

# **May 28, 2014 Budget Straw Votes**





## Budget and Evaluation MEMORANDUM

May 23, 2014

**TO:** Mayor and City Council  
**FROM:** Randy Harrington, Director  
**SUBJECT:** May 28<sup>th</sup> Straw Votes Packet

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The next step in the City's budget process is the Council's Budget Straw Votes meeting at noon on Wednesday, May 28<sup>th</sup> in Room 267.

The attached packet for the May 28<sup>th</sup> meeting includes:

- [Straw Votes Agenda;](#)
- [Straw Votes Process Overview;](#)
- [Summary of May 14<sup>th</sup> Budget Adjustments;](#)
- [Budget Amendment descriptions and impact statements;](#)
- [Draft Council Actions for June 9<sup>th</sup> Budget Adoption;](#)
- [Q&As from the May 14<sup>th</sup> Budget Adjustments meeting;](#)
- [Q&As from prior budget meetings](#)

Please feel free to let me know if you have any questions prior to the Straw Votes meeting.

Attachment

C: Ron Carlee, City Manager  
Leadership Team  
Department Directors  
Budget & Evaluation Staff



# FY2015 Budget Workshop Straw Votes

## City of Charlotte

**May 28, 2014**  
**12:00 p.m.**  
**Room 267**

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|------|---|-------------------|
| I.   | Introduction  | Ron Carlee        |
| II.  | Consideration of amendments from the May 14 <sup>th</sup> Budget Amendments meeting   | Mayor and Council |
| III. | Consideration of motion directing the City Manager to prepare the necessary documents and resolutions for the June 9 <sup>th</sup> budget ordinance | Mayor and Council |

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Distribution: Mayor and City Council  
Ron Carlee, City Manager  
Leadership Team  
Department Directors  
Budget and Evaluation Staff



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## **Council Budget Workshop Straw Votes Process Overview May 28, 2014**

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May 28<sup>th</sup> is the date set for Council's Budget Straw Votes on the Proposed FY2015 Strategic Operating Plan and the FY2015-FY2019 Community Investment Plan.

### Council Straw Votes Process

Council's practice is to vote on items individually at the Straw Votes meeting. Each of the items receiving six or more votes at the May 28<sup>th</sup> budget meeting will be incorporated into the budget ordinance in preparation for the June 9<sup>th</sup> Budget Adoption Agenda Item.

By the end of the May 28<sup>th</sup> Straw Votes meeting, any changes to revenues and expenditures must balance in preparation for the currently scheduled June 9<sup>th</sup> Budget Adoption. Otherwise, Council will need to add a specially called meeting prior to Budget Adoption to allow for additional straw votes. By State law, the adopted budget must balance revenues to expenditures.

### Requested Council Motion Directing City Manager to Prepare Budget Adoption Documents

At the conclusion of the Straw Votes meeting, the City Manager will request that Council adopt the following motion directing him to prepare all necessary documents and resolutions for the June 9<sup>th</sup> budget ordinance:

MOTION: Direct the Manager to prepare the necessary budget documents, resolutions, and ordinance based on the Manager's Recommended Budget and all Council-approved Straw Votes (see page 27 for sample Council actions planned for June 9<sup>th</sup>).

Staff is available to answer questions or assist with the budget process as directed by Council.



**Straw Votes Meeting**  
**Wednesday, May 28, 2014**  
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**Council Budget Straw Votes  
-Decisions Tally Sheet-**

<b>Items</b>	<b>FY2015 Amount</b>	<b>May 28<sup>th</sup> Decision</b>
<b>General Fund – Operating Reductions</b>		
1. Delete Film Commission additional funding reserve	\$75,000	
<b>General Fund – Operating Additions</b>		
2A. Restore Out of School Time funding to FY2014 levels for Above & Beyond Students and YWCA	\$397,433	
2B. Restore funding for Above & Beyond Students at their FY2014 level and provide funding for YWCA at their FY2013 level (Economic Development & Global Competitiveness Committee recommendation)*	\$175,261	
3. Increase Charlotte Regional Partnership operating funding by \$16,974 using FY2014 Council Discretionary account*	\$16,974	
4. Add a Principal Planner position and associated operating costs to support preservation of Historic Districts*	\$88,322	
<b>Enterprise Fund – Operating Reductions</b>		
5. Delete Charlotte-Mecklenburg Utility Department rate increase (no rate change)	\$10,500,000	
6. Delete Storm Water Services rate increase (no rate change)	\$1,600,000	

\*Recommended by City Manager

**Optional Funding Sources as identified by City Manager**

	<b>FY2014</b>	<b>FY2015</b>
Council Discretionary	\$200,000	\$200,000
Community Development Block Grant**	\$0	\$175,261
County Interlocal Programs Savings***	\$0	\$115,000

\*\*Recommended that funds be allocated to Out of School Time Amendments

\*\*\*Recommended that \$88,322 be allocated to Historic Districts, \$16,974 to Charlotte Regional Partnership, and balance of \$9,704 to Council Discretionary account for future contingencies.



## Introduction

Council held the Budget Adjustments meeting on May 14<sup>th</sup> and proposed several possible changes to the Manager’s Recommended Budget. By Council’s process, staff has reviewed the proposed budget amendments and provided additional information below.

### **Amendment 1 – Delete Film Commission additional funding reserve of \$75,000**

#### **Amendment Summary**

- The City Manager’s budget recommendation includes the transfer of the City’s existing \$75,000 contribution from the Charlotte Regional Partnership (CRP) to the Charlotte Regional Visitors Authority (CRVA) plus an additional \$75,000 held in reserve pending the successful move of the Film Commission to the CRVA, for a total funding level of \$150,000.
- The proposed amendment would delete the additional \$75,000 funding reserve.

#### **Background**

The City’s current FY2014 budget allocates \$75,000 to the Charlotte Regional Partnership (CRP) to support the promotion and recruitment of television and film projects to the Charlotte area. Under an agreement between the CRP and the Charlotte Regional Visitors Authority (CRVA), this existing funding and hosting of the Film Commission will transfer to the CRVA in FY2015. According to the CRVA, the Charlotte region is the leading destination for film and television production in both Carolinas. A 2008 study conducted by the CRP Film Commission estimated that film and television production generated 1,398 full-time jobs and \$271 million in direct spending (all production) for Mecklenburg County and the surrounding region.

#### **Details and Impacts of Proposed Amendment(s)**

The CRVA has proposed that Mecklenburg County, the City of Charlotte, and CRVA each commit \$150,000 (an additional \$75,000 each from the City and County) to the promotion of Charlotte’s television and film production industry in FY2015. The proposal is summarized below:

	<b>City of Charlotte</b>	<b>Mecklenburg County</b>	<b>Charlotte Regional Visitors Authority (CRVA)</b>	<b>Charlotte Regional Partnership (CRP)</b>	<b>Total</b>
<b>FY2014 (current fiscal year)</b>	\$75,000	\$75,000	\$0	\$114,001	\$264,001
<b>FY2015 (recommended)</b>	\$150,000	\$150,000*	\$150,000	\$0	\$450,000

\*Requested. County Manager’s Recommendation pending.

The City's additional contribution would be contingent upon matching funds from Mecklenburg County, continuation of film and television tax credits, and the City Manager executing a performance agreement with the CRVA.

The CRVA's proposed Film Commission budget of \$450,000 would provide for the following:

- Adequate staffing of the Film Commission (from 1 position currently to 2.5 positions under the proposal)
- An increase in promotion of the Charlotte Region as a destination for film and television production
- An increase in direct sales activities to recruit productions and businesses to locate in the Charlotte region
- Increased participation in joint promotional programs with the State of North Carolina Film Office
- Increased capacity to support film and television production that locate in the region

## **Amendment 2 – Restore Out of School Time Partner funding for Above & Beyond Students and YWCA (up to \$411,233)**

### **Amendment Summary**

The proposed adjustment includes two potential options:

- **Proposal A:** Restore funding for both Above & Beyond Students and YWCA at their FY2014 funding level (**for a total of \$397,433**) as discussed at the Council Budget Adjustments Meeting on May 14<sup>th</sup>
- **Proposal B:** Restore funding for Above & Beyond Students at their FY2014 funding level and provide funding for YWCA (**for a total of \$175,261**) as proposed by the City Manager and recommended by the Economic Development & Global Competitiveness Committee Meeting on May 15<sup>th</sup>

### **Background**

The City has funded Out of School Time agencies for 30 years. In May 2011, the City Council approved the development and issuance of a Request for Proposal (RFP) process for Out of School Time funding. City staff worked with representatives from Foundation For The Carolinas, United Way, Council for Children’s Rights, Child Care Resources, and Partners in Out of School Time to develop an RFP using evidence-based standards from the National Afterschool Association and the North Carolina Center for Afterschool Programs. The first RFP was issued during the FY2013 budget development process. In 2012 and 2013, City Council’s Budget Committee and Economic Development Committee reviewed the Out of School Time process and criteria. On November 26, 2012 and October 28, 2013 the full Council adopted the recommendations of the Committees related to agency eligibility and funding levels.

The FY2015 Out of School Time Partner funding recommendations were included in the May 5<sup>th</sup> Budget Recommendation presentation to Council. Applying the Council approved eligibility and funding level parameters as well as the national best practices evaluation criteria, five agencies were identified for FY2015 funding at the total budgeted level of \$1,200,000, the City’s historical funding level.

The FY2015 RFP process and funding level resulted in reduced funding for one FY2014 funded Out of School Time agency (Above & Beyond Students) and the elimination of funding for another currently funded agency (YWCA).

### **Details and Impacts of Proposed Amendment(s)**

#### **Proposal A: May 14th Council Budget Adjustments**

- This proposal would allocate an additional \$397,433 to increase funding for two Out of School Time agencies:
  - Above & Beyond Students - additional \$90,433 to restore to FY2014 funding level of \$110,358
  - YWCA - additional \$307,000 to restore to FY2014 funding level

At the May 14<sup>th</sup> Budget Adjustments meeting, Council discussed options to provide an additional amount of up to \$411,233 in FY2015 to restore the FY2014 funding levels for

Above & Beyond Students and the YWCA. The Above & Beyond Students contract for FY2014 was reduced from by \$13,800 (from \$124,158 to \$110,358) to reflect actual number of children served; therefore, an additional \$397,433 would restore Above & Beyond Students and YWCA to their FY2014 contract funding levels:

**Proposal B: May 15th Economic Development & Global Competitiveness Committee**

- This proposal includes an additional \$175,261 to the total FY2015 Out of School Time funding level.
- The additional amount represents the maximum allowable amount from federal Community Development Block Grants public service cap, which will be higher in FY2015 than FY2014.
- The proposal makes the following modifications to the initial FY2015 funding levels from the Request for Proposal process:
  - Reduce the allocation to Citizen Schools to \$306,342, which is \$43,658 below the initial FY2015 allocation of \$350,000 (this is their first year of City funding)
  - Reduce the allocation to Police Activities League to \$287,410, their FY2014 funding level, which is \$30,340 below the initial FY2015 allocation of \$317,750
  - Increase the FY2015 allocation to Above & Beyond Students to \$110,358, which is \$90,433 above the initial FY2015 allocation of \$19,925, and equal to their current year funding
  - Provide funding to YWCA in the amount of \$158,826, which was their FY2013 funding level

All of the affected providers referenced above were contacted. While they indicated that there would be impacts to their programs, they are willing to work within these budgets in order to enable a broad spectrum of programs to be made available to the community.

**Council Referral to Economic Development & Global Competitiveness Committee**

At the May 14<sup>th</sup> Budget Adjustments meeting, Council referred the topic of increasing funding to Above & Beyond Students and YWCA to the Economic Development & Global Competitiveness Committee. At Council's May 15<sup>th</sup> Economic Development & Global Competitiveness Committee meeting, the City Manager presented the aforementioned "Proposal B" for the FY2015 Out of School Time funding levels, which was unanimously approved by the full Committee (Barnes, Lyles, Austin, Mayfield; Fallon was absent).

The City Manager's recommended FY2015 funding levels as approved by the Economic Development & Global Competitiveness Committee on May 15<sup>th</sup> are provided in the following table:

Out of School Time Funding						
Site	FY13 Funding	FY14 Funding	FY15 Request	FY15 Recommend (May 5)	FY15 City Mgr Proposed Revised Funding (May 15)	Change from May 5 to May 15
Citizen Schools		n/a	\$350,000	\$350,000	\$306,342	-\$43,658
Police Activities League	\$282,145	\$287,410	\$317,750	\$317,750	\$287,410	-\$30,340
Greater Enrichment Program	\$605,854	\$400,000	\$350,000	\$350,000	\$350,000	\$0
Youth Development Initiatives		n/a	\$162,325	\$162,325	\$162,325	\$0
Above & Beyond Students		\$110,358	\$162,786	\$19,925	\$110,358	\$90,433
YWCA	\$158,826	\$307,000	\$350,000	\$0	\$158,826	\$158,826
TOTAL	\$1,637,670	\$1,104,768	\$1,692,861	\$1,200,000	\$1,375,261	\$175,261

Additional May 15th Economic Development & Global Competitiveness Committee Funding Consideration

Following the approval of "Proposal B" by the Economic Development & Global Competitiveness Committee, a proposal was made by Council member Austin, and seconded by Council member Mayfield to increase the funding level of "Proposal B." The motion did not receive a majority of votes by the Committee (Austin and Mayfield voted yes; Barnes and Lyles voted no). The motion was as follows:

- Approve the Out of School Time funding recommendation, as well as add \$50,000 from Council Discretionary Fund to allocate:
  - Additional \$25,000 to Above & Beyond Students above Proposal B
  - Additional \$25,000 to YWCA above Proposal B

The City Manager will return to the Committee with recommendations on changes to the funding process to mitigate large swings in funding year to year while preserving opportunities for new providers and innovative programs.

**Amendment 3 – Add Charlotte Regional Partnership operating funding increase of \$16,974 using FY2014 Council Discretionary account**

**Amendment Summary**

The proposed adjustments would:

- Increase the City’s operating contribution to the Charlotte Regional Partnership by \$16,974 (for a total of \$141,008)
- Two potential revenue sources are:
  - **Revenue Option A:** Use \$16,974 from County interlocal programs savings (Elections Office); this is the City Manager’s recommendation - \$115,000
  - **Revenue Option B:** Delete \$16,974 from FY2014 Council Discretionary account - \$200,000

**Background**

The Charlotte Regional Partnership promotes and recruits economic development for the Charlotte region. City funds are used for business development and marketing. The City of Charlotte and Mecklenburg County each contribute \$0.15 per capita using NC State Data Center certified population figures. For the past six years, the per capita contributions were based on 2006 population (413,447, which is half of the total County population since the City and County are each allocated half of the population for dues calculation purposes) and have not been adjusted annually. The \$16,974 additional funding request is based on a more recent 2011 State certified population of 470,028, which represents 50% of the Mecklenburg County population. A similar, additional funding request has been made to Mecklenburg County.

**Details and Impacts of Proposed Amendment(s)**

- Increase the City’s operating contribution to the Charlotte Regional Partnership by \$16,974 (for a total of \$141,008)
  - The Economic Development Advisory Committee of the Charlotte Regional Partnership, comprised of representatives appointed from each of the 16 member counties, approved adjustment of the per capita allocation to more recent State certified population figures to fund additional economic development efforts such as funding the Public Relations Campaign (previously funded through a grant), hosting consultants and national and international media to the region, and increasing the number and length of business development and marketing trips.
  - A City increase of \$16,974 would help leverage an additional estimated \$62,260 in funding also requested from other Charlotte Regional Partnership members.

### **Potential Revenue Sources to Add Funding for Charlotte Regional Partnership**

Two potential revenue sources have been identified to add funding for the Charlotte Regional Partnership in the amount of \$16,974. The City Manager's recommendation is "Option A."

- **Revenue Option A.** Subsequent to the City Manager's budget presentation, the County provided updated FY2015 cost sharing projections for County services outlined in the interlocal agreement (due to a timing difference between the City Manager's recommended budget presentation to Council and the County Manager's recommended budget presentation to the Board of County Commissioners). City staff is still working with County staff to determine the final costs, but at this time, approximately \$115,000 in savings from a decreased City allocation to the Elections Office is anticipated. Under "Revenue Option A," \$16,974 would be reduced from these County interlocal programs savings. This is the City Manager's recommendation.
- **Revenue Option B.** At the May 14<sup>th</sup> Budget Adjustments meeting, a proposal was made to use the FY2014 Council Discretionary account to fund this amendment. \$200,000 remains in the current (FY2014) Council Discretionary account. By deleting \$16,974 from the Council Discretionary account, \$183,026 would remain under the proposed amendment.

**Amendment 4 – Add a Principal Planner position (inclusive of operating costs) to support preservation of Historic Districts in the amount of \$88,322**

**Amendment Summary**

- The proposed amendment would add a Principal Planner position (inclusive of all costs) to support the preservation of Historic Districts at \$88,322
- A funding source was not identified during the Budget Adjustments meeting, but potential revenue sources include:
  - **Revenue Option A:** County interlocal program savings (Elections Office) - \$115,000
  - **Revenue Option B:** Potential user fee revenue - \$75,000

If Council desires to fund the Historic District Commission Principal Planner position and associated operating costs, the City Manager recommends "Revenue Option A" for FY2015. Following FY2015, the general tax dollars (i.e. County interlocal agreement savings) would then be replaced by user fee revenue to the extent possible and at the earliest reasonable starting date.

**Background**

The City currently has six locally designated Historic Districts. The Historic Districts are administered by City staff and the Historic District Commission. Several additional neighborhoods have expressed interest in becoming locally designated Historic Districts. Currently, all Historic District Commission activities are supported by 2.5 full-time positions.

The role of the Historic District Commission includes:

- Establishing and revising guidelines;
- Applying policy and design guideline criteria;
- Approving applications for Certificates of Appropriateness; and
- Assisting applicants and staff with education and outreach.

**Role of Historic District Commission Staff**

In addition to providing staff support to the commission, Historic District Commission staff is responsible for reviewing and processing approximately 200 Certificates of Appropriateness that are applied for each year. A Certificate of Appropriateness is required for most changes to properties in Historic Districts. Staff time required to process a Certificate of Appropriateness can vary from a few hours for minor projects to multiple days for major projects, depending upon the complexity of the changes requested.

Frequently, projects are modified after Certificates of Appropriateness are approved. Historic District Commission staff does not currently have the resources necessary to monitor the status of every project taking place across all six Historic Districts. Due to a lack of resources, staff has to partially rely on residents to identify and report projects that are not being built according to the approved Certificates of Appropriateness.

**Details and Impacts of Proposed Amendment(s)**

- The requested Principal Planner position would help to make the Certificates of Appropriateness review process run smoother for applicants by providing additional resources to ensure that projects remain compliant throughout the construction process.
- The proposed position would be responsible for the following:
  - Review building permit applications for compliance with Certificates of Appropriateness;
  - Monitor construction projects to ensure work is being done in accordance with the approved Certificates of Appropriateness;
  - Proactively monitor activity in Historic Districts to identify projects being built without a Certificate of Appropriateness;
  - Provide concentrated Historic District enforcement, through increased coordination with County inspections and City code enforcement; and
  - Increase communication with Historic District property owners, making them aware of Historic District Commission requirements.
- After reviewing the Planning Department’s existing pool of resources, it was determined that an additional vehicle is not necessary for the proposed Historic District position. This accounts for the difference between the Budget Adjustment amount of \$114,167 (proposed during the May 14<sup>th</sup> Council Budget Adjustments Meeting) and the revised amount is \$88,322. Below is a breakdown of position requirements and costs associated with the proposed Historic District Commission Principal Planner:

Budget Item	Position Requirements	Budget
<b>Principal Planner for Historic District Commission</b>	Position would differ from a Code Enforcement Inspector because it will require additional skills in:	<b>Salary and Benefits:</b> \$83,986
	<ul style="list-style-type: none"> <li>○ Architecture</li> <li>○ Historic Preservation</li> <li>○ Community Outreach</li> <li>○ Design and Guideline Interpretation</li> </ul>	<b>Operating Expenses:</b> \$4,336
		<b>Total Budget:</b> <b>\$88,322</b>

- Overall, the proposed position would result in greater Historic District compliance and, when needed, enforcement.

**Potential Revenue Sources to Support Historic District Commission Program**

Two potential revenue sources have been identified to add a Principal Planner and associated operating costs to support the Historic District Commission Program. The City Manager’s recommendation is “Option A.”

- **Revenue Option A.** Subsequent to the City Manager’s budget presentation, the County provided updated FY2015 cost sharing projections for County services outlined in the interlocal agreement (due to a timing difference between the City Manager’s recommended budget presentation to Council and the County Manager’s recommended budget presentation to the Board of County Commissioners). City staff is still working with County staff to determine the final costs, but at this time, approximately \$115,000 in savings from a decreased City allocation to the Elections

Office is anticipated. For Year 1 of the expanded Historic District Commission program, the City Manager recommends that the start up costs be funded with these general tax dollars (i.e. County interlocal agreement savings), replaced by fee revenue to the extent possible and at the earliest reasonable starting date.

- **Revenue Option B.** Staff has identified a user fee option for major projects as a potential revenue source for the proposed Historic District Commission Principal Planner position. The user fee could apply to major projects, including new construction, new accessory buildings, additions, and demolitions in Historic Districts. Minor projects (all projects that do not qualify as major projects, such as window replacement, fencing, etc.) would not be charged the fee. This fee option requires further refinement and discussion.

