



Quarterly Financial Report

Third Quarter of 2010-11

May 24, 2011

The financial information in this report reflects the City's overall financial position for the fiscal year through March 2011.

EXECUTIVE SUMMARY

Amendments. There were three General Fund budget amendments adopted during the third quarter: 1) \$5,071 in contributions from the Asheville Parks and Greenways Foundation to support various programs and special projects within the Parks, Recreation & Cultural Arts Department; 2) \$15,000 to recognize additional revenue received from the Asheville Tourists that is being used to fund operations and capital improvements to McCormick Field; and 3) \$284,000 from capital reserves to fund the replacement of HVAC equipment at Pack Place Education, Arts & Science Center. A summary of the budget changes since July 1 is presented below.

Adopted Budget	\$ 91,635,962
Health Care Technical Adjustment	(3,553,000)
Budget Amendments:	
City Hall Repairs*	450,000
Annexation Revenue & Expenses	166,757
Parks & Greenway Foundation	5,071
Asheville Tourists Payment	15,000
Pack Place HVAC Repair**	<u>284,000</u>
3/31/2011 Budget	<u>\$ 89,003,790</u>

* Fund balance appropriation

** Capital reserve appropriation. There is approximately \$166,000 remaining in capital reserves

Revenues. Through March 31, 2011, the City has collected \$71,719,635 in General Fund revenue, which represents approximately 81% of the total General Fund revenue budget. In March, the City received an additional \$86,300 in Powell Bill funding after the State corrected an error in its original Powell Bill funding for FY 2010-11. The City also continued to see modest growth in sales tax revenue during the third quarter, with revenue for the year now up 1.7% compared to last fiscal year. Revenue from building permits continues to trend lower than budget. In addition, the third quarter report from the ABC Board indicates that the City's revenue that from ABC sales will come in under budget this year. Overall, staff is now projecting that ***total FY 2010-11 General Fund revenue will come in under budget by \$1.35 million.***

Expenditures. General Fund expenditures through March 31, 2011 total \$60,891,538 or 68.4% of the budget. This rate of expenditure is slightly lower than in prior years, which reflects the impact of the savings strategies that staff has implemented during the fiscal year. *These strategies include a selective hiring program, line item reductions, deferring capital expenses where possible, and seeking opportunities to maximize efficiency in operations.*

Fund Balance. The City ended FY 2009-10 with available fund balance of \$12.3 million, which equated to 14.2% of FY 2009-10 expenditures. *Based on financial results through the third quarter, staff is still projecting that FY 2010-11 expenditures will roughly equal revenues, which means available fund balance will remain at \$12.3 million or 14.2% of estimated expenditures.*

GENERAL FUND

	Revised Budget	3/31/2011 Actuals	Year-End Estimate	Pos./.(Neg.) Bud. Variance
Revenues:				
Property Taxes	46,585,113	43,951,481	46,485,113	(100,000)
Sales & Other Taxes	15,144,688	9,255,079	15,169,688	25,000
Intergovernmental	11,175,602	8,275,816	11,185,000	9,398
Sales & Services	5,317,357	3,264,810	5,217,357	(100,000)
Licenses & Permits	4,929,195	3,914,503	4,729,195	(200,000)
Investment Earnings	1,014,000	56,331	225,000	(789,000)
Miscellaneous	1,210,943	722,499	1,010,943	(200,000)
Charges to Other Funds	<u>3,176,892</u>	<u>2,279,116</u>	<u>3,176,892</u>	<u>0</u>
Total Revenue	<u>88,553,790</u>	<u>71,719,635</u>	<u>87,199,188</u>	<u>(1,354,602)</u>
Expenditures:				
Administrative Services	2,671,681	1,932,685	2,596,681	75,000
Legal Services	607,413	424,141	592,413	15,000
Finance	1,723,798	1,296,175	1,698,798	25,000
Human Resources	1,556,908	883,401	1,356,908	200,000
Information Tech. Srv	2,441,732	2,056,351	2,416,732	25,000
Nondepartmental	12,380,228	6,779,423	12,180,228	200,000
Economic Development	464,505	328,293	414,505	50,000
Fire	17,879,043	13,336,106	17,819,043	60,000
Police	20,200,804	14,311,045	19,850,804	350,000
Building Safety	3,676,929	2,500,516	3,501,929	175,000
Transportation	1,149,338	744,082	1,049,338	100,000
Public Works	12,964,355	8,860,627	12,714,355	250,000
Planning	1,948,173	1,328,654	1,873,173	75,000
Parks & Recreation	<u>9,338,883</u>	<u>6,110,040</u>	<u>9,113,883</u>	<u>225,000</u>
Total Expenditure	<u>89,003,790</u>	<u>60,891,538</u>	<u>87,178,790</u>	<u>1,825,000</u>
Rev. (Under) Exp.	<u>(450,000)</u>	<u>10,766,441</u>	<u>20,398</u>	
Other Financing Sources (Uses):				
Fund Bal. Change	<u>(450,000)</u>		<u>20,398</u>	
Beginning Fund Balance	<u>12,319,000</u>		<u>12,319,000</u>	
Ending Fund Balance	<u>11,869,000</u>		<u>12,339,398</u>	
Fund Balance Percentage	<u>13.3%</u>		<u>14.2%</u>	

