

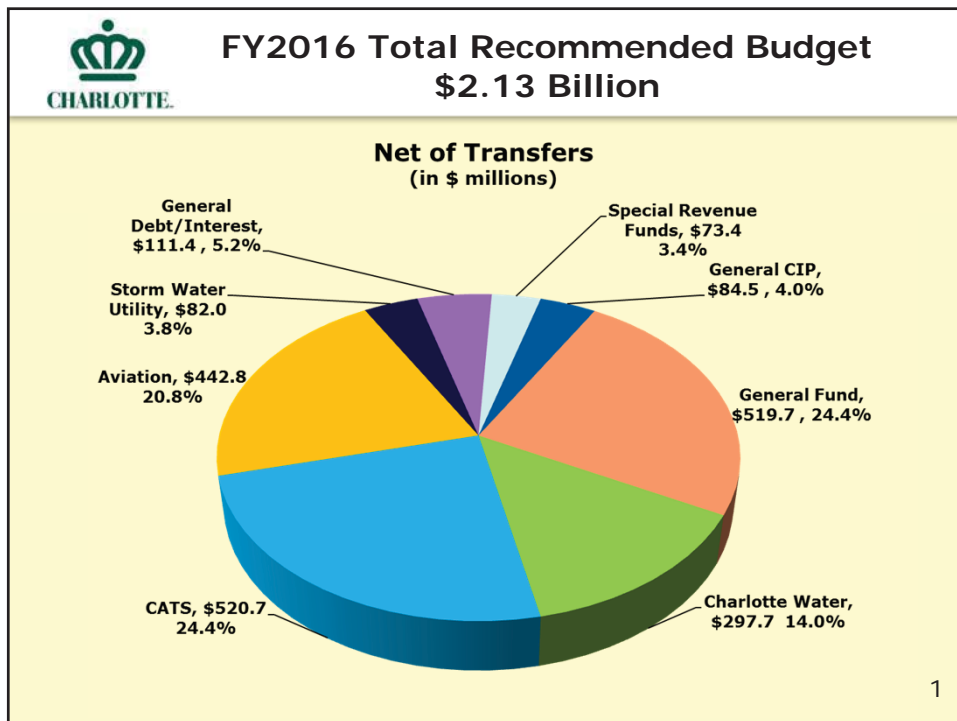



CHARLOTTE
MANAGEMENT & FINANCIAL SERVICES

Preliminary FY2016 & FY2017 Strategic
Operating Plan and FY2016-2020 Community
Investment Plan

Tuesday Morning Breakfast Forum

May 5, 2015






The Challenge

- Challenge: Close an estimated General Fund gap of \$21.7 million, or 3.7% caused by tax cuts and reevaluation

- Objective: Provide a structurally balanced budget for FY2016 and beyond that reflects the policy priorities of the Council
 - No short-term fixes
 - No use of one-time funds for ongoing expenses
 - No accounting tricks
 - Comply with Council budget principles and priorities
 - Well researched, quantified, strategic and sustainable
 - Best practice oriented and creative
 - Respect City employees


2



FY2016 Budget Balancing Framework

<p style="text-align: center;">Revenue & Finance</p> <ol style="list-style-type: none">1. Revaluation2. Solid Waste Fee Conversion3. Water Fees4. Storm Water Fees5. Overall Impact6. Other User Fees	<p style="text-align: center;">Expenditures</p> <ol style="list-style-type: none">1. General Fund Expense Transfers2. Expense Reductions3. Service Reductions4. Service Expansions5. Unmet Needs6. Compensation7. Financial Partners8. Operating Summary9. Aviation10. CATS
<p style="text-align: center;">Capital</p> <ol style="list-style-type: none">1. Transfer of Debt Service Property Tax to Operating2. Debt Adjustments3. Pay-Go Adjustments4. Transit Investment Fund	<p style="text-align: center;">Future Work</p> <ol style="list-style-type: none">1. Facility, Assets and Lease Back2. Take Home Vehicles3. Cost Allocation/Overhead4. Fund Balance Reserve5. Other as Identified


3



Revaluation

- Adjustment of 0.41 cents to achieve a revenue neutral rate
 - Generates \$3.7m in revenue
 - Would have been considered if the initial 2011 property assessment revaluation had been accurate