<b>Summary of Funding Options</b>			
<b>Option</b>	<b>Revenue Source</b>	<b>Amount</b>	<b>Comments</b>
<b>A.</b>	FY2015 County Interlocal Program Savings (Elections Office)	<b>\$88,322</b>	<ul style="list-style-type: none"> <li>• Funding of \$88,322 is from one-time County Interlocal Programs savings of \$115,000.</li> <li>• City Manager recommends this funding source for Year 1, replaced by fee revenue to the extent possible at the earliest reasonable start date</li> </ul>
<b>B.</b>	Potential user fee, for example: <ul style="list-style-type: none"> <li>• New construction projects in Historic District (\$1,000 fee per project) = \$12,000</li> <li>• New accessory buildings, additions, and demolitions in Historic Districts (\$500 fee per project) = \$63,000</li> </ul>	<b>\$75,000 (estimate)</b>	<ul style="list-style-type: none"> <li>• Funding of approximately \$75,000 could be derived from a new user fee for major projects</li> <li>• However, the fee structure needs refinement and discussion prior to implementation</li> </ul>

**Amendment 5 – Delete Charlotte-Mecklenburg Utility Department rate increase (no rate change)**

**Amendment Summary**

- The City Manager’s budget recommendation includes an increase in rates for water and sewer customers. The typical residential customer would see an increase of 3.08%, or \$1.73, on their monthly bill. This amendment proposes to delete the recommended rate increase and hold the water and sewer rates at FY2014 levels – a reduction of \$10.5 million.

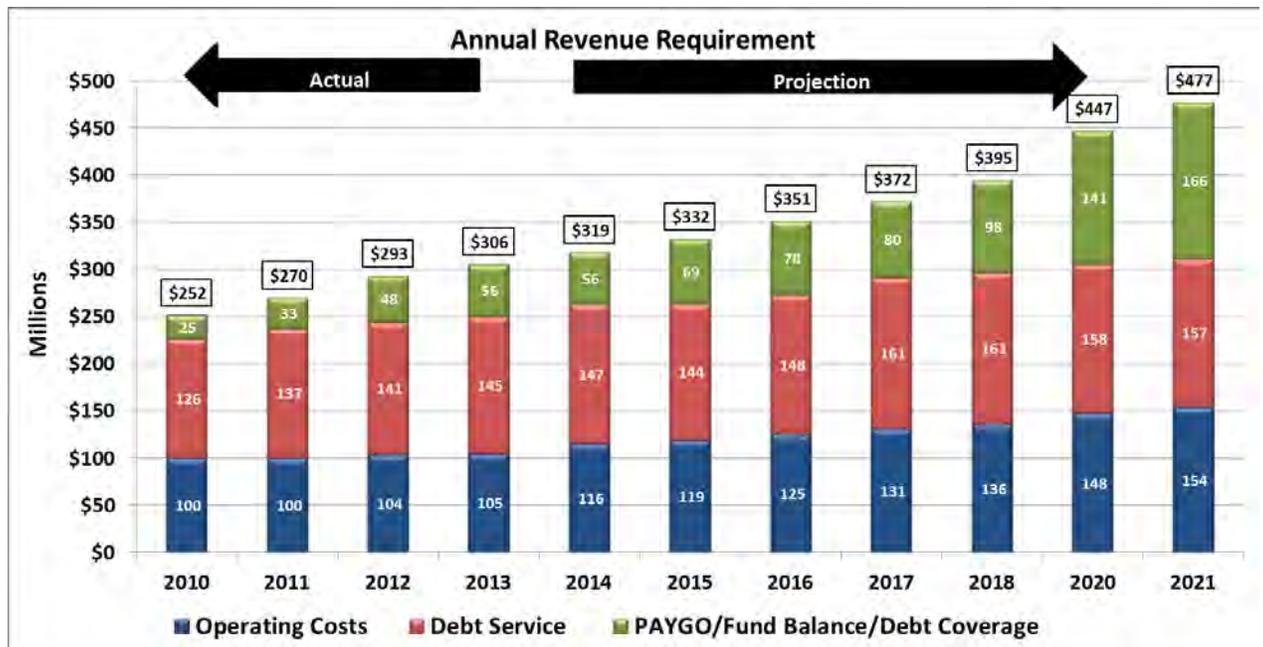
**Background**

The Charlotte-Mecklenburg Utility Department system is aging while per capita consumption levels are dropping. Aging water and sewer systems must still deliver a safe, reliable water source and still treat wastewater to high State and Federal requirements. Consumers use less water but the cost to provide and treat it does not decrease, and in most cases, increases despite new technologies and efficiency practices.

The Charlotte-Mecklenburg Utility Department operates under a 10-year financial plan that:

- Provides for the cost for operating, maintaining and rehabilitating the water and sewer system.
- Preserves the Charlotte-Mecklenburg Utility Department’s AAA credit rating.
- Reduces reliance on debt by increasing pay-as-you-go investments.
- Uses small annual increase instead of less frequent but much larger rate increases.

The chart below shows the annual revenue requirements to operate the Utility, serve customers, address infrastructure investment needs, and retire debt on revenue bonds through FY2021.



**Details and Impacts of Proposed Amendment(s)**

The recommended rate increase would generate approximately \$10.5 million in revenue. The impact of the amendment for FY2015 would be a reduction of maintenance and repair capital investments. A zero percent rate increase would require a corresponding reduction in the Utility’s pay-as-you-go capital program, resulting in the deletion of one-third of the Utility’s budget for performing maintenance and rehabilitation work on water and sewer pipes in the system.

If a delay in a rate increase was chosen, the associated funds would have to be made up with a higher rate increase in the following year. Areas slated for proactive rehabilitation and maintenance work include areas along I-85, I-77 as well as Matthews and East Charlotte.

<b>Project</b>	<b>Work Volume Reduction</b>	<b>Consequences</b>
Relining severely cracked clay sewer pipe (\$6.25 million)	11 miles or 120 city blocks	Increased risks of sanitary sewer overflows and fines
Cleaning and relining corroded cast iron water mains (\$3.25 million)	56 city blocks	Water quality and fire-flow capabilities
Replacing corroded 2 in galvanized water lines (\$1 million)	50 cul-de-sac streets	Poor water quality

Delaying these projects could result in a higher risk of water system leaks, sanitary sewer overflows, fire hydrants without service or adequate pressure, regulatory violations, negative environmental impacts, and missed economic development opportunities.

Bi-annual or tri-annual increases are inconsistent with the intent of the current financial plan and model. If bi-annual or tri-annual increases were desired by Council, based on current assumptions for funding levels, the impact is significant.

The chart below shows rate projections on a bi-annual basis. Increases are based on the requirements to return fund balance and debt service coverage ratios to the recommended level in the year of the increase. These levels are based upon the Utility’s AAA-credit rating.

<b>Rate Increase Projections by Fiscal Year</b>									
<b>Rate Setting Approach</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Average</b>
A. Current plan	3.10%	3.91%	4.57%	4.63%	5.25%	4.68%	4.72%	4.77%	4.45%
B. 9.21%, then 0%, then back to plan	9.21%	0.00%	4.01%	4.66%	5.29%	4.48%	4.75%	4.80%	4.65%
C. Zero % then back to plan	0.00%	9.21%	4.60%	4.67%	5.30%	4.71%	4.76%	4.80%	4.76%
D. Zero % then every 2nd year	0.00%	9.21%	0.00%	9.65%	0.00%	9.81%	0.00%	10.78%	4.93%
E. Zero % then every 3rd year	0.00%	9.21%	0.00%	0.00%	15.21%	0.00%	0.00%	16.44%	5.11%

*Note: These rates are based upon projections and are subject to change as needs to operate and invest in the water system are impacted over time.*

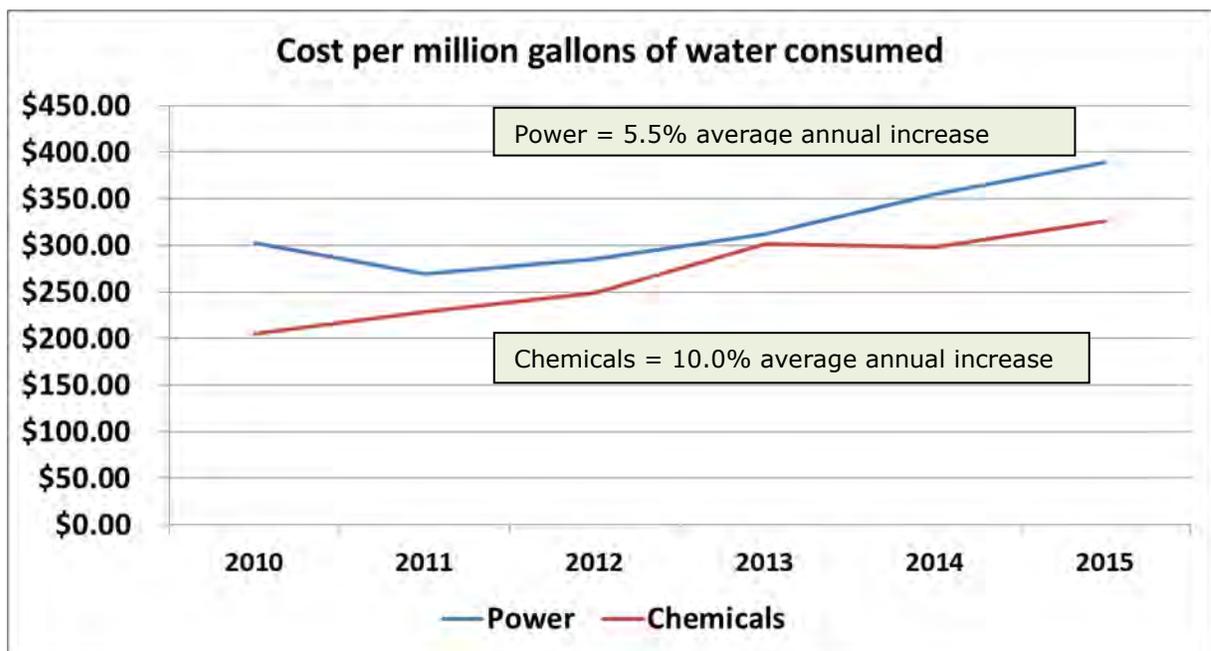
**Budget Drivers**

**Polychlorinated Biphenyls (PCB) Mitigation**

The largest unknown variable that will impact the Utility’s FY2015 budget is the mitigation and disposal cost associated with the illegal dumping of Polychlorinated Biphenyl’s (PCBs) into the system in February 2014. The cost of the PCB mitigation and disposal are not yet finalized but are estimated to be approximately \$5 to \$7 million. Impacts of lower concentration PCB’s in the biosolids may be more persistent and have longer financial impacts to the overall operating costs for a much longer period of time. These funds are not identified in the FY2015 budget and are planned to be covered using reserves (fund balance).

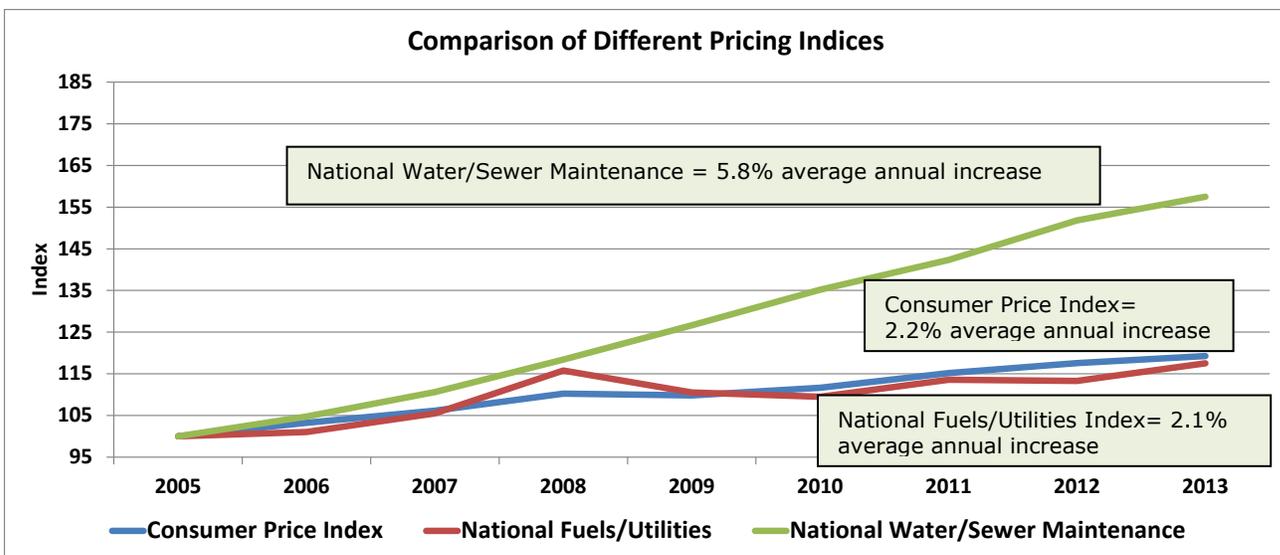
**Electricity and Chemicals**

Over the last 5 years, CMUD’s operating budget has been stable despite growing costs of the electricity and chemicals required to provide water and wastewater treatment service. The chart below shows the history of increasing power and chemical cost, per million gallons of water sold.



**National Water/Sewer Maintenance Price Inflation**

Even though the national cost of living has increased between 0.9% and 3.6% since 2010, the national cost of providing water and sewer services increases between 4.0% and 6.0% each year. This rise is based on the average annual rate increase of over 80 water and sewer utilities across the nation.



**Charlotte Mecklenburg Utility Advisory Committee Response**

The Utility Advisory Committee has submitted a letter urging Council to support the City Manager’s recommended rate increase. The letter can be found on the following page.

**Charlotte Mecklenburg Utility Department**  
**Advisory Committee**  
4222 Westmont Drive  
Charlotte NC 28217

May 17, 2014

Charlotte City Council  
Charlotte-Mecklenburg Government Center (CMGC)  
600 E. Fourth St.  
Charlotte, NC 28202

Charlotte City Council Members,

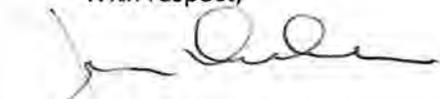
It has come to the attention of the Charlotte Mecklenburg Utilities Department Advisory Committee (CMUDAC) that members of the City Council are considering action that would reduce or eliminate the proposed utility rate recommendations for Fiscal Year 2015. As your appointed stewards of the utility, we would like to urge the Board to reconsider this action.

CMUDAC meets regularly with Director Gullet and his staff and has participated directly in the crafting of the budget rate methodology. We have reviewed and approved the recommended rates and fees associated with this year's budget. The nominal rate increase proposed for FY 2015 is an essential part of judicious management and is calculated based upon a business model free from any political considerations. The current structure provides for the public good while ensuring that costs and future growth are addressed. The Utility currently sustains a Triple A credit rating as a result of prudent management and an effective and fair rate methodology.

We are your appointed stewards and advisors on water and sewer management. As a committee we not only review management practices, we also pride ourselves at becoming knowledgeable of all aspects of policy, funding, and regulation. We recognize that the consequences of not adopting an appropriate rate increase this year would have ripple effects in future years that could include unacceptably larger rate increases or a degradation of services. We ask that you recognize that the Charlotte Mecklenburg Utility Department is exceptionally well managed regional entity, free of undue influence, and is the provider of water and sewer services second to none. The water and sewer rate structure and utility department budget before you provides optimal services at the lowest rates in our region.

The Committee strongly urges the City Council to endorse the Utility Department Enterprise Fund Budget and rate recommendations as presented. Further, we urge your continued interest and inquiries into your utility and the service it provides to your constituents.

With respect,



Jim Duke  
Chair

May 28, 2014

Page 21

## **Amendment 6 – Delete Storm Water Services rate increase (no rate change)**

### **Amendment Summary**

- The City Manager’s budget recommendation includes a 3.0% increase in rates for Storm Water Services customers. The typical residential customer would see an increase of 24¢ per month. The proposed amendment would delete the recommended 3% rate increase and hold Storm Water Services rates at FY2014 levels – a reduction of \$1.6 million.

### **Background**

- The 3% rate increase is recommended primarily to increase contributions to the Storm Water capital program to respond to more frequent and larger flood events that are straining older drainage systems and driving up the number of citizen requests, creating a large backlog of unmet needs.
- The current rate model supports a long-term financial plan that increases the use of Pay-As-You-Go cash investments to the Storm Water capital program, and reduces the reliance on debt-supported revenue bonds.
- The City Manager’s recommended 3.0% rate increase for FY2015 reflects a modest increase that balances annual revenue growth with general economic growth rates
- As of January 2014, there were approximately 820 backlogged high and medium priority Maintenance & Repair Storm Water projects, and approximately 6,000 backlogged low priority requests for Storm Water Services.
- An average of approximately 250 new high and medium requests are received by Storm Water Services each year. With current resources and staff, Storm Water Services is able to address between 150 and 175 of these projects annually.
- The City Manager’s recommended 3.0% rate increase, along with the addition of five new positions, will increase work capacity by approximately 25 to 30 projects each year to a total of approximately 200 projects.

### **Details and Impacts of Proposed Amendment(s)**

Impacts on the Storm Water capital program if the 3% rate increase is eliminated include:

- The additional work capacity of 25 to 30 projects per year projected in the recommended 3% rate increase would be eliminated, and the current backlog of unmet Storm Water infrastructure and maintenance needs would continue to grow from a 4-5 year wait for service to a 6-7 year wait for service.
- No new flood control projects could be started, and approximately \$9 million worth of existing, active flood control projects currently in the planning and design phase would have to be stopped until FY2018.
- All Storm Water projects delayed by the elimination of the rate increase would become more expensive each year they are delayed due to inflation.
- Use of Pay-As-You-Go funding would be reduced, creating a heavier reliance on the use of debt to fund capital projects or fewer projects.
- Storm Water currently has a AAA bond rating from Standard and Poor’s and a AA1 rating from Moody’s. For a system of its size, it is the highest rated credit in the Country. This is due primarily to high debt service coverage ratios and a robust Pay-As-You-Go program.

- The elimination of rate increases may impact the rating because it would likely increase the amount of debt that would need to be issued above what is currently planned. This would lower coverage ratios and reduce the size of the PAYGO program.
- Moody's stated in its last ratings report that, "declines in debt service coverage or failure to implement rate increases in line with historic levels" could make the credit rating go down. A lower rating could increase the cost of the borrowing, which might impact the size of a capital program that could be implemented.
- In order to maintain its strong credit rating with no annual rate increases, Storm Water may need to significantly reduce the size of the capital program in future years.

### **Other Rate Increase Scenarios**

The tables on the following pages provide a comparison of the impact of various rate increase scenarios on monthly customer costs and on Storm Water Services' ability to complete the current backlog of Maintenance & Repair projects.

Each scenario shows the increase in monthly costs for a typical customer over the current monthly fee of \$7.89, the change in the total number of backlogged Maintenance & Repair projects from the current total (as of January 2014) of 820 backlogged projects, and the estimated number of new positions required to manage the capital projects. The annual number of backlogged projects shown in each scenario reflects fiscal year-end totals. The current wait time for a citizen, with a high or medium priority maintenance & repair project, is 4 to 5 years.

The nine scenarios are provided on the following pages. Among the scenarios below are two (Scenarios 4 & 5) that would actually address the current backlog of projects in a meaningful way, but with substantial rate increases. If there is not a willingness to increase rates to these levels, the program needs to be reexamined, especially with regard to work on private property.

**Scenario A - FY2015 City Manager's Recommendation**

- With the recommended fee increase, the wait time by FY2020 would be reduced to 3.5 - 4.5 years

Impact	FY15	FY16	FY17	FY18	FY19	FY20
<b>Fee Increase</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
Monthly Cost of Increase	\$0.24	\$0.25	\$0.25	\$0.26	\$0.26	\$0.28
Maintenance & Repair Backlog	948	934	912	889	867	844
Additional Staff	5	2	0	0	0	0

**Scenario B – Proposed Budget Adjustment - No fee increase in FY2015**

- With no fee increase in FY2015, the wait time by FY2020 would increase to 6 - 7 years

Impact	FY15	FY16	FY17	FY18	FY19	FY20
<b>Fee Increase</b>	<b>0.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
Monthly Cost of Increase	\$0.00	\$0.24	\$0.25	\$0.25	\$0.26	\$0.26
Maintenance & Repair Backlog	958	985	1,014	1,043	1,072	1,101
Additional Staff	0	0	0	0	0	0

**Scenario C - FY2014 Fee Model - 1/2% Step down each year to a floor of 2.5% annually**

- If the current Fee Model were continued through FY2020 when the annual fee increase is projected to stabilize at 2.5% annually, the wait time by FY2020 would be reduced to 2 - 3 years

Impact	FY15	FY16	FY17	FY18	FY19	FY20
<b>Fee Increase</b>	<b>5.0%</b>	<b>4.5%</b>	<b>4.0%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>2.5%</b>
Monthly Cost of Increase	\$0.40	\$0.37	\$0.35	\$0.31	\$0.28	\$0.24
Maintenance & Repair Backlog	948	857	746	641	550	459
Additional Staff	6	13	0	0	0	0

**Scenario D – FY2015 fee increase to reduce the backlog to 1 year – Cash Only**

- Under this scenario, the wait time by FY2020 would be reduced to approximately 1 year
- Work on the backlog will be paid with **Pay-As-You-Go cash only**
- Next fee increase would be needed in FY2021

Impact	FY15	FY16	FY17	FY18	FY19	FY20
<b>Fee Increase</b>	<b>37.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Monthly Cost of Increase	\$2.93	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance & Repair Backlog	852	724	567	411	262	194
Additional Staff	23	0	0	0	0	0

**Scenario E – FY2015 fee increase to reduce the backlog to 1 year – Cash and Debt**

- Under this scenario, the wait time by FY2020 would be reduced to approximately 1 year
- Work on the backlog will be paid with **Pay-As-You-Go cash and Revenue Bonds**
- Next fee increase would be needed in FY2021

Impact	FY15	FY16	FY17	FY18	FY19	FY20
<b>Fee Increase</b>	<b>19.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Monthly Cost of Increase	\$1.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance & Repair Backlog	852	724	567	411	262	194
Additional Staff	23	0	0	0	0	0

The following non-annual fee increase scenarios would resolve the same number of backlogs and require the same number of additional positions as the City Manager's Recommended 3% annual fee increase scenario. For each of the scenarios below, the wait time by FY2020 would be reduced to 3.5 - 4.5 years.

