



# Quarterly Financial Report

## *Second Quarter of 2011-12*

**March 13, 2012**

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

### **EXECUTIVE SUMMARY**

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**Amendments.** The General Fund budget presented in the second quarter report reflects: (1) the adopted budget of \$87,645,955; (2) a technical amendment adjusting the fleet external charge budget, and; (3) seven budget amendments totaling \$660,803, none of which involved an appropriation from fund balance.

Adopted Budget	87,645,955
Fleet Technical Change	(1,221,594)
Budget Amendments:	
NCDENR Park Recycling Bin Grant	30,000
NC Arts Council Grassroots Arts Grant	49,850
Buncombe County/Changing Together Partnership	63,000
Debt-Funded Purchase of Computer Equipment	350,000
State Haz-Mat Grant	25,000
Federal COPS Hiring Grant	118,543
State Senior Opp.Center/Harvest House Grants	<u>24,410</u>
12/31/2011 Budget	<u>\$87,085,164</u>

**Revenues.** Through December 30, 2011, the City has collected \$50,756,337 in General Fund revenue, which represents approximately 58.3% of the total General Fund revenue budget. Revenue collections through the first six months are almost identical to collections at this same point in the previous fiscal year. Staff received property tax data from Buncombe County in January that showed that the FY 2011-12 tax levy grew by only 1.3%. As a result, staff has revised downward the property tax revenue estimate for the current year. Sales tax revenue is on track to exceed budget. Staff projects that state utility tax revenue and several other smaller revenues will fall short of budget in the current year based on FY 2010-11 actuals. Overall, staff is currently estimating that ***total FY 2011-12 General Fund revenue will come in under budget by \$580,000 or 0.67%.***

**Expenditures.** General Fund expenditures through December 31, 2011 total \$40,102,673 or 46.0% of the budget, which is typical for this point in the fiscal year. Fuel expenses continue to run ahead of where they were one year ago and are expected to have an impact on the budget. In addition, Fire Department overtime expenses are running ahead of budget. Fuel and overtime costs will likely require technical adjustments in the FY 13 budget to reflect actual expenditures. ***Savings in other areas of the budget, such as full time salaries and utilities, are expected to offset the projected over expenditures in fuel and fire overtime. Staff also continues to seek opportunities to generate additional savings by closely monitoring expenses and by maximizing efficiency in operations. Staff anticipates being able to generate the necessary expenditure savings to fully offset the minor revenue shortfall.***

***Fund Balance.*** The City ended FY 2010-11 with available fund balance of \$13.18 million, which equated to 15.2% of FY 2010-11 expenditures. ***FY 2011-12 available fund balance is expected to remain at 15.2% of estimated expenditures.***

**GENERAL FUND**

	Revised Budget	12/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
<b>Revenues:</b>				
Property Taxes	46,977,637	32,242,697	46,777,637	(200,000)
Sales & Other Taxes	15,439,305	5,493,875	15,689,305	250,000
Intergovernmental	11,274,376	6,055,167	11,015,686	(258,690)
Licenses & Permits	4,781,500	3,060,272	4,811,925	30,425
Sales & Services	4,280,646	2,080,314	4,058,476	(222,170)
Investment Earnings	239,700	54,631	199,700	(40,000)
Miscellaneous	1,334,680	556,247	1,194,680	(140,000)
Other Financing Sources	<u>2,757,320</u>	<u>1,213,133</u>	<u>2,757,320</u>	<u>0</u>
Total Revenue	<u>87,085,164</u>	<u>50,756,337</u>	<u>86,504,729</u>	<u>(580,435)</u>
<b>Expenditures:</b>				
Administration	2,895,069	1,292,181	2,845,069	50,000
Legal Services	639,852	303,086	624,852	15,000
Finance & Management	1,632,774	799,707	1,602,774	30,000
Human Resources	1,203,936	484,529	1,128,936	75,000
Information Tech. Srv	2,619,412	1,517,384	2,584,412	35,000
Nondepartmental	12,428,056	4,174,128	12,358,056	70,000
Economic Development	442,446	216,449	407,446	35,000
Fire	17,824,409	8,997,205	18,024,409	(200,000)
Police	20,183,779	9,359,029	20,083,779	100,000
Building Safety	3,640,680	1,801,644	3,610,680	30,000
Transportation	965,963	441,831	915,963	50,000
Public Works	10,850,914	5,447,408	10,700,914	150,000
Planning	1,967,572	823,286	1,892,572	75,000
Parks & Recreation	<u>9,790,302</u>	<u>4,444,806</u>	<u>9,640,302</u>	<u>150,000</u>
Total Expenditure	<u>87,085,164</u>	<u>40,102,673</u>	<u>86,420,164</u>	<u>665,000</u>
Rev. (Under) Exp.	<u>0</u>	<u>10,653,664</u>	<u>84,565</u>	
<b>Other Financing Sources (Uses):</b>				
Fund Bal. Change	<u>0</u>		<u>0</u>	
Beginning Fund Balance	<u>13,176,000</u>		<u>13,176,000</u>	
Ending Fund Balance	<u>13,176,000</u>		<u>13,260,565</u>	
Fund Balance Percentage	<u>14.9%</u>		<u>15.2%</u>	

