



Quarterly Financial Report

First Quarter of 2014-15

December 9, 2014

The financial information in this report reflects the City's overall financial position for the fiscal year through September 2014.

EXECUTIVE SUMMARY

Amendments. The General Fund budget presented in this first quarter report reflects the adopted budget of \$99,547,954 along with two budget amendments approved by City Council. A summary of the budget amendments is presented below. The budget amendments that involved an appropriation from fund balance are noted with an asterisk.

Adopted Budget	99,547,954
Budget Amendments:	
Parks & Recreation Grants/Donations	53,795
WNC Diversity Engagement Coalition Support*	<u>10,000</u>
9/30/2014 Budget	<u>\$99,611,749</u>

*Fund Balance Appropriation

Revenues. Through September 30, 2014, the City has collected \$9.3 million in General Fund revenue, which represents approximately 10% of the total General Fund revenue budget. Based on FY 2014 year end revenue collections and FY 2015 first quarter trends, staff is currently projecting that ***FY 2015 General Fund revenue will slightly exceed budget.***

Expenditures. General Fund expenditures through September 30, 2014 totaled \$19.9 million or 20% of budget, which is typical for this point in the fiscal year. Personnel expenses, the largest component of the General Fund budget, are on budget through the first quarter. Staff is projecting that ***FY 2015 expenditures (including contract and purchase order commitments) will finish the year under budget by \$767,000 (99% of budget).***

Fund Balance. The City began FY 2015 with unassigned fund balance of \$15.0 million. As noted above, an additional \$10,000 was appropriated from unassigned fund balance during the first quarter. Based on ***current revenue and expenditure projections for FY 2015, staff estimates that unassigned fund balance at June 30, 2015 will be \$16.26 million or 16.5% of estimated expenditures.***

GENERAL FUND

Revenues:	Revised Budget	9/30/2014 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Property Taxes	52,103,473	406,692	52,103,473	0
Sales & Other Taxes	18,704,766	1,851,474	18,704,766	0
Intergovernmental	11,476,750	2,118,063	11,476,750	0
Licenses & Permits	5,175,010	2,424,433	5,475,010	300,000
Sales & Services	8,595,455	2,162,963	8,651,850	56,395
Investment Earnings	150,000	19,282	160,000	10,000
Miscellaneous	1,342,500	301,954	1,442,500	100,000
Other Financing Sources	<u>53,795</u>	<u>53,795</u>	<u>53,795</u>	<u>0</u>
Total Revenue	<u>97,601,749</u>	<u>9,338,656</u>	<u>98,068,144</u>	<u>466,395</u>
Expenditures:				
Administration	4,042,582	740,033	3,981,943	60,639
Legal Services	806,748	137,616	794,647	12,101
Finance & Management	3,026,459	573,329	2,981,062	45,397
Human Resources	1,429,701	285,581	1,408,255	21,446
Information Tech. Srv	2,539,664	367,951	2,501,569	38,095
Nondepartmental	13,941,107	3,287,400	13,916,107	25,000
Economic Development	764,515	201,571	753,047	11,468
Fire	20,777,981	4,424,814	20,674,091	103,890
Police	24,255,781	4,765,496	24,134,502	121,279
Development Services	3,596,839	651,065	3,542,886	53,953
Transportation	2,586,927	415,464	2,548,123	38,804
Public Works	10,951,890	2,036,760	10,831,419	120,471
Planning	1,184,223	176,976	1,166,460	17,763
Parks & Recreation	<u>9,707,332</u>	<u>1,927,377</u>	<u>9,610,259</u>	<u>97,073</u>
Total Expenditure	<u>99,611,749</u>	<u>19,991,432</u>	<u>98,844,371</u>	<u>767,378</u>
Rev. (Under) Exp & Enc	<u>(2,010,000)</u>	<u>(10,652,776)</u>	<u>(776,227)</u>	
Unassigned Fund Balance:				
Fund Bal. Change	<u>(2,010,000)</u>		<u>(776,227)</u>	
Beginning Fund Balance	<u>17,040,902</u>		<u>17,040,902</u>	
Ending Fund Balance	<u>15,030,902</u>		<u>16,264,675</u>	
Fund Balance Percentage	<u>15.1%</u>		<u>16.5%</u>	