**Scenario F – Bi-Annual fee increases beginning in FY2016**

<b>Impact</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
<b>Fee Increase</b>	<b>0.0%</b>	<b>7.0%</b>	<b>0.0%</b>	<b>7.0%</b>	<b>0.0%</b>	<b>7.0%</b>
Monthly Cost of Increase	\$0.00	\$0.56	\$0.00	\$0.59	\$0.00	\$0.63
Maintenance & Repair Backlog	948	934	912	889	867	844
Additional Staff	5	2	0	0	0	0

**Scenario G – Bi-Annual fee increases beginning in FY2015**

<b>Impact</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
<b>Fee Increase</b>	<b>5.5%</b>	<b>0.0%</b>	<b>5.5%</b>	<b>0.0%</b>	<b>5.5%</b>	<b>0.0%</b>
Monthly Cost of Increase	\$0.44	\$0.00	\$0.46	\$0.00	\$0.48	\$0.00
Maintenance & Repair Backlog	948	934	912	889	867	844
Additional Staff	5	2	0	0	0	0

**Scenario H – Tri-Annual fee increases beginning in FY2017**

<b>Impact</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
<b>Fee Increase</b>	<b>0.0%</b>	<b>0.0%</b>	<b>13.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>13.0%</b>
Monthly Cost of Increase	\$0.00	\$0.00	\$1.03	\$0.00	\$0.00	\$1.16
Maintenance & Repair Backlog	948	934	912	889	867	844
Additional Staff	5	2	0	0	0	0

**Scenario I – Tri-Annual fee increases beginning in FY2015**

<b>Impact</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
<b>Fee Increase</b>	<b>7.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>7.5%</b>	<b>0.0%</b>	<b>0.0%</b>
Monthly Cost of Increase	\$0.60	\$0.00	\$0.00	\$0.63	\$0.00	\$0.00
Maintenance & Repair Backlog	948	934	912	889	867	844
Additional Staff	5	2	0	0	0	0



## **DRAFT COUNCIL ACTIONS FOR JUNE 9 BUDGET ADOPTION**

### **FY2015 Operating Budget and FY2015-2019 Community Investment Plan**

**Action:** Adopt the FY2015 Appropriations and Tax Levy Ordinance, the Capital Investment Plan Resolution for Fiscal Years 2015-2019, the FY2015 Pay and Benefits Resolution and associated Human Resources contracts, and other items related to the Annual Ordinance adoption:

- A. The FY2015 Operating Appropriations and Tax Levy Ordinance (Randy Harrington)
- B. The FY2015-FY2019 Community Investment Plan Resolution (Randy Harrington),
- C. The FY2015 Storm Water Interlocal Agreement compliance (Jeb Blackwell),
- D. The FY2015 Pay and Benefits Plan Resolution and associated Human Resources contracts (Cheryl Brown),
- E. Outside Agencies and Municipal Service Districts Contracts (Randy Harrington),
- F. Charlotte-Mecklenburg Housing Partnership Contract (Patrick Mumford).

**Committee Chair:** Greg Phipps

**Staff Resource(s):** Listed by each section above

#### **Policy**

As required by state law, the City of Charlotte adopts an annual appropriations and tax levy ordinance and considers related actions by July 1 of each fiscal year.



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# **May 14<sup>th</sup> Budget Adjustments Questions and Answers**

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## **Questions and Answers**

### **From May 14<sup>th</sup> Budget Adjustments Meeting**

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**Question 1:** *Please provide an overview of the Street Lighting Program. Does the City receive credits (or reduced electricity costs) from Duke Power for non-functioning street lights?*

#### **Overview of Street Lighting Program**

The City coordinates with Duke Energy to provide street lighting services along thoroughfares and neighborhood streets. The Charlotte Department of Transportation (CDOT) responds to requests for new lighting or to assume existing lighting once annexed into the City. CDOT prepares budget requests for upgrading and/or installing street lighting on public streets within the City. CDOT typically approves all requests for both new neighborhood street lighting and the assumption of existing lighting. The City supports approximately 71,851 street lights.

#### **Non-functioning Street Lights**

Duke Energy does not provide credits or discounts for non-functioning street lights. In compliance with the North Carolina Utilities Commission, an outage percentage is embedded in the flat monthly rate Duke Energy charges for each street light. The current flat rate for each street light averages \$11.50 per month.

**Question 2:** *For the Neighborhood Transportation Program recommended for the 2014 Bond Referendum in the Community Investment Plan, what will be the criteria for selecting and approving projects within this program? Who will decide where to allocate the \$5.2 million program funding?*

#### **Background**

The Neighborhood Transportation Program will be a continuation and consolidation of several traditional transportation capital programs that had been funded through previous bond referenda up to the 2010 Bond Referendum. The original \$816.4 million General Community Investment Plan covering four bond referenda from 2014 through 2020 did not include funding to continue the following traditional transportation programs:

- **Traffic Calming** – Averaged \$2.0 million in funding per prior bond referendum to provide neighborhood speed humps, all-way stop signs, and roundabouts. Example types of projects include construction of projects on local streets to slow traffic and enhance travel by pedestrians and bicyclists, such as the upcoming Scaleybark Traffic Calming project.
- **Traffic Safety** – Averaged \$2.5 million in funding per prior bond referendum to respond to traffic safety issues based on crash data and concerns from the community. Example types of projects include improvements to intersections for motorists, bicyclists, and pedestrians, such as the signalization of the Charlottetowne Avenue and Metropolitan Avenue intersection.
- **State Highway Participation** – Averaged \$3.8 million in funding per prior bond referendum to enhance State projects to build complete streets for the community. Example types of projects include additions to State highway

projects to make them conform to City standards, such as the new bridges across I-485 in the Prosperity Village area.

- **Minor Roadway** – Averaged \$3.5 million in funding per prior bond referendum to provide small roadway and intersection improvements, such as the Roundabout at Shopton Road/Beam Road and the new right turn lane at Old Concord Road and McLean Road.
- **Public/Private Participation** – Averaged \$2.0 million in funding per prior bond referendum to leverage private development to minimize future construction costs and create complete streets beyond developer-required improvements, such as the realignment of Carson Blvd/Lexington Avenue Intersection.
- **Bicycle Program** – Averaged \$1.25 million in funding per prior bond referendum to provide bikeways and overland connectors to the County's greenway system, and to support Bike Charlotte. Example types of projects include the construction of new bicycle facilities, such as the Green Bike Lane projects.

### **Selection Criteria**

In previous capital plans, each of the traditional programs mentioned above received specific bond funding. Ranking and selection criteria were developed for each program using a variety of factors including:

- Projects identified in adopted plans (Area Plans, Transportation Action Plan, Bicycle Plan)
- Coordination opportunities and partnerships with NCDOT and other partners (such as the private sector, CMS, Parks and Recreation) to create cost-effective solutions
- Requests from citizens
- Existing safety conditions, including high accident locations
- Gaps and deficiencies in the bicycle and pedestrian networks
- Gaps in the overall transportation network

Staff has continued to maintain a current list of potential projects that qualify for funding through the traditional transportation programs but which currently do not have funding. Attachments 1 and 2 provide a listing of these potential projects and a map showing their geographic locations around the City.

The inclusion of the Neighborhood Transportation Program in the 2014 Bond referendum will provide the opportunity to fund some of these potential projects, allowing the City to continue responding to neighborhood transportation mobility and safety needs and to leverage outside agency transportation projects to take advantage of unforeseen opportunities to improve the transportation system citywide.

In the recommended Neighborhood Transportation Program, the six traditional programs are blended together and updated criteria for ranking and selecting projects within this consolidated program are currently being developed. In the near term, staff will define the specific methodology for ranking projects among the various components while leaving some capacity to partner with the State and/or private sector as opportunities arise. Approximately 50% of the \$5.2 million funding will be allocated to specific projects focusing on traffic safety minor roadway improvements and bikeways, while the remaining funds will be held in reserve for potential partnering opportunities with the State and private developers.

### **Funding Allocation Decision-making**

Once the ranking methodology is complete, City staff will make recommendations to the City Manager on the allocation of funding to projects from the Neighborhood Transportation Program similar to the process used for the traditional transportation programs. Projects recommended under this program that require funding of at least \$100,000 will come before City Council for consideration. For projects costing less than \$100,000, the City Manager will allocate funds from this program to projects based on City Council policies, priorities, and guidance.

**Question 3:** *Related to the Airport Traffic Control Tower, what is the status of Federal Aviation Administration funding and what City capital planning components are included in Aviation's budget in anticipation of future federal funding?*

The Federal Aviation Administration (FAA) has declined offers from the Aviation Department to provide alternative funding for the construction of a new air traffic control tower. The FAA committed \$37.5 million in its Federal Fiscal Year 2014 budget appropriation for the tower; however, to this point, the FAA has not appropriated an additional \$20.0 million of necessary capital equipment funding for the tower.

The Aviation Department's FY2015-FY2019 Community Investment Plan includes the programming of Airport Pay-As-You-Go funding in FY2015 and FY2016 as a "stop gap" measure to advance the Traffic Control Tower project should the FAA be unable to appropriate the necessary remaining funding. The Aviation Department has planned that the FAA will use an intergovernmental agreement to repay any Airport Pay-As-You-Go funds that may be expended for the new tower. Aviation's priority is to maintain the project schedule such that the commissioning of the new Control Tower will occur, as scheduled, in 2019.

**Question 4:** *What are anticipated key considerations related to Aviation's projected Operating and Capital needs over the next five years?*

### **Operating Needs**

Due to the dynamic nature of the Airport and rapid passenger and operational growth, the Aviation Department will continue to work with its airline partners each year to develop an appropriate level of operating expenditures that meet the needs of the signatory carriers, passengers, and tenants. Key considerations for future Aviation Operating budgets are as follows:

- Expansion of the Airport Business Office to provide proper oversight of revenue contracts with particular focus on airport management contracts, terminal concessions and advertising, general aviation facilities, and non-aeronautical airport tenants
- Adequate building maintenance, security, and airport operational staffing necessary to support 24/7 Airport operations;
- Proper operating and maintenance expenditures for the passenger terminal building including:
  - Maintenance and repair of critical terminal systems
  - Additional maintenance to maintain a 30-year-old terminal facility
  - Additional utilities and janitorial associated with a larger and expanded terminal facility as well as an increased number of passengers

- Provision of terminal related technologies including aircraft gate management, flight and baggage information display, enhanced CCTV/airport security, and overall technology infrastructure
- Adequate airfield operating and maintenance to provide a safe operating environment for aircraft operations through:
  - Additional runway, taxiway and ramp repair expenses associated with an aging and growing aircraft movement area
  - Removal of airplane wheel rubber from runways, foreign object debris control, and wildlife management
  - Enhanced airfield safety and security

**Capital Needs**

Capital budget priorities will also be determined through close cooperation and planning with airline partners to assess current and future needs. The Airport is currently planning to implement certain improvements to the passenger terminal complex including a terminal rehabilitation project and expansion of terminal concessions to enhance passenger experience. Additionally, development of a new Airport Master Plan is currently underway to help identify Airport growth and infrastructure needs over the next 20 to 30 years.

**Question 5:** *For the past five years, what has been the increase in rates for private sector utilities?*

Rates for Duke Energy and Piedmont Natural Gas are approved by the North Carolina Utilities Commission. For Duke Energy, the average cents per kilowatt hour paid by the typical residential customer has increased by an average of 4.40% over the past four years. The typical monthly bill for a Piedmont Natural Gas residential customer has decreased by 4.38% over the same time period. It is important to note that these are residential rates. Commercial rate setting for both utilities varies significantly by individual customer.

According to the U.S. Energy Information Administration, the cost of natural gas has dropped significantly over the past five years. This cost decrease, driven by increased production, has allowed residential gas prices to decrease.

<b>Utility Rate Changes for a Typical Customer</b>						
<b>Utility</b>	<b>2010<sup>(2)</sup></b>	<b>2011</b>	<b>2012</b>	<b>2013</b>		<b>Average</b>
Duke Energy <sup>(1)</sup>	6.12%	1.21%	10.97%	-0.69%		4.40%
Piedmont Natural Gas <sup>(1)</sup>	-20.0%	-0.63%	2.79%	0.24%		-4.38%
Water-Sewer Consumer Price Index	6.75%	5.30%	6.67%	3.74%		5.62%
	<b>FY11<sup>(2)</sup></b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15<sup>(3)</sup></b>	<b>Average</b>
Charlotte-Mecklenburg Utility Department	7.94%	9.72%	5.78%	4.04%	3.10%	6.12%
Storm Water Services	7.0%	6.5%	6.0%	5.5%	3.0%	5.60%

<sup>(1)</sup> Data provided by Duke Energy and the North Carolina Utilities Commission.

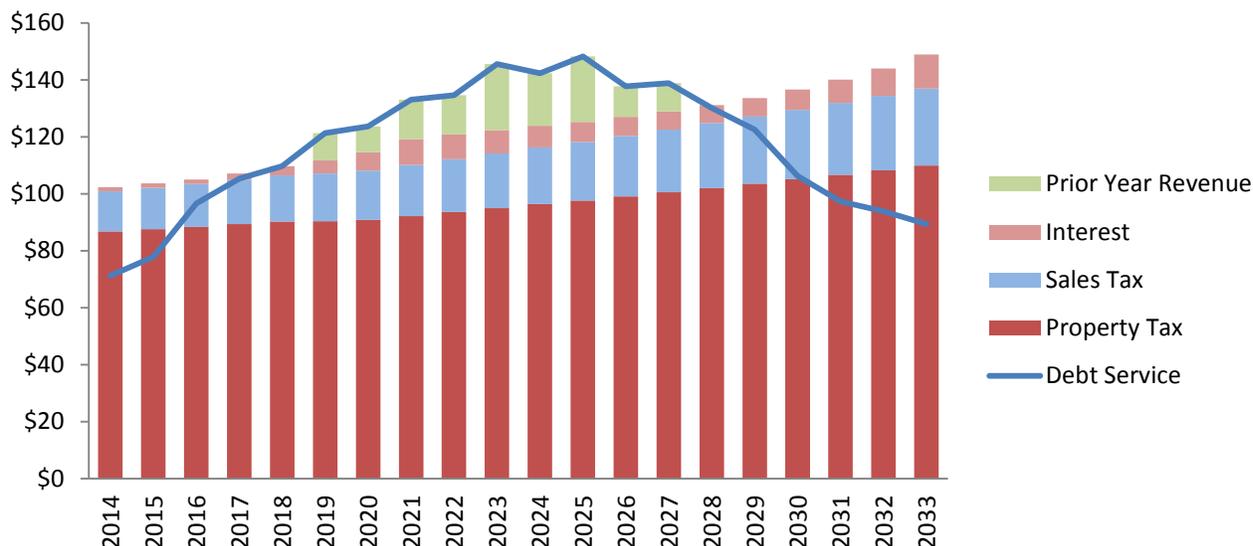
<sup>(2)</sup> Private Utility figures and the Water-Sewer Consumer Price Index are provided on a calendar year basis. Corresponding City utility figures are provided on a fiscal year basis.

<sup>(3)</sup> City utility figures for FY2015 reflect the City Manager's Recommended rate increases

**Question 6:** For the proposed General Community Investment Plan, what are the debt commitments compared to available funding sources?

The chart below shows the debt service both for existing capital investments and debt (i.e. General Obligations & Certificates of Participation) that is anticipated to be issued under the \$816.4 million General Community Investment Plan. It also breaks out the sources of revenue that are forecast to be used for debt service. In early years, revenues exceed debt service, creating sufficient surplus to fund the highest years of debt service with Prior Year Revenue. As revenues begin to exceed debt service in later years, debt capacity for future capital investments is created.

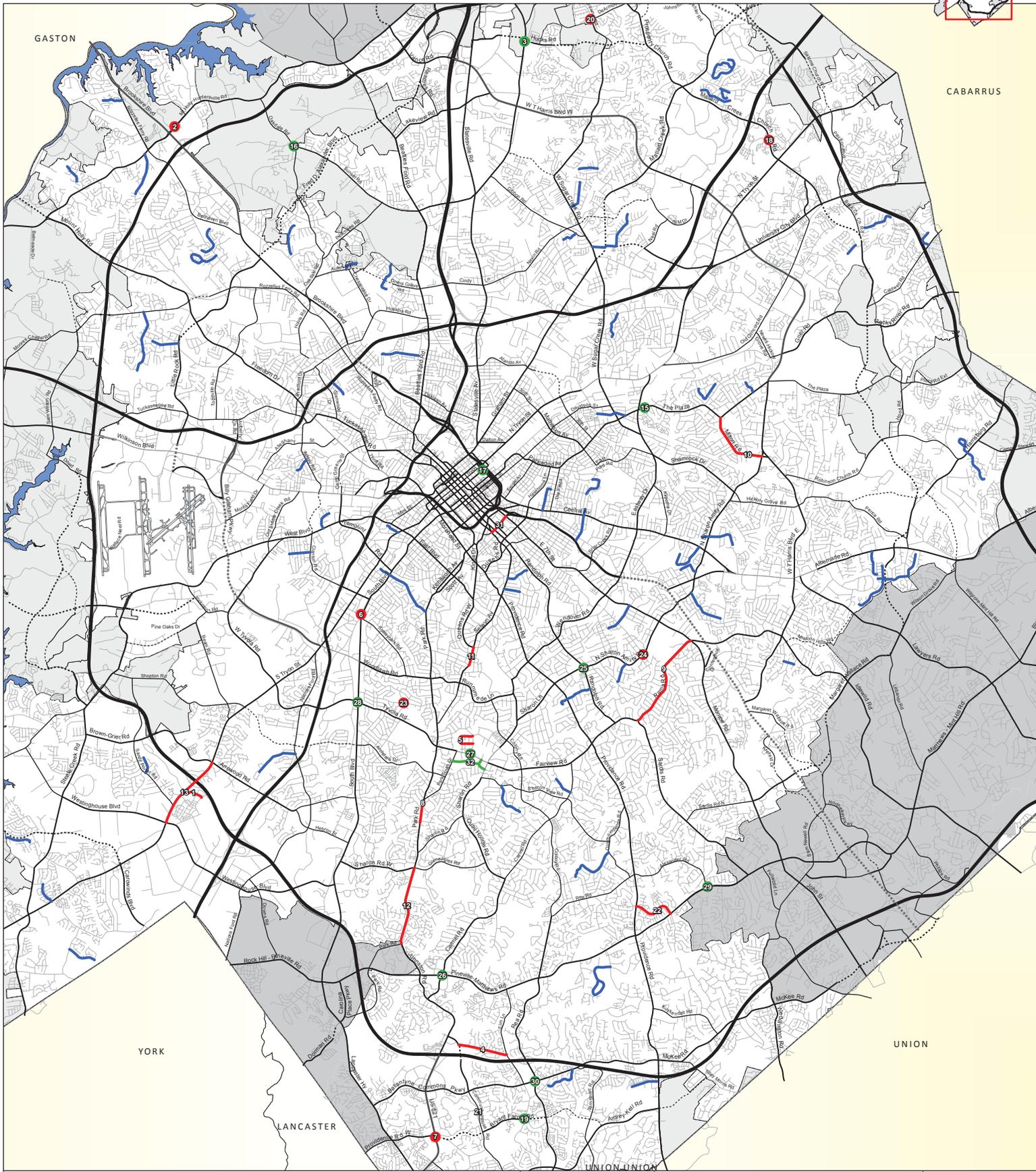
**Projected General Community Investment Plan Debt Service with Funding Sources (\$ - millions)**



