FY2026 Third Quarter Board Financial Report
Housing Authority of the City of Asheville Period Ended September 30, 2026

A significant organizational restructuring occurred during July and August through a Reduction in Force (RIF). We also began transitioning selected maintenance and operational functions to third-party contractors. This strategy is intended to reduce overhead costs, while maintaining service levels and operational efficiency.

While the full financial benefits of this transition are not yet evident in third quarter results, early indicators suggest we are moving toward a lower overhead cost structure that should generate savings during the remainder of FY2026 and into FY2027

Financial Highlights

Revenue

Year-to-date total revenue was **$41.83 million**, consisting primarily of:

- Net Tenant Income: **$10.95 million**
- Grant Income: **$27.91 million**
- Other Income: **$2.97 million**

Revenue remained stable throughout the first three quarters, with Q3 revenue slightly increasing to **$14.36 million** compared to **$14.26 million** in Q2.

Expenses

Year-to-date total expenses were **$42.75 million**. Major expense categories include:

- Housing Assistance Payments: **$25.78 million**
- Administrative Expenses: **$6.85 million**
- Maintenance Expenses: **$5.61 million**
- Utilities: **$3.71 million**

Q3 expenses increased modestly compared to Q2 primarily due to severance- and PTO-related payroll costs and increased contract labor expenses associated with outsourcing selected maintenance functions.

Maintenance Operations and Workforce Transition

HACA workforce restructuring initiative is reflected in maintenance expense trends.

Category	Q1	Q2	Q3
Salary & Wages	$589,220	$395,120	$484,006
Employee Benefits	$248,545	$195,065	$192,590
Contract Labor	$764,835	$949,343	$1,093,470
Materials	$208,171	$250,675	$229,343

Analysis

Employee Benefits Beginning to Decline

Benefits decreased from **$248,545 in Q1** to **$192,590 in Q3**, representing a reduction of approximately **22.5%**. This is one of the first measurable indicators of savings resulting from the workforce reduction.

Q3 Salary Costs Include One-Time PTO Payouts

Although a reduction in force occurred during July and August, salary expenses did not decline as much as initially expected due to accrued PTO payouts and transition-related payroll costs paid during the quarter. These one-time expenditures temporarily masked the savings generated by staffing reductions.

Contract Labor Increased as Planned

Contract labor increased to **$1.09 million in Q3**, compared to **$949,343 in Q2** and **$764,835 in Q1**. This increase reflects the Authority's strategic shift toward outsourcing selected maintenance activities following the RIF.

The largest increase occurred in maintenance contractor activity, particularly unit turnarounds and repair contracts, which aligns with management's operational transition plan.

Operational Impact of Outsourcing Strategy

In addition to reducing long-term personnel costs, the transition to third-party maintenance services is expected to improve operational performance. The Authority has engaged contractors to perform unit turnarounds and general maintenance activities, providing additional staffing flexibility and resources that can accelerate the preparation of vacant units for occupancy.

Faster unit turnaround times allow vacant units to be returned to service more quickly, reducing vacancy days and increasing available housing inventory for new residents. As units are leased more rapidly, management anticipates corresponding increases in both tenant rental revenue and subsidy revenue. This operational improvement is expected to strengthen occupancy levels and enhance overall property performance.

While contract labor costs have increased during the transition period, management expects these expenditures to generate value through:

- Lower overall labor-related costs compared to maintaining the previous staffing model.
- Reduced employee benefit obligations and associated overhead costs.
- Faster unit turnaround and work order completion times.
- Increased occupancy through quicker move-ins.
- Growth in tenant rental income and housing subsidy revenue as vacant units are returned to productive use sooner.

Outlook for FY2026

Management expects the full impact of the restructuring initiative to become more apparent during the fourth quarter and future fiscal years. Salary and benefit expenses should continue to decline as the effects of the July and August Reduction in Force are fully realized. Although contract labor costs will remain higher than historical levels, the Authority expects the combined cost of salaries, benefits, and contract labor to be lower than under the previous operating model.

Additionally, the use of third-party contractors for unit turnarounds and routine maintenance is expected to improve unit readiness and reduce vacancy loss. As more units are made available for occupancy in a timely manner, the Authority anticipates increased tenant rental income and corresponding subsidy revenue. Therefore, the outsourcing strategy is intended to generate both expense savings and revenue enhancement, supporting the Authority's long-term financial sustainability.

Housing Authority of the City of Asheville
Income Statement (Quarterly)
Period = Jan 2026-Sep 2026
Book = Accrual ; Tree = board

		Jan-Mar 2026	Apr-Jun 2026	Jul-Sep 2026	Total
2999-99-999	Revenue & Expenses				
3000-00-000	INCOME				
3199-00-000	NET TENANT INCOME	3,543,984.12	3,746,343.37	3,655,138.04	10,945,465.53
3499-00-000	GRANT INCOME	8,664,923.47	9,755,070.89	9,492,875.28	27,912,869.64
3999-00-000	OTHER INCOME	997,464.53	761,680.12	1,213,969.64	2,973,114.29
3999-99-999	TOTAL INCOME	13,206,372.12	14,263,094.38	14,361,982.96	41,831,449.46
4000-00-000	EXPENSES				
4199-00-000	ADMINISTRATIVE EXPENSES	2,190,618.22	2,143,234.50	2,511,264.91	6,845,117.63
4299-00-000	TENANT SERVICES EXPENSES	35,498.14	34,738.63	38,058.75	108,295.52
4399-00-000	UTILITY EXPENSES	1,802,296.32	982,043.30	926,515.03	3,710,854.65
4459-00-000	MAINTENACE EXPENSES	1,830,334.24	1,810,124.36	1,973,198.41	5,613,657.01
4460-00-000	PROTECTIVE SERVICES	51,114.27	74,936.60	49,176.30	175,227.17
4599-00-000	GENERAL EXPENSES	299,078.20	251,100.43	272,260.81	822,439.44
4799-00-000	HOUSING ASSISTANCE PAYMENTS	8,144,169.65	8,766,477.00	8,869,731.30	25,780,377.95
5999-00-000	NON-OPERATING ITEMS	-30,081.99	-275,369.40	-14,127.96	-319,579.35
8000-00-000	TOTAL EXPENSES	14,323,027.05	13,787,285.42	14,635,376.79	42,745,689.26
9000-00-000	NET INCOME	-1,116,654.93	475,808.96	-273,393.83	-914,239.80

Housing Authority of the City of Asheville

Maintenance Cost and Trend

Period = Jan 2026-Sep 2026

Book = Accrual ; Tree = board

Description	FY2026 - Q1	FY2026 - Q2	FY2026 - Q3
Salary & Wages	589,220.17	395,119.54	484,006.10
Employee Benefits	248,544.53	195,065.31	192,589.73
Materials	208,171.19	250,674.90	229,343.32
Contract Labor	764,834.95	949,343.18	1,093,470.40