

Miscellaneous Revenue	$828,527
Total Revenues	$828,527

Appropriations:

HCCA Capital Fund Expenditures	$828,527

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

Revenues:

Intergovernmental Revenue	$1,046,468
Total Revenues	$1,046,468

Appropriations:

Total CDBG Program Expenditures	$1,046,468

HOME OWNERSHIP GRANT (HOME) FUND

Revenues:

Intergovernmental Revenue	$1,075,139
Miscellaneous Revenue	50,000
Total Revenues	$1,125,139

Appropriations:

Total HOME Program Expenditures	$1,125,139

SPECIAL REVENUE FUND

Revenues:

Taxes - Ad Valorem	$576,609
Intergovernmental Revenue	237,342
Miscellaneous Revenue	89,548
Total Revenues	$903,499

Appropriations:

Continuum of Care Grants	$169,387
Fire Protection Districts	576,609
Parks & Recreation Donations	89,548
PEG Funding	25,800

Police Forfeiture Grants	42,155
Total Appropriations	$903,499

BUSINESS IMPROVEMENT DISTRICT FUND

Revenues:	
Taxes – Ad Valorem	$1,439,379
Other Taxes	400,000
Total Revenues	$1,839,379

Appropriations:	
Business Improvement District Operations	$1,839,379

Section 3

It is estimated that revenues in the amounts indicated in the foregoing schedule will be available to support the foregoing appropriations. The fees and charges, as adopted on March 24, 2026 in ordinance number 5206 and amended as a part of this budget ordinance, shall be set forth in a Fees and Charges Manual to be kept on file in the Office of the City Clerk.

Section 4

There is hereby levied for the fiscal year ending June 30, 2027, an Ad Valorem tax rate of $0.3750 per $100 assessed valuation of taxable property as listed on January 1, 2026 for purposes of raising the revenues from current year's property tax as set forth in the foregoing estimates of revenues and in order to finance the foregoing appropriations.

Section 5

There is hereby levied for the fiscal year ending June 30, 2027, an Ad Valorem tax rate of $0.0763 per $100 assessed valuation of taxable property as listed on January 1, 2026 for purposes of raising the revenues from current year's property tax for the Downtown Asheville Business Improvement District (BID).

Section 6

The City Manager is authorized to revise the budget by transfer of appropriations within each fund. All amendments affecting total fund appropriations or the General Fund City Manager's Contingency amount shown in Section 1 shall be approved by ordinance by the City Council, to be acted on at any regular or special meeting and approved by a simple majority of those present and voting, a quorum being present. Only one reading will be required and a public hearing or publication of notice is not necessary unless requested by Council.

Section 7

The reserve for encumbrances at June 30, 2026 and carry-over appropriations, representing prior commitments as of that date shall be re-appropriated pursuant to North Carolina General Statute 159-13, to the departments within various funds, under which expenditures may be made during fiscal year 2026-27 as the previous commitments are satisfied.

Section 8

Copies of this ordinance shall be furnished to the City Manager and Director of Finance, to be kept on file by them for their direction in the collection of revenues and expenditures of amounts appropriated.

Section 9

The Pay & Classification Plan is amended to incorporate all personnel actions such as reclassifications and pay modifications recommended by the Human Resources department and approved by the City Manager. Funding for the plan and compensation items is included in the various departments. The amended plan will become effective with the pay cycle that begins on June 20, 2026. The Pay & Classification Plan is increased by 1.5% above the FY 2025-26 plan.

Section 10

Base pay for the Mayor, Vice-Mayor and Councilmembers will be $29,124 - $29,940, $24,591 - $25,280, and $22,053 - $22,671, respectively. Travel for official activities will be reimbursed under the same plan used for City employees.

Section 11

Should any section, paragraph, sentence, clause or phrase of this ordinance be declared unconstitutional or invalid for any reason, the remainder of said ordinance shall not be affected thereby.

Section 12

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this 9th day of June, 2026.

_____
Esther E. Manheimer, Mayor

_____
Brad Branham, City Attorney

_____
Magdalen Burleson, City Clerk

City of Asheville Budget Amendment Ordinance Number ____

Be it Ordained by the City Council of the City of Asheville:

That Section 1 of the City of Asheville Annual Operating Budget Ordinance be amended to fund the City's annual contribution to nonprofits with which members of council are associated (Economic Development Coalition), as follows:

General Fund

Appropriations:

City Manager's Contingency - ($100,000)
General Fund Operations - $100,000

Total Appropriations: $0

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this 9th day of June, 2026.

_____
Esther E. Manheimer, Mayor

_____
Brad Branham, City Attorney

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Magdalen Burleson, City Clerk

City of Asheville Budget Amendment Ordinance Number ____

Be it Ordained by the City Council of the City of Asheville:

That Section 1 of the City of Asheville Annual Operating Budget Ordinance be amended to fund the City's annual contribution to nonprofits with which members of council are associated (Sports Commission), as follows:

General Fund

Appropriations:

City Manager's Contingency - ($45,000)
General Fund Operations - $45,000

Total Appropriations: $0

That this ordinance shall be in full force and effect upon the date of final passage.

Read, approved and adopted this 9th day of June, 2026.

_____
Esther E. Manheimer, Mayor

_____
Brad Branham, City Attorney

_____
Magdalen Burleson, City Clerk