**REVENUES:**

At this point in the fiscal year, staff is projecting FY 2011-12 General Fund revenue will be \$87,726,323, which is \$580,000 or 0.67% below the revised budget. Major revenues to report on for the 2nd quarter include:

**Property taxes.** Staff has received the official 2011-12 assessed valuation data from Buncombe County, and it shows that the City's total tax base grew by 1.3%. This growth rate, which was very similar to the prior year, reflects the lingering effects of the economic recession. By comparison, in the years prior to the recession, the City's tax base growth averaged 3.2%. Staff anticipated in the budget that tax base growth would continue to be slow in the current fiscal year. Based on this updated data from Buncombe County, staff now expects property tax revenue to come in under budget by \$200,000 or 0.4%.

**Sales taxes.** To date, the City has received five months of sales tax revenue in FY 2011-12, and revenue is up 6.4% compared to the same time period last year. The N.C. League of Municipalities is projecting that sales tax growth will slow over the remainder of the fiscal year and that FY 2011-12 local sales tax revenue will end the year up between 3% and 4%. Based on this assumption, budget staff is estimating that sales tax revenue will exceed budget by \$250,000.

**Intergovernmental.** The City receives slightly over \$7 million annually in revenue from state utility taxes, making it the third largest General Fund revenue source after property and sales taxes. The City has received two of the four quarterly state utility tax payments, and revenue is flat compared to the same time period in the prior fiscal year. Staff is still projecting a shortfall in this revenue in FY 2011-12 based on results from FY 2010-11.

**Other Revenues.** Development Services revenues continue to lag behind the levels reached prior to the onset of the recession. Through the second quarter, revenues in the Building Safety department were at 46.2% of budget. As noted in the first quarter report, revenues in the Sales and Services category are projected to come in under budget. Staff will be adjusting these revenues budgets in the upcoming fiscal year to more accurately reflect collections over the last few years. On a positive note, revenue received from ABC sales is up approximately 35% compared to the prior year.

**EXPENDITURES:**

**Salaries.** As a part of the adopted FY 2011-12, seven General Fund positions were targeted to be held open to achieve vacancy savings. During the first two quarters of the fiscal year, there were 12.6 payroll cycles charged against the FY 2011-12 budget, which represents 48.3% of the total payroll cycles that will occur during this fiscal year. Actual regular salary expenses during this time period were 47.9% of budget. One area of concern in the current fiscal year is fire department overtime expenses. Although fire overtime expenses are flat compared to the prior year, staff anticipated some savings generated by a vacation deferral program implemented in the department. While this program has resulted in savings, it has not been enough to bring actual expenditures in line with the budget; therefore, staff will be working to address this issue through a technical correction in the upcoming budget cycle. In the current fiscal year, staff anticipates that the full-time salary savings in other departments will be sufficient to offset the projected over expenditure in fire overtime.