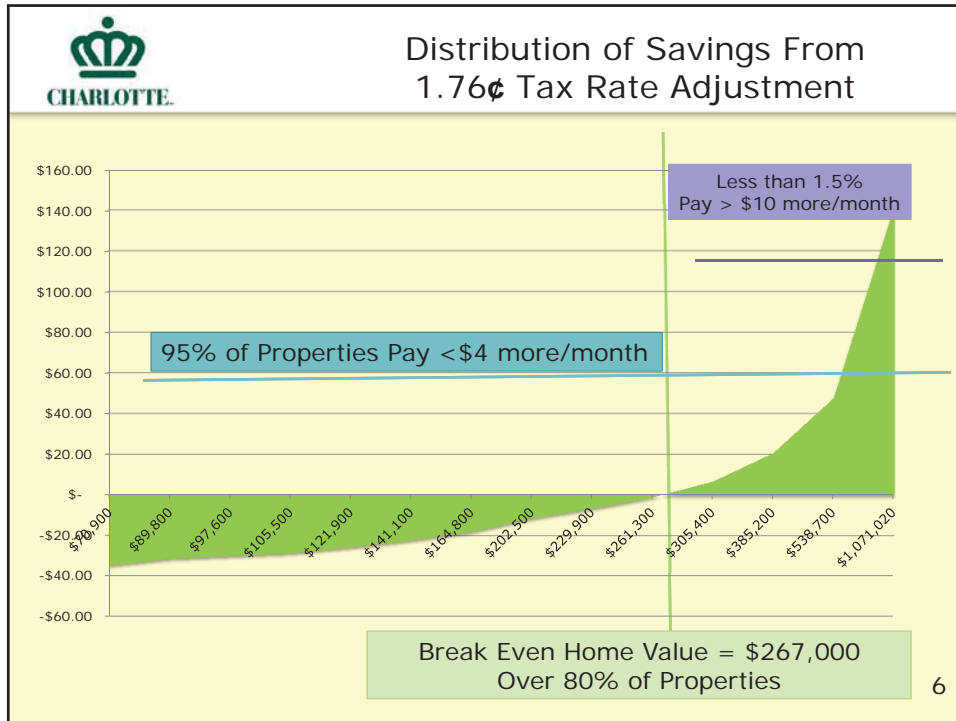
4




Solid Waste Fee Conversion

- Conversion of \$47 Solid Waste Fee to property tax – 1.35 cents
 - Revenue neutral adjustment of 0.99 cents to convert current \$47 fee
 - Generates \$8.8m in revenue
 - Addition of 0.36 cents to fund higher costs for solid waste operations
 - Generates \$3.2m in revenue

5




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- CHARLOTTE.**
- ### Impact of Adjusted Tax Rate
- 80% of residential properties pay less
 - Homes valued \$267,000 or less
 - 163,353 properties
 - 95% Pay Less than \$4.00 more per month
 - Homes valued \$538,700 or less
 - 192,177 properties
 - Less than 1.5% of residential properties pay an additional \$10 more per month
 - \$1 million property pays \$10.75 more per month
- Additional Benefit of Conversion**
\$2.2m in additional sales tax distribution to City in FY2017 based on current sales tax distribution method chosen by Mecklenburg County government
- 7



Value for City property taxes paid per day:
\$1.88 for typical homeowner*


\$1.47 to General Fund Services such as:

- Community Safety
 - 255 Firefighters at 42 stations
 - 348 Police field units
- Transportation
 - 2,400 miles of streets; 735 signalized intersections
 - 2,015 miles of sidewalks
- Environment
 - Trash pick-up, recycling, yard waste, bulky items




\$0.41 to Community Infrastructure Investments such as:

- Roads
- Sidewalks & Pedestrian Safety
- Neighborhood Improvements
- Housing Diversity



*\$141,100 median home value



8




Charlotte Water

	FY2016 Recommended Budget	% Change
Charlotte Water	\$122.5M	2.1%

- Maintaining assets to provide clean, safe water and sewer services to all residents in Mecklenburg County and regional contracts
- 22 positions added to respond to regulatory environment and increased water and sewer service demand
- Water and Sewer rates increase by 2.72%, or \$1.55 per month, for typical user


9



Charlotte Water

- Rate Methodology Changes:
 - Eliminate Tier 1 Subsidy
 - Increase Availability Fee to recover approximately 25% of debt service
 - Stabilize revenue stream by decreasing reliance on Tiers 3 and 4
 - Align revenue structure more directly with cost of service delivery



10




Storm Water Services

Storm Water Services	FY2015	FY2016	% Change
Operating	\$13.1 M	\$14.9 M	14.2%
PAYGO Transfer to Capital	\$35.0 M	\$43.0 M	22.9%
Transfer to Debt Service	\$11.6 M	\$13.0 M	11.8%
Total Storm Water Services	\$59.7 M	\$70.9 M	18.8%