REVENUES:

At this point in the fiscal year, staff is projecting FY 2010-11 General Fund revenue will end the year at \$87,199,188, which is \$1.35 million below the revised budget. Major revenues to report on for the 3rd quarter include:

Property taxes. 94% of the property tax budget had been collected as of March 31, which is typical for that point in the fiscal year. As reported in the second quarter report, staff received the official 2010-11 assessed valuation data from Buncombe County in January, and it showed that the City's tax base grew by only 0.7%. This growth rate was slightly less than budget estimates, therefore property tax revenue is expected to fall short of budget by approximately \$100,000.

Sales taxes. To date, the City has received nine months of sales tax revenue in FY 2010-11, and revenue is up 1.7% compared to the same time period last year. For the remainder of the current fiscal year, the N.C. League of Municipalities is projecting that sales tax revenue will grow at a rate of between 2.5% and 3.5%. Based on these projections, staff is optimistic that budget estimates for the current year will be reached.

Intergovernmental. The City received notification in March that NCDOT had incorrectly calculated the FY 2010-11 Powell Bill distribution for all cities across the State. When this error was corrected, the City received an additional \$86,300 in Powell Bill funding for the current year, which brought the City's total Powell Bill allocation for FY 2010-11 to \$2,147,026. This amount is approximately \$77,000 more than the budgeted amount.

Licenses & Permits. Revenue from building permits continues to come in under budget due to the ongoing slowdown in construction. Through the first three quarters, the Building Safety Department collected \$1.58 million in revenue, which is 64% of budget. Staff is expecting an overall shortfall in the Licenses & Permits revenue category of about \$200,000. There are no major updates to report for other General Fund revenues.

Miscellaneous. Local ABC revenues are down significantly through the first nine months of the fiscal year; therefore the 75% distribution amount that is shared with the City is also down. Based on current trends, staff expects that this revenue will come in about \$200,000 under budget.

EXPENDITURES:

Overall, General Fund expenditures through March 31, 2011 total \$60,891,538 or 68.4% of the budget. This rate of expenditure is slightly lower than in prior years, which reflects the impact of the savings strategies that staff has implemented during the fiscal year. As of the end of March, there have been 18.7 payroll cycles charged against the FY 2010-11 budget, which represents 71.65% of the total payroll cycles that will occur during this fiscal year, and salary expenses are running right on budget.

Health Care. The positive trend in health care expenses continued in the third quarter. Through *the first nine months of the fiscal year, health care expenses, including medical, prescriptions, and dental claims, are running 2.0% below where they were at this point in the previous fiscal year.* The cost containment strategies that were implemented as a part of the FY 2010-11 budget, including the dependant audit and other plan changes, appear to be achieving their savings target.

Fuel. Fuel costs continue to run higher than in the prior fiscal year. The average price of B5 biodiesel fuel was 73 cents per gallon higher during the third quarter of this fiscal year compared to FY 2009-10, and the cost of E10 fuel was 54 cents higher. Staff expects that fleet maintenance costs will exceed budget amounts due to these higher fuel prices; however there will be enough savings elsewhere in the budget to offset this over expenditure.

FUND BALANCE ANALYSIS:

The City ended FY 2009-10 with (adjusted) available fund balance of \$12.3 million, which equated to 14.2% of FY 2009-10 expenditures. Since the start of the current fiscal year, Council has approved the use of \$450,000 in fund balance. However, based on financial results through the third quarter, staff is projecting that FY 2010-11 expenditures will roughly equal revenues, which means available fund balance will remain at \$12.3 million or 14.2% of estimated expenditures.

ENTERPRISE FUNDS

The following information summarizes year-to-date and year-end projections for the City’s eight enterprise funds.