**Fuel/Utilities.** The average price of B5 biodiesel fuel was 67 cents per gallon higher during the second quarter of this fiscal year compared to FY 2010-11, and the cost of E10 fuel was 38 cents higher. Fuel prices are projected to increase even more in the upcoming spring and summer months. Staff anticipates that the budget for fuel and fleet maintenance will not be adequate to support expenses in the current year, and that next year’s budget will need to be increased to cover this cost.

On a positive note, staff is projecting significant savings in the electricity and natural gas budgets. FY 2010-11 utility expenses came in under budget by approximately \$200,000, and with the mild winter weather, additional savings are expected in the current fiscal year. Savings in the utility budgets will be redirected to cover a portion of the shortfall in the fuel and fleet maintenance budgets.

**LIVING WAGE STATUS REPORT:**

During the second quarter of FY 2011-12, the City entered into five general service contracts that fell within the threshold of \$30,000 to \$90,000. Three of these contracts were not subject to the living wage requirements due to the nature of the contract. Two contracts have met the requirement set forth by the City and have the necessary documentation and notification – Changing Together Program Coordinator and the City’s mowing contract. Given the small number of contracts to date, staff would not note any overall fiscal impact of the existing policy. Staff will be bringing the Living Wage policy forward to the Finance Committee on March 20 and then to the full City Council for consideration in the FY 13 budget on March 27.

**FUND BALANCE ANALYSIS:**

The City ended FY 2010-11 with available fund balance of \$13.18 million, which equated to 15.2% of FY 2010-11 expenditures. There have been no appropriations from fund balance since the start of FY 2011-12. FY 2011-12 revenues are expected to slightly exceed expenses. Available fund balance, though, is expected to remain at 15.2% 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 seven enterprise funds.

**Water Fund**

	Revised Budget	12/31/2011 Actuals	Year-End Estimate	Pos./(Neg.) Bud. Variance
Revenue	33,165,132	17,821,042	33,024,847	(140,285)
Expenditure	33,165,132	15,808,072	32,365,132	800,000
Rev. Over/(Under) Exp.	0	2,012,970	659,715	--

Water operating revenues are currently projected to be within 0.5% of budget. Water expenditures are now projected to be \$800,000 under budget due primarily to: (1) vacant positions during the first and second quarters; and (2) electrical savings from the high service and Black Mountain pumps.

**Civic Center Fund**

	Revised Budget	12/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Operating Revenue*	1,713,260	930,422	1,800,000	86,740
Expenditure	2,305,854	1,083,440	2,182,795	123,059
Rev. Over/(Under) Exp.	(592,594)	(153,019)	(382,795)	--

\* Represents operating revenue before general fund subsidy and fund balance appropriation

Events and revenues for the second quarter were lower than recent years. The main reason for the decrease in events is that the building was under renovation, and the arena was unavailable for significant periods of time. Additionally, revenues from Moog Fest were lower than anticipated, likely the result of cold weather and the addition venues outside of the Civic Center that redirected concession revenue away from the venue. As a reminder, Council approved a budget amendment during the 2<sup>nd</sup> quarter that appropriated \$200,000 from Civic Center reserves for the Southern Conference renovation project. This appropriation is reflected in the revised budget column.

**Parking Fund**

	Adopted Budget	12/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	3,118,247	1,787,055	3,100,000	(18,247)
Expenditure	3,118,247	1,186,023	2,500,000	618,247
Rev. Over/(Under) Exp.	0	601,032	600,000	--

Major categories of parking revenues are up year-to-date compared to FY 2010-11. This includes monthly parking in the garages and monthly permit sales on the streets, both of which had been decreasing for several prior years. Parking Services opened 45 spaces for hourly parking in Lot 17 (AT&T lot) in late October. These new spaces provided an additional resource in downtown, especially during the Craft Fair of the Southern Highlands, Moogfest, and the holiday shopping season. Expenditures are expected to come in under budget primarily due to the fact that the first full year's debt service on the 51 Biltmore Avenue deck will not occur until FY 2012-13. In addition, staff terminated the Streetline smart parking test, which reduced the planned expenditures for parking meter upgrades. Staff is requesting that Council approve the appropriation of \$3.0 million from the Parking Fund reserves as an equity contribution toward the cost of the 51 Biltmore parking deck.