## Neighborhood Transportation Potential Project Locations

ID #	Name	Description
1	Ayrsley Town Blvd	Bicycle, pedestrian and traffic flow improvements. Add bike lanes, curb extensions, crosswalks, and left turn lane.
2	Mt Holly-Huntersville RTL extension	Extend right turn lane to increase intersection capacity.
3	Hucks/NC 115 Left Turn Lane	Add left turn lane on southbound NC 115
4	Endhaven Lane Traffic Calming Study	Evaluate traffic calming options for the major collector between two thoroughfares
5	Carnegie Blvd Street Conversion	Partner with active redevelopment to implement a street conversion to add bike lanes, on-street parking, and pedestrian crossings.
6	South Blvd/Freeland Bike Lanes	
7	Providence Rd West/US 521 Northbound LTL	Add a left turn lane in the existing median on northbound US 521 to Providence Road West.
8	Park Rd Intermittent Islands	Install intermittent islands between Park South Drive and Creekbed Lane (5-lane section) for traffic calming and pedestrian refuge.
9	Rama Rd Conversion and islands	Convert from a 4-lane cross-section to 3 lanes with bike lanes and intermittent islands.
10	Milton Road Conversion and islands	Convert from a 4-lane cross-section to 3 lanes with bike lanes and intermittent islands.
11	Selwyn Avenue Intermittent islands	Install intermittent islands between Queens Road West and Colony Road for pedestrian refuge and traffic management.
12	Park Rd Corridor Study	Study alternatives to reduce traffic speeds and improve pedestrian facilities.
13	South Tryon Street Lighting	Install breakaway streetlighting to mitigate night time crashes.
14	US 521/Ardrey Kell	Add turn lanes to increase vehicular capacity and add pedestrian crossing facilities.
15	The Plaza/The Plaza Walk	Intersection modifications to mitigate existing vehicular crash patterns.
16	Lawing/Miranda/Sunset/Oakdale	Intersection modifications to mitigate existing vehicular crash patterns.
17	11th/College	Intersection modifications to mitigate existing vehicular crash patterns.
18	Mallard Creek Church/Berkley Place Street Lighting	Install breakaway streetlighting to mitigate night time crashes.
19	Blakeney Heath/Bryant Farms/Elm	Lessen congestion by installing a right turn lane on Blakeney Heath.
20	Browne/DeArmon	Lessen congestion by installing a left turn lane on Dearmon at Browne Road.
21	Brem Lane @ Community House	Connect Brem Lane to Community House Road.
22	Beverly Crest Boulevard	Install 2 roundabouts for traffic calming and to facilitate pedestrian crossings.
23	Seneca/Wedgewood	Install bulb-outs to facilitate pedestrian crossings and for traffic management.
24	Craig/Sharon Amity	Install left turn lanes and a traffic signal on Sharon Amity Road at Craig Avenue
25	Randolph Rd/Sardis Ln	Lessen congestion by extending the southbound left turn storage
26	Carmel Road/NC 51	Lessen congestion by constructing a second southbound left turn lane
27	Barclay Downs Dr/Fairview Road	Lessen congestion by constructing a second eastbound and southbound left turn lanes
28	South Blvd/Tyvola	Lessen congestion by constructing a second southbound left turn lane
29	Alexander Road/NC 51	Lessen congestion by constructing a southbound right turn lane
30	Rea Rd/Ballantyne Commons Parkway	Lessen congestions and enhance traffic flow by constructing a westbound right turn lane.
31	Charlottetowne Avenue Complete Street	Add bike lanes and crossing facilities
32	South Park Street Connections	Partner with redevelopment to enhance the street network

# Neighborhood Transportation Program Potential Project Locations



- Thoroughfares
- Freeway
- Major - Class III
- Major thoroughfare
- Minor thoroughfare
- Freeway - Proposed
- Major - Proposed
- Minor - Proposed

- Spheres of Influence
- Charlotte City Limits
- Charlotte Sphere of Influence
- Adjoining Municipalities and their Spheres of Influence

- Speed Humps
- Potential Intersection Projects < \$500K
- Potential Corridor Projects < \$500K
- Potential Intersection Projects > \$500K
- Potential Corridor Projects > \$500K

1 inch = 1 miles

May 28, 2014

Planning & Design  
Date: 5-6-14  
Source: CDOT Design Section  
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# **Questions and Answers from Prior Budget Workshops**

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## **Aviation**

- 1. *What are the current aviation industry norms and trends associated with signatory airline leases for large hub airports? How would these trends - if translated to Charlotte Douglas International – impact the future of the airport compared to Charlotte’s current lease agreements? (March 19th Budget Workshop)***

The US Department of Transportation discourages long-term leases with airlines to encourage competitive access to public airports. The current industry norm for airline use and lease agreements is between five and ten-year lease terms.

The Aviation Department is currently working with its consultant to gather specific information on signatory airline leases for some large hub airports, with a focus on American/US Airways hubs. Once this information is compiled, the Aviation Department will provide Council with a summary of trends related to leases and the potential impact on the future of Charlotte’s current lease agreement.

- 2. *What is Airport’s five-year timetable for issuing bonds for new projects? (March 19th Budget Workshop)***

The Aviation Department does not currently have a timetable for issuing bonds due to the uncertainty related to the American Airlines/US Airways merger and the nearing end of the current airline use agreement. Once a new agreement is reached, the Aviation Department will reassess the capital needs of the airport and develop a bond issuance plan. In the interim, the Aviation Department intends to leverage the Passenger Facility Charge (PFC) account balance to pay for PFC-eligible projects on a Pay-As-You-Go basis. The current PFC application to the Federal Aviation Administration includes approximately \$116.0 million in Pay-As-You-Go demand-driven projects.

## **CityLYNX Gold Line**

- 3. *The City Manager is recommending a transfer of \$750,000 from Pay-As-You-Go to General Fund to cover CATS operating expenses for the CityLYNX Gold Line Phase 1. This will increase to \$1.5 million in FY2016 and is needed because no fares will be collected on the Line. Is the \$1.5 million annual operating cost projected to continue increasing over the years? Can a fare be established so that ridership revenue can be used to support the operating costs of the Gold Line Phase 1? How much revenue could we expect from fares? (May 5th City Manager’s Recommended Budget Presentation)***

The CityLYNX Gold Line Phase 1 operating expenses are estimated to be \$1.5 million per year for full year operations. Since FY2015 is a partial year of operation, only \$750,000 (or ½ year of expenses) of the full \$1.5 million is programmed in the recommended budget. This will cover the cost of staff (operators, maintenance personnel and supervisors) recruitment and training prior to the start of service and the actual operation and maintenance after opening in March 2015. The full year operating cost of \$1.5 million will begin in FY2016.

Annual cost of service increases in subsequent fiscal years of approximately 3.5% - 5% are anticipated. Actual increases will depend upon prevailing economic inflationary conditions, maintenance and repair costs, supplies and electricity costs, number of service hours, and any future compensation adjustments.

These operating expenses are recommended to be funded from the City's General Fund as described in the response to Question 9.

#### Fare Collection – CityLYNX Gold Line Phase 1

Based on the issues outlined below, CATS recommends continuing to provide fare free service on the CityLYNX Gold Line Phase 1 project. This would be consistent with the fare free service for the remainder of the Gold Rush Red Line during this initial phase. With the opening of the CityLYNX Gold Line Phase 2 project, we would transition to the full local fare (currently \$2.00, increasing to \$2.20 on July 1, 2014) for the 4-mile line encompassing Phases 1 and 2, which would fully eliminate the current fare free Gold Rush service.

CATS conducted a preliminary analysis on the logistics of collecting fares on the Gold Line Phase 1 project. This analysis noted the following reasons that were considered in the recommendation not to charge a fare.

#### **Operating Considerations**

- Introducing a fare on the 1.5 mile Phase 1 project may create an equity issue.  
Currently, the Gold Rush Red line operates fare free (with support from Center City Partners and the private sector) from Johnson C. Smith University (JCSU) to Novant Presbyterian Hospital. Phase 1 will only replace a 1.5 mile portion of the overall 4 mile Gold Rush Red line. The remainder of the Gold Rush Red line from Time Warner Arena to JCSU will remain fare free with support from the existing funding partners.
- Cost of Fare Collection would exceed \$85,000 annually.  
The operating cost of fare collection includes personnel expenses for; accounting/counting the money, enforcing the fares, and maintaining the fare collection equipment/infrastructure. Initial estimates place the cost of fare collection at over \$85,000 annually. This does not include use of credit/debit.
- Revenue from Fare collection on the Gold Line Phase 1.  
CATS anticipates that many trips on the Phase 1 project will be a transfer from/to LYNX Blue Line or a bus route. In addition, many of the riders will utilize pre-paid fare media. As such, the potential cash revenue from Phase 1 ridership fares is estimated to be approximately \$60,000 - \$80,000 per year.
- Annual fare box revenues of \$60,000 - \$80,000 will not cover the \$85,000 in annual fare box-related expenses to collect the fares.

#### **Capital Considerations**

- Expense of installing fare collection equipment in trolleys would exceed \$100,000.  
The Phase 1 project will operate the replica Gomaco Trolley vehicles that are not currently equipped with modern fare collection equipment. The trolleys would require two fare boxes per vehicle, plus spares, a one-time capital cost in excess of \$100,000 for accepting cash and pre-paid fare medial. Credit/debit cannot be accommodated with this equipment. The Phase 1 project does not include funding for these upgrades.
- Fare collection infrastructure at the Rail Maintenance Facility would exceed \$40,000.  
The Phase 1 project does not include capital funds to add fare collection infrastructure to the Light Rail Vehicle Maintenance Facility that will house and maintain the Gomaco vehicles in Phase 1. The addition of vaults and other equipment could exceed \$40,000.

**4. What is the significance of moving the \$750,000 budget for CityLYNX Gold Line Phase 1 operations from the Pay-As-You-Go Capital program to the General Fund? Will this transfer free up capacity in the Pay-As-You-Go program for use on other projects? (May 5th City Manager’s Recommended Budget Presentation)**

In conjunction with its July 2010 approval and appropriation of Urban Circulator Grant and City matching funds to construct the CityLYNX Gold Line Phase 1 streetcar project, City Council agreed to identify alternative revenue sources in the General Fund to support the annual ongoing operating costs of the 1.5 mile Gold Line Phase 1.

In order to establish a multi-year committed revenue source to support the future operations of the Gold Line Phase 1, beginning in FY2013, revenues and expenditures of \$750,000 for FY2015 and \$1.5 million each year thereafter were programmed into the five-year General Capital Pay-As-You-Go Fund as a budgetary planning approach to reserve the required future funding for the Gold Line Phase 1 operations.

Now that the Gold Line will be coming on line in FY2015, it is now appropriate to shift the reserved funding from the Pay-As-You-Go Fund to the General Fund. The recommended budget shifts a portion of the revenue from the \$30 annual Motor Vehicle Registration fee (paid annually at the time of initial vehicle licensing and subsequent annual renewals) to accomplish the funding need. Key highlights of this funding source are as follows:

- \$20 of the \$30 Motor Vehicle Registration fee is statutorily limited to funding public transit. The remaining \$10 can be used for any other local government expenditure.
- Current allocation of the \$30 Motor Vehicle Registration Fee:
  - \$25 of this fee is currently allocated to the General Capital Pay-As-You-Go Fund to support the City’s Maintenance of Effort (MOE) contribution to CATS, the CityLYNX Gold Line Phase 1 operating expenditures, and other non-transit capital maintenance.
  - \$5 of the fee remains in the General Fund to support general City operations.
- The City Manager’s FY2015 recommended budget transfers \$1.45 of the \$25 Motor Vehicle Registration fee revenue from the Pay-As-You-Go Fund to the General fund as a permanently designated funding source to support the \$750,000 operating expenditures of the Gold Line Phase 1 for FY2015.
- Beginning in FY2016, the fee transfer will increase to \$2.84 to support ongoing operating expenditures of approximately \$1.5 million per year.
- \$22.16 of the fee will remain in the Pay-As-You-Go Fund to continue the City’s Maintenance of Effort contribution to CATS and to support other non-transit capital maintenance.
- A summary of the allocation shift is as follows (noted per vehicle registration):

<b>Allocation To</b>	<b>FY2014 Amount</b>	<b>FY2015 Amount</b>	<b>FY2016 Amount</b>
Pay-As-You-Go Capital	\$25.00	\$23.55	\$22.16
General Fund	\$5.00	\$6.45	\$7.74
<b>Total</b>	<b>\$30.00</b>	<b>\$30.00</b>	<b>\$30.00</b>

Since both revenues and expenditures are already programmed in the Pay-As-You-Go Fund for the Gold Line Phase 1, the recommended transfer of both revenue and

expenditure to the General Fund will have no net impact on the Pay-As-You-Go program and will not free up capacity for use on other capital projects.

**5. What is the cost of the 12 positions associated with CityLYNX Gold Line Phase 1 operations? (May 5th City Manager’s Recommended Budget Presentation)**

The total cost to operate the CityLYNX Gold Line Phase 1 in Fiscal Year 2015 will be \$750,000, including salaries and benefits for 12 positions, and the ongoing operating costs such as maintenance/repair, utilities, and supplies. The full annual cost beginning in Fiscal Year 2016 will be \$1.5 million. The table below indicates the start-up costs for the 12 positions, based on the proposed hire date in Fiscal Year 2015, and the full annual cost in FY2016.

<b>Position Title</b>	<b># of Positions</b>	<b>Proposed Hire Date</b>	<b>FY2015 Costs w/Benefits*</b>	<b>FY2016 Costs w/Benefits</b>
Operations Supervisor	1	10/04/14	\$71,811	\$96,889
Rail Operator (initial hire)	2	11/01/14	\$88,578	\$149,891
Rail Operator	5	12/13/14	\$208,421	\$383,711
Electronics Tech II	3	02/14/15	\$90,482	\$222,914
Safety Coordinator	1	02/14/15	\$34,398	\$84,663
<b>Personnel Services Total</b>	<b>12</b>		<b>\$493,690</b>	<b>\$938,068</b>
Operating Costs Total			\$256,310	\$561,932
<b>Total Budget</b>			<b>\$750,000</b>	<b>\$1,500,000</b>

**Community Investment Plan**

**6. Please provide additional background on the Charlotte Mecklenburg Police Department’s (CMPD) Central Division Station and the status of the current lease. (January 30th Council Retreat)**

CMPD was notified in September 2013 by the building’s management company, Lincoln Harris, that the lease would not be renewed after March 31, 2014. Bank of America currently owns the facility and they are looking to sell the property due to regulatory requirements. The current station occupies the property that is bounded by North Tryon Street, East 7th Street, North College Street and Charlotte Housing Authority’s Hall House. The CMPD Central Division has occupied this space since August 2001.

Bank of America has begun the appraisal and disposition process. They have indicated that they would extend CMPD’s lease an additional 6-12 months as the Bank proceeds with their internal disposition process and marketing the property. Currently, the City’s Engineering & Property Management Real Estate Division is negotiating to extend the current lease with CMPD and reviewing the City’s options for the station.

Currently, CMPD pays \$1 a year in rent for the Central Division. There is no cost for patrol car parking at the site as the Division is able to use a portion of the Charlotte Housing Authority’s Hall House parking lot. Central Division occupies approximately 9,060 square feet of a 20,558 square foot, two-story building. The standard size of a CMPD division office is 12,500 square feet. The facility was last renovated in 2010 at a cost to the City of \$380,000.

The Central Division geography includes areas inside of I-277 and portions of South End and the Elizabeth community (4.2 square miles). This area is also comprised of

the Uptown areas' major financial institutions, sports and entertainment venues, Central Piedmont Community College, Johnson & Wales, and the University of North Carolina at Charlotte. Approximately 100 officers operate out of the Central Division office.

One option the City is pursuing is to purchase the building from Bank of America to avoid relocating the Central Division Station. The current location meets CMPD's station location priorities of high visibility, major thoroughfare location, and easy access for the citizens of Charlotte.

The City's Real Estate Division is also exploring potential new locations for Central Division. They have reviewed available facilities for lease as well as different options to purchase land for the construction of a new division office.

Buying land and constructing a new division office within the same Uptown footprint is estimated to cost between \$12-15.5 million. Land requirements for an Uptown station would require roughly 1.5 acres and land costs would range between \$65-125 per square foot (\$4.5-8 million). Design and construction of the station and parking deck would increase costs by an additional \$7.5 million. Real Estate identified eight properties for sale within the Central Division footprint with three being City or County owned properties.

**7. For the "Citywide" programs within the General Community Investment Plan, what are the criteria used to determine the project locations? Are any of the future project locations known at this time? (April 9th Budget Workshop)**

The "Citywide" projects within the General Community Investment programs provide or support capital infrastructure needs throughout the City. Following budget adoption by Council, projects locations and specifications are determined based on a variety of established criteria for each program. These programs include: Sidewalk and Pedestrian Safety, Upgrade Traffic Signal System Coordination, Upgrade Traffic Control Devices, Repair and Replacement of Bridges, and the Housing Diversity Program. Below is a description of each of these programs and selection criteria; where known, a list of potential locations being considered as part of the proposed bond referenda is included.

Sidewalk and Pedestrian Safety (\$60 million over 4 bond cycles)

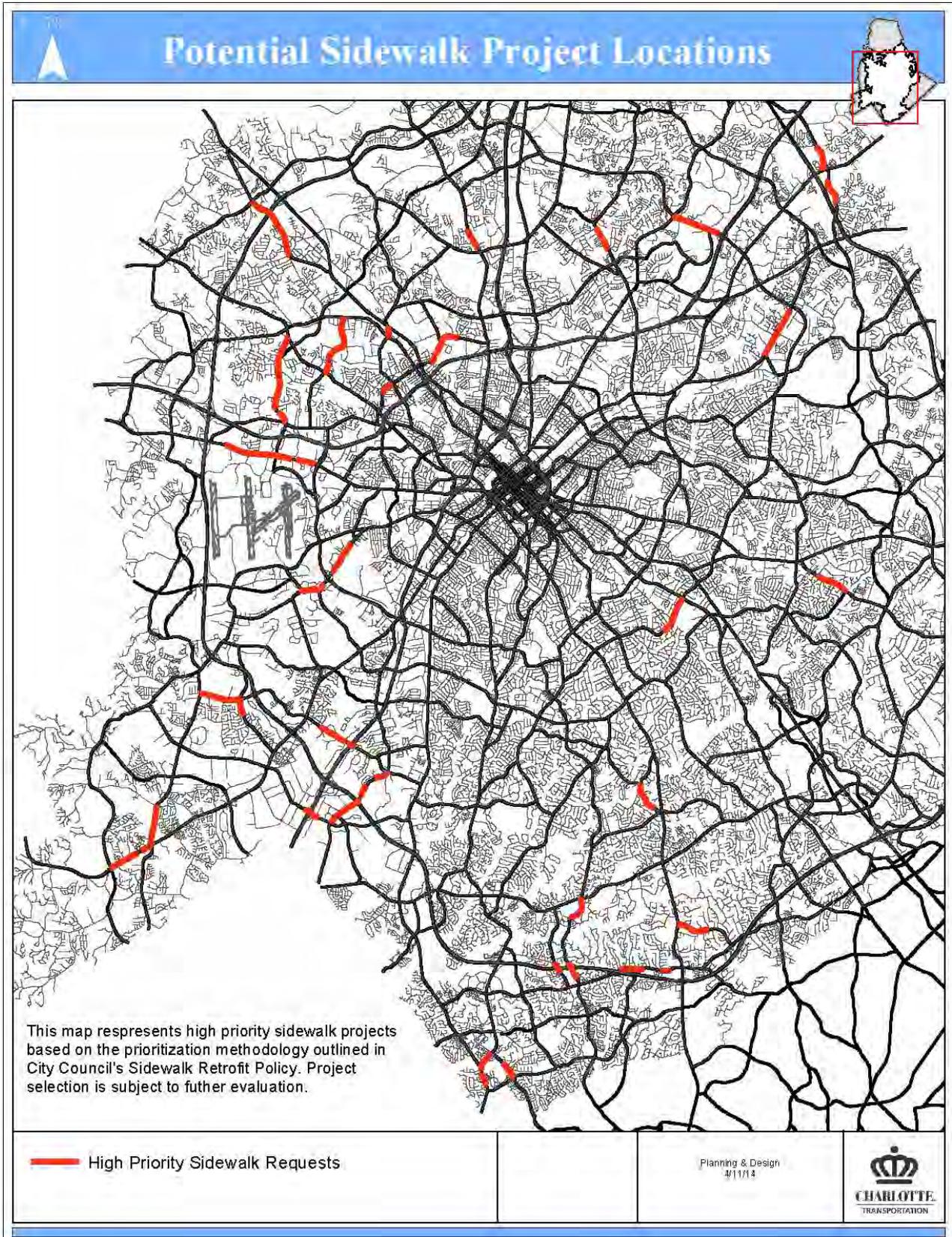
**Purpose and Process**

The Sidewalk and Pedestrian Safety program is implemented in accordance with the Council approved Sidewalk Policy for both thoroughfare and residential projects.

- Thoroughfare Sidewalk and Pedestrian projects are identified and ranked based on a variety of criteria including: street cross-section, traffic volumes, distance between signalized intersections, crash data, surrounding existing sidewalk network, length of connection, and distance to pedestrian generators such as schools, parks and transit stops. The potential locations for these projects are provided in the "Potential Locations" section noted below.
- Residential Sidewalk and Pedestrian projects follow a public petition and engagement process (similar to traffic calming projects). There are currently no residential sidewalk projects in the queue at this time. As those requests arise, the thoroughfare sidewalk construction list and schedule would be adjusted to create capacity for that work.

### **Potential Locations**

Within the Thoroughfare Sidewalk and Pedestrian program, staff identified and evaluated over 200 potential projects using the established criteria. The top 40 potential locations are depicted on the following page (specific street locations are listed in [Attachment 1](#)). The proposed 2014 bond funding would allow the Charlotte Department of Transportation (CDOT) to move forward with a range of 10 to 14 of these top 40 projects. This list is fluid and can change as conditions impacting the criteria may change.



Upgrade Traffic Signal System Coordination (\$15 million over 4 bond cycles)

**Purpose and Process**

The Traffic Signal System Coordinator program provides fiber-optic communications for:

- Traffic signal operation and coordination (80% of traffic signals are currently coordinated to allow uninterrupted flow)
- Traffic management cameras for real-time traffic surveillance
- Traffic counts
- Travel speed data to system operators

The program also provides incident management communication equipment for clearance of motor vehicle accidents, signal outages, traffic control during special events, and assistance to disabled motorists. Site selection is determined by existing fiber-optic capacity from which new fiber-optic can be extended and in coordination with ongoing construction projects.

