



Quarterly Financial Report

Second Quarter of 2014-15

February 24, 2015

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

EXECUTIVE SUMMARY

Amendments. The General Fund budget presented in this second quarter report reflects the adopted budget of \$99,547,954 along with six 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*	10,000
Traffic Signal Pole Replacement	16,590
City Workforce Investments	500,000
Thomas Wolfe Auditorium Roof Repairs*	60,000
Senior Center and Harvest House Grants	7,786
12/31/2014 Budget	<u>\$100,196,125</u>

*Fund Balance Appropriation

Revenues. Through December 31, 2014, the City has collected \$23,759,568 in General Fund revenue, which represents approximately 24% of the total General Fund revenue budget. Staff received assessed valuation data from Buncombe County in early February that showed tax base growth was less than originally expected. Fiscal 2014-15 property tax revenue estimates have been adjusted downward to reflect this data. Sales tax revenue, which is up approximately 9% compared to the same period last fiscal year, is expected to exceed budget. Through two quarters, state utility tax revenue is up 6.6% compared to the prior year. Revenue from Development Service fees continues to trend higher than anticipated and is at 58% of budget at the end of December. Overall, staff is currently projecting that ***FY 2014-15 General Fund revenue will exceed budget by \$450,000 or 0.46%.***

Expenditures. General Fund expenditures through December 31, 2014 total \$46,469,381 or 46% of the budget, which is slightly ahead of where expenditures were last fiscal year after two quarters. Personnel expenses, the largest component of the General Fund budget, are running right on budget through the first two quarters. With the drop in gas prices, expenditures for fuel and fleet maintenance are performing better than budget through December. ***Based on current trends, staff is projecting that expenditures will finish the year under budget by approximately \$1.0 million (99% of budget).***

Fund Balance. The City began FY 2015 with unassigned fund balance of \$15.0 million. As noted above, an additional \$70,000 has been appropriated from unassigned fund balance during the first two quarters of

FY 2015. Based on *current revenue and expenditure projections for FY 2015*, staff estimates that *unassigned fund balance at June 30, 2015 will be \$16.4 million or 16.6% of estimated expenditures.*

GENERAL FUND

Revenues:	Revised Budget	12/31/2014 Actuals	Year-End Estimate	Pos./ (Neg.) Bud. Variance
Property Taxes	52,103,473	1,124,717	51,603,473	(500,000)
Sales & Other Taxes	18,704,766	6,661,026	19,004,766	300,000
Intergovernmental	11,484,536	6,621,865	11,484,536	0
Licenses & Permits	5,475,010	3,546,217	5,675,010	200,000
Sales & Services	8,595,455	4,555,644	8,895,455	300,000
Investment Earnings	150,000	59,949	150,000	0
Miscellaneous	1,342,500	919,765	1,492,500	150,000
Other Financing Sources	<u>270,385</u>	<u>270,385</u>	<u>270,385</u>	<u>0</u>
Total Revenue	<u>98,126,125</u>	<u>23,759,568</u>	<u>98,576,125</u>	<u>450,000</u>
Expenditures:				
Administration	4,107,582	1,762,891	4,025,430	82,152
Legal Services	806,748	379,492	790,613	16,135
Finance & Management	3,026,459	1,325,208	2,965,930	60,529
Human Resources	1,839,701	658,308	1,747,716	91,985
Information Tech. Srv	2,539,664	1,216,187	2,488,871	50,793
Nondepartmental	14,001,107	7,146,223	13,976,107	25,000
Economic Development	764,515	400,602	753,047	11,468
Fire	20,777,981	10,111,832	20,674,091	103,890
Police	24,255,781	11,052,556	24,134,502	121,279
Building Safety	3,621,839	1,487,076	3,549,402	72,437
Transportation	2,603,517	1,042,943	2,551,447	52,070
Public Works	10,951,890	5,319,784	10,787,612	164,278
Planning	1,184,223	425,619	1,125,012	59,211
Parks & Recreation	<u>9,715,118</u>	<u>4,140,660</u>	<u>9,608,252</u>	<u>106,866</u>
Total Expenditure	<u>100,196,125</u>	<u>46,469,381</u>	<u>99,178,031</u>	<u>1,018,094</u>
Rev. (Under) Exp.	<u>(2,070,000)</u>	<u>(22,709,813)</u>	<u>(601,906)</u>	
Unassigned Fund Balance:				
Fund Bal. Change	<u>(2,070,000)</u>		<u>(601,906)</u>	
Beginning Fund Balance	<u>17,040,902</u>		<u>17,040,902</u>	
Ending Fund Balance	<u>14,970,902</u>		<u>16,438,996</u>	
Fund Balance Percentage	<u>14.9%</u>		<u>16.6%</u>	

REVENUES:

At this point in the fiscal year, staff is projecting FY 2014-15 General Fund revenue will be \$98,576,125 which is \$450,000 or 0.46% over the revised budget. Major revenues to report on for the 2nd quarter include:

Property taxes. In early February, staff received the official 2014-15 assessed valuation data from Buncombe County, and it showed that the City's overall tax base growth was less than originally expected. As a result, fiscal 2014-15 property tax revenue estimates have been adjusted downward.

