



# Quarterly Financial Report

## Third Quarter of 2015-16

May 10, 2016

The financial information in this report reflects the City's overall financial position for the fiscal year through March 2016. Actual revenues and expenses for FY 2015-16 reflect preliminary results due to the timing of report presentation.

### EXECUTIVE SUMMARY

**Amendments.** The General Fund budget presented in this third quarter report reflects the adopted budget of \$103,148,627 along with the following budget amendments approved by City Council through March 31, 2016:

Adopted Budget	103,148,627
Budget Amendments:	
Insurance Recovery – Signal Pole	10,526
Grant – Senior Center & Harvest House	7,600
AB Tech Partnership – Traffic Signal	50,000
Donation – E. Asheville Greenway Study	37,000
Fund Balance – Storm Control Material/Equip.	431,000
Fund Balance – Haywood St. Visioning	15,000
Fund Balance – Page Ave. Demolition	<u>115,000</u>
3/31/2016 Budget	<u>\$103,814,753</u>

**Revenues.** Through March 31, 2016, the City has collected \$86.8 million in General Fund revenue, which represents approximately 84% of the total General Fund revenue budget. Revenue collections through the first three quarters of this fiscal year are very similar to where they were one year ago in terms of budget versus actual. The City has received eight months of sales tax revenue, and collections are up 5.6% compared to the prior year. In the intergovernmental category, utility tax revenue is projected to exceed budget by \$600,000 due to the continuing impact of changes the state made to the distribution formula in the prior year. Development Services Department (DSD) revenue is up approximately \$100,000 compared to the same time last fiscal year but continues to run slightly under budget estimates. With the bulk of property tax revenue received in December and January, that revenue source is now at 95% of budget. Overall, based on collection trends through the first three quarters, staff is currently projecting that ***FY 2015-16 General Fund revenue will exceed budget by \$1.0 million or 1.0%.***

**Expenditures.** General Fund expenditures through March 31, 2016 totaled \$68.3 million or 66% of budget, which is typical for this point in the fiscal year. Personnel expenses, the largest component of the General Fund budget, are slightly under budget through the first three quarters. With fuel prices continuing to be low, expenditures for fleet (fuel and maintenance) were at 58% of budget at the end of March. Overall, staff is projecting that ***FY 2015-16 expenditures (including contract and purchase order commitments) will finish the year under budget by \$1.9 million (98.1% of adopted budget plus amendments).***

***Fund Balance.*** The City began FY 2015-16 with unassigned fund balance of \$16.6 million. Based on *current revenue and expenditure projections for FY 2015-16, staff estimates that unassigned fund balance at June 30, 2016 will be \$19.0 million or 18.7% of estimated expenditures.*

**GENERAL FUND**

Revenue	Prior Year Actuals	Revised Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Property Taxes	51,888,019	54,833,390	52,297,304	54,433,390	2,545,371
Sales & Other Taxes	20,044,318	20,129,180	12,960,531	21,095,654	1,051,337
Intergovernmental	16,126,084	12,105,979	9,279,099	12,605,979	(3,520,105)
Licenses & Permits	5,773,266	4,550,994	3,189,539	4,152,719	(1,620,547)
Sales & Services	9,131,842	9,885,234	7,575,805	10,001,073	869,231
Investment Earnings	134,493	150,000	76,452	135,000	507
Miscellaneous	2,296,602	1,588,450	1,390,664	1,838,450	(458,152)
Other Financing Sources	467,128	10,526	10,526	10,526	(456,602)
<b>Total Revenue</b>	<b>105,861,752</b>	<b>103,253,753</b>	<b>86,779,919</b>	<b>104,272,791</b>	<b>(1,588,961)</b>
Expenditures	Prior Year Actuals	Revised Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Administration	1,479,539	1,663,548	1,170,223	1,613,642	134,102
General Services	2,448,272	2,733,823	1,729,436	2,651,808	203,536
Legal Services	796,044	826,848	622,029	818,580	22,535
Finance & Mgmt. Services	2,909,660	2,866,317	1,851,579	2,780,327	(129,333)
Human Resources	1,603,077	1,647,735	1,058,549	1,598,303	(4,774)
Information Tech. Srv	2,579,478	2,524,613	1,498,862	2,448,875	(130,603)
Nondepartmental	17,708,654	14,474,466	10,723,307	14,464,466	(3,244,188)
Economic Development	1,278,766	2,188,957	810,403	2,079,509	800,743
Fire	21,834,444	21,343,177	15,475,854	22,143,177	308,733
Police	23,279,274	24,799,528	15,723,501	23,825,530	546,256
Development Services	3,238,688	3,830,845	2,367,107	3,423,382	184,695
Transportation	1,862,392	2,837,453	1,590,585	2,752,329	889,937
Public Works	11,016,061	10,173,264	6,268,638	9,685,099	(1,330,962)
Capital Projects Division	869,237	701,968	619,654	696,968	(172,269)
Planning & MMT Exec	0	300,395	257,267	298,893	298,893
Planning	826,822	988,342	778,999	983,400	156,578
Parks & Recreation	9,024,102	9,913,474	5,787,906	9,616,070	591,968
<b>Total Expenditure</b>	<b>102,754,511</b>	<b>103,814,753</b>	<b>68,333,900</b>	<b>101,880,359</b>	<b>(874,152)</b>
Rev over (under) Exp	3,107,241	(561,000)	18,446,019	2,392,432	
Fund Balance Change		(561,000)		2,392,432	
Beginning Fund Balance		16,646,856		16,646,856	
Ending Fund Balance		16,085,856		19,039,288	
Ending Fund Balance %		15.5%		18.7%	