REVENUES:

At this point in the fiscal year, staff is projecting FY 2014-15 General Fund revenue will be \$98,068,144 which is \$466,000 or 0.48% above the revised budget. Major revenues to report on for the 1st quarter include:

Property taxes. Property tax revenue projections are based on assessed valuation estimates provided by Buncombe County in May of this year and on collections from the prior fiscal year. The next update on assessed valuation will come in early January when the City receives its official FY 2014-15 tax base data from Buncombe County. Property tax revenue projections will be refined at that time and reported to City Council in the second quarter financial report.

Sales taxes. Sales tax revenue in the prior fiscal year increased by \$683,000 or 4.1%, which was slightly less than budget projections. In the current fiscal year, the City has received three months of sales tax revenue from the State, and collections are up approximately 10% compared to the same time last year. It is unlikely that this growth rate will be sustained throughout the fiscal year. Staff is currently projecting that sales tax revenue will come in on budget.

Intergovernmental. The City has received the first of its two annual payments from Powell Bill funds, and revenue this year is up 1.5% over last year. Powell Bill revenue will finish the year at 99.5% of budget. The City has also received the first quarter utility tax payment from the State, and revenue was flat compared to FY 2013-14. Based on this result and trends from last fiscal year, staff is projecting that state utility tax revenue will come in very close to budget.

Other Revenues. Revenues in the Development Services Department (DSD) continued to be strong in the first quarter and were at 31% of budget as of the end of September. It should be noted that the budget numbers in this report do not reflect the \$300,000 budget increase to DSD revenue approved by City Council during the second quarter. Finally, based on collections to date, staff anticipates that ABC revenue (which is reflected in the Miscellaneous category) will exceed budget by approximately \$100,000.

EXPENDITURES:

Salaries. During the first quarter, there were 5.29 payroll cycles charged against the FY 2014-15 budget, which represents 20% of the total payroll cycles that will occur during this fiscal year. Actual salary expenses in the first quarter were also at 20% of budget. Although Police Department overtime expenses were running ahead of budget through the first quarter, overall Police salary expenses (including regular and overtime pay) were right on budget due to vacancies. Staff will be adjusting budgets between Police regular and overtime pay during the second quarter to reflect first quarter results.

Fuel & Fleet Maintenance. The General Fund FY 2014-15 budget for fuel and fleet maintenance expenses totals \$3.3 million. First quarter results show expenditures at 21% of budget, which reflects a continuation of positive trends in both fuel and maintenance costs compared to prior years.

Other Expenses. As noted in the Executive Summary, overall General Fund expenses were at 20% at the end of the first quarter, which is typical for this point in the year. Some major expenses, most notably debt service payments, are not incurred until later in the fiscal year. There are no expenditure concerns at the end of the first quarter.

FUND BALANCE ANALYSIS:

The City ended FY 2013-14 with unassigned fund balance of \$15.0 million, which equated to 16.8% of FY 2013-14 expenditures. Based on current revenue and expenditure projections for FY 2014-15, staff estimates that unassigned fund balance at June 30, 2015 will be \$16.2 million or 16.5% of estimated expenditures. The City’s Financial Management Policy recommends that the City maintain a fund balance equal to 15% of the current-year budget expenditures.

ENTERPRISE FUNDS

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

US Cellular Center Fund

	Revised Budget	9/30/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Operating Revenue*	2,352,922	199,727	2,150,000	(202,922)
Expenditure	3,533,498	461,483	3,100,000	433,498
Rev. Over/(Under) Exp.	(1,180,576)	(261,757)	(950,000)	--

* Represents operating revenue before general fund subsidy

First quarter highlights in FY 2014-15 included the annual Craft Fair of the Southern Highlands which saw attendance over 9,000. The U.S. Cellular Center hosted for the first time the Mission Foundation’s bi-annual Faces of Hope fundraiser event and the annual Asheville Wine & Food Show in August, both sold out events. September saw the opening concert for the Asheville Symphony and a nearly sold out Asheville Comic Expo. Actual event day bookings were down year to year along with operating revenue. Operating expenses are generally flat year to year. Looking forward, 2nd quarter bookings are comparable to the prior year, however concession sales numbers are anticipated to be slightly lower due to the type of bookings. Quarters three and four have a number of tentative dates held in all venues which may translate into equal arena concert dates compared to the prior year. Thomas Wolfe bookings are trending flat year to year.