**Transit Fund**

	Adopted Budget	12/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	5,815,787	1,680,266	5,665,787	(150,000)
Expenditure	5,815,787	2,277,933	5,665,787	150,000
Rev. Over/(Under) Exp.	0	(597,667)	0	--

Fare revenue was slightly lower than expected by the end of the second quarter; staff is paying close attention to the trend. Expenses are on target. Ridership for the first quarter was 376,195, which is 5% more than the second quarter of FY 2010-11; the increase in ridership is likely attributable to recent changes in brand and marketing efforts and good weather. There were savings in fuel consumption of 8% during the quarter compared with same period last year; we attribute these saving to the incorporation of Hybrid buses to the fleet.

**Golf Fund**

	Adopted Budget	12/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	920,000	409,449	750,000	(170,000)
Expenditure	920,000	411,152	875,000	45,000
Rev. Over/(Under) Exp.	0	(1,703)	(125,000)	--

Revenue through the second quarter was recorded at 44.5%, compared to last year at 41%. This increase is related to better weather conditions compared to last year, and an increase in pass holder revenue. The golf course was closed due to weather for three days in the second quarter. The golf course continues to manage the golf course expenses to stay within budget, and to manage fees to enhance revenue. Based on City Council direction, staff issued a Request for Information (RFI) from golf course management companies to further explore alternative management models for golf course operations. Staff reported the results of the RFI back to the City Council Finance Committee in January.

**Street Cut Utility Fund**

	Adopted Budget	12/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue	1,618,280	46,853	1,468,280	(150,000)
Expenditure	1,618,280	676,962	1,468,280	150,000
Rev. Over/(Under) Exp.	0	(630,109)	0	--

The Utility Patch crews have patched 287 asphalt and 33 concrete cuts for the Water Department; 37 asphalt and 19 concrete cuts for PSNC; 100 asphalt and 13 concrete cuts for MSD; and 25 asphalt cuts for the Stormwater Division since July 1, 2011 for a total of 514 cuts. An additional 174 dirt cuts were inspected. Crews have also completed 5 concrete cuts for Progress Energy. Payment for services rendered in the first and second quarter will be received during the third quarter.

**Stormwater Fund**

	Revised Budget	12/31/2011 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Revenue*	3,532,768	1,532,648	3,517,768	(15,000)
Expenditure	4,232,768	1,562,509	4,032,768	200,000
Rev. Over/(Under) Exp.	(700,000)	(29,862)	(515,000)	--

\* Does not include fund balance appropriation

Staff continues working with the Army Corps of Engineers on the Swannanoa Flood Risk Management Project along with the Lake Craig Project. The stormwater construction crew installed 502 feet of storm pipe, which included completing Gardenwood Lane, Robinhood Road, Killian Road, and First Street. The Stormwater maintenance crew completed 114 work orders in the second quarter. The stormwater maintenance crews also swept 983 miles of roadways and cleaned 2219 catch basins which prevented 226 tons of material from entering the streams. A fund balance appropriation was budgeted in the Stormwater Fund in the amount of \$700,000 for capital improvements on Victoria Road. Based on current year-end revenue and expenditure estimates, it does not appear that this full fund balance appropriation will be needed.

**CAPITAL PROJECT UPDATE**

As of the end of December, the total amount available in the capital reserve account was \$267,000. Staff recommends that the funds in the capital reserve be allocated for the FY 2012-13 CIP as part of the upcoming budget process.

The remainder of this section provides an update on the status of some of the City’s active major capital projects.