Sales taxes. To date, the City has received five months of sales tax revenue in FY 2014-15, and revenue is up approximately 9% compared to the same time period last year. Although this pace of growth is not expected to be maintained over the rest of the fiscal year, staff anticipates that sales tax revenue growth through June will be sufficient to produce collections that are approximately \$300,000 better than budget.

Intergovernmental. The City receives approximately \$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 up 6.6% compared to the same time period in the prior fiscal year. The electricity and natural gas portions of this revenue source are highly sensitive to weather conditions, so it is difficult to predict how this revenue will perform over the remainder of the fiscal year. Overall, staff is projecting that the intergovernmental revenue category will come in on budget.

Other Revenues. Revenues in the Development Services Department (DSD) continued to be strong in the second quarter and were at 58% of budget as of the end of December. It should be noted that the budget numbers in this report include the \$300,000 budget increase to DSD revenue approved by City Council during the second quarter. In addition to DSD revenues, several other revenues in the Sales & Services category are running ahead of budget through the first six months of the fiscal year.

EXPENDITURES:

Salaries. During the first two quarters, there were 12.29 payroll cycles charged against the FY 2014-15 budget, which represents 47.3% of the total payroll cycles that will occur during this fiscal year. Actual salary expenses through the first two quarters were at 46.6% of budget.

Fuel & Fleet Maintenance. The General Fund FY 2014-15 budget for fuel and fleet maintenance expenses totals \$3.3 million. As of the end of the 2nd quarter, actual expenses were \$1.4 million or 42.3% of budget. If fuel prices continue at current levels through the rest of this fiscal year, there will be significant budget savings in this expense category.

Other Expenses. As noted in the Executive Summary, overall General Fund expenses were at 46% at the end of the second quarter, which is slightly ahead of where expenditures were last fiscal year after two quarters. Overall, there are no expenditure concerns at the end of the second quarter.

City Hall Water Damage. City staff and multiple local contractors performed remediation phase work including, but not limited to, repair of sprinkler system, elevator repair work, remediation of moisture, demolition of selected drywall and ceiling areas, removal of debris, and assessment & repair of mechanical and electrical systems. Staff and local moving company facilitated temporary relocation of Human Resources Department from City Hall to rented space at 20 South Pack Square. Procurement is in progress for restoration work including replacement of drywall & ceiling tiles, painting, and related activities.

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 \$16.4 million or 16.6% of estimated expenditures, a slight improvement over first quarter estimates. 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	12/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Operating Revenue*	2,352,922	846,778	2,080,000	(272,922)
Expenditure	3,533,498	1,440,021	3,100,000	433,498
Rev. Over/(Under) Exp.	(1,180,576)	(593,242)	(1,020,000)	--

* Represents operating revenue before general fund subsidy & fund balance appr.

Second quarter highlights in FY 2014-15 included the annual Craft Fair of the Southern Highlands fall show, with attendance over 10,000. The U.S. Cellular Center also hosted concerts in the arena for three consecutive nights over the Halloween weekend; one of these shows sold out. The annual Warren Haynes Christmas Jam had a very low attendance compared to the annual sell out numbers. Comparing to second quarter of FY2013-14; numbers are down significantly in both event dates booked and food & beverage revenues from comparable shows in the prior year. Actual event day bookings are down year to year along with operating revenue. Operating expenses are flat year to year. Looking forward, third quarter bookings are down year to year; however staff is hopeful that numbers from the Southern Conference Basketball Championships will be up with the addition of East Tennessee State University, which has a large fan base less than one hour travel time from Asheville.

Transit Fund

	Adopted Budget	12/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	6,368,151	1,808,366	6,368,151	0
Expenditure	6,368,151	2,524,254	6,368,151	0
Rev. Over/(Under) Exp.	0	(715,887)	0	--

Expenses are on target for the second quarter. Fare revenues are also on target. Ridership has increased 1.37% 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 2nd 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 occurred on January 4, 2015.