**Potential Locations**

The following tables list potential projects that would move into construction and design with the proposed 2014 bond funding. Projects moving to design with 2014 bond funding will be constructed with 2016 bond funding. [Attachment 2](#) provides a map of these locations.

<b>Prior Year Funded Design Projects; Proposed For Construction Using 2014 Bond Funding (shown in green on Attachment 2 map)</b>
Statesville Avenue: Dalton Avenue to I-85
N. Tryon Street: I-277 to 16 <sup>th</sup> Street
Uptown: Mint Street, Stonewall Street, Caldwell Street, and 3 <sup>rd</sup> Street

<b>Proposed 2014 Funded Design Projects; Proposed For Construction Using 2016 Bond Funding (shown in blue on Attachment 2 map)</b>
Harris Boulevard: University City Boulevard to Rocky River Road
Harris Boulevard: Old Concord Road to McLean Road
Wilkinson Boulevard: I-485 to Old City Hall
Steele Creek Road: Westinghouse Road to S. Tryon Street
Arrowood: S. Tryon Street to South Boulevard
Mallard Creek Road: Harris Boulevard to Governor Hunt Road

Upgrade Traffic Control Devices (\$19 million over 4 bond cycles)

**Purpose and Process**

The City operates and maintains a signal system including 740 traffic signals, 350 traffic management cameras, and over 300 miles of fiber optic traffic signal communications. This program enhances and upgrades the signal system by providing new and innovative technology in traffic control devices and traffic management. This program works in conjunction with the Upgrade Traffic Signal System Coordination program to upgrade devices as new communications infrastructure is installed ([Attachment 2 map](#)).

Traffic control devices include new traffic management cameras, along with replacement of outdated traffic signal controller equipment. This program also installs traffic control devices that promote pedestrian and bicycle mobility.

**Potential Locations**

The following is a list of additional project work planned through this program. The list may change as more is learned about design specifications and associated costs.

1. Install new pedestrian signalized crossings at the 160 signalized intersections with no pedestrian signals (more than 20% of signalized intersections do not have pedestrian crossings). CDOT installs approximately 10 new locations per year (or 20 per bond cycle). The following list represents work planned with the proposed 2014 bond funding. [Attachment 3](#) provides a map of these locations.

<b>Proposed Pedestrian Signal Installations (by intersection)</b>
Eastway Drive & Shamrock Drive
Eastway Drive & Sugar Creek Road
Harris Boulevard & Tryon Street
I-77 Northbound Ramp & Trade Street
Ken Hoffman Drive & Tryon Street
Nations Ford Road & Tryon Street
Tom Hunter Road & Tryon Street
Harris Boulevard & Mallard Creek Road
I-85 Ramps & Freedom Drive
Morris Field Drive & Wilkinson Boulevard
Bill Graham Parkway & Scott Futrell Drive
I-77 Northbound Ramp & 5 <sup>th</sup> Street
Park Road Shopping Center & Woodlawn Road
12TH Street & College Street
Carolina Pavilion & South Boulevard
Little Rock Road & Wilkinson Boulevard
Eastway Drive & Northpark Mall
Independence Boulevard & Margaret Wallace Road
Old Concord Road & Tryon street
Arborway & Sharon Lane

2. Install enhanced traffic control devices for vehicles, pedestrians, bicycles and motorcycles. This includes wireless, thermal and video detection at new locations. This will also replace the outdated and unreliable vehicular video detection cameras at 170 intersections throughout the City.
3. Continue the installation of Accessible Pedestrian Signals in support of the Americans with Disabilities Act (ADA). These devices also provide a benefit to all users of the pedestrian system. The following list represents work planned with 2014 bond funding. [Attachment 4](#) provides a map of these locations.

<b>Proposed Accessible Pedestrian Signals</b>
3 <sup>rd</sup> Street & College Street
3 <sup>rd</sup> Street & Brevard Street
Trade Street & College Street
Eastway Drive & The Plaza
Central Avenue & Hawthorne Lane
Audrey Kell Road & Community House Road
Tremont Avenue & South Boulevard
Emerywood Drive & South Boulevard
Carolina Pavilion & South Boulevard
Elm Lane & Pineville-Matthews Road
International Drive & Providence Road

4. Install a new communications system for school zone flasher systems to enable central office monitoring and time of day adjustments for the 65 locations across the City.
5. Install upgraded devices for emergency signals at the 41 fire stations across the city.

Repair and Replace Bridges (\$14 million over 4 bond cycles)

**Purpose and Process**

This program provides for the biennial inspection and repair of the 201 bridges and culverts throughout the City as required by federal law. The program’s purpose is to maintain a safe bridge system by repairing and replacing bridges that do not meet structural capacity and width standards. This inspection and repair program allows the City to have bridges that are safe for public use. The proposed 2014 bond funding for biennial inspection on the City’s bridges and culverts would occur along with the corresponding design and repair work for any deficiencies identified.

**Potential Locations**

The following table lists the three bridges that are scheduled for replacement with 2014 bond funding. [Attachment 5](#) provides a map of these three bridge locations along with all the bridges and culverts in the City’s system.

<b>Proposed Bridge Replacements</b>
Cannon Avenue over Derita Branch
Morris Field Drive over Norfolk Southern Railroad
Sardis Lane over McAlpine Creek

## Housing Diversity (\$60 million over 4 bonds)

### **Purpose and Process**

The City does not directly develop affordable housing. The proposed bond funding through the Housing Trust Fund would be made available to affordable housing developers to provide gap financing for affordable housing developments throughout the City. As a result, the Housing Diversity Program is developer or property owner driven, meaning that a developer or property owner must be interested in constructing a new housing development or rehabilitating an existing property. In both cases, the developer or property owner must have land control and the required zoning approvals.

The following criteria are used to evaluate proposed supportive housing developments:

- Consistency with City Policies – developments must be consistent with City Policies. Examples include the Housing Locational Policy and the Assisted Multi-Family Housing at Transit Station Areas Policies
- Development Strength - the number of affordable units and targeted household incomes should be for households earning 60% and below the area median income
- Developer Experience – the developer should have a successful track record for completing similar type developments and have experienced property management in place
- Financial Strength – the ability to leverage City funding with other sources of funding
- Additional evaluation criteria include – the use of green building techniques, the mix of incomes contained in a multi-family development, and the development's proximity to amenities, services and proximity to transit.

City staff releases requests for proposals on an annual basis, consistent with the North Carolina Housing Finance Agencies schedule, for the determination of tax credit awards. This process allows the City to leverage local dollars with state dollars. Additionally, staff releases requests for proposals for the development of Supportive Housing, allowing the City to continue the work of implementing the Ten-Year Plan to End and Prevent Homelessness, and rehabilitating existing single and multi-family housing.

### **Location**

Potential locations for future Housing Diversity projects are not known at this time.

### **8. *What are some examples of investments made in District 7, along with other Community Investment Plan projects by Council district over the past 10 years? (April 9<sup>th</sup> Budget Workshop)***

Approximately \$134.5 million in capital investments have been made in Council District 7 over the past 10 years, including the following examples:

- Rea Road Widening
- Community House Road improvements
- Ballantyne Commons Parkway/Elm Lane Intersection improvement
- McKee Road/Providence Road Intersection improvement
- Sidewalk construction and improvements, including McKee Road, Kuykendall Road, Ballantyne Commons Road, Rea Road, Bevington Place, and Elm Lane
- Arboretum Fire Station 39 construction on Providence Road
- Fire Station Renovations to Ballantyne Station 32 on Bryant Farms Road

- Median and Landscape Planting and Renovations at various locations, including Providence Road, Pineville-Matthews Road, and Rea Road
- Street Resurfacing of City-Maintained Streets throughout the District
- Storm Water Drainage improvements and stream restoration projects
- Water and Sewer utility improvements, including McAlpine Creek Relief Sewer and Six Mile Creek Lift Station

These capital investments were funded from a combination of sources including:

- Debt-funded Certificates of Participation (\$5.3 million)
- Pay-As-You-Go maintenance and renovation funds (\$8.9 million)
- Powell Bill Street Resurfacing funds (\$10.7 million)
- Storm Water Capital funds (\$22.6 million)
- Water and Sewer Capital funds (\$35.5 million)
- General Obligation Bonds (\$51.5 million)

Below is also a list of examples of bond-funded capital investments made in each Council District during approximately the same time period. Projects included in this list were funded through five voter-approved Transportation, Neighborhood Improvement, and Housing Bond referenda between 2002 and 2010.

District	2002-2010 GO Bond Funding (Millions)	Examples of Major Investments
1	\$ 103.9 M	<ul style="list-style-type: none"> <li>• Neighborhood Improvements</li> <li>• Northeast Corridor Access Improvements</li> <li>• Affordable Housing projects</li> <li>• South Corridor Infrastructure</li> <li>• N. Tryon Redevelopment</li> </ul>
2	\$ 136.6 M	<ul style="list-style-type: none"> <li>• Statesville Road Widening</li> <li>• Neighborhood Improvements</li> <li>• Affordable Housing projects</li> <li>• Beatties Ford Road Widening</li> <li>• Fred D. Alexander Section C</li> </ul>
3	\$ 150.3 M	<ul style="list-style-type: none"> <li>• Fred D. Alexander Section B</li> <li>• South Corridor Infrastructure</li> <li>• Affordable Housing projects</li> <li>• Neighborhood Improvements</li> <li>• Dixie River Road Realignment</li> </ul>
4	\$ 86.4 M	<ul style="list-style-type: none"> <li>• Northeast Corridor Access Improvements</li> <li>• Johnston-Oehler Road Improvements</li> <li>• City Boulevard Extension</li> <li>• NC 49 / US 29 Intersection</li> <li>• Affordable Housing projects</li> <li>• Neighborhood Improvements</li> </ul>
5	\$ 53.8 M	<ul style="list-style-type: none"> <li>• Neighborhood Improvements</li> <li>• Idlewild Road Widening</li> <li>• Hickory Grove Road Widening</li> <li>• Affordable Housing projects</li> </ul>
6	\$ 29.2 M	<ul style="list-style-type: none"> <li>• South Corridor Infrastructure</li> <li>• Affordable Housing projects</li> <li>• Sidewalks</li> </ul>
7	\$ 51.5 M	<ul style="list-style-type: none"> <li>• Rea Road Widening</li> <li>• Community House Road Improvements</li> </ul>

		<ul style="list-style-type: none"> <li>• Ballantyne Commons Pkwy/Elm Lane Intersection</li> <li>• McKee Rd/Providence Rd Intersection</li> <li>• Sidewalks</li> <li>• Minor Roadway Improvements</li> <li>• Providence Road/I-485 Area Plan Improvements</li> </ul>
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**9. What is the status of the West Tyvola sidewalk project? (April 9<sup>th</sup> Budget Workshop)**

The West Tyvola Road Sidewalk Project includes the installation 0.37 miles of new sidewalk along West Tyvola Road from West Boulevard to Old Steele Creek Road.

City staff held two public meetings to present the conceptual sidewalk alignment and to review residents' feedback. The design, real estate, and bid phases of this project are complete. The construction contract was approved by City Council on January 13, 2014. Construction began in April 2014 and is expected to be completed by June 2014.

A map of the West Tyvola sidewalk project is below:

**West Tyvola sidewalk project**



**10. What are the reasons for the requested reprioritization of new Police facilities, including station locations, dates for station completion, and operating impacts? (April 9<sup>th</sup> Budget Workshop)**

In June 2013, City Council approved the FY2014-FY2018 Community Investment Plan, which includes funding to construct six new police stations. The table below shows the six stations in the original approved priority order, and the fiscal years in which each is programmed to receive funding and to complete construction.

**Council Approved Priority List**

<b>Police Division</b>	<b>Year Funded</b>	<b>Anticipated Completion Year</b>
1. Westover Division*	FY2014 (Underway)	July 2016
2. South Division	FY2017	July 2019
3. ParkSouth (New Division)	FY2017	July 2019
4. Hickory Grove Division*	FY2019	July 2021
5. University City Division*	FY2019	July 2021
6. Independence Division	FY2021	July 2023

*\*Includes co-location of Neighborhood & Business Services' Code Enforcement office*

The current priority list was developed in the fall of 2011 based on preliminary information on the condition of current leased facilities and lease expirations and current needs of the Police Department and community. As this information is further refined, the City Manager and CMPD may determine a need to adjust the timing and order in which these new stations should be constructed. Additionally, continued operating budget constraints associated with staffing and operating new Division stations require continued evaluation as part of facility planning.

As a result, staff plans to further evaluate potential police station ordering adjustments. This evaluation will also encompass the development of a relocation strategy for the Central Division station due to an expected lease termination, and a refinement of the police division coverage strategy associated with the creation of two new divisions in ParkSouth and Northwest, including emerging policing issues in the Northwest area.

The current approved funding schedule is not recommended for change: two stations are scheduled for funding in FY2017, two stations in FY2019, and one station in FY2021. Upon further review of the facility needs and completion of additional operating cost analysis, any recommended changes to the order of station construction would be made prior to funding becoming available in July 2016 for constructing the next two stations.

**11. What has been the City's experience with leasing space for police stations, and are there opportunities to locate police stations in existing buildings (public and private)? (April 9<sup>th</sup> Budget Workshop)**

CMPD has experience with both leased and City-owned stations. Observations from these experiences include:

- Leasing property often means the CMPD occupancy can be affected by foreclosure, change in ownership, and deferred maintenance by the property owner.
- An additional risk includes sale of the property, as is currently the case for the Central Police Division.
- Furthermore, leased commercial space is typically not designed to accommodate police stations, and may require extensive renovations; however, the property

owner may not offer the flexibility to make needed renovations as CMPD needs and approaches change.

Building new police station division facilities, designed specifically for the unique nature of community oriented policing, is a public safety goal of CMPD. The department believes building new stations will accommodate the current and future needs of the community by meeting the following criteria as established in CMPD's strategic plan for facilities:

- Properly sized for current and future staffing needs
- Prominently located in a neighborhood as an anchor to the community that encourages revitalization
- Easily accessible to the public by locating on a main thoroughfare that is pedestrian friendly and served by public transportation
- Creation of a "brand" for CMPD that is easily recognizable by the public while retaining an appearance that is adapted well to the surrounding community

Other challenges associated with leased police station facilities include:

- Many of the current CMPD leased division offices are located in shopping centers or office complexes and do not meet the space locational criteria.
- CMPD and Engineering & Property Management's Real Estate Division have previously explored the option of renovating existing structures, but have not found any that meet the space and location criteria.
- The City constructs and maintains buildings with the intention of owning and maintaining them for a useful life of over 50 years, whereas the leased facilities are often not designed or maintained for a similar life expectancy.
- Police stations have a parking ratio of 10 spaces per 1,000 square feet of building area compared to 4-6 spaces per 1,000 square feet of building area for office and retail properties. Many commercial properties do not allow the CMPD to have secured parking that would protect staff and equipment.

CMPD believes that a visible and permanent location within the division boundaries is a positive public safety benefit to the community. Key components of successful neighborhood crime reduction include increased police visibility, enforcement and prevention strategies tailored to the crimes and offenders causing the most significant harm in each of 39 patrol response areas, rapid response to emerging crime trends, and incapacitation of criminals. It is clear that neighborhood-based crime reduction is most effectively supported by division offices that facilitate the delivery of a broad range of police services at the neighborhood level and provide a high level of visibility and accessibility to division residents.

**12. *For the Government Center, what are the terms of the City's lease agreements with the County, Charlotte Mecklenburg Schools, and Governor's Office? Related to any facility and equipment needs, what would be the cost share allocation for these tenants? (April 9<sup>th</sup> Budget Workshop)***

The Charlotte Mecklenburg Government Center (CMGC) contract was originally executed in 1985. This agreement gives the City of Charlotte the authority to maintain and perform capital work in all areas including the loading dock, exterior, exterior plaza, and within the building, except on the floors that are exclusively occupied by Mecklenburg County.

**Mecklenburg County**

A cost-share formula for the City’s operating expenses is included in the agreement. The following chart describes the cost-share requirements for each area of the building:

Area	Description	Cost Allocation
Meeting Facilities	Conference space in the basement, on the 2 <sup>nd</sup> floor, and Council Chamber	All expenses are equally shared between the City and County
Utilities	Water, sewer, gas, and electric bills	80.9% City/19.1% County
Custodial	Window cleaning, restrooms, carpet, trash collection	80.9% City/19.1% County
Exterior	Façade, entries, and plazas	80.9% City/19.1% County
Common Areas	Main lobby, elevator lobbies, hallways, restrooms, loading dock, and areas commonly accessible by staff or visitors	80.9% City/19.1% County

The allocations are calculated based on the exclusive areas that benefit the City or County and divided by the total square footage of the CMGC. At the end of each fiscal year, the City prepares an accounting of the total expenses for the previous year and calculates the County’s share of the cost. The City submits the report to the County for review and reimbursement.

**Charlotte Mecklenburg Schools**

Areas of the building occupied by Charlotte Mecklenburg Schools are included within the County’s total square footage.

**Governor’s Office**

The Governor’s space is considered an exclusive area for the City. The Governor’s Office lease with the City provides the Governor with 1,343 net square feet of space on the 2nd floor and two parking spaces in the secure area of the loading dock, two employee general spaces in the CMGC parking deck, validation privileges for special VIP visitors up to a maximum amount of \$500 per year and use of the conference space on the second floor. The Governor’s office pays a lump sum cost of \$18,000 per year for its space.

**13. Per the Time Warner Cable Arena Operating Agreement, what are the milestones and requirements for reviewing facility needs and lease terms? (April 9<sup>th</sup> Budget Workshop)**

The Time Warner Cable Arena Operating Agreement was approved in January 2003 for a 25 year period. There are no milestones for renegotiating the operating agreement. It was the City’s intent to have the Bobcats commit to the Arena for the full 25 years to justify the construction of the facility. As owner of the Arena, the City is responsible for Capital Repairs and Capital Improvements as summarized below:

**Capital Repairs**

- Fixing and replacing items no longer suited for their intended purpose due to damage, ordinary wear, and obsolescence, including HVAC repairs, floor replacement, scoreboard, video and sound system equipment, electrical repairs, elevators, seat replacement, carpet replacement, etc.
- Any changes required by National Basketball Association (NBA) rules, if those changes are applicable to substantially all NBA arenas regardless of when built.
- Examples of Capital Repairs performed to date at the Arena include:
  - Scoreboard components replacement (\$1.2 M)

- Carpet replacement (\$363k)
- Risers / seating (\$360k)
- Hockey dashers (\$335k)
- Instant replay software (\$225k)
- Scoreboard video (\$222k)
- Flooring replacement (\$208k)
- Ice decking (\$200k)
- Security equipment (\$120k)
- Concert stage (\$118k)
- All of the above Capital Repairs performed to date have been funded on a 50/50 basis by the City and the Bobcats from a sinking Capital Fund required by the Operating Agreement. Each fiscal year, the City and the Bobcats pay equally into the Capital Fund to continue support of these capital needs.

### **Capital Improvements**

- Beginning in the seventh year after the Arena opens (October 2012), the Agreement requires a review to determine those capital improvements, modifications or additions to the Arena that:
  - Are currently in 50% of NBA arenas
  - But were not in 50% of NBA arena before the Arena Operating Agreement was signed in January 2003
  - Time Warner Cable Arena opened in October 2005 and is currently in its eighth year of operation.

In addition to Capital Repairs and Capital Improvements, the City and the Bobcats may also opt to undertake projects that do not fall within either category but are needed to keep the Arena competitive. The City is not legally obligated to help fund these projects, but may elect to do so if there is a benefit in bringing events to the Arena.

#### **14. *What is the current naming rights agreement for the Bojangles Coliseum and when do the naming rights expire? (April 9<sup>th</sup> Budget Workshop)***

The current naming rights agreement for "Bojangles Coliseum" was approved on November 25, 2008 for a ten year term to end on November 25, 2018. Bojangles pays \$125,000 annually for the naming rights. Following the initial 10-year term, the agreement can be renewed for up to five one-year terms. Bojangles has the option to terminate the agreement if an annual events threshold is not met over two consecutive fiscal years. Bojangles also has the option at the end of the seventh year to terminate the agreement without cause with 240 days prior notice. The seventh year of the agreement will end November 25, 2015.

#### **15. *What are the potential economic impacts of the Bojangles Coliseum renovations? (April 9<sup>th</sup> Budget Workshop)***

Bojangles Coliseum currently hosts on average 80-100 events annually, including graduations, concerts, comedy shows, civic events, family shows, sports events like minor league arena football, soccer, and lacrosse, and amateur sports events like high school wrestling and basketball. Potential additional economic impacts directly associated with Bojangles Coliseum renovations are currently being discussed and identified in partnership with GoodSports Enterprises Global, LLC in conjunction with the planned Bojangles/Ovens Area Redevelopment project. The goals of the Redevelopment project include revitalizing Independence Boulevard and East Charlotte, providing an

indoor amateur sports and recreation facility to meet market demand, supporting the regional hospitality and tourism industry, expanding the State and local property and sales tax base, and providing new job opportunities.

- 16. *The City Manager is recommending allocating \$11.1 million of the available capital funding sources to support new transportation and facilities capital projects, which would reduce the current available funding from \$24.7 million to \$13.6 million. Given that \$248.6 million in other unfunded future capital needs have been identified, some of which are not optional or long-term in nature, is it prudent to commit \$11.1 million of the available capital funding sources now, thus depleting rather than augmenting our capacity to meet future capital needs? To address this issue, it would be useful to see an analysis of when the future needs are likely to arise and how we would propose to pay for them within the existing tax framework. (May 5th City Manager's Recommended Budget Presentation)***

Typically, most of the available capital funding sources identified each year are used to fund newly-identified high priority capital needs in an effort to make the most efficient and effective use of all available resources. Additionally, project savings derived from General Obligation bonds must be used within a seven-year time frame, unless special authorization is obtained from the NC Local Government Commission to extend to 10 years. Holding bond-funded project savings in reserve for any extended period could jeopardize the City's ability to use them before their authorization expires. \$5.2 million of the \$11.1 million available capital funding sources recommended for reuse in FY2015 is from street bond-funded project savings that can only be spent on other eligible street bond projects.