**Roof Replacements/Facility Maintenance**

Budget	Expenditures & Encumbrances	Avail. Budget
965,309	267,702	697,607

As part of the FY 2011-12 CIP, Council approved a \$965,309 budget for roof replacements and other facility maintenance projects. Most of these projects, including the roof replacements, the City Hall service elevator repairs, and replacement of the Municipal Building chiller and the fleet facility vehicle exhaust system, are on schedule to be completed by the end of this fiscal year.

**Livingston Street Splash Pad**

Budget	Expenditures & Encumbrances	Avail. Budget
200,000	97,416	102,584

The construction drawings are completed for the spray ground, and a CDBG grant application was submitted for construction funding for this project.

**Dr. Wesley Grant, Sr. Southside Center**

Budget	Expenditures & Encumbrances	Avail. Budget
2,430,000	2,397,787	32,213

The theater seating and room divider minor projects were completed. The implementation of the security and theater and classroom blinds are under contract will be completed by March.

**Reed Creek Greenway Phase II**

Budget	Expenditures & Encumbrances	Avail. Budget
783,000	772,601	10,399

The greenway is almost complete with the exception of the bridge that was delayed by the NCDOT review process. The bridge, along with the final strip of asphalt leading up to it, will be installed in March.

**Hominy Creek Greenway**

Budget	Expenditures & Encumbrances	Avail. Budget
890,000	818,767	71,233

The water quality feature is under contract and will be completed this spring.

**Parks & Recreation Maintenance**

Budget	Expenditures & Encumbrances	Avail. Budget
300,000	113,517	186,483

Work on the MLK playground is complete. The remaining projects on the FY 2011-12 list will be completed later in the fiscal year.

**Public Art Acquisition & Maintenance**

Budget	Expenditures & Encumbrances	Avail. Budget
87,807	16,375	71,432

The restoration of the MLK sculpture at MLK Park and the repair of On the Move, Urban Trail Station # 21 are complete. The restoration of the piglet and turkeys in Crossroads, Urban Trail Station #2 and the replacement of the ground covering at the Energy Loop have begun. Conversation Piece #4 by Ida Kohlmeier was moved to the new Dr. Wesley Grant, Sr. Southside Center.

**Sidewalks – East (Fee-In-Lieu)**

Budget	Expenditures & Encumbrances	Avail. Budget
252,000	195,201	56,799

US 70 (Tunnel Road) from New Haw Creek Road to Avon Road has been completed.

**Sidewalks – West (Fee-In-Lieu)**

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

The City should receive an invoice for the NC 191 (Brevard Road) project in the 3rd quarter. After paying the invoice, the balance of the funds should be programmed for new sidewalk construction in FY 2012-13.

**Traffic Safety Projects**

Budget	Expenditures & Encumbrances	Avail. Budget
170,000	84,205	85,795

\$10,000 has been approved in FY 2011-12 for Hillcrest Bridge vegetation removal. Other projects include: upgrade to the traffic signal at the intersection of Haywood Street and Montford Avenue, a grant match to provide pedestrian enhancements at four existing signalized intersections, and pedestrian improvements at the intersection of Montford Avenue and Cullowhee Street/Soco Street.

**CBD Traffic Signal Poles**

Budget	Expenditures & Encumbrances	Avail. Budget
120,000	28,950	91,050

A design contract of \$28,950 has been awarded, with preliminary design work to be completed by March 22nd. Materials will then be purchased, and work will be performed by city crews or contracted out.

**New Sidewalk Construction 2012 (Pay-As-You-Go)**

Budget	Expenditures & Encumbrances	Avail. Budget
566,225	245,484	320,741

The Short Coxe Avenue project is complete. The Lakeshore Drive project is 60% complete, and the Merrimon Avenue project is in the design stage.

**New Sidewalk Construction 2012 (Debt Funded)**

Budget	Expenditures & Encumbrances	Avail. Budget
1,300,000	152,268	1,147,732

The Kenilworth Road sidewalk improvement project is 99% complete, and staff is awaiting final documentation. All easements have been obtained for the Tunnel Road project, and staff is waiting for NCDOT encroachment approval. Staff is currently advertising for bids for the Patton Avenue project, and a pre-bid meeting is scheduled for February. The Overlook Road project is in the design stage. The Beaverdam Road project will not be undertaken due to easement issues. Staff is evaluating a project on Lakeshore Drive for the funds that were originally planned for Beaverdam.