**REVENUES:**

At this point in the fiscal year, staff is projecting FY 2015-16 General Fund revenue will be \$104,272,791 which is \$1.0 million or 1.0% above the revised budget. Major revenues to report on for the 3rd quarter include:

**Property taxes.** There is no change to report to year-end estimates since the 2<sup>nd</sup> quarter report - Staff received the official FY 2015-16 assessed valuation data from Buncombe County in January, and it showed that the City's overall tax base grew by 2.0%, which was the largest percentage increase since the end of the recession. However, because growth in the prior year was less than expected, staff is still estimating total annual property tax collections will come in slightly under budget in the current fiscal year.

**Sales taxes.** To date the City has received eight months of sales tax revenue and collections are up 5.6% compared to the same time last fiscal year. With revenue coming in higher than anticipated last fiscal year and current year collections trending higher than budget, staff is now projecting that sales tax revenue will exceed budget by \$848,000 in FY 2015-16.

**Licenses and Permits.** The decrease from FY 2014-15 to the FY 2015-16 year end estimate reflects the loss of the Privilege License revenue stream. Revenues from Development Services fees are running slightly under budget through the first three quarters, although they are about \$100,000 ahead of where they were last year this time. Staff believes that while trending below anticipated levels for the current fiscal year, the fees associated with the original budget estimates are still in the development pipeline, and are expected to be collected in future fiscal years.

**Intergovernmental.** . The City has now received three quarters of utility tax payments from the State of North Carolina, and trends indicate that this revenue will exceed budget at year end by \$600,000 due to the continuing impact of changes the state made to the distribution formula in the prior year. Overall, staff is projecting that intergovernmental revenue will exceed budget by slightly more than \$400,000 primarily as a result of the strong performance in state utility taxes.

**Other revenues.** Revenues in the Sales and Services category are trending about 1.0% over budget at the end of the third quarter. This category includes items such as the solid waste fee and various parks and recreation user fees. Additionally, based on collections in the prior fiscal year, staff anticipates that ABC revenue (which is reflected in the miscellaneous category) will exceed budget by approximately \$250,000. Miscellaneous revenue will come in lower than prior year because of a land sale in FY 2014-15 that added nearly \$1 million in one-time revenue.

**EXPENDITURES:**

**Salaries.** During the first three quarters, there were 18.21 payroll cycles charged against the FY 2015-16 budget, which represents 70% of the total payroll cycles that will occur during this fiscal year.<sup>1</sup> Actual salary expenses through the third quarter across all General Fund departments are running at 68%. For the City's two largest General Departments – 1) Police salary expenses are running under budget at 67%, and 2) Fire salary expenses are running over budget at 73%. Staff will adjust salary budgets across departments later in the fiscal year as needed based on vacancy rates in each department. Staff anticipates that General Fund salaries will finish FY 2015-16 under budget overall.

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<sup>1</sup> Because the pay periods and the fiscal year beginning and end dates do not usually line up, the overall salary performance of the City should be evaluated against the percentage of pay periods. Staff also tracks seasonal trends in salaries to ensure that departments that rely on seasonal labor are able to predict costs.

**Fuel & Fleet Maintenance.** The General Fund FY 2015-16 budget for fuel and fleet maintenance expenses totals \$3.0 million. Through the first three quarters, fleet maintenance expenses have been on budget; however, fuel expenses were running well under budget as a result of lower fuel prices. The US Energy Information Administration (EIA) predicts that lower fuel prices are likely to continue.<sup>2</sup> Given this trend, staff projects that there will be savings of approximately \$600,000 in this category.