In the recommended FY2015-FY2019 Community Investment Plan, the City Manager recommends holding a larger than usual portion of the available capital funding sources in order to establish unallocated resources that could be used to meet future known and unknown capital needs. This reserve is comprised mostly of uncommitted debt capacity and Pay-As-You-Go Capital Reserves, which have no time restrictions on their use.

The \$248.6 million future capital needs list was shared with Council during the Budget Workshop for transparency purposes to show an all-inclusive list of possible future capital needs as identified by City Departments. Not all of the needs identified on the list can, or will be done, given limited available capital resources and current Council priorities.

Staff will continue to update and review the list of capital requests, identify the highest priority needs, and match these needs to available capital funding sources. Still, some key elements from the capital needs list are included in the Manager's recommended budget, and staff is working to identify future funding options for others.

- For the FY2015-FY2019 Community Investment Plan, the Manager's recommended use of \$11.1 million of the available capital funding sources will fund several of the highest-priority projects from the \$248.6 million capital needs list.
- Approximately \$65 million of the \$248.6 million in future capital needs has been identified for technology equipment and infrastructure. Staff is currently reviewing various options for funding the City's current and future technology needs.
- When and how to fund any of the remaining future capital needs from this list will depend on the relative priority of each and on the annual identification of available funding sources within the existing tax framework.

- 17. To be fully accountable for how the City uses project savings from prior authorized capital funding, should the total Community Investment Plan be increased from \$816.4 million to \$821.6 million to accurately reflect the \$5.2 million in project savings to fund the Prosperity Church Road NW Arc project as part of the overall program? (May 5th City Manager's Recommended Budget Presentation)**

The proposed use of \$5.2M in project savings to repay the Prosperity Church Rd. project does not add to the \$816.4 million Plan because these funds were already appropriated in a prior CIP. This reallocation of project savings essentially provides an opportunity for City Council to address additional infrastructure needs within prior approved funding levels.

It has been common practice in the past for City Council to make adjustments to an originally adopted Capital Program by reallocating project savings from prior approved and now completed bond projects. Each fiscal year during the mid-year status review, City staff identifies all potential project savings from completed projects that can be reprogrammed to other capital needs not already funded. Staff communicates these available funds to Council during its annual retreat in and again during the Community Investment Plan presentation at a Budget Workshop. Based on feedback and guidance from Council, the City Manager then identifies high-priority capital needs to recommend for funding with the available project savings.

Please see the response above for additional explanation on the rationale for using prior approved capital project savings.

## **Economic, Tax Rate, and Financial Analyses**

- 18. What are some comparison data of the City's productivity since the Great Recession compared to that of the private sector? (January 30th Council Retreat)**

In consultation with NC State University Economist Dr. Michael Walden, City staff compiled U.S. Department of Commerce's Bureau of Economic Analysis Gross Domestic Product data as well as federal Bureau of Labor Statistics Employment data for the Charlotte Metropolitan Statistical Area (MSA) in an attempt to develop a comparison. Due to differences in sector and geographic data used in the sources' reporting, an economic output-to-input productivity ratio was not able to be derived.

However, benchmarking with state and national peers is conducted across the organization regularly to measure performance of City services.

### Examples

One such benchmarking initiative is the North Carolina Local Government Benchmarking Project, which since 1995, compares workload, efficiency, and effectiveness measures for 11 services (e.g. Solid Waste, Asphalt Maintenance & Repair, Fire Services, Fleet Maintenance, Water and Wastewater Services) among 17 cities. Examples of metrics from the most recent NC Local Government Benchmarking project report (February 2012) are listed below.

- *Residential Refuse*: Charlotte's "Residential Refuse Collection Cost per Ton Collected" is \$81, in comparison to the average of \$111. The "Refuse tons Collected per Collection FTE" in Charlotte is 2,165, compared to the average of 1,372. From an economic productivity calculation, Charlotte's input (cost) is

lower than the average, while the City's output (tons collected) is higher than the average – resulting in a higher productivity ratio.

- *Fire Services:* Charlotte's "Cost per Fire Department Response" is \$1,139, which is lower than the benchmark of \$1,737.
- *Fleet Maintenance:* the City's "Fleet Maintenance per Cost per Work Order" is \$529, slightly higher than the average of \$514.

**19. What is the current City and County tax and fee impact upon an average-valued residential property as a result of the FY2014 budget adoption? (February 17th Budget Committee Meeting)**

The table below reflects the total City and County tax and fee impact for a \$174,100 home (the 2011 median home value):

<b>City of Charlotte</b>	Prior Year FY2013	Adopted FY2014	\$ Change	% Change
Property taxes on \$174,100 home	\$760.82	\$816.01	\$55.19	7.3%
Solid Waste fee (Residential)	\$47.00	\$47.00	\$0.00	0.0%
Water & Sewer (Average user rate)	\$636.36	\$662.04	\$25.68	4.0%
Storm Water (Average user rate)	\$89.76	\$94.68	\$4.92	5.5%
<b>Total Annual</b>	<b>\$1,533.94</b>	<b>\$1,619.73</b>	<b>\$85.79</b>	<b>5.7%</b>
<b>Total Monthly</b>	<b>\$127.83</b>	<b>\$134.98</b>	<b>\$7.15</b>	<b>5.7%</b>

<b>Mecklenburg County</b>	Prior Year FY2013	Adopted FY2014	\$ Change	% Change
Property taxes on \$174,100 home	\$1,379.22	\$1,420.13	\$40.91	3.0%
Solid Waste fee	\$15.00	\$15.00	\$0.00	0.0%
Storm Water (Average user rate) <sup>1</sup>	\$24.60	\$24.60	\$0.00	0.0%
<b>Total Annual</b>	<b>\$1,418.82</b>	<b>\$1,459.73</b>	<b>\$40.91</b>	<b>2.89%</b>
<b>Total Monthly</b>	<b>\$118.24</b>	<b>\$121.64</b>	<b>\$3.41</b>	<b>2.89%</b>

<sup>1</sup> Includes \$0.85 monthly administrative charge for the collections of both City and County Storm Water fees.

Any future tax and fee change impacts will be communicated to the Mayor and City Council as part of the budget process.

**20. How much has the City set aside to refund property taxes to those homeowners affected by the County's revaluation? How much has been refunded to date? (February 26th Budget Workshop)**

In fiscal year 2012, an amount of \$17.1 million was set aside from fund balance for potential refunds based on preliminary estimates. This reduced the fund balance and established a reserve from which payments for tax refunds could be made as needed. During fiscal year 2013, \$6.6 million was refunded to taxpayers. The remaining balance as of June 30, 2013 was \$10.5 million. For fiscal year 2014, \$0.4 million has been paid through December 31, 2013 leaving an available balance of \$10.1 million. Staff anticipates the continuation of refunds over the next two to three fiscal years as a result of the revaluation.

**21. Has any modeling been done to determine the potential revenue impact if the "½-cent for transit" portion of sales tax also included the four surrounding counties (Gaston, Iredell, Union, Cabarrus)? (February 26th Budget Workshop)**

An analysis of the sales tax revenues from Cabarrus, Gaston, Iredell, and Union counties indicates the following estimates of revenues generated by applying the Article 43 (half-cent sales tax for transit) in those counties. The estimates are based on actual revenue for sales taxes calculated with the point of collection method in each county for FY2013. The revenue is adjusted for the exclusion of grocery store foods in proportion to Article 43 in Mecklenburg County. The estimates reflect what collections would have been in FY2013, and does not include any assumptions on how the funds would be allocated.

<b>County</b>	<b>Estimate of Article 43 Sales Tax Collection (in millions)</b>
Cabarrus	\$11.7
Gaston	\$8.5
Iredell	\$8.9
Union	\$7.1
<b>Total</b>	<b>\$36.2</b>

### **Employee Pay & Benefits**

22. *A total of \$11.6 million in new outlays is proposed for converting full-time temporary employees, pay increases and funding for some benefits. In order to make a more airtight case for the proposed wage increases in our budget, do we have data that shows how productivity of public sector employees has progressed relative to wages? (May 5th City Manager’s Recommended Budget Presentation)*

In consultation with NC State University Economist Dr. Michael Walden in February 2014, City staff compiled U.S. Department of Commerce’s Bureau of Economic Analysis Gross Domestic Product data as well as federal Bureau of Labor Statistics Employment data for the Charlotte Metropolitan Statistical Area (MSA) in an attempt to develop a comparison. Due to differences in sector and geographic data used in the sources’ reporting, an economic output-to-input productivity ratio was not able to be derived.

However, unlike many other sectors during the recession, local governments experienced increased service demands coupled with reduced revenues – City employees did more with less. From FY2010 to FY2014, the five largest General Fund Departments (Police, Solid Waste Services, Engineering & Property Management, Fire, and Transportation) experienced an operating line item growth of only 0.2% (excluding risk and liability insurance), while maintaining service levels and responding to increased demand. This is significant considering that the City’s average, annual population growth rate has been 2.99% since 2010 (Charlotte has the 3rd highest growth rate among cities over 250,000 population). During this same period, the average inflation growth for the Bureau of Labor Statistics’ “South Urban” region was 2.05%.

Not only did service demand increase at a rate beyond budget growth, but several productivity accomplishments were realized during this period:

- Police Department achieved reductions in crime rates

- Fire Department continued responding to service calls while maintaining a “cost per Fire Department Response” 34% below the 2012 NC Local Government Benchmark
- Solid Waste Service units increased while services were maintained and employees achieved “Refuse Tons Collected per Collection Full Time Equivalent” of 2,165 tons compared to the NC Local Government Benchmark average of 1,372.

The following summarizes some of the difficult budgetary choices made during The Great Recession:

- FY09: Subsequent to the financial crisis in the fall of 2008, the City realigned expenditures with anticipated revenues to strengthen the position of the City to weather potential, further economic deterioration. Highlights include:
  - \$9.0 million in General Fund net expenditure savings were isolated and set aside to offset anticipated General Fund revenues being \$4.5 million below budget. All General Fund departments were given new, lower budget requirements.
  - \$12.0 million in capital reserves were set aside in the event of future economic deterioration.
  - Contracts considered non-essential to the continuity of service delivery were put on hold.
  - All non-essential travel was eliminated.
  - Continued monitoring of fuel consumption and alternative service delivery methods.
- FY10: \$6.5 million in FY09 General Fund cuts carried forward into FY10
- FY11: Departments produced 48 budget reductions resulting in \$7.7 million in savings, including:
  - Service Reductions
    - E.g. reductions to Solid Waste Service’s unscheduled bulky item pick-up service and reduction of CharMeck 311 service hours)
  - External Agency Reductions
    - Elimination or reduction of funding to non-City of Charlotte agencies
  - Internal Efficiencies
    - E.g. streamlining of service provisions in areas such as single stream recycling, reorganization of the City’s Real Estate Division, and mitigation of Police overtime costs
  - Internal Cost Transfers
    - E.g. shifting tree removal and trimming costs from the General Fund to Pay-As-You-Go capital
  - Other
    - Reduction of City’s contribution to non-public safety employee 401 (k) program from 3% to 2%
- FY12 – FY13: Continuation of conservative financial strategies, with operating budget line items predominately held flat, with minor adjustments primarily in Police and Fire for fuel and vehicle maintenance

**23. Why do the full-time temporary positions need to convert to full-time regular status? (May 5th City Manager’s Recommended Budget Presentation)**

The recommended budget converts 187 existing, full-time temporary positions to regular full-time status to increase the transparency about the actual, existing full-time staffing

level and resource allocation within the City. Additionally, under the Affordable Care Act, the City will be required to provide employees who are in a full-time nature working over 30 hours per week with health care benefits, which essentially makes their employment status similar to other regular full-time employees.

**24. Are any laborer employees paid below 85% of the market rate? What is the median salary for a laborer at the City? (May 5th City Manager's Recommended Budget Presentation)**

No regular, full time laborer in the City makes below 85% of the market rate, which is \$23,838. The median and average salary for laborers at the City are as follows:

- Median: \$24,315
- Average: \$24,808

## **Enterprise Funds**

**25. What would be the cost of clearing the backlog of storm-water projects as of January 1, 2014 by January 1, 2016 or 2017? The backlog currently runs for several years out. Could we submit a special bond measure to the voters to finance the work? If the work to clear the backlog of projects was solely financed by Storm Water Fees, what would be the required fee increase? (May 5th City Manager's Recommended Budget Presentation)**

Below is a summary of the number of backlogged Maintenance & Repair and Major & Minor Flood Control Storm Water projects as of January 2014, including an estimated cost per project and timeline for completion.

### **Maintenance & Repair**

- Current Backlog – **820 projects**
- Cost per project - \$10,000 to \$300,000 depending on the size of the project and the condition of the storm drainage system
- Time to complete - 3-6 months to plan, design and construct

### **Major & Minor Flood Control**

- Current Backlog – **76 projects** (52 projects that contain customer service requests and 24 projects that are considered "proactive" and were added to the list from modeling)
- Cost per project - \$1,000,000 to \$20,000,000 depending on the size of the project and condition of the storm drainage system
- Time to complete - 4-7 years to plan, design and construct

The proposed FY2015 Storm Water fee increase would not support financing the additional work through 100% debt required to clear all of these backlogged projects by January 2016 or January 2017. The cost to accomplish a complete clearing of all backlogged projects within two, or three years would require a significant increase in the Storm Water rates in FY2015 and subsequent years, or a significant General Obligation bond issuance over several bond referenda. A property tax rate increase would be required to support such a General Obligation bond program for Storm Water projects.

The below table and following paragraph present three Storm Water fee/debt scenarios for illustration purposes only to complete 820 maintenance and repair projects by June

30, 2016 and to start 52 major and minor flood control projects by June of 2015. The following are not recommendations.

Fee Scenario #1	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Fee Increase	10% (79 cents)	10%	10%	10%	10%	10%	10%
Debt Issue	\$125M		\$125M		\$125M		\$125M
Total 7 Year Debt					Total 5 Year Debt		\$500M

Fee Scenario #2	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Fee Increase	39% (\$3.08)	3%	3%	3%	3%	3%	3%
Debt Issue	\$125M		\$125M		\$125M		\$125M
					Total 5 Year Debt		\$500M

The required debt issuance of \$500 million over the next seven fiscal years to complete these backlogged projects could be added to the General Obligation bond referenda already planned for 2014, 2016, 2018, and 2020. Initial estimates show that this would require a property tax rate increase of between 2.59 cents (5.5%) and 2.80 cents (6.0%) in FY2015, depending on how quickly the bond proceeds are programmed to be spent.

In addition to the potential increases in Storm Water rates or the property tax to support a General Obligation bond program, a plan to clear all of the Storm Water project backlogs within two, or three years would require significant additional staffing.

- Under the current City Manager recommended budget and related fee model, five new positions would be added to work toward a reduction in the project backlogs.
  - 1 Project Manager, 1 Construction Supervisor, 2 Inspectors, 1 Engineering Assistant
- Under Scenarios #1 and #2 in the above table, sixty new positions would be required to complete 820 maintenance and repair projects by June 30, 2016 and to start 52 major and minor flood control projects by June of 2015.
  - 2 Senior Project Managers, 3 Senior Engineers, 19 Project Managers, 7 Drainage Specialists, 5 Construction Supervisors, 24 Inspectors

Clearing the backlog of Storm Water projects in the timeframe proposed in this question would also require the following assumptions:

- The additional staff could be hired, trained, and productive by January, 2015.
- Appropriate number of qualified staff, design consultants, and construction contractors are available.
- The average cost of maintenance and repair projects would increase by 20% due to accelerated schedules and deadlines.

**26. The City Manager has stated that major unmet Storm Water needs remain an issue on private properties. He has suggested that a rethink is warranted to examine the scope of the current program and/or potential funding changes to address the backlog of projects. What would the City Manager propose as a framework for moving the discussion forward? (May 5th City Manager's Recommended Budget Presentation)**

Staff is currently developing a review framework. At this time, key review areas could include the scope of the current program – chiefly the backlog of requests associated

with private property – and the funding model associated with addressing the repair backlog. The following general framework is envisioned at this time (with additional feedback welcomed from the Mayor & City Council):

- **Program Review/Evaluation:** Review/evaluate the City's current scope of services, number and types of service requests, and funding model compared to industry benchmarks and best practices. The review/evaluation would be conducted by a third-party external consultant, a Council advisory committee, staff, or a combination of these groups.
- **Environment Committee Policy Review:** Using data from the independent evaluation and staff expertise, the Environment Committee would review the information and determine any recommended changes for Council consideration.
- **Budget Development:** Any policy or budgetary considerations for the City Council would be included as part of the FY2016 budget development process or a following fiscal year's budget process.

**27. Could the City outsource the Airport Auditor duties for less? (May 5th City Manager's Recommended Budget Presentation)**

The cost of outsourcing Airport Auditor duties would be greater than the cost to hire a City employee with benefits. The annualized salary and benefits cost for a full-time, permanent, City-employed Internal Auditor position is \$44 per hour, or \$91,678 per year. The FY2015 Recommended Budget provides funding of \$73,382 for 10 months, assuming a planned start date of September, 2014. The work to be performed includes audits of parking revenues, concessionaire contracts, and other airport related audits as identified and/or requested.

A rate for the same work to be performed by an outside Certified Public Accountant (CPA) firm is approximately \$120 per hour, which equates to an annual cost of \$249,600 based on full-time equivalent work of 2,080 hours per year.

**28. The Aviation budget includes a reference to the Air Traffic Control Tower. Isn't the federal government paying for that? (May 5th City Manager's Recommended Budget Presentation)**

The Federal Aviation Administration is scheduled to fund the construction of a new air traffic control tower. To date, the FAA has not secured all of the funding. If they are unable to secure the remaining funding needed, the Airport has identified funds in its Community Investment Plan to complete the funding gap.

**29. Will the three new employees being funded by the Airport (2 Fire Battalion Chiefs and 1 Internal Auditor) actually work full-time at the Airport? (May 5th City Manager's Recommended Budget Presentation)**

Below is an overview of the three new positions being funded by Aviation:

- Fire Battalion Chief (2): Both positions will be fully-assigned to the two fire stations primarily designated to support the Airport – Station 17, located at Morris Drive field, (the eastside of the Airport), and Station 41 located on the southwest side of the Airport.
- Internal Auditor (1): Although working full time on Aviation-related auditing duties, this position will be located in the City's Internal Audit Department to maintain the integrity of its role and responsibilities.

**30. If CATS fares are up 10%, sales tax revenues are up 11.8% (slide 19), and ridership is also up, how is it that the overall budget increase for CATS is only 3.6%? (May 5th City Manager's Recommended Budget Presentation)**

The 11.8% increase in slide 19 represents the anticipated increase in General Fund sales tax. CATS is projecting an increase of 3.5% in the transit sales tax for FY2015. There are several factors which contribute to the difference. The primary factor is that the General Fund sales tax budget for FY2014 was more conservative than the budget for the FY2014 transit sales tax. The General Fund is expected to exceed the budgeted forecast. Second, the non-public transit portion of the sales tax is distributed per the proportional tax levies among the County, City, and Towns. Given the County's property tax rate decrease two years ago and the City's property tax rate increase last year, this has changed the proportional allocation of sales tax disbursements where the City now receives a higher allocation than in previous years, which the actual projected level of increase has now become more clear as part of the FY2015 budget development process.

CATS operating revenues are also not a one-to-one match to operating expenditures as the difference between operating revenues and operating expenditures (operating balance) is transferred to the transit capital program. In addition, a portion of the transit sales tax is pledged to pay CATS annual debt service and is not available for operating expenses. This is in compliance with the MTC approved CATS Financial Policies.

While the overall fare increase will generate approximately \$2.8 million in additional revenue, this increase is tempered by an estimated ridership increase of less than 1%.

## **Financial Partners**

**31. What is the process for the Financial Partner budget recommendations, and please explain any differences from last year's process, including the evaluation of the Out of School Time Partners. (May 5th City Manager's Recommended Budget Presentation)**

### Overall Financial Partner Recommendation Process

Consistent with the approach in prior years, the General Fund and Neighborhood & Business Services Financial Partner requests and summaries were provided to Council at their February 26, 2014 Budget Workshop. Specific Out of School Time Partner requests were not listed in the February 26th materials because the Request for Proposal process was in the early stages. While the requests were not listed, the February 26th Budget Workshop materials did include a summary of the Budget Committee and Economic Development Committee policy recommendations that were approved by Council on November 26, 2012 and October 28, 2013.

The timing of the Financial Partners funding recommendations has varied in prior years, occurring either at the last Council Budget Workshop (typically early April) or the City Manager's Recommended Budget presentation (early May), based on the status of the Financial Partner evaluation process. This year, the Financial Partner recommendations were presented at the May 5<sup>th</sup> City Manager's Budget Recommendation presentation because the Out of School Time Partner recommendations were not ready in time for Council's April 9<sup>th</sup> Budget Workshop. Of note is that Financial Partner contracts provided funding from July 1 – June 30, with the exception of Out of School Time Partners, which receive funding from September 1 – August 31. This approach allows the Out of School

Time Partners to receive funding through the summer for their programs, as well as allows agencies who do not receive funding in the next time fiscal year time to plan for the upcoming year.