- Rate structure changes from two rates to four rates
- Increased revenue from new rate structure will support capital investments to reduce backlog of maintenance and repair projects
- 16 positions added to support increased capital program
- Will improve water quality and reduce flood risks for all residents of Charlotte-Mecklenburg


11

		Storm Water Services	
<ul style="list-style-type: none"> Methodology Change <ul style="list-style-type: none"> Recommended rate structure recovers costs of managing runoff from residential properties with largest impervious surface Ensures fees for all tiers are calculated on same per-square-foot basis (33/100 penny) No change in cost for 61% of residential customers (Tier 1 and 2) \$3.91 per month increase for 29% of residential customers (Tier 3) \$11.78 per month increase for 10% of residential customers (Tier 4) 			
Current Fee Structure	Median Square Feet	FY2015 Monthly 2 Rates	FY2016 Monthly 4 Rates
Detached Single-Family Residential			
Tier I (No Change) < 2,000 sq ft	1,673	\$5.52 (33/100 penny)	\$5.52 (33/100 penny)
Tier II (No Change) 2,000 to <3,000 sq ft	2,467	\$8.13 (33/100 penny)	\$8.13 (33/100 penny)
Tier III (+\$3.91/Mo.) 3,000 to <5,000 sq ft	3,648	\$8.13 (22/100 penny)	\$12.04 (33/100 penny)
Tier IV (+11.78/Mo.) 5,000 sq ft & up	6,034	\$8.13 (13/100 penny)	\$19.91 (33/100 penny)
All Other			
Per Impervious Acre (+\$8.17/Mo.)	Billed for actual impervious	\$135.56 (31/100 penny)	\$143.73 (33/100 penny)

12

		Overall Impact of Tax & Fee Changes	
Change per Month	Percentile	Home Value	
-\$0.94	25th	\$97,600	
-\$0.30	50th	\$141,100	
+\$1.04	75th	\$232,500	
+\$3.28	90th	\$385,200	

13




Other User Fees

- Regulatory Fees - Background
 - FY2006- Fully-allocated Cost Recovery rate of 100%
 - Recovers direct/indirect costs association with regulatory services
 - E.g. Land Use & Subdivision Reviews & Hazardous Chemical Permits
 - Fees remained flat (FY2009-FY2012)
 - FY2013 -Multi-year to gradually return to 100% full recovery

Cost Recovery			
FY2013	FY2014	FY2015	FY2016
75.0%	80.0%	83.3%	93.8%

- Recommended FY2016 Regulatory Fees generate additional \$1.4m revenue

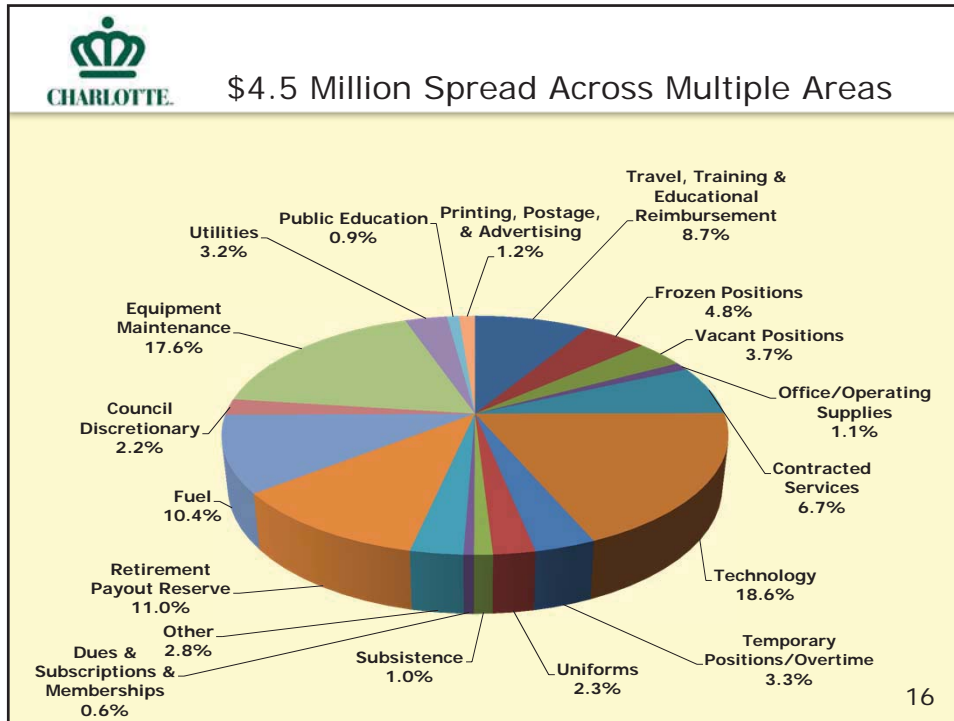
14



General Fund Expense Transfer

Item	Amount	Description
Arts Facilities Maintenance	\$1.93m	Transfers expense to Tourism Fund to more appropriate funding source
Equipment Funding	\$1.4m	Self financing equipment from Debt Service Fund instead of financing. Has no material impact on Debt Service Fund and is better method
CRVA Film Commission	\$0.15m	Transfers expense to Tourism Fund
TOTAL	\$3.48m	