Water Fund

	Adopted Budget	3/31/2011 Actuals	Year-End Estimate	Pos./(Neg.) Bud. Variance
Revenue	33,011,200	23,496,331	32,802,919	(208,281)
Expenditure	33,011,200	20,558,256	32,780,506	230,694
Rev. Over/(Under) Exp.	0	2,938,075	22,413	--

Water operating revenues are projected to be \$208,281 under budget due primarily to: (1) a continued, significant decrease in utility charges from customers conserving water; and (2) a continued slowdown in development across Buncombe County resulting in decreases for tap/connection fees associated with connections to the water system. Water usage and development may increase in the following months, but Water Resources will maintain conservative estimates in case revenues do not show an upward trend. Expenditures through the third quarter are less than budget because two large expenses have not yet occurred: (1) a debt service payment that will occur in the 4th quarter; and (2) the fund transfer for the Street Cut Utility expenses. Water year-end expenditures are now projected to be \$230,694 under budget due primarily to vacancy savings and carefully review of operational spending.

Civic Center Fund

	Revised Budget	3/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Operating Revenue*	1,891,950	1,390,652	1,854,203	(37,747)
Expenditure	2,284,544	1,653,541	2,204,721	79,823
Rev. Over/(Under) Exp.	(392,594)	(262,889)	(350,519)	--

* Represents operating revenue before general fund subsidy

The third quarter continued to be an active period for the venue. Highlights included hosting headline events in both the arena and TWA, as well as hosting the Winter Warmer Beer Festival in the Exhibit Hall on Jan 22. Some event highlights for the period included: Robert Plant, Bill Cosby, Bassnectar, and the Ringling Bros/Barnum Bailey Circus for 4 days. With the high level of activity at the Civic Center this fiscal year, both revenues and expenditures were running ahead of budget. As a result, City Council approved a budget amendment at its April 26th meeting to increase the Civic Center’s 2010-11 budget by \$170,000. The budget presented above includes this amendment. Based on performance through the first three quarters and current advanced bookings, the Civic Center is projected to finish the year on budget.

Parking Fund

	Revised Budget	3/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Operating Revenue**	2,911,500	1,596,402	3,000,000	88,500
Expenditure	3,516,500	1,446,299	2,700,000	816,500
Rev. Over/(Under) Exp.	(605,000)	150,104	300,000	--

** The budget represents operating revenue less fund balance appropriation

In November, Council approved a \$605,000 appropriation from Parking fund balance to purchase a property on Eagle Street that was surrounded on all sides by other city-owned property. The revised budget presented above reflects this fund balance appropriation. The major categories of parking revenue are up year-to-date compared to FY 2009-10. This is especially true in the revenue categories we consider discretionary parking, such as transient, after-hours, and special event parking in the garages and meter parking on the streets. Monthly parking in garages, peripheral parking (street permit) and parking lot revenues show limited growth. Expenditures are expected to come in under revenues. Major projects affecting expenditures will be the demolition of the Handy Park complex and the leasing and reconfiguration of part of the AT&T lot which should start in the fourth quarter.

Transit Fund

	Adopted Budget	3/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	5,736,596	2,277,660	5,800,000	63,404
Expenditure	5,736,596	3,623,178	5,700,000	36,596
Rev. Over/(Under) Exp.	0	(1,345,518)	100,000	--

Ridership is down 4% compared to the first six months of FY 2009-10, but it has increased 3% since the last quarter. Ridership trends will continue to be monitored to determine if there will be an impact on revenue. The current fiscal year expense budget has used 76% of the available budget. This is positive and will help the fund should fuel costs increase above original budget estimates. Staff is monitoring fuel savings associated with the arrival of the hybrid buses, and will be able to evaluate them in a couple of months when sufficient data has been collected.

Golf Fund

	Adopted Budget	3/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	920,000	511,748	750,000	(170,000)
Expenditure	920,000	639,275	875,000	45,000
Rev. Over/(Under) Exp.	0	(127,527)	(125,000)	--

Revenues and expenses through the third quarter of this fiscal year are both flat compared to last fiscal year. As a result, the operating deficit of \$127,527 through the first three quarters is almost identical to the financial performance (\$129,819 deficit) through the first three quarters of last fiscal year. As noted in the Manager’s Proposed Budget, staff is working to indentifying opportunities for cost savings and revenue enhancements to minimize or avoid an operating deficit in the Golf Fund in FY 2011-12.