Transit Fund

	Adopted Budget	9/30/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	6,368,151	821,906	6,368,151	0
Expenditure	6,368,151	1,116,457	6,368,151	0
Rev. Over/(Under) Exp.	0	(294,550)	0	--

Expenses are on target for the first quarter. Fare revenue, however, is 1.9% below the expected revenue for this quarter but other revenues, such as motor vehicle licenses, are on target. Ridership has increased 3% compared with the same period in FY2014. Ridership trends will continue to be monitored to determine if the trend is maintained the rest of the year. The fund shows a deficit at the end of the 1st quarter due to the timing of federal and state grant draw downs. The start of Sunday service and the creation of two new routes, S5 and W5, to substitute for Route C are on target for January 4, 2015.

Water Fund

	Revised Budget	9/30/2014 Actuals	Year-End Estimate	Pos./(Neg.) Bud. Variance
Revenue*	34,480,451	7,399,491	35,208,398	727,947
Expenditure	36,530,120	10,885,147	35,647,728	882,392
Rev. Over/(Under) Exp.	(2,049,669)	(3,485,656)	(439,330)	--

* Does not include fund balance appropriation

Water operating revenues are projected to exceed budget by \$727,947 due primarily to an increase in revenue associated with development. Most of the increase in revenues has been in the Taps & Connections line item, which is directly proportional to an increase in area development. Water expenditures are now projected to be \$882,392 under budget due to a variety of factors. Water Resources had several positions vacant in the first quarter. Since most of those positions have been filled, the savings from vacant positions should begin to level out. Legal fees associated with the merger lawsuit have been greatly reduced while the Court of Appeals is reviewing the case. If this trend continues, then the department will see quite a bit of savings in legal fees. The remaining funds will be redirected to other projects to align with the goals in City Council's Strategic Operating Plan.

It should be noted that the Water Fund adopted budget includes a \$2 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

	Adopted Budget	9/30/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	4,027,807	1,352,259	4,300,000	272,193
Expenditure	4,027,807	668,981	3,866,695	161,112
Rev. Over/(Under) Exp.	0	683,278	433,305	--

All categories of parking revenues are exceeding projections for the first quarter; especially transient, after hours and monthly parking. Monthly parking demand has exceeded our capacity in all surface lots and in three of the four garages. The fourth garage, Biltmore Avenue, will be filled to our limit on monthly parking customers early in the second quarter as we gain new customers from the demolition of the garage supporting the BB&T Building. Expenditures are expected to remain below projections barring unforeseen circumstances.

Stormwater Fund

	Revised Budget	9/30/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue*	5,261,372	557,223	5,261,372	0
Expenditure	5,333,519	881,493	5,066,843	266,676
Rev. Over/(Under) Exp.	(72,147)	(324,271)	194,529	--

* Does not include fund balance appropriation

The Stormwater Fund budget includes a \$72,147 appropriation from fund balance for capital improvements. Based on current year revenue and expenditure results, it does not appear that this full fund balance appropriation will be needed.

The stormwater construction and maintenance crews installed 213 ft. of pipe on Valley Ln, installed 125 ft. of pipe on Governors View Rd, installed 95 ft of pipe on Furman Ave, installed 50 ft. of pipe on Victoria Rd, installed 50 ft of pipe on Liberty St, and installed 102 ft. of pipe on London Rd. The stormwater construction and maintenance crews completed 29 additional work orders during this time period: 16 ditch line and road shoulder repair, 3 reset or replace lid or grate, 7 pipe maintenance and install listed above, 1 sinkhole repair, 4 rain day drain cleaning and 5 catch basin repair work orders. The stormwater maintenance crews also swept 1,030 miles of roadways and cleaned 1,169 catch basins and inspected an additional 1,733 catch basins. This work resulted in the removal of 305 tons of material and debris.