**Other Expenses.** As noted in the Executive Summary, overall General Fund expenses were at 66% at the end of the third quarter, which is typical for this point in the year. It should be noted that after running ahead of budget during the first half of the fiscal year, health care expenditures (which are shown in a separate fund from the General Fund) moderated in the third quarter and are now tracking on budget.

### **FUND BALANCE ANALYSIS:**

The City ended FY 2014-15 with unassigned fund balance of \$16.6 million, which equated to 16.8% of FY 2014-15 expenditures and 16.1% of the adopted FY 2015-16 budget. Based on current revenue and expenditure projections for FY 2015-16, staff estimates that unassigned fund balance at June 30, 2016 will be \$19.0 million or 18.7% of estimated expenditures.<sup>3</sup> The City's Financial Management Policy requires that the City maintain a minimum unassigned fund balance of 15% of the current-year budget expenditures, which reflects Government Finance Officers Association (GFOA) recommended best practices.<sup>4</sup>

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<sup>2</sup> US Energy Information Administration, eia.org. Short-Term Energy Outlook, January 11, 2016.

<sup>3</sup> There are several key components to evaluating fund balance and the appropriate level of unassigned fund balance that should be maintained. The State of North Carolina requires that unassigned fund balance of at least 1/12<sup>th</sup> (8%) of budgeted expenditures be maintained. Best practices are to maintain a minimum of 15%, or 60-days of operating funds. Rating agencies put a particular emphasis on unassigned fund balance in their evaluation of a city's creditworthiness.

<sup>4</sup> GFOA Best Practice, *Appropriate Level of Unrestricted Fund Balance in the General Fund*. September, 2015.

**ENTERPRISE FUNDS**

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

**US Cellular Center Fund**

	Prior Year Actuals	Revised Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Operating Revenue	1,684,761	1,970,505	1,595,178	2,217,508	532,747
Expenditure	3,273,446	3,020,216	1,899,176	3,245,422	(28,024)
Op. Rev. Over/(Under) Exp.	(1,588,685)	(1,049,711)	(303,998)	(1,027,914)	--
General Fund Transfer	1,160,576	1,049,711	787,283	1,049,711	
Total Rev. Over/(Under) Exp.	(428,109)	0	483,285	21,797	

\* Represents operating revenue before general fund subsidy

**Operating Summary through 3/31/2016:**

The third quarter of FY 2015-16 was a busy quarter at the U.S. Cellular Center. In February/March, the facility hosted 57 usage dates in 60 calendar days. Including five sold out events, the Southern Conference Basketball Championships, Harlem Globetrotters and the WNC Home, Garden & Green Living show. FY2015-16 is tracking to show the facility hosting 275 usage days, in addition the facility already has 233 usage days confirmed for FY 2016-17. Revenues are expected to come in above budgeted amounts. Because much of the operating cost of the USCC are directly linked to events, expenses are also expected to come in slightly above budget. If the event load continues its upward trend, staff may bring forward to City Council a budget amendment during the fourth quarter to cover the related costs.

**Transit Fund**

	Prior Year Actuals	Adopted Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Revenue	3,884,893	4,233,000	2,659,664	4,233,000	348,107
Expenditure	5,919,200	6,639,992	4,258,989	6,489,992	570,792
Rev. Over/(Under) Exp.	(2,034,307)	(2,406,992)	(1,599,324)	(2,256,992)	--
General Fund Subsidy	1,700,546	1,790,117	1,342,588	1,790,117	
Parking Fund Subsidy	616,875	616,875	462,656	616,875	
Total Rev. Over/(Under) Exp.	283,114	0	205,920	150,000	

\* Represents operating revenue before general fund and parking fund subsidies

**Operating Summary through 3/31/2016:**

Based on trends through the third quarter, staff is estimating approximately \$150,000 in budget savings from lower fuel process. All other expense categories and revenues are on target to match budget estimates.

**Water Resources Fund**

	Prior Year Actuals	Revised Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Revenue	35,760,771	35,535,222	28,419,080	37,392,878	1,632,107
Expenditure	38,742,168	37,473,763	27,141,187	37,095,506	(1,646,662)
Rev. Over/(Under) Exp.	(2,981,397)	(1,938,541)	1,277,893	297,372	--

\* Does not include fund balance appropriation

Operating Summary through 3/31/2016:

Water operating revenues are projected to exceed budget by \$1,857,656 due primarily to: (1) an increase in revenue associated with development; and (2) an increase in water usage, especially in the multi-family and commercial classes. An increase in revenues in the Taps & Connections line item is directly proportional to an increase in area development. Area development also leads to more water customers, which explains the increase in water usage in the multi-family and commercial classes. Heading into warmer weather, we expect development-related revenue to continue to increase. Water expenditures are now projected to be \$378,257 under budget due to a variety of factors. Water Resources had a few positions vacant in the first & second quarters. Since most of those positions have been filled, the savings from vacant positions has leveled out. Legal fees associated with the merger lawsuit increased after the City filed with the NC Supreme Court. Legal fees are expected to continue to increase in the fourth quarter as the City utilizes the services of outside representation.