#### Out of School Time Partner Recommendation Process

##### **Council-Adopted Process**

Out of School Time (OST) Partners are agencies that deliver after school enrichment activities. In May 2011, City Council approved the development and issuance of a Request for Proposal (RFP) process for OST programs. This followed recommendations from the Foundation For The Carolinas Community Catalyst Fund Task Force, which addressed challenges in the OST sector in Charlotte-Mecklenburg and developed a set of recommendations to improve after school and summer programs.

The City assembled an After School Enrichment Program RFP Task Force to develop the standards set forth in the RFP, utilizing national best practice standards from the National Afterschool Association and the North Carolina Center for Afterschool Programs' standards for quality programs. These standards recognized the unique developmental space for learning that OST offers.

In 2012 and 2013, the City Council's Budget Committee and Economic Development Committee reviewed eligibility criteria and funding levels associated with the OST program. On November 26, 2012 and October 28, 2013, the full City Council adopted the following recommendations of both the Budget Committee and the Economic Development Committee:

- Cap the City's Innovative Housing local funding at the FY2013 level of \$590,000
- Cap the percentage of an OST program budget that can be funded from the City to 33%. For existing OST partners, there was a transition period of no more 66% in FY2014, 50% in FY2015, and 33% for all subsequent fiscal years.
- Allow City-funded OST programs to charge a nominal fee for participants.
- Maintain agency eligibility requirements, with the exception of changing the years of OST experience the agency must have in Charlotte from three to one year.
- Cap the per agency allocation at \$350,000 in FY2015. For FY2014 this amount was \$400,000, and will be reduced to \$300,000 in FY2016, to allow for a diverse pool of service providers.
- Modify the RFP review process to include site visits, including a group of external volunteers to participate in the review process, revising scoring to reflect Council priorities, and publishing the scoring rubric in the RFP.
- Continue to use the Housing Trust Fund model for award allocations; basing funding allocations at the agencies' total requested amount in priority order, until funds are fully expended.
- The OST funding cycle will transition from a one-year to a two-year contract funding cycle starting in FY2016. This transition creates efficiencies to the RFP process, for both the agencies seeking funding as well as the review committee. The two-year funding cycle will also allow agencies more time for strategic planning and staffing decisions, and follows the City's two-year budgeting process.

##### **FY2015 Out of School Time Application Review**

The OST process is consistent with last year's process, including the same evaluation criteria and approach. The RFP process was designed to ensure that the best programs are available to Charlotte's youth. Over the course of the three-year RFP process, the

City’s OST funding has become increasingly competitive. The following outlines the OST review process:

- Proposals are first screened for eligibility by City Staff and then reviewed by the OST Funding Review team, which is comprised of:
  - Four City of Charlotte staff with expertise in OST programs, contract compliance, community engagement, and school partnerships
  - Two community volunteers with experience in children’s’ services, and with no conflicts of interest
- The Review Team used the following evaluation criteria, developed by the Task Force and based on national best practices, for both the FY2014 and FY2015 OST process:

Category	Points
<b>Program Characteristics</b>	<b>120</b>
Quality Staff and Programming	40
Family Engagement and Support	30
Effective Partnerships	30
Financial Sustainability	20
<b>Program Strategies</b>	<b>100</b>
Engagement in Varied Academic and Non-Academic Activities	25
Exposure to New and Engaging Experiences	25
Opportunities for Positive Social Interaction	25
Promotion of Community Engagement	25
<b>Site Visits and Interviews</b>	<b>80</b>
Program Site Visits	40
Staff Interviews	40
<b>Total Points</b>	<b>300</b>

As part of this criteria, OST activities must be equally accessible to all students, regardless of their ability to pay. Programs that charge fees may not prohibit any family from participating due to their financial situation. Programs must offer a sliding scale of fees and scholarships for those who cannot afford the program. Income collected from fees must be used to fund program activities specified in the grant application. Of the FY2015 OST Partners recommended for funding, over 89% of all students served represent low to moderate income households.

**FY2015 Out of School Time Funding Selection**

Using the Foundation For The Carolinas Community Catalyst Fund Task Force recommendations, National Afterschool Association and the North Carolina Center for Afterschool Programs’ standards, and the Budget Committee and Economic Development Committee recommendations approved by full Council (summarized in the prior paragraphs), the following agencies and funding levels are recommended in FY2015 as a result of the RFP and subsequent review.

<b>Out of School Time Partners</b>	<b>FY2015 Recommendation</b>
Greater Enrichment Program	\$350,000
Citizen Schools	350,000
Police Activities League	317,750
Youth Development Initiatives	162,325
Above and Beyond Students	19,925
Total	\$1,200,000

The five recommended OST programs stood out in the following areas:

- Youth-community connections
- Strong connections to the academic school day
- Goals and outcomes are aligned with City Strategy, particularly with regard to community engagement
- Holistic approach to serving children
- Intentional path for continual program improvement
- Strong family engagement and support system
- Degree to which they involve the community, parents and schools
- Create an OST space that capitalizes on the unique opportunities for OST programs to be different from the school day, through development of both an academic and non-academic programs

**32. Please provide information of the request by the YWCA for Out of School Time Partners funding. (May 5th City Manager’s Recommended Budget Presentation)**

The chart below indicates the funding amounts awarded to the YWCA since FY2011 and the numbers of children served:

<b>Fiscal Year</b>	<b>City Funding</b>	<b>Numbers of Children Served</b>
FY11	\$134,546	260
FY12	\$134,546	260
FY13	\$158,826	260
FY14*	\$307,000	300
FY15	\$350,000 (request)	300

\*The YWCA opened a new location in FY2014, where an additional 40 kids were served. In FY2014, City funding comprises approximately 27% of the YWCA’s total Program budget.

**33. Since the Film Commission attracts movie projects to Charlotte-Mecklenburg and the surrounding region, have we considered asking the surrounding counties that have hosted movie productions to pay the new \$75,000 allocation? (May 5th City Manager’s Recommended Budget Presentation)**

80-90% of the film economic impact in the Region is in Mecklenburg County. Therefore, City staff felt comfortable for this initial effort to be a partnership among the City of Charlotte, Mecklenburg County, and the Charlotte Regional Visitors Authority, with equal shares of \$150,000 each.

**General Fund**

34. **Does public safety now consume 75% of the General Fund? I recall it being 66% in recent years and I'm wondering about the growth. Also, Slide 20 in the budget presentation seems to indicate that police and fire consume 63.8% of the general fund. Please clarify. (May 5th City Manager's Recommended Budget Presentation)**

This is the first year that the General Fund budget has been displayed by Council Focus Areas. Community Safety Focus Area costs comprise approximately 75% of the net General Fund budget once all allocations are made. These allocations include Police and Fire budgets, Community Safety's share of governance and support department costs, and other community safety-related general fund costs such as street lighting and the Safe Alliance Program that provides counseling for crime victims. These additional allocations account for the difference between the 63.8% (net budgets for Police, 43.3% and Fire, 20.5%) and the 75% of fully allocated general fund cost to the Community Safety Focus Area.

As outlined in the table below, the percentage allocation to Police and Fire in the General Fund has remained relatively consistent over the past 5 years.

<b>Public Safety Allocation in General Fund</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Combined Police and Fire Budgets	64.6%	63.9%	63.5%	63.8%	63.8%

**Question 5 (Barnes):** *How is the City planning to replace the Business Privilege License tax revenue over the next few years?*

Actions that would reduce local authority of the Business Privilege License Tax continue to be discussed in the General Assembly. Based on known, prior proposals, the negative impact to the City's General Fund budget in FY2016 could range from \$8.5 million to \$13.5 million. The recommended FY2015 budget includes \$18.1 million in Business Privilege License Tax revenue, which represents 3.5% of General Fund Revenue.

If the General Assembly enacts changes to the tax that reduce the City's revenue, the City Manager would act proactively to develop options and strategies that Council could consider before and as part of its FY2016 budget planning. Example options and strategies that could potentially be part of the conversation include:

- **Expenditure reductions**, which could include reduced or eliminated services to core community services such as Police, Fire, Transportation, and Solid Waste (which comprise 78% in the FY2015 budget recommendation).
- **Revenue enhancements**, including fee and/or property tax rate adjustments. As a reference point, each 1-cent on the property tax rate generates \$8.9 million.
- **Combination of expenditure reductions, revenue enhancements, and/or application of any economic growth from existing revenues**

**35. In looking at page 30 in the Preliminary Strategic Operating Plan book and slide 20 from the Recommended Budget Presentation, the Fire Department totals don't match. Which figure is correct? (May 5th City Manager's Recommended Budget Presentation)**

Both figures are correct, but represent two different methods for displaying budget totals. The \$110.2 million figure on p. 30 of the Preliminary Strategic Operating Plan document represents Fire's total "gross" budget, whereas the \$105.1 million figure on the pie chart on slide 20 of the Recommended Budget PowerPoint represents the total "net of transfers" amount. Net of transfers figures remove payment transfers between funds (e.g. between the General Fund and Enterprise Funds) to avoid double counting expenditures. The difference between the two is the amount Aviation contributes to the General Fund for Fire service at the two stations that support the Airport.

**36. What sales taxes are planned to be received by the City in FY2015, and to where are they allocated? (May 5th City Manager's Recommended Budget Presentation)**

Sales Tax Articles	Distribution Method	Year Enacted	Rate	FY2015 (\$ millions)
General Fund				
Article 39	Point of distribution	1967	1.0 %	\$47.9
Article 42*	Point of distribution	1986	0.5 %	\$23.3
City Hold Harmless	Formula derived by State	2008	- %	\$9.1
<b>Total General Fund</b>			<b>1.5 %</b>	<b>\$80.3</b>
Article 40 Debt Service Fund	Per capita	1983	0.5 %	\$15.5
Article 43 for Public Transit - CATS (countywide)	Point of distribution	1999	0.5 %	\$73.1
<b>Total All Funds</b>			<b>2.5 %</b>	<b>\$168.9</b>

\*A portion of the Article 42 (point of distribution) sales tax in the General Fund is transferred to the Pay-As-You-Go Fund for capital support. The amount transferred is equal to the Article 40 (per capita) collection.

**Other Questions**

**37. Given the expected absence of some Council members from the May 14th Budget Adjustments meeting, are there any options for rescheduling the Budget Adjustments meeting? (May 5th City Manager's Recommended Budget Presentation)**

City Council adopted the FY2015 budget development calendar in December of 2013. Any changes to the schedule require a vote by the City Council.

Staff is aware of three Council members that will not be attending the May 14<sup>th</sup> Budget Adjustments meeting (Council members Autry, Fallon, and Kinsey).

The only other meeting between the May 14<sup>th</sup> Adjustments meeting and the May 28<sup>th</sup> Straw Votes where the full City Council will already be gathered is the May 19<sup>th</sup> Zoning meeting. Staff is aware of two Council members who will not be at this meeting (Council members Kinsey and Lyles).

## **Personnel**

**38. *What is the purpose of temporary and contract employees and how many are currently employed by the City? (January 30th Council Retreat)***

Temporary and contract employees can provide a flexible staffing alternative for special projects or unique service demands where extra personnel is needed on a short-term basis. Temporary and contract employees are positions that have not been classified as “regular” positions through the budget approval process because of the temporary nature of the work or because a permanent status is otherwise deemed unnecessary. However, over the years some “temporary” positions have become long-term, creating potentially disparate treatment.

Historically, temporary positions or their equivalents have not been shown in the budget. In order to provide a more accurate reporting of the workforce and greater transparency, temporary positions will be identified in the FY2015 recommended budget. Staff is currently analyzing temporary and contract employees across the City to determine which positions are truly temporary or seasonal, and which have become a regular and necessary part of the workforce.

**39. *The City’s Human Resources Standards and Guidelines provide the following definitions for position classifications: (January 30th Council Retreat)***

<b>Position Classification</b>	<b>Definition</b>
Regular Full-Time	Positions designated as regular full-time and approved through the budget process
Regular Part-Time	Positions designated as regular part-time and approved through the budget process. Regular part-time positions are designated as either three-quarter (30 hours) or half-time positions (20 hours). Benefits are adjusted based on the part-time designation.
Temporary	Positions not designated as “regular” through the budget approval process because of the temporary basis of the work or because there has not been a sufficient basis for recommending that the position become an allocated position in the department’s budget. Temporary positions may be full-time or part-time. Classifications include: grant-funded, interns, project/program dedicated, rehire retirees, short-term positions, and public safety recruits.
Contract Employees	Vendors of the City; these employees are not part of the City’s Pay and Benefits classifications and guidelines.

In addition to the types of positions defined under the “Temporary” category in the above table, more specific example uses include:

- Police and Fire Recruits
- Various technology project needs
- Projects such as the Blue Line Extension with specific durations and staffing needs
- Shuttle bus drivers at the Airport

As of February 4, 2014, the City of Charlotte has a total of 445 temporary/contract employees. The number of temporary/contract employees by department is provided in the following table:

<b>Summary of Temporary/Contract Employees by Department</b>	
<b>Departments</b>	<b>Quantity</b>
Attorney	2
Aviation	165
Charlotte Area Transit System	17
Clerk	2
City Manager's Office	8
Engineering & Property Management	18
Finance	2
Fire	47
Fire Retirement	5
Human Resources	5
Neighborhood & Business Services	3
Planning	1
Police	129
Shared Services	9
Solid Waste Services	17
Transportation	3
Utility	12
<b>TOTAL</b>	<b>445</b>

**40. What opportunities are available for temporary employees to receive skills training that could help them move into permanent, full time positions with the City and what benefits do they receive? (February 26th Budget Workshop)**

Temporary employees are able to receive job-related training in the department, along with permanent, full-time employees. The City also provides temporary employees the opportunity to participate in the open enrollment training courses offered through the City (e.g. communications, software systems, leadership) which focus on employees' professional and technical development. As applicable vacancies occur, departments generally transfer a temporary employee into a regular position, if job performance was acceptable.

Solid Waste Services is a primary user of temporary employees as part of a "work to hire" strategy. The department employs these temporary employees in the capacity of supplemental staff coverage and to provide additional resources during seasonal periods (e.g. leaf collection). Solid Waste Services provides temporary employees with safety training, equipment-specific training, and City customer service training. It is the goal of Solid Waste Services to extend recruit opportunities to temporary employees as vacancies occur within the department. Historically, Solid Waste Services will employ a temporary employee for six months to a year before moving the employee into a vacant, regular, full-time position.

Of the total number of City temporary employees, 20% are Police and Fire recruits who have not yet completed the training program, and would become permanent, full-time positions upon successful completion of the program

24% of the City's temporary positions are employed by the Airport, primarily Shuttle Bus drivers. City and departmental management have been evaluating a strategy to shift a percentage of the employees into regular, full-time City positions where the nature of the work warrants permanent position status.

Temporary employees who regularly work a minimum of 20 hours per week annually become members of the state retirement system, per regulations by the North Carolina Local Government Retirement System. Additionally, temporary employees who work full-time hours receive benefits such as medical benefits, life insurance, paid holidays, paid vacation days, and 401k plan contributions.

**41. What are some example areas where consultants are used by the City? (February 26th Budget Workshop)**

Examples of City of Charlotte Consultants are included in the following table (examples, not all inclusive):

<b>Operating</b>		
<b>Type of Consultant</b>	<b>Purpose</b>	<b>Duration</b>
Market Research Firm	Prepare customized survey for citizens of Charlotte	4 months
Public University	2013-2014 Quality of Life Study	1 year
Financial Firm	Annual Audit	2 months
Planning & Land Use	Zoning ordinance assessment and update	6 months
Legal Counselors	Provide supplemental legal services on behalf of the City	Duration of project
Geographic Information Systems	Aerial mapping	One year
Human Resources	Benefits consulting	As needed
Information Technology	Technology project management and implementation	3-6 months
Public Safety Communications	Computer Aided Dispatch System	One year

<b>Community Investment Plan</b>		
<b>Type of Consultant</b>	<b>Purpose</b>	<b>Duration</b>
Engineering Firm	Construction Management Service - Blue Line Extension	3-5 Years
Architecture Firm	Design of buildings	As needed
Utility Firm	Design/relocation of water and sewer lines	As needed
Airport Planning	Aviation Planning	As needed
Real Estate Acquisition	Acquire Real Estate for capital projects	Duration of project

**42. Is there any data on the number of City employees receiving Supplemental Nutrition Assistance Program (food stamps) and/or Medicaid assistance? (April 9th Budget Workshop)**

Criteria for Receiving Supplemental Nutrition Assistance and/or Medicaid assistance

According to the North Carolina Division of Social Services, applicants applying for the Food and Nutrition Services (FNS) benefit must meet the following criteria:

*Citizenship/Immigration Status* – An individual receiving FNS benefits must be a U.S. Citizen or an immigrant admitted to the United States under a specific immigration status.

*Household Composition and Resources* – Household composition is based on several determinants associated with living arrangements, marital status, and age. In addition, some households may be required to provide information of countable resources such as, but not limited to, bank/retirement accounts. There may be special provisions based on households with one person age 60 or older or disabled. Resources of people who receive supplemental security income and work first payments and services are not countable.

*Income* – An individual may be eligible for the FNS benefit if the total income falls below the appropriate gross income limits for his/her household size. The local county Department of Social Services determines which income limits apply to the household and have additional factors to consider in determining eligibility. The chart below lists the income limits based on the FNS household size:

<b>FNS Household Size</b>	<b>Maximum Gross Monthly Income Limit</b>	<b>Maximum Gross Annual Income Limit</b>
1	\$1,916	\$22,992
2	\$2,586	\$31,032
3	\$3,256	\$39,072
4	\$3,926	\$47,112
5	\$4,596	\$55,152
6	\$5,266	\$63,192
7	\$5,936	\$71,232
8	\$6,606	\$79,272
Each Additional Member	(+670)	(+8,040)

The current Market Rate for the Job Class of Laborer – the lowest market rate for City positions – is \$28,045 per year. Based on the City’s practice of hiring new employees at 85% of market, a new employee could be hired into a Laborer position at an annual salary of \$23,838. There are currently no City employees earning below \$23,838, and therefore no City employees are earning below the gross income limit of \$1,916 per month, or \$22,922 annually, required for an individual to qualify for *Supplemental Nutrition Assistance Program (food stamps) and/or Medicaid assistance*. Additionally, the average gross salary of current Laborer positions at the City is \$24,808. However, City employees may qualify for assistance based on family size and total household income up to a maximum family gross salary of \$79,272.

According to the Mecklenburg County Department of Social Services, the availability of data for Supplemental Nutrition Assistance Program and Medicaid recipients is only provided in aggregate and according to the information provided on the application. For example, an applicant may not include his/her place of employment.

Specific to City of Charlotte employees, in accordance with federal and state law, any data collected from a person applying for financial or other types of assistance is considered restricted data, and therefore not public record. As a result, data is not available to confirm if, or how many, City employees receive *Supplemental Nutrition Assistance Program and/or Medicaid assistance*.

**43. What was the City's total FY2014 Health Plan Budget, compared to the FY2015 forecast of \$89.4 million? (April 9th Budget Workshop)**

The FY2014 Health Plan budget projected gross spend is estimated to be \$81,819,944, this includes:

- Medical plan expenses of approximately \$70,280,478
- Non-medical plan expenses (dental, life, short-term disability and retiree medical premiums for Medicare eligible retirees) of approximately \$11,539,465.

The FY2015 forecast of \$89.4 million represents an increase of approximately 9% above FY2014; however, this does not necessitate a 9% increase to the City's contribution to the employee health insurance premiums, as there are several other factors that mitigate the total City contribution, including increased employee and retiree contributions and plan design and program changes that will impact projected increases in claims based on claims experience and current trend levels.

**44. Please provide examples of the impact of City employees' benefits contributions at salary ranges below \$30,000? (April 9th Budget Workshop)**

Provided in the charts below is an example of City and employee benefits contributions for the City's "Plus" and "Basic" Preferred Provider Organization (PPO) Wellness and Dental Plans, for both Employee Only and Employee and Family Coverage. The example is based on a salary of \$28,045, which is the market rate for the job class of Laborer; there are 82 City employees in this job class working in various departments including Solid Waste Services, Engineering & Property Management, Charlotte Mecklenburg Utility Department, Charlotte Area Transit System, and Aviation.

For example, under the City's "Plus" Wellness and Dental Plans for Employee Only Coverage, the total annual employee contribution for health and retirement benefits is \$5,411.02, and the total City contribution is \$10,443.41. The net annual salary after employee contributions is \$22,633.98. The total compensation package is \$38,488.41.

Under the City's "Basic" Wellness and Dental Plans for Employee Only Coverage, the total annual employee contribution for health and retirement benefits is \$4,820.30, and the total City contribution is \$8,429.97. The net annual salary after employee contributions is \$23,224.70. The total compensation package is \$36,474.97.