Street Cut Utility Fund

	Adopted Budget	9/30/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	1,650,800	142,011	1,568,260	(82,540)
Expenditure	1,650,800	282,437	1,568,260	82,540
Rev. Over/(Under) Exp.	0	(140,427)	0	--

The Utility Patch Crews have patched 224 asphalt, 22 concrete cuts for the Water Department; 14 asphalt, 10 concrete cuts for PSNC; 74 asphalt, 13 concrete cuts for MSD; and 25 asphalt cuts for the Stormwater Division since July 1 for a total of 382 cuts. The total square footage for asphalt cuts is 17,746.48. The total square footage for concrete cuts is 1,975.74. An additional 151 dirt cuts were inspected. Payment for services rendered in the first quarter will be received during the second quarter.

CAPITAL PROJECT UPDATE

Radio Infrastructure – I1301

Budget	Expenditures & Encumbrances	Avail. Budget
6,142,000	123,400	6,018,600

This project is currently in the procurement stage; an RFP detailing infrastructure and other needs was released on September 2. RFP responses were due on November 21. Additionally, Buncombe County staff were specifically invited to share a radio partnership proposal. Staff from ITS, APD, and AFD continue field unit planning.

Beaucatcher Greenway – R1201

Budget	Expenditures & Encumbrances	Avail. Budget
1,261,781	329,612	932,169

The construction documents are in process and anticipated to be completed in June of 2014.

Clingman Forest & Town Branch Greenways – R1301, R1403

Budget	Expenditures & Encumbrances	Avail. Budget
4,000,000	51,324	3,948,676

This project is on hold while staff defines the TIGER funding. Staff is working on obtaining two easements.

French Broad River West Greenway – O1521

Budget	Expenditures & Encumbrances	Avail. Budget
1,000,000	247,871	752,129

A kick off meeting was held on November 5, and staff is working to get permission from Duke to perform the design work.

Parks & Recreation Maintenance – FY14 Deferred Maintenance - R1405, R1406, R1407

Budget	Expenditures & Encumbrances	Avail. Budget
255,449	253,038	2,411

Renovations were completed to the Montford gym including new maple sports flooring, basketball goals, painting, new LED lighting, and priority 1 accessibility improvements to provide an accessible route to the gym; including new entry doors and parking/sidewalk ramps. Additionally, architectural and engineering drawings were done to ascertain design and funding considerations to renovate the bathrooms to meet accessibility code requirements. Design Development for the Velodrome renovation and Carrier Park bathroom renovation is 85% complete. Velodrome design should be complete in January 2015, and design for the restroom should be complete in the spring.

RADTIP- O1401

Budget	Expenditures & Encumbrances	Avail. Budget
4,971,921	2,207,888	2,764,033

The design contract is currently underway and the 25% plans should be available for review within the next three months. Final design is expected during January 2016. The right-of-way phase should begin in 2015 and continue in 2016 and construction should begin in 2017.

Street Resurfacing (FY14 Contract) - 11003002

Budget	Expenditures & Encumbrances	Avail. Budget
1,600,000	1,588,639	11,361

Paving is complete on Vermont, Ambler, Fairway, Swift, Sunset, Cherokee, Church, and Stratford. Milling is in progress on Hilliard, and the City has stripped Brookwood. Utilities still need adjustment on all streets, and various streets still have concrete work to be done.

Haywood Rd Multi-Modal Improvements- K1301

Budget	Expenditures & Encumbrances	Avail. Budget
220,000	8,731	211,269

Work on this project will likely not begin until spring. Meetings are scheduled to discuss sidewalk art. Preliminary striping for lane shift and bike lane are complete.

Hendersonville Rd Sidewalk –K1404

Budget	Expenditures & Encumbrances	Avail. Budget
4,125,000	338,721	3,786,279

Plans for this project are 99% complete. Staff will make any changes due to ROW negotiations once they are complete. Bid / Construction Documents are 95% complete. In terms of ROW acquisition, there are 12 remaining easements to be obtained.