Street Cut Utility Fund

	Adopted Budget	3/31/2011 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	1,578,280	20,000	1,100,000	(478,280)
Expenditure	1,578,280	864,570	1,100,000	478,280
Rev. Over/(Under) Exp.	0	(844,570)	0	--

The City’s street cut repair operations were consolidated on July 1, 2010 and set up as a new Enterprise Fund. Beginning January 1, 2010, crews took on the responsibility for patching utility cuts for PSNC. The estimated year-end revenues and expenses are lower than budget due to the fact that work for MSD will not start until July 1, 2011. Crews in this fund repaired 177 utility cuts in the third quarter. For a yearly total, staff has repaired 568 cuts for Water, 12 cuts for Stormwater, and 17 cuts for PSNC, as well as inspected 112 dirt cuts.

Stormwater Fund

	Revised Budget	3/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Operating Revenue**	3,095,218	1,928,362	3,000,000	(95,218)
Expenditure	3,455,218	1,963,917	2,800,000	655,218
Rev. Over/(Under) Exp.	(360,000)	(35,555)	200,000	--

** Represents operating revenue less fund balance appropriation

The billing cycle is continuing for non single family residential properties, so revenues will continue to increase in the coming months. In September, Council approved a \$360,000 appropriation from Stormwater Fund balance for the Old Toll retaining wall project, a critical infrastructure project. This project is currently in the final stages of construction with anticipated completion this summer. Operationally, staff has worked with the consulting engineer to finalize the Swannanoa Flood Risk Management Project, which will identify flood reduction projects within the Swannanoa Watershed. The stormwater construction crew lined 60 feet of storm drainage line on Hazel Mill Road and installed 138 feet of new pipe on St. David’s Court. The Stormwater maintenance crew completed 60 work orders in this time period: 46 structures maintained work orders, 6 sink-hole repair work orders and 8 ditch lines restored work orders. The stormwater maintenance crews also swept 659 miles of roadways and cleaned 775 catch basins and drainage structures which removed 400 tons of material and prevented this material from entering our streams.

Festivals Fund

	Adopted Budget	3/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Operating Revenue*	547,242	507,966	543,274	(3,968)
Expenditure	709,894	619,271	705,000	4,894
Rev. Over/(Under) Exp.	(162,652)	(111,305)	(161,726)	--

* Represents operating revenue before general fund subsidy

Actuals through 3/31/2011 include the costs of the July 4th celebrations and the 2010 Bele Chere. As with every year, expenditures are substantial at this point in the fiscal year due to Bele Chere, which represents nearly seventy percent of the overall Festival Fund budget. Based on results through the third quarter, the Festivals Fund is expected to end the year on budget. As Council is aware, beginning July 1, 2011, the Festivals Fund activities will be moved into the General Fund. Because the Festivals Fund relies heavily on General Fund support and has no assets or cash, it is more appropriately recorded in the General Fund. Despite this change, the City will still be able to account for financial activity related to Festivals separately and will continue to report on it financial status as part of each quarterly financial report.

CAPITAL PROJECT UPDATE

As noted earlier in the report, Council approved the use of \$284,000 in funding from the general capital reserves for the repair of the HVAC equipment at Pack Place Education, Arts & Science Center. There is now approximately \$166,000 remaining in the capital reserve account. Staff has recommended that the money remaining in the capital reserve be allocated for the FY 2011-12 CIP. The remainder of this section provides an update on the status of some of the City’s active major capital projects.

Enterprise Software Upgrade (H.T.E. Replacement or BTIP)

Budget	Expenditures & Encumbrances	Avail. Budget
2,000,000	1,983,469	16,531

Employee self service via the Internet was activated this quarter. This allows employees to check and update payroll information in a paperless fashion. It also does not require intervention, in many cases, by payroll or human resources staff. In some cases, employees are updating their information from their homes. Staff is also preparing self service kiosks for those employees who do not have a computer. The utility billing project is on track for an on time and within budget implementation in July of 2011, which will complete this capital project.

Livingston Street Splash Pad

Budget	Expenditures & Encumbrances	Avail. Budget
200,000	90,328	109,672

Construction drawings are complete with a phased implementation planned for this project.

Livingston Street Center

Budget	Expenditures & Encumbrances	Avail. Budget
2,430,000	2,387,858	42,142

The construction of the first phase of the Livingston Street Recreation Center officially commenced on April 13, 2010. The facility is scheduled for completion in May of 2011 due to some weather delays. The facility will then have some additional improvements and furnishings added after July 1st. An official grand opening is planned for October 2011.

Reed Creek Greenway Phase II

Budget	Expenditures & Encumbrances	Avail. Budget
783,000	752,145	30,855

The NCDOT has approved the contract, and it has been processed. Construction will start in May and anticipated to be complete in the fall of 2011.