15




CHARLOTTE \$3.1 million Service Reductions in FY2016 General Fund

- General Fund service reductions include, *among others*
 - Reduction in hours for the CharMeck 311 service
 - Reduction in Street Resurfacing miles
 - Reduction in mowing street rights-of-way
 - Reduction in traffic management and maintenance staff

100.75 Positions Eliminated,
But No Employees Will Be Laid Off

17




Service Expansions

100% funded by off-setting revenues

Department	Position Additions	Funding Source	Notes
Police	12 - Airport Law Enforcement Officers	Aviation	1
Transportation	1 - Engineering Project Coordinator	Development Fees	2
Transportation	1 - Senior Engineer 2 - Engineering Project Coordinators	CIP	3
Engineering & Property Management	1 - Plan Review Engineer 1 - Zoning Plans Reviewer	Development Fees	2
Engineering & Property Management	4 - Engineering Project Managers 1 - Senior Engineering Project Manager 1 - Administrative Officer	CIP	3
Management & Financial Services	2 - Procurement Officers	Aviation	4
Management & Financial Services	1 - P-Card Administrator 1 - Accounts Payable Technician	e-payable revenue	5
Management & Financial Services	1 - Administrative Officer	Motor Pool Savings	6
29 Positions			

1. Maintain preferred staffing level of 58 sworn officers at the Airport
 2. Support increased demand for land development permits
 3. Support increased capital program from passage of November 2014 Bond Referendum
 4. Support Aviation's procurement efforts
 5. Support existing P-Card Program and new e-payable Program
 6. Support new Motor Pool Program, which is estimated to provide ongoing operating savings of \$80,500

18



Employee Compensation

- Public Safety Pay Plan
 - 0.75% Public Safety Pay Plan market adjustment
 - 2.5% or 5.0% Public Safety Pay Plan step adjustment
- Broadband (all other general employees)
 - 1.5% merit pool; individual amounts based on performance
- Starting Pay Adjustment to minimum 60% of Area Median Income (AMI)
 - 60% of AMI is \$27,060
- Field Services Pay Plan Study
 - due to budget constraints, implementation of a new plan are not included in FY2016 budget; evaluation of options for FY2017 are in-progress

19




Aviation

Aviation	FY2016 Proposed Budget	% Change
	\$144.7 M	11.3%

- Provide facilities and services to meet changing airline expectations and to manage the country's 6th largest airport in operations nationwide and 2nd largest hub for world's largest airline
- Invest in and maintain terminal and airfield systems and infrastructure
- New positions reflect needs of a growing, 24/7 hub airport
 - 24 positions for Asset Preservation and Risk Mitigation Programs
 - 11 positions in response to Airline Partners
 - 10 positions in Business Support and Financial Management
 - 4 positions for Community Investment Plan Program Execution






20




Charlotte Area Transit System

Charlotte Area Transit System	FY2016 Proposed Budget	% Change
	\$119.0 M	4.2%

- Recovery of Transit Sales Tax – Increase of \$1.4 m
- Growth in ridership and expansion of transportation options
- Begin operation of the new CityLYNX Gold Line Phase I
- Add 35 positions for maintenance/operation of Light Rail - BLE


21



Transfer from Debt Service Fund Capacity to General Fund

- New un-programmed Debt Capacity is \$78.0m
- Budget includes 0.25 cents transfer = \$2.2m to General Fund Revenue
- Reduces new un-programmed capital debt capacity from \$78.0m to \$56.0m
- Remaining capacity is available to fund priority needs
- ***No delays or discontinuation of any existing commitments to capital projects***