Lakeshore Drive Sidewalk – K1208

Budget	Expenditures & Encumbrances	Avail. Budget
260,425	239,511	20,914

Construction has begun with relocation of water meters underway.

Shiloh Road Sidewalk – K1201

Budget	Expenditures & Encumbrances	Avail. Budget
189,775	158,700	31,075

The project has been bid and awarded. The winning bid was \$138,000.

Neighborhood Sidewalk Program

Budget	Expenditures & Encumbrances	Avail. Budget
100,000	0	100,000

A project has not been chosen yet but design should be underway during the second half of the current fiscal year.

Traffic Calming

Budget	Expenditures & Encumbrances	Avail. Budget
200,000	51,740	148,260

Projects have been completed on Bear Creek Road and Riverview Drive. Contracts for the balance of the money will be in place before the end of the current fiscal year.

Traffic Safety Projects

Budget	Expenditures & Encumbrances	Avail. Budget
135,982	0	135,982

The contract(s) for improvements to the 5-Points intersection in the Montford Community should be in place before the end of the current fiscal year.

Lake Craig/Azalea Road Improvements- K1104

Budget	Expenditures & Encumbrances	Avail. Budget
5,709,847	5,660,895	48,952

Construction of the project is in its final stages. The base layer of asphalt is 95% complete with the remainder of paving to be complete by mid-December. The new bridge is 90% complete with the bridge deck scheduled to be completed the week of Thanksgiving and the sidewalk to be complete by mid-December. The round-about is installed and the stormwater Best Management Practices will be constructed in December. NCDOT has constructed the turning lanes and are expected to place the traffic signal following the completion of the City’s project. The project is expected to be totally complete by mid-February.

Craven Street Improvements – E1202

Budget	Expenditures & Encumbrances	Avail. Budget
7,725,201	7,725,201	0

Construction activities continue to move along. The arch culvert has been installed and the road is now open between Waynesville Ave. and Georgia Ave. Work is currently taking place between Waynesville Ave. and Hazel Mill. This section of roadway is closed and is expected to be closed until spring. The rough grading for the greenway is taking place with the sewer line expected to be completed in this section by mid-December. The fill for the LID parking lot is continuing to be placed and should be completed by January. The reconfiguration of Hazel Mill Road and Emma Road has taken place and is open to traffic currently. The water line construction is moving forward and is expected to be completed prior to spring.

City Hall Repairs – B1101

Budget	Expenditures & Encumbrances	Avail. Budget
5,846,076	4,415,101	1,430,975

Window replacement work has been completed, and water testing was performed. Roofing work on the 7th & 8th floor balconies is complete, and the balance of the roofing work is nearing completion. Installation of the rain screens and related work is in progress along with miscellaneous items including minor tuckpointing, work on collector downspouts, and replacement of thresholds on the 7th & 8th floor balconies. Work performed to date represents 95% of the current contract value.

FY14 Roof Replacements –B1401

Budget	Expenditures & Encumbrances	Avail. Budget
150,000	102,512	47,488

Roof replacement work was completed at the North Asheville Community Center, and shingle replacement was done at Fire Station #8. In addition, roof work was performed at multiple parks including Weaver Park, Charlie Bullman Park, Montford Park, Hall Fletcher Park, and Gassaway Field. Roof replacement work at the Nature Center is currently in the procurement process.

INVESTMENT REPORT

The total cash and investments for the City of Asheville at September 30, 2014 were \$102,498,983. 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 0.487%. Shown below are the total investments as of September 30, 2014, reduced by contractual commitments and the funds that are restricted by bond order.

Total Cash & Investments as of 9/30/14		\$102,498,983
Less:		
Budgeted Commitments:		
Outstanding Encumbrances	(29,629,339)	
Bond Restricted Funds:		
Funds held by trustee:		
Funds in Principal & Interest Accounts	(999,501)	
Bond Proceeds to Be Drawn Down	<u>(3,504,439)</u>	
		<u>(34,133,279)</u>
Net Amount		\$68,365,704

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 Management and Budget Office at 259-5635.