Water Fund

	Revised Budget	12/31/2014 Actuals	Year-End Estimate	Pos./(Neg.) Bud. Variance
Revenue*	34,480,451	18,241,253	35,165,769	685,318
Expenditure	36,530,120	20,016,564	35,745,398	784,722
Rev. Over/(Under) Exp.	(2,049,669)	(1,775,311)	(579,629)	--

* Does not include fund balance appropriation

Water operating revenues are projected to exceed budget by \$685,318 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 \$784,722 under budget due to a variety of factors. Water Resources had several positions vacant early in the fiscal year. 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 substantial 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	12/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	4,027,807	2,724,862	4,300,000	272,193
Expenditure	4,027,807	1,588,748	3,866,695	161,112
Rev. Over/(Under) Exp.	0	1,136,114	433,305	--

All categories of parking revenues are exceeding projections for the second quarter; especially transient, after hours and monthly parking. Third quarter revenue often drops off due to weather. Monthly parking demand has exceeded our capacity in all surface lots and garages. We now have waiting lists in all lots and garages for monthly parking. Staff expects revenues for street permits to drop significantly in the future due to loss of spaces on Aston/Buncombe streets for County expansion of their DSS Building. Expenditures for building maintenance will rise significantly in the third and fourth quarters due to unscheduled, but urgently needed, elevator repairs in Rankin Avenue, Wall Street, and Civic Center garages. City Council recently requested additional information about parking garage operations; staff's response is attached at the end of this report.

Stormwater Fund

	Revised Budget	12/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue*	5,261,372	2,393,116	5,189,225	(72,147)
Expenditure	5,333,519	2,135,550	4,960,173	373,346
Rev. Over/(Under) Exp.	(72,147)	257,566	229,052	--

* 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 the fund balance appropriation will be needed.

The stormwater construction and maintenance crews installed 15 ft. of pipe on Waters Rd and installed underdrains along with this pipe, installed 315 ft. of pipe on Curve St and stand up concrete curbing, installed 100 ft of pipe on Waters Street, and installed 40 ft. of pipe on Rhododendron Pl. The stormwater construction and maintenance crews completed 38 additional work orders during this time period: 8 ditch line and road shoulder repair for 11423 linear ft, 11 reset or replace lid or grate, 2 sinkhole repair and 17 rain day drain cleaning. The stormwater maintenance crews also swept 709 miles of roadways and cleaned 817 catch basins and inspected an additional 688 catch basins. This work resulted in the removal of 243 tons of material and debris.

Street Cut Utility Fund

	Adopted Budget	12/31/2014 Actuals	Year End Estimate	Pos. (Neg.) Budget Variance
Revenue	1,650,800	455,160	1,485,720	(165,080)
Expenditure	1,650,800	638,466	1,485,720	165,080
Rev. Over/(Under) Exp.	0	(183,306)	0	--

The Utility Patch Crews have patched 134 asphalt and 17 concrete cuts for the Water Department; 29 asphalt and 16 concrete cuts for PSNC; 84 asphalt and 26 concrete cuts for MSD; and 11 asphalt cuts for the Stormwater Division since October 1 for a total of 317 cuts. The total square footage for asphalt cuts is 14,800.03. The total square footage for concrete cuts is 2,414.72. An additional 190 dirt cuts were inspected. Payment for services rendered in the second quarter will be received during the third quarter.

CAPITAL PROJECT UPDATE

Radio Infrastructure – I1301

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

This project is in the procurement stage. Four vendor responses to the RFP are being evaluated in addition to an informal proposal and pricing provided by Buncombe County to provide radio services to the City. After considerable analysis, the project team expects to make a recommendation for moving forward by Q4 FY15. Staff from ITS, APD, and AFD continue field unit upgrades and replacement 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 April of 2015. The project will then be bid out and construction initiated.

Clingman Forest & Town Branch Greenways – R1301, R1403

Budget	Expenditures & Encumbrances	Avail. Budget
4,000,000	55,789	3,944,211

This project is on hold while staff defines the TIGER funding. Staff is working on obtaining two easements. The categorical exclusion documentation was sent to FHWA for their analysis and approval.

French Broad River West Greenway – Q1521

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
1,006,000	247,871	758,129

The consultant received the right of entry at the beginning of January, and a change order is underway to include the environmental assessment.

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

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
396,949	394,538	2,411

Carrier Park restroom design and velodrome design are both complete with final documentation due this month.

RADTIP- Q1401

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
4,972,677	2,186,001	2,786,676

The design contract is currently underway and the 25% plans should be available for review during March 2015. 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)

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
1,600,000	1,588,639	11,361

Resurfacing is complete. Currently reviewing punch list (final acceptance/quality) items with the contractor.

Haywood Rd Multi-Modal Improvements- K1301

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
220,000	21,879	198,121

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	394,354	3,730,646

Plans for this project are complete. Staff will make any changes due to ROW negotiations once they are complete. There are 5 remaining ROW easements to be obtained. Bid / Construction Documents are 95% complete, and cannot be reviewed by NCDOT until ROW is complete.

Lakeshore Drive Sidewalk – K1208

Budget	Expenditures & Encumbrances	Avail. Budget
260,425	238,601	21,824

Construction is under way, and project is 75% complete.