22




General Community Investment Plan: Undesignated Resources

Funding Source	Amount	Uses/Restrictions
General Capital Debt Capacity (debt) Updated	\$56.0M \$78.0M	<ul style="list-style-type: none"> • General Obligation Bonds or Certificates of Participation (e.g., transportation, neighborhood investments, housing diversity, and facilities) • 0.25 cents transfer of property tax rate to General Fund reduces debt capacity to \$56.0M • Full use of the additional \$56.0M debt capacity would increase total obligated debt capacity for the four bond referenda (2014-2020) by 6.9%, from \$816.4M to \$872.4M
General Capital Reserves (Cash)	\$5.9M*	<ul style="list-style-type: none"> • High flexibility • One-time uses only (e.g., facilities, major facility maintenance, and special studies)
General Capital Project Balances	\$12.6M	<ul style="list-style-type: none"> • \$10.9M from prior transportation bonds; must be used on transportation projects • \$1.1M from Facilities Certificates of Participation; can be reallocated to other investments where the asset is the security (facilities or vehicles) • \$0.6M from Pay-As-You-Go cash; can be used for any one-time capital needs
Total Funding Source	\$74.5M \$96.5M	

* Includes \$3.7 million in newly identified Capital Reserves, \$0.8 million in Pay-As-You-Go fund balance, and \$1.4 million from FY2014 Capital Reserves that remain unspent, for a total available of \$5.9 million

23

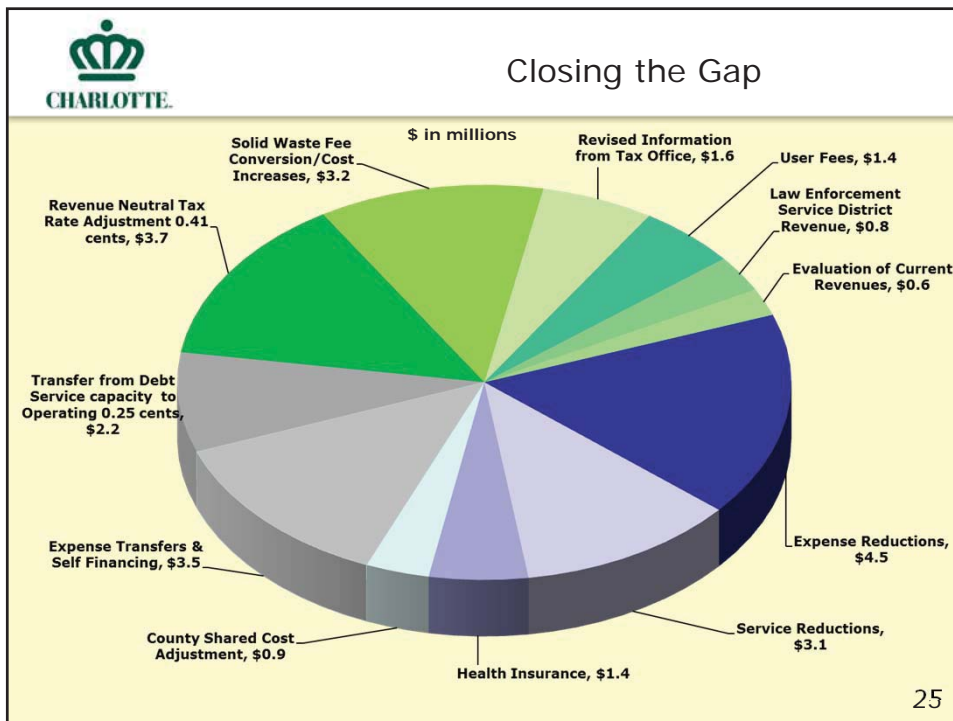



Transit Investment Fund in PAYGO

Establish New Transit Investment Fund in FY2016

- Separate revenues and expenses for Gold Line and other transit expenses from General PAYGO revenues and expenses
- Incorporates other transit-related expenses in PAYGO
- Make Reallocations within PAYGO
- Eliminates no committed projects
- **No Property Tax**
- **No General Fund Operating Funds**
- **No New Revenues – Fees or Taxes – Other Than Fares**

24






Bottom Line

- Recommendation provides a structurally balanced budget for FY2016 and beyond that reflects the policy priorities of the Council
 - Uses no short-term fixes
 - Uses no one-time funds for ongoing expenses
 - Uses no accounting tricks
 - Complies with Council budget principles and priorities
 - Is well researched, quantified, strategic and sustainable
 - Uses best practices and creative
 - Respects City employees


26



Budget Process - Next Steps

- May 6, 2015: Budget Workshop
- May 11, 2015: Budget Public Hearing
- May 13, 2015: Budget Adjustments
(Adds & Deletes)
- May 18, 2015: Budget Workshop
- May 26, 2015: Straw Votes
- June 8, 2015: Budget Adoption

27

 Where can the public find additional information?

- Web sites:
 - <http://citybudget.charmeck.org>
- Office of Strategy & Budget: 704-336-2306
- Copies available in City Clerk's Office

28




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