**General Street Maintenance 2012**

Budget	Expenditures & Encumbrances	Avail. Budget
1,742,708	1,257,292	485,416

The following projects were completed in the second quarter: Deaverview Road, Greenhill Avenue, Baker Avenue, and Willowbrook Road.

**East Oakview Bridge**

Budget	Expenditures & Encumbrances	Avail. Budget
1,688,000	1,676,910	11,090

This project began on 9/13/2011. The contractor is making steady progress with an estimated completion date of late May 2012. At this time, the project is on schedule and on budget.

**Clingman Avenue Streetscape**

Budget	Expenditures & Encumbrances	Avail. Budget
1,157,251	1,148,310	8,941

This project is 99% complete. The contractor is waiting for warm weather conditions to finish applying thermoplastic pavement markings.

**Cherokee/Sunset Wall**

Budget	Expenditures & Encumbrances	Avail. Budget
300,000	0	300,000

A designer has been selected and the project is currently under design. It is estimated that the project will be constructed by October 2012.

**Montford Street Rebuild**

Budget	Expenditures & Encumbrances	Avail. Budget
293,000	95,000	198,000

This project is scheduled to begin in April 2012, and be completed by May 2012, pending weather. It will be completed with City forces.

**Wild Cherry Bridge**

Budget	Expenditures & Encumbrances	Avail. Budget
700,000	89,000	611,000

Staff has selected an engineering firm to design the new bridge, and are in negotiations with them at this time. Staff expects to enter into a construction contract by June 2012, and complete the project by fall of 2013.

**City Hall Repairs**

Budget	Expenditures & Encumbrances	Avail. Budget
5,950,000	449,100	5,500,900

Prototype repairs are complete. Staff expects to have bids in February with construction to begin in May 2012. This is a three year project. This work requires the weather and temperature to be done only during the late spring, summer, and early fall.

**51 Biltmore Parking Garage**

Budget	Expenditures & Encumbrances	Avail. Budget
14,100,000	13,660,475	439,525

A designer has been selected and the project is currently under design. It is estimated that the project will be constructed by October 2012.

**FY 2012 General Vehicle Replacement**

Budget	Expenditures & Encumbrances	Avail. Budget
2,930,000	1,157,701	1,772,299

Eleven Police vehicles that use flex fuel have arrived and are in service. Two Police Dodge Chargers have also arrived and are in service. The Public Works milling machine has been received. Twenty-five CNG vehicles on order and should be in service by June. Other vehicles on order include: an Epsilon knuckleboom truck, a LaBrie automated refuse loader, twenty-one additional SUV's and pickup trucks, two 4WD tractors, a Johnston Sweeper, and a Bobcat skid steer loader.

**INVESTMENT REPORT**

The total cash and investments for the City of Asheville as of December 31, 2011 were \$96,322,352. 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 0.49%. Shown below are the total investments as of December 31, 2011, reduced by contractual commitments and the funds that are restricted by bond order.

During this quarter, staff obtained rate bids for Certificates of Deposit from all fifteen City branch banks included in the NC State Treasurer's Department Pooling Bank Listing with an interest in investing some of the annual influx of cash from Ad Valorem taxes. By December 31, the City had opened two Certificates with banks with which we had not previously done business. In January 2012, we completed this process by opening two more Certificates, again establishing new banking relationships. The total funds invested amongst the four banks was \$8 million.

<b>Total Cash &amp; Investments as of 12/31/11</b>		<b>\$96,322,352</b>
<b>Less:</b>		
Budgeted Commitments:		
Outstanding Encumbrances		(29,391,146)
Bond Restricted Funds:		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(15)	
Bond Proceeds to Be Drawn Down	<u>(0)</u>	
		<u>(29,391,161)</u>
<b>Net Amount</b>		<b>\$66,931,191</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

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*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.

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