Shiloh Road Sidewalk – K1401

Budget	Expenditures & Encumbrances	Avail. Budget
189,775	168,863	20,912

Sidewalks are under construction, and project is 90% complete. Expect completion by the end of Feb 2015.

Neighborhood Sidewalk Program – K1502

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

Staff has a preliminary design for a potential project. It is anticipated that a contract will be in place before the end of the current fiscal year.

Traffic Calming

Budget	Expenditures & Encumbrances	Avail. Budget
200,000	51,470	148,530

Contracts for the balance of the money will be in place before the end of the current fiscal year. The construction phase should occur during the first quarter of FY 2016.

Traffic Safety Projects

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
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

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
5,709,847	5,640,124	69,723

Construction of the project is in its final stages. Staff is pleased to announce that the new traffic pattern is now in place. The major components of the project are complete with some additional work in the area of the stream bank necessary. NCDOT has constructed the turning lanes, and the traffic signal signals are functioning. The final stages of the water connections should be made over the next 4-6 weeks. The project is expected to be totally complete by early March.

Craven Street Improvements – E1202

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
7,725,201	7,710,240	14,961

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 roadway in this section is nearing finished elevation. The rough grading for the greenway is taking place and the sewer line is complete. The fill for the LID parking lot is in with continued work on the sidewalk and stone placement in the parking lot. 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 with and is expected to be completed by April.

City Hall Repairs – B1101

<u>Budget</u>	<u>Expenditures & Encumbrances</u>	<u>Avail. Budget</u>
5,846,076	4,686,257	1,159,819

The remaining roof work has been completed, as has work on the collector downspouts and related items. Work continues on rain screens including fabrication and installation activities. Final completion of exterior renovations expected in the upcoming quarter. Staff has performed procurement work on architectural and engineering services for interior renovations on 7th & 8th floors.

FY14 Roof Replacements –B1401

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

Staff has initiated assessment and procurement of roof work for the Mills River Facility.

INVESTMENT REPORT

The total cash and investments for the City of Asheville at December 31, 2014 were \$118,358,945. 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 0.524%. Shown below are the total investments as of December 31, 2014, reduced by contractual commitments and the funds that are restricted by bond order.

Total Cash & Investments as of 12/31/14		\$118,358,945
Less:		
Budgeted Commitments:		
Outstanding Encumbrances	(28,090,234)	
Funds held by trustee:		
Funds in Principal & Interest Accounts	(2,498,583)	
Bond Proceeds to Be Drawn Down	<u>(2,078,993)</u>	
		<u>(32,667,810)</u>
Net Amount		\$85,691,135

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 Division at 259-5635.

MEMORANDUM

To: Mayor and City Council

From: Barbara Whitehorn, Finance & Management Services Director
Ken Putnam, Transportation Services Director

Subject: Parking Garage Operations

There are four primary revenue sources for the city's four parking garages including monthly parking, after hours (nightly) parking, special events parking, and transient (daily) parking. Together, these sources provide 58% of the revenue for the Parking Enterprises Fund. During FY 2013-14, these sources provided \$2.5 million of the \$4.4 million in revenue collected in the fund. Although staff does not track the actual revenues for each parking garage separately, the revenues equate to \$147 per parking space per month (based on a total of 1,433 parking spaces in all four parking garages). On the expense side, the operating and maintenance costs equate to \$66 per parking space per month (not including periodic structural maintenance).

The capital cost for the Biltmore Avenue Parking Garage, including land, engineering and design, construction, and debt issuance costs came to \$13.9 million which equates to \$106 per month per parking space (based on 400 parking spaces in the Biltmore Avenue Parking Garage). The total monthly parking space cost in the Biltmore Avenue Parking Garage is \$172 (\$66 + \$106) and the average revenue per parking space is providing 85% of that cost from the parking spaces in the Biltmore Avenue Parking Garage.

The Biltmore Avenue Parking Garage is in its third year of operation (opened during August 2012) and it completed its second year of operation (June 30, 2014) at an occupancy rate (yearly average) of 66% compared to 90% at the Wall Street Parking Garage, 80% at the Rankin Avenue Parking Garage (both of whom at 221 and 262 spaces respectively are much smaller), and 69% at the Civic Center Parking Garage (primarily monthly parking on non-event days). Maximum occupancy of this garage occurs normally around 7:00 – 8:00 PM daily versus 1:00 – 3:00 PM daily for the other garages. The physical location of the facility allows staff to maximize utilization of the garage for hourly parking during the day and still have robust business in the evenings from hotel guests and other visitors downtown. Monthly parking patrons, exclusive of hotel use, have significantly increased due to demolition of the old BB&T Garage. Staff is pleased with its performance so early in its life.