It should be noted that the Water Fund budget includes a \$1.9 million appropriation from fund balance for capital improvements. Based on current revenue and expenditure results, it does not appear that this full fund balance appropriation will be needed.

**Parking Fund**

	Prior Year Actuals	Adopted Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Revenue	5,227,597	4,625,144	4,094,025	5,200,000	(27,597)
Expenditure	3,250,993	4,008,269	2,192,387	3,869,515	618,522
Transfer to Transit Fund	(616,875)	(616,875)	(462,656)	(616,875)	
Rev. Over/(Under) Exp.	1,359,729	0	1,438,981	713,610	--

Operating Summary through 3/31/2016:

All categories of parking revenues exceeded projections for the third quarter; particularly transient, after hours and special event parking. We experienced heavier than normal third quarter demand for transient (hourly) parking thanks to a very mild winter and strong special event demand due to the SOCON Tournament. Expenditures remain as projected in the second quarter report. Planned expenditures in the fourth quarter include new informational signage to be installed at the Rankin Avenue and Civic Center garages. These signs (including at the intersection of Vanderbilt Place and Haywood Street) will provide needed information about the existing capacity of the garages. In addition, contracted service expenses will likely increase in the fourth quarter due to a greater reliance on contracts to perform heavy duty cleaning in the garages. At the end of FY 2014-15, the Parking Fund had a total fund balance of \$1.7 million, and an available fund balance of \$1.4 million. Current year end estimates indicate an increase in fund balance of approximately \$713,000.

**Stormwater Fund**

	Prior Year Actuals	Revised Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Revenue	5,464,583	5,750,491	3,455,530	5,866,079	401,496
Expenditure	4,543,182	6,758,049	3,245,884	6,284,986	1,741,804
Rev. Over/(Under) Exp.	921,401	(1,007,558)	209,647	(418,907)	--

\* Does not include fund balance appropriation

Operating Summary through 3/31/2016:

Stormwater construction and maintenance crews completed the following in the third quarter of the fiscal year: 120 feet of pipe on Thompson St., 112 feet on Huntington Chase, 20 feet on Stancliff Drive and 30 feet on Mann Drive was installed. Crews completed 67 additional work orders, including 34 ditch line and road shoulder repairs, 8 pipe maintenance, 4 sinkhole repair, 8 rain-day drain cleanings, 13 catch basin repair/ reset lid and 4 investigate drainage issue work orders. Crews swept 705miles of roadway, cleaned 371 catch basins and inspected an additional 695 catch basins. This work resulted in the removal of 213 tons of material and debris.

At the end of FY 2014-15, the Stormwater Fund had a total fund balance of \$2.4 million, and an available fund balance of \$2.0 million. Based on revenue and expenditure trends, it is expected that the Stormwater Fund will perform slightly better than budget in FY 2015-16.

**Street Cut Utility Fund**

	Prior Year Actuals	Adopted Budget	3/31/2016 Actuals	Year End Estimate	Year End Est. Over (Under) Prior
Revenue	1,440,555	1,865,076	796,656	1,585,315	144,760
Expenditure	1,440,569	1,865,076	956,479	1,585,315	144,746
Rev. Over/(Under) Exp.	(14)	0	(159,823)	0	--

Operating Summary through 3/31/2016:

The Street Cut Utility Fund is responsible for repairing cuts made to City streets for repair and maintenance of water, sanitary sewer, gas and any other buried utility lines. The fund bills the entity that requires the cut. Through March 31, 2016 the utility patch crews patched 138 asphalt and 16 concrete cuts for the Water Department; 28 asphalt and 6 concrete cuts for PSNC; 58 asphalt and 11 concrete cuts for MSD; and 11 asphalt cuts and 3 concrete cuts for Stormwater; for a total of 271 cuts. The square footage for asphalt cuts totaled 15,873. The square footage for concrete cuts totaled 2,675. An additional 113 dirt cuts were inspected. Payment for services rendered in the third quarter will be received during the fourth quarter.