<b>Plus PPO Wellness and Dental Plus</b>				
	<b>Employee Only Coverage</b>		<b>Employee and Family Coverage</b>	
	<b>Employee Contribution</b>	<b>City Contribution</b>	<b>Employee Contribution</b>	<b>City Contribution</b>
Annual Salary	\$28,045		\$28,045	
Weekly Salary	\$539.33		\$539.33	
Medical-Plus PPO Wellness	\$26.85	\$98.14	\$117.20	\$282.77
Dental Plus	\$3.59	\$6.00	\$22.56	\$6.00
Basic Life		\$0.45		\$0.45
Accidental Death		\$0.13		\$0.13
Short Term Disability		\$0.18		\$0.18
Employee Assistance		\$0.37		\$0.37

NCLGERS	\$32.36	\$38.13	\$32.36	\$38.13
401k		\$16.18		\$16.18
FICA	\$41.26	\$41.26	\$41.26	\$41.26
Total Weekly Deductions	\$104.06	\$200.83	\$213.38	\$385.46
Total Annual	\$5,411.02	\$10,443.41	\$11,095.66	\$20,044.17
Employee Annual Net	\$22,633.98		\$16,949.34	
Employee Weekly Net	\$435.27		\$325.95	
Total Compensation		\$38,488.41		\$48,089.17

<b>Basic PPO Wellness and Dental <i>Basic</i></b>				
	<b>Employee Only Coverage</b>		<b>Employee and Family Coverage</b>	
Annual Salary	\$28,045		\$28,045	
Weekly Salary	\$539.33		\$539.33	
	<b>Employee Contribution</b>	<b>City Contribution</b>	<b>Employee Contribution</b>	<b>City Contribution</b>
Medical- Basic PPO Wellness	\$18.74	\$59.42	\$89.37	\$160.74
Dental Basic	\$0.34	\$6.00	\$11.61	\$6.00
Basic Life		\$0.45		\$0.45
Accidental Death		\$0.13		\$0.13
Short Term Disability		\$0.18		\$0.18
Employee Assistance		\$0.37		\$0.37
NCLGERS	\$32.36	\$38.13	\$32.36	\$38.13
401k		\$16.18		\$16.18
FICA	\$41.26	\$41.26	\$41.26	\$41.26
Total Weekly	\$92.70	\$162.11	\$174.60	\$263.43
Total Annual	\$4,820.30	\$8,429.97	\$9,079.10	\$13,698.61
Employee Annual Net	\$23,224.70		\$18,965.90	
Employee Weekly Net	\$446.63		\$364.73	
Total Compensation	\$36,474.97		\$41,743.61	

## **Solid Waste**

### **45. What is the current contract and performance status of the Inland recycling contract? (January 30th Council Retreat)**

#### Contract Status

As of the FY2011 budget, the Solid Waste Services Department began contracting with Inland Waste Solutions (formerly Inland Service Corporation) to provide single-stream residential recycling service. Inland was selected following a formal Request for Proposals process. After a thorough review from the Request for Proposal Evaluation Team (comprised of staff from Solid Waste Services and Procurement), Inland was selected from a pool of four qualified vendors. Inland's projected total seven-year price was \$28,020,000, compared to the second lowest bid of \$72,258,302

The City's contract with Inland commenced on July 1, 2010, and will expire on June 30, 2015, with two, one-year renewal options. Ending the contract would require the issuance of a Request for Proposal to solicit bids with adequate time to award a new contract to begin July 2015. Solid Waste Services will continue weekly monitoring of Inland performance. Staff evaluation to determine whether to exercise a one-year renewal option is anticipated by April 2014.

#### Performance Status

Solid Waste Services has found the level of service provided by Inland to be acceptable based on the compliance standards established in the City's contract with Inland. In comparison with FY2013 performance measures reported annually through the UNC School of Government's North Carolina Local Government Benchmarking Project, Inland's customer recycling complaints (11 complaints per 1,000 households served) is lower than the statewide average (16 complaints per 1,000 households served). Liquidated damages assessed monthly through January 2014 amount to \$37,400, equivalent to an amount less than 1/2% of the total contract amount paid to-date.

SWS met with Inland on January 17, 2014 to review a number of performance indicators that included missed collections. Missed collections have been attributed to employee turnover. Inland reported a restructuring of personnel in September 2013 that they anticipate will reduce complaints. Solid Waste Services evaluated Inland's changes; the number of missed recycling reports declined from November 2013 through January 2014 from 376 total calls in November to 243 calls in January.

**46. *How many solid waste garbage and recycling carts are replaced in a typical year due to damage? (February 26th Budget Workshop)***

Each year, the City replaces approximately 2,800 garbage carts and 390 recycling carts due to damage. This represents 1.2% of the garbage and .2% of the recycling cart population. The City does not differentiate between damage and normal wear and tear when tracking cart replacement. Carts are also replaced when residents report them missing. The City has 438,464 recycling and garbage carts in service.

### **Transportation**

**47. *How are pothole repairs funded by the City? What impact will Winter Storm Pax have on the City's pot-hole repair needs? (February 26th Budget Workshop)***

Pothole repairs are funded through gas tax revenues provided to the City by the Powell Bill legislation.

Typically, the occurrence of potholes surges after significant winter weather events. Within the next 3-4 weeks, the Charlotte Department of Transportation anticipates a higher number of pothole work orders due to the higher occurrence of winter weather events this year compared to last year. The City has the appropriate equipment and trained personnel to address increased calls for service.

As potholes are identified, they are classified as emergency or non-emergency. Emergency potholes are those that have either caused damage or have the potential to cause damage. These are repaired within 24 hours. All other potholes are scheduled and repaired within 10 days, typically in the order in which they are received.

**48. How does the City manage utility cuts to City streets, and what policies or regulatory efforts are undertaken to mitigate negative impacts to street quality resulting from utility cuts? (February 26th Budget Workshop)**

Charlotte Department of Transportation (CDOT) manages utility cuts on City streets. Street cut permits are issued to utility contractors that need to access underneath the street to perform their work. Utility cuts are either repaired by the utility company or CDOT. All repairs performed by CDOT are billed to the applicable utility company. CDOT certifies contractors to do street repair work on a city street, through its utility cut training course. CDOT inspects the job site for proper restoration after the contractor completes their work.

In October of 2007, City Council approved an ordinance to set up the regulatory and policy framework for utility cuts in the rights-of-way. The purpose of this ordinance is to provide for the proper management of the public rights-of-way. Specifically, it regulates the activities performed by the owners of public and private utility facilities located in the public rights-of-way.

A pavement degradation fee is charged to recover the costs associated with pavement damage and repair, and loss of pavement useful life resulting from cutting street pavements. The money collected from the fee goes directly back into the city's resurfacing program. The Charlotte Department of Transportation has collected, on average, \$830,000 per year during the past 3 fiscal years.

**49. What is the City's relationship with the State for the maintenance of State roads that are within the City limits? How are determinations made as to who maintains which roadways? (February 26th Budget Workshop)**

The Charlotte Department of Transportation (CDOT) and the North Carolina Department of Transportation (NCDOT) maintain frequent and ongoing communication about the condition of state and city streets and highways. Resurfacing plans are exchanged between CDOT and NCDOT each year.

Generally the State's responsibility is to maintain the continuity of the regional road network. As a result, the NCDOT maintains all interstates, State highways, numbered routes, and thoroughfares that cross county boundaries and serve as regional connectors. Any changes in maintenance responsibility must be approved by the NCDOT as defined by North Carolina State Statute.

The City accepts state maintained streets through the standard annexation process and on a case by case basis. Generally the City negotiates with the State about assuming maintenance responsibility when the City desires a different level of maintenance or street cross section. The City assumes street maintenance responsibility when local streets are built by private developers within city limits.

**50. What is the business relationship between the City and the ParkIt! vendor Central Parking Corporation? (January 30th Council Retreat)**

The City contracts with Central Parking (merged with Standard Parking in 2012) to operate the parking program through the Park It! office. It is a turnkey operation, with the contractor providing all services associated with running an on-street parking program. In return for these services, Central Parking receives a management fee of 10% of collected revenue from meters and permits, as well as a 3% of citation

revenue. The total contract payment to Central Parking is approximately \$90,000 per year. The City owns and maintains all equipment and leases the current office space.

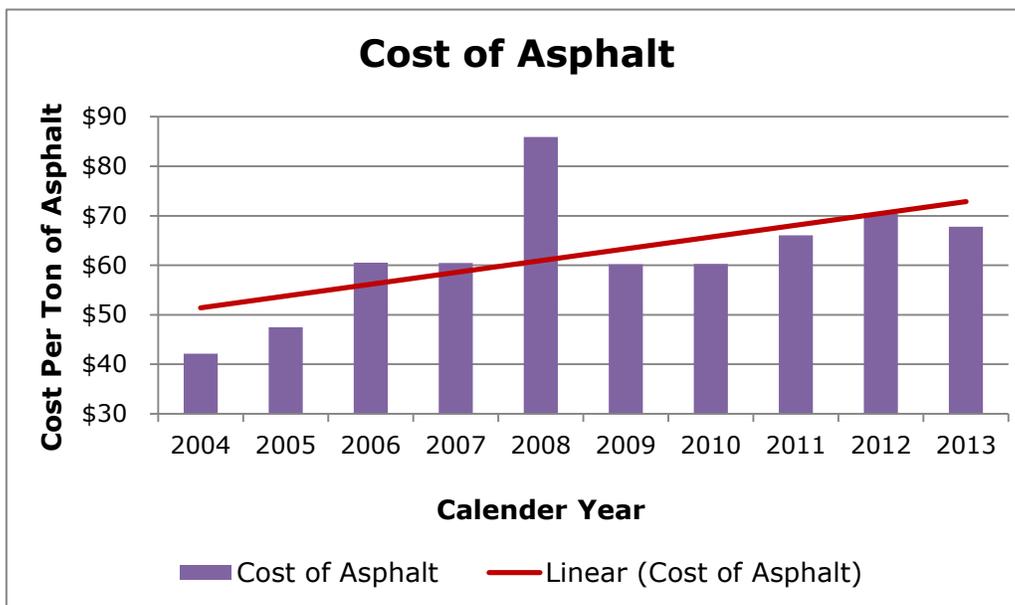
The current on-street parking contract with Central Parking expires on September 30, 2014, and City staff is in the process of preparing a bid package.

**51. In 2006, a portion of the property tax rate increase provided a \$4.3 million annual supplement to achieve a street resurfacing cycle of 12-14 years. The current resurfacing cycle is projected at 30+ years. What are the factors leading to the increase in the resurfacing cycle? (February 26 Budget Workshop)**

In FY2007, City Council approved an annual \$4.3 million contribution from the General Fund to support the Powell Bill street resurfacing program. This additional funding initially reduced the resurfacing cycle to approximately 14 years and increased the City's pavement condition rating. However, the resurfacing cycle began to climb and the pavement condition rating began to drop based on the following factors:

- During the past eight years, the City has added 191 centerline miles.
- Asphalt prices have been growing at a faster rate than the annual funding increases from the Powell Bill Gas Tax. Between 2004 and 2013, the cost of asphalt increased 61%, while Powell Bill funding increased 22% during the same time period.

The following chart illustrates the change in asphalt costs and linear trend-line for the past 10 years:



**52. What is the status of any planned transportation improvements along the North Tryon Street corridor? (February 26 Budget Workshop)**

State Plans

Based on current information, the North Carolina Department of Transportation (NCDOT) plans to resurface North Tryon adjacent to the bridge replacement over Mallard Creek.

This project is located northeast of I-485. The State has no immediate plans to resurface any other segments of North Tryon as a part of their regular maintenance program. The Charlotte Department of Transportation (CDOT) maintains ongoing communication with NCDOT about maintenance and repairs identified on state streets in the City.

#### City Plans

The City has scheduled resurfacing as a part of the Blue Line Extension project (from Old Concord to UNCC) estimated to be completed by September 2016. The City has also scheduled resurfacing as a part of the North Tryon Business Corridor Redevelopment project (from Dalton Ave. to 30th Ave.) and the resurfacing is estimated to be completed by December 2017.

In addition to the planned street resurfacing, the North Tryon Business Corridor Redevelopment Community Investment Plan project is currently underway to support and enhance growth and redevelopment along this business corridor along North Tryon Street from Dalton Avenue to 30th Street. Improvements along this nine-tenths of one mile segment of North Tryon Street will include upgraded crosswalks and sidewalks, planting strips, planted medians, landscaping, decorative lighting, bike lanes, storm drainage improvements, utility relocation, new waterline installations, public art, and a reduction of the number and/or size of driveway openings.

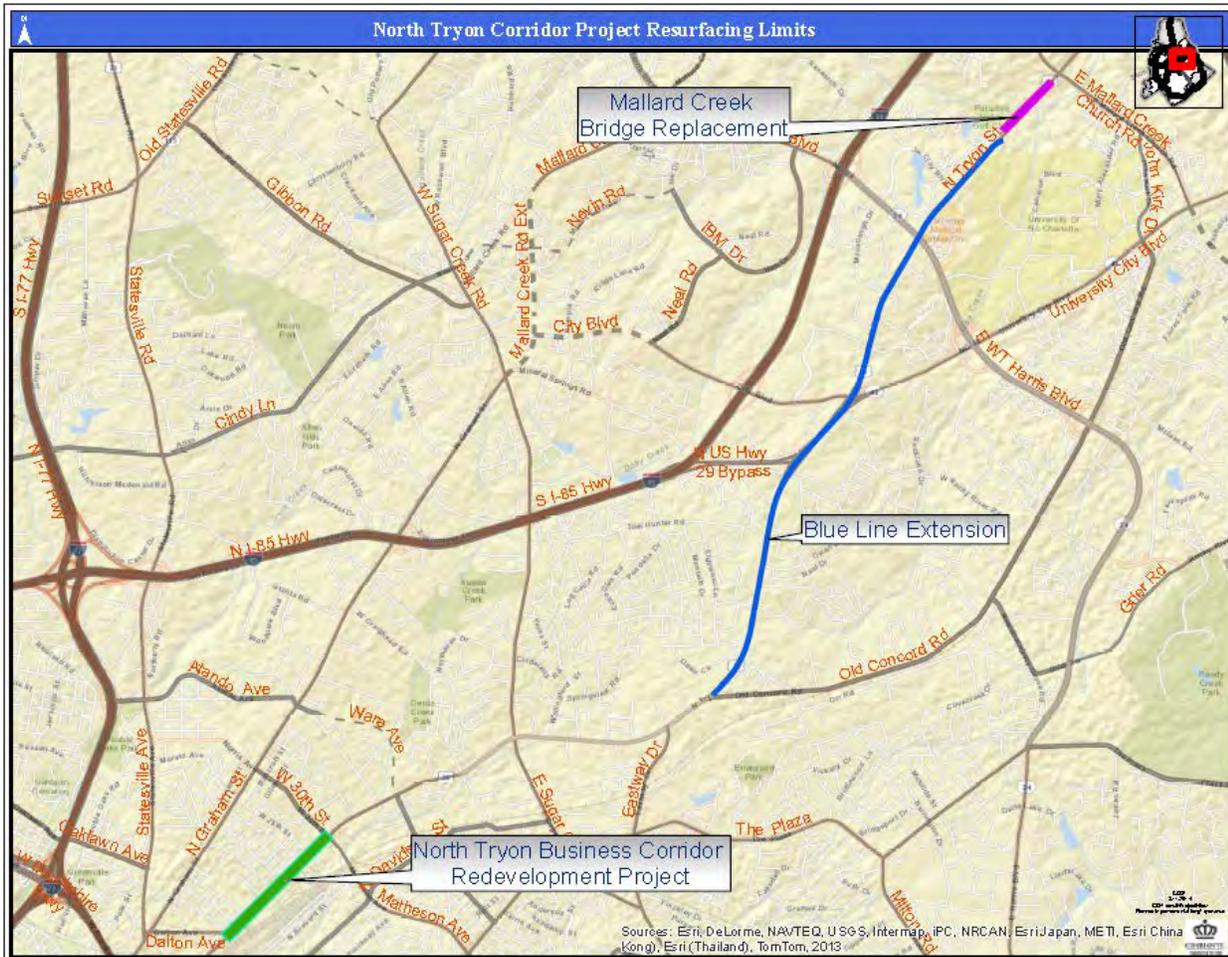
The North Tryon Business Corridor Redevelopment project is currently in the Design phase. Construction is expected to begin in late 2015, with project completion anticipated by the 4th Quarter 2017.

The following are maps illustrating:

1. The location, alignment, and planned improvements associated with the North Tryon Redevelopment project
2. Location of all projects mentioned in this Question & Answer

## **North Tryon Redevelopment Project**





**53. What is the purpose of “bagging” on-street parking meters? Who determines if meters should be bagged, and what is the process and criteria used for making bagging decisions? (February 26 Budget Workshop)**

“Bagging” refers to when a “No Parking” bag is placed over the on-street parking meter head. By bagging the parking meter, it is taken off-line from operating revenue generation, and automobiles parked in front of a bagged meter are fined or towed. Bagging is typically used for street maintenance or special events (e.g. City-approved parades).

On-street parking meter “bagging”

The goal of the City’s bagging practice in the Uptown area is to balance public safety with keeping vehicles off the street for special events.

The following are events/activities during which a portion of parking meters may be bagged:

- Construction activities – short and long term
- Maintenance of facilities – buildings, landscapes, etc.
- Parades, special events, and filming events
- Stadium, arena events, Blumenthal and Convention Center events
- Press conferences, media events, funerals and high level business meetings
- Street maintenance and utility work

### Determination of parking meter "bagging"

The Charlotte Department of Transportation collaborates with other city departments, such as the Charlotte-Mecklenburg Police Department, to determine which meters are bagged and when they should be bagged prior to an event. These decisions include using current information and past experience as guidance.

The Charlotte Department of Transportation focuses on the following when considering which meters are bagged:

- Pedestrian and motor vehicle safety and Americans with Disabilities Act accommodations
- Preserving availability of on-street parking
- The unique needs for each activity
- Access and egress for visitors and attendees
- Maintaining street capacity and traffic flow
- Planned or existing street or lane closures and associated detour routes
- Emergency response
- Agreements with other entities, for example the National Football League

## **Water and Sewer**

### ***54. What data is available on the frequency of repeat water leak repairs? (March 19th Budget Workshop)***

The water distribution system contains 178,948 line segments consisting of varying lengths of pipe. A segment of pipe can be as long as a mile or as short as a few feet. During the past 24 months a total of 2,319 line segments were repaired. Out of this total, 307 were repairs to a line segment that had a previous repair, or 13% during the two-year period.

Multiple repairs to the same line segment may occur for many reasons including discovery of additional/different leaks, loose fittings, and cracks that were not visible to the naked eye during the initial repair. If multiple repairs continue on a line segment, then the segment may be identified for replacement as part of the Charlotte-Mecklenburg Utility Community Investment Plan.

### ***55. What is the cost impact from system wide water leaks, and what would be the total costs to fix all the leaks? (March 19th Budget Workshop)***

Leaking water mains do not result in lost revenue since they do not change the amount of water sold to customers. Therefore, it is more appropriate to compare the cost of repairing water leaks to the cost of water production.

#### Cost to repair water leaks:

- On average, 5,423 water leaks occurred per year from FY2009 to FY2013 in the Charlotte-Mecklenburg Utility Department system. Approximately 3,600 leaks have been reported so far in FY2014.
- The average cost to repair a water leak is approximately \$1,461 per leak, or \$7.9 million per year.
- The continuing cost to staff and operate a typical water leak repair crew of four crewmembers is approximately \$360,000 per year. Currently, it takes 22 crews to repair all water leaks within eight weeks or less.
- Each one week reduction in time to repair water leaks would require the addition of two water leak crews, at an annual cost of approximately \$720,000.

- If the goal is to repair all water leaks within one week or less, it would require the addition of 14 crews, at an annual cost of approximately \$5 million.

Cost of water production:

- In comparison to the cost to repair a water leak, the cost to produce 1,000 gallons of drinking water is \$0.32 cents. Therefore, the cost of the average water leak repair (\$1,461) is equal to the production of 4,568,750 gallons of water. Put into context, a typical 2.5 gallon per minute shower would have to run for 3 and 1/2 years to create enough water production cost to equal the cost of repairing a typical water leak.

**56. *What are the leading water/sewer industry trends in rate setting and service delivery? How does CMUD compare to those trends? (March 19th Budget Workshop)***

The Charlotte-Mecklenburg Utility Department rate setting method is consistent with the latest trends in the industry based upon advice adopted from consultants during the 2011 Rate Methodology Study. Further confirmation comes through information obtained from informal networking with industry peers, professional publications, and presentations at professional association conferences. The trends are generally:

- Rates set based on recovering the full cost of providing service.
- Using an increasing block system (or tiered rate structure) that encourages water efficiency through an increasing pricing structure.
- Inclusion of a fixed fee component to improve revenue stability.

A study published in 2014 by the Water Research Foundation and U.S. EPA ("Defining a Resilient Business Model for Water Utilities," Hughes, Tiger, et al, Environmental Finance Center at UNC Chapel Hill; Brandt and Noyes, Raftelis Financial Consultants) found that:

- Smaller, regular rate increases are associated with utilities with higher credit ratings.
- Most utilities increased rates at a slightly faster pace than regional consumer price index inflation.
- Larger utilities adjusted rates fairly often over the past 10 years and at levels that outstripped inflation because operation and maintenance expenses increased rapidly between 2004 and 2012.

**57. *What are the financial impacts (revenue and cost) associated with the potential wastewater treatment agreement with Union County? (March 19th Budget Workshop)***

The proposed agreement under development with Union County will reimburse the Charlotte-Mecklenburg Utility Department for all direct costs associated with the operation of the Union County wastewater treatment plants. In addition to direct costs, the agreement includes overhead charges sufficient to cover any indirect charges the Charlotte Mecklenburg Utility Department may incur as a result of the agreement. Revenue from reimbursements in FY2015 for these direct and indirect costs is expected to be approximately \$5 million. The agreement will have no financial impact on rate payers. Charlotte-Mecklenburg Utility plans to discuss the proposed agreement in further detail at a future dinner briefing.

**58. *What are the financial reasons for a fund balance goal of 51%? Can a lower goal be considered that would reduce the potential rate increase and maintain Charlotte-Mecklenburg Utilities' AAA credit rating? (March 19th Budget Workshop)***