Sidewalks – East (Fee-In-Lieu)

Budget	Expenditures & Encumbrances	Avail. Budget
252,000	174,893	77,107

Sidewalk construction between Arco Road and Avon Road has been completed for a total length of about 760 linear feet and a total cost of \$33,000.

Sidewalks – West (Fee-In-Lieu)

Budget	Expenditures & Encumbrances	Avail. Budget
211,000	101,843	109,157

NC 191 (Brevard Road) from I-26 to I-40 has been identified as a potential project. The City would reimburse NCDOT 40% of the cost of a sidewalk along the west side of an ongoing widening project. A second possible project for the remaining funds will likely be along US 19-23 (Patton Avenue) from Wilburn Road to NC 63 (Leicester Hwy).

Traffic Safety Projects

Budget	Expenditures & Encumbrances	Avail. Budget
170,000	77,127	92,873

The City is partnering with NCDOT to install signals and crosswalks at four signalized intersections: McDowell St and Choctaw, Haywood Rd. and Louisiana Ave., Biltmore Ave. and S. Charlotte St., and Clingman Ave. and Hilliard St. This overall project is in the planning and design stage.

General Sidewalk Maintenance

Budget	Expenditures & Encumbrances	Avail. Budget
200,000	159,787	40,213

Crews finished the Michigan Avenue ARRA project and worked on snow and small maintenance issues. They did not start any new capital projects until April.

Patton Avenue Sidewalk

Budget	Expenditures & Encumbrances	Avail. Budget
450,000	315,000	135,000

This project was completed in the third quarter, and it came in under budget. The initial budget for the project was approved at \$450,000, with \$300,000 in funding from the City and \$150,000 from NCDOT. Staff is currently finalizing the accounting on the project to determine the amount of savings for the City.

East Oakview Bridge

Budget	Expenditures & Encumbrances	Avail. Budget
1,363,000	340,362	1,022,638

NCDOT has completed their review. Staff is preparing the project for advertisement this summer.

Clingman Avenue Streetscape

Budget	Expenditures & Encumbrances	Avail. Budget
907,251	873,515	33,735

Utility poles have not been relocated on the two lane section. Multiple utility companies are coordinating the relocation efforts. Once removed, the contractor will resume work. Additional funding will be needed to complete this project. In a separate item on the May 24 Council agenda, staff is requesting a budget amendment to increase this project budget by \$250,000

Deaverview Bridge

Budget	Expenditures & Encumbrances	Avail. Budget
300,000	299,208	792

This project is complete. Staff is currently working to close out the project.

Old Toll Road Retaining Wall

Budget	Expenditures & Encumbrances	Avail. Budget
360,000	306,424	53,576

The Old Toll project is nearing completion. Staff is hopeful that it will be complete by the originally estimated completion date of 6/24/2011. The project is currently on budget.

51 Biltmore Parking Garage

Budget	Expenditures & Encumbrances	Avail. Budget
18,500,000	13,914,593	4,585,407

The contractor mobilized on March 21, 2011. Construction is underway.

City Hall Repairs

Budget	Expenditures & Encumbrances	Avail. Budget
450,000	449,100	900

Prototype repairs will begin this month in limited areas of the 7th and 8th floors. Once tested to confirm it mitigates the water intrusion, the engineering firm will go out for bids with work beginning mid to late summer. Funding for the remainder of the project is included in the proposed FY 2011-12 capital improvement program.

INVESTMENT REPORT

The total cash and investments for the City of Asheville as of March 31, 2011 were \$97,212,832. These investments represent cash and cash equivalents and do not reflect budgeted contractual commitments against these funds. These investments comply with North Carolina General Statutes, the City’s investment policies and the City’s bond restrictions. The average rate of return for all investments is 0.60%. Shown below are the total investments as of March 31, 2011, reduced by contractual commitments and the funds that are restricted by bond order.

Total Cash & Investments as of 3/31/11		\$97,212,832
Less:		
Budgeted Commitments:		
Outstanding Encumbrances		(24,297,075)
Bond Restricted Funds:		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(1,884)	
Bond Proceeds to Be Drawn Down	<u>(1,097,115)</u>	
		<u>(25,396,074)</u>
Net Amount		\$71,816,758

Attached to this report are a graph and a table that provide greater detail on the allocation of funds within the City’s investment portfolio.

SUMMARY

For more information. This summary is based on detailed information produced by the City’s financial management system. If you would like additional information, or have any questions about the report, please call the Budget Office at 259-5635.