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## CAPITAL PROJECT UPDATE

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The City's Capital Improvement Program includes approximately \$149 million of spending from 2014-2020. Outside sources of funding include Federal and State grants, as well as partnerships with other agencies and groups. The program, conceived in 2012, has two main components: 1) estimates of project costs and 2) the financial model for debt and pay-go funding. Cost estimating relies on the expertise of staff and contractors and includes the evaluation of trends in construction costs (both materials and labor) as well as economic indicators. As the economy improves, the cost of construction is steadily rising. The Mortenson Construction Cost Index<sup>5</sup> shows construction cost climbing steadily since 2009. It is anticipated that construction cost inflation will reach pre-recession levels soon nationwide.<sup>6</sup> It should be noted that the recovery has been faster in the City of Asheville's construction industry than in the industry in general; pushing costs up more rapidly.

The financial model, a draw program, is designed such that the City will issue short-term construction debt which is refinanced upon project completion with long-term debt associated with the life-cycle of the asset. The model, which relies on the cost estimates to drive debt issues and long-term capital funding plans, is designed to minimize the cost of issuing debt by carefully tracking cash flows and estimates. Estimated cash flows determine the draw down, or short-term debt, issued during construction. The draw program model minimizes interest costs by ensuring that the City is not paying debt service (interest and principal payments) on unspent debt proceeds (cash in the bank). The model is included in Appendix A.

Following is a list of current projects underway, with original budgets (estimates 2012 and 2013), current estimates (as available), expenditures to date and variances. Short narratives for each project are included for clarity. Where quantifiable, ongoing operating costs associated with projects are included and/or discussed.

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<sup>5</sup> Mortenson Construction Cost Index is an index on construction cost compiled by Minneapolis-based M.A. Mortenson Co. The index, based on a starting value of 100 in the first quarter of 2009, reached 111 in the fourth quarter of 2014.

<sup>6</sup> *Wall Street Journal*. Peter Grant, "Construction Costs are rising as Economy Improves." February 10, 2015.

**Radio Infrastructure**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
6,142,000	6,142,000	5,108,381	1,033,619	0	no additional costs

The radio project remains on track for completion in the fall. Electrical and grounding improvements at tower sites have introduced some delays, but work is underway now, and radio components are being moved into position as electric work at each site is completed. The project team is compensating with adjustments to the implementation schedule to bring the project to completion in the Fall of 2016 as projected.

**Beaucatcher Greenway**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
2,204,127	3,176,264	349,158	1,854,969	(972,137)	maintenance TBD

The Beaucatcher Greenway budget is comprised of funds from the 2012 limited obligation bonds. To date, \$331,811 of the City’s contribution has been spent for design, land acquisition, and surveying. With the additional funding from TPDF, the available project budget is \$1,854,970. The project engineer, which completed approximately 95% of the construction drawings and specifications, has provided preliminary cost estimates for the Beaucatcher Greenway. Based on the preliminary estimates, completion of the Beaucatcher Greenway needs an additional appropriation of \$972,137. In order to meet the financial needs of this project, funds previously planned for the John B. Lewis soccer field turf replacement will be reallocated to the Beaucatcher project. Turf replacement will proceed; the TPDF awarded grant funds speeding up the timeline of the turf project and allowing the reallocation of funds

**Clingman Forest Greenway**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
1,531,500	2,573,902	59,760	1,471,740	(1,042,402)	maintenance TBD

Design for the Clingman Forest Greenway was completed in 2014. Capital Projects Staff is reviewing the project plans for potential savings including value engineering, adjustments to the project scope, materials and construction phasing. The plans, specifications, and estimate are being updated for FHWA review for compliance with Federal Grant requirements. Review will be complete in the fourth quarter of fiscal year 2016.

**Town Branch Greenway**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Estimate Under Budget	Ongoing Operating Impact/year
2,762,503	2,364,359	354,818	2,407,685	398,144	maintenance TBD

Design for the Town Branch Greenway was completed in 2014. Capital Projects Staff is reviewing the project plans for potential savings including value engineering, adjustments to the project scope, materials and construction phasing. The plans, specifications, and estimate are being updated for FHWA review for compliance with Federal Grant requirements. Review will be complete in the fourth quarter of fiscal year 2016. Additional engineering and design work was added to evaluate a retaining wall planned on this project. This engineering/design effort will mitigate future construction costs associated with soil conditions.

**French Broad River West Greenway**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
1,006,000	2,812,463	273,555	732,445	(1,806,463)	maintenance TBD

The 75% design plans for the French Broad River West Greenway have been reviewed by the design and Capital Projects teams, as well as Duke Energy. Design challenges have included the realignment of the northern terminus to better connect to the Craven St. phase of the greenway corridor currently under construction. This includes a no-rise certification study.

**River Arts District Transportation Improvement Plan (RADTIP)**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
14,759,889	n/a	2,961,222	11,798,667	TBD	maintenance TBD

Construction of the River Arts District Transportation Improvement Plan (RADTIP) is planned to begin in fiscal year 2017. Final design will be completed in the fourth quarter of fiscal year 2016. Real estate acquisition is underway and will be completed by the first quarter of fiscal year 2017. Utility relocation is scheduled to begin in August of 2016.

RADTIP is the largest project underway. Estimates, originally made in 2012, are proving to be low due to the changing economic climate. The construction market has seen steady growth for the past several years, which has a direct impact on the cost of labor and materials, as discussed above. Estimates, given market conditions in 2015, are coming in higher than budgeted; however, the RADTIP projects, in particular, present opportunities for phasing, value engineering and scope evaluation. Refined cost estimates will be developed as the project moves closer to construction.

**Smith's (Craven Street) Bridge**

Current Budget	Estimate	Expenditures		Avail Budget	Future Funding	Ongoing Operating Impact/year
		& Encumbrances				
380,000	6,000,000	-		380,000	(5,620,000)	maintenance TBD

The construction phase for the Smith's Bridge project is not currently funded in the Capital Improvement Program. Initial design has funding of \$400,000. Staff is evaluating and pursuing alternative funding mechanisms including grants and partnerships. For the long-term, staff is reviewing the ongoing operational impact to the Public Works maintenance budget and workload of the addition of the bridge to the City's infrastructure.

**Streets and Sidewalk Program**

Current Budget	Estimate	Expenditures		Avail Budget	Future Funding	Ongoing Operating Impact/year
		& Encumbrances				
3,895,517	3,895,517	2,000,000		1,895,517	-	no additional costs

The FY15 Street Resurfacing contract is complete.

The FY16 Street Resurfacing was bid. Resurfacing will begin in May of 2016. The following streets will be resurfaced under this contract:

Street	From	To
Braddock Way	All	
Lakeshore Drive	Merrimon Avenue	Mt. Vernon Place
N. Bear Creek Road	Patton Avenue	Old County Home Road
N. Oak Forest Drive	All	
Westridge Drive	N. Oak Forest Drive	Springside Road
Old Haw Creek Road	Middlebrook Road	Bethesda Road
Middlebrook Road	Old Haw Creek Road	New Haw Creek Road
Patton Avenue	N. French Broad	College Street
Washington Road	All	
Broad Street	Washington Road	N. Liberty Street
Victoria Road	Meadow Road	McDowell Street
W. Chapel Road	Hendersonville Road	Marietta Street
Woodland Road	Sunset Parkway	Ridgewood Place

The FY16 Concrete Maintenance Contract is underway. The Capital Projects Division is developing designs, cost estimates, and project packages for various streets and sidewalks identified. Public Works selection of streets to resurface is based on analysis provided by the 2014 Pavement Condition Rating (PCR). Final selection will depend on PCR, cost estimates and available funding.

**Haywood Rd Multi-Modal Improvements**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
302,128	302,128	255,939	46,189	-	no additional costs

Construction is complete, warranty started in March 2016. An art installation remains, and will be included in a separate procurement.

**Hendersonville Rd Sidewalk**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
4,125,000	4,125,000	3,913,793	211,207	-	no additional costs

Construction on this project began in October 2015 and is expected to be complete by December 2016. The project is nearly 25% complete with installed sidewalk, and the contractor has recently submitted retaining wall designs for City and NCDOT approval.

**Neighborhood Sidewalk Program**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
580,000	580,000	8,613	571,387	-	no additional costs

Neighborhood sidewalk program is currently in the secondary screening stage as described in the neighborhood sidewalk policy, primarily investigating construction feasibility of the top scoring projects. As a reminder, the secondary screening factors in the October 2015 policy are connectivity, presence/absence of sidewalk on one side of the street, construction feasibility, and if necessary to make a final choice between similarly scoring projects, geographic distribution.

**Traffic Calming**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
300,000	300,000	51,740	248,260	-	no additional costs

No changes from 2<sup>nd</sup> quarter update - Two projects have been completed - Bear Creek Road and Riverview Drive. There are 12 streets (total mileage of 4.09 miles) from the backlog list eligible for the construction petition phase, which is the last step before construction.

The project timeline is as follows for all streets on the backlog list:

- 1) Petition Phase – November, December, January, February, March, April
- 2) Contract Phase – March, April, May
- 3) Construction Phase – June, July, August
- 4) Once these streets are completed, the entire backlog list will be eliminated and staff will then move forward with current traffic calming projects as funds are made available.

**Traffic Safety Projects**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
122,094	122,094	84,745	37,349	-	no additional costs

Transportation Department staff is currently working on a project to add pedestrian signals and ADA compliant crosswalks at the intersection of Coxe Avenue and Hilliard Avenue at an estimated project cost of \$25,000.

**Craven Street Improvements**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
8,121,324	8,121,324	7,884,947	236,376	-	maintenance TBD

The Craven Street project is continuing to move forward. The roadway alignment is complete. The construction elements of the stream restoration is complete with planting currently occurring. The wall construction associated with the greenway is ongoing with construction on the final wall underway and expected to be complete by late April. The placement of asphalt is dependent on the temperature and weather, the final layer of asphalt will not be placed on the Greenway until spring. The storm-water best management practices are ongoing and plantings finalized in the spring. The Low Impact Parking area is near completion with touch up work required which will take place in spring. The utility work is complete including water and sewer. The major components of the project were finalized in the fall, with the final layer of asphalt placed in the spring along the greenway and the final plantings taking place in the spring also.

**City Hall Renovations**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
5,846,076	5,846,076	4,712,759	1,133,317	-	maintenance TBD

The interior renovations continue in the planning phase. The exterior renovations achieved final completion in the third quarter of FY15. The interior renovation work is currently in the design phase, with initial focus on the mechanical, electrical, plumbing, and fire sprinkler systems. There is likely insufficient budget remaining for the full build-out of the seventh and eighth floors, so work has been focused on the seventh floor plan as needed to fulfill the design brief of providing flexible team-oriented spaces, conference room, storage, and related items. Schematic design work and preliminary floor plans have been completed for the seventh floor, and review by the City is underway. Also, the Architect has completed the proposed life safety plan required to meet building codes, and preliminary historic preservation documents have been prepared as well.

**Affordable Housing**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
750,000	750,000	19,520	730,480	-	no additional costs

The RFP for affordable housing development at the Parks Maintenance site will be released this month. At the budget worksession held on March 22, the use of Affordable Housing CIP funds for the Lee Walker heights redevelopment was discussed.

**14 Riverside Drive**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
470,000	620,681	21,666	448,334	(150,681)	maintenance TBD

Plans were approved by the Development Services Department in April 2016. Approval was delayed due to a requirement to get a variance for historic structures in a flood plain. The variance was granted by the City’s Board of Adjustment in March 2016. Construction will be advertised for bid by late April 2016. The design consultant will assist the Capital Projects Division in administering the contract.

**Broadway Vaulted Sidewalk**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
250,000	250,000	44,697	205,303	-	no additional costs

Staff and the City’s Legal department have obtained easements for the retaining wall. The design consultant has provided the City with three structural design options, of which the city has chosen a large block, gravity retaining wall. The design consultant has completed final plans, which are pending approval of an encroachment agreement with NCDOT.

**Fire Station #14 (Land, Design, Construction, New Engine)**

Current Budget	Estimate	Expenditures & Encumbrances	Avail Budget	Future Funding	Ongoing Operating Impact/year
2,383,400	3,983,500	529,976	1,853,424	(1,600,100)	\$750,000 first full year

This project is in the planning phase. The \$529,976 spent to date reflects only the land purchase. The procurement of architectural & engineering services needed for programming, space planning, cost estimation, schematic design, and related work will likely occur next fiscal year. Of key importance is planning for the ongoing operational impact of adding a fire station. The first full year operational cost is estimated at \$750,000, an amount which will increase annually with the cost of labor and inflation. There will also be maintenance and equipment cost impacts. Additional budget will be added as planned in FY 2016-17 to provide sufficient funding for full design and construction of the station.

**INVESTMENT REPORT**

The total cash and investments for the City of Asheville at March 31, 2016 were \$129,518,561. 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 0.834%. Shown below are the total investments as of March 31, 2016, reduced by contractual commitments and the funds that are restricted by bond order.

<b>Total Cash &amp; Investments as of 3/31/16</b>		<b>\$129,518,561</b>
<b>Less:</b>		
Budgeted Commitments:		
Outstanding Encumbrances	(30,280,746)	
Bond Restricted Funds:		
Funds held by trustee:		
Funds in Principal & Interest Accounts	(2,499,873)	
Bond Proceeds to Be Drawn Down	<u>(1,596,157)</u>	
		<u>(34,376,776)</u>
<b>Net Amount</b>		<b>\$95,141,785</b>

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.

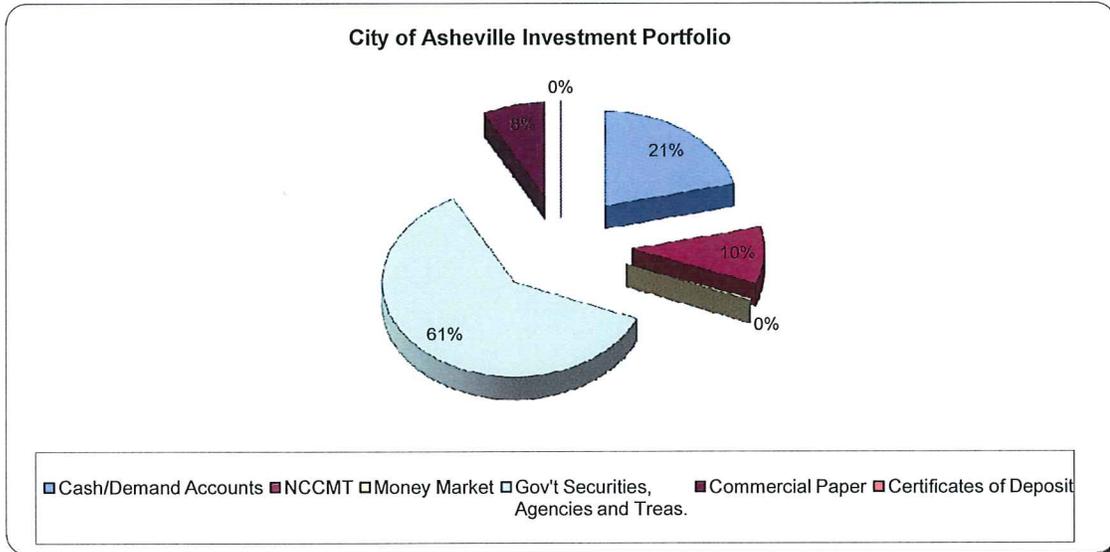
**SUMMARY**

*For more information.* This summary is based on detailed information produced by the City’s financial management team. If you would like additional information, or have any questions about the report, please call the Finance and Management Services Department at 259-5598.

**ATTACHMENT A**

**CITY OF ASHEVILLE INVESTMENT PORTFOLIO**  
 March 31, 2016

	Cash/Demand Accounts	NCCMT	Money Market	Gov't Securities, Agencies and Treas.	Commercial Paper	Certificates of Deposit	TOTAL
Held by Bond Trustee	\$ -	\$ 3,695,879	\$ 400,150	\$ -	\$ -	\$ -	\$ 4,096,029
Held by the City	27,529,542	8,902,068	-	79,003,919	9,987,003	-	125,422,532
<b>TOTAL</b>	<b>\$27,529,542</b>	<b>\$12,597,947</b>	<b>\$400,150</b>	<b>\$79,003,919</b>	<b>\$9,987,003</b>	<b>\$ -</b>	<b>\$129,518,561</b>



## ATTACHMENT B

### INVESTMENT MANAGER'S REPORT at March 31, 2016

#### TOTAL MARKET VALUE

	1/01/16 - 3/31/16
<b>BEGINNING MARKET VALUE</b>	\$ 113,088,220
Additions	76,706,290
Maturities	(60,458,612)
Change in market value	<u>182,663</u>
<b>ENDING MARKET VALUE</b>	<u>\$ 129,518,561</u>

Investment revenue: \$ 185,140

#### CASH EQUIVALENTS AND BOND MATURITY SCHEDULE

Cash	\$ 40,527,640	31%
Cash equivalents <91 days	14,004,236	11%
91 days to less than 1 year	29,009,414	22%
1 to 5 years	45,827,296	35%
5 to 10 years	149,976	0%
<b>TOTAL</b>	<u>\$ 129,518,561</u>	<u>100%</u>

#### INVESTMENT SUMMARY

<b>ASSET CLASS</b>		
Fixed income	\$ 74,986,686	58%
Cash & equivalents	<u>54,531,876</u>	<u>42%</u>
<b>Total asset value</b>	<u>\$ 129,518,561</u>	<u>100%</u>

#### MONTH END PORTFOLIO INFORMATION

**Weighted average yield** 0.834%  
**Weighted average maturity** 390 days

#### Benchmark indicators:

3 month T-Bill secondary Market 0.2900%  
6 month T-Bill secondary Market 0.4600%  
1 year T-Bill secondary market 0.6400%  
NCCMT Cash Portfolio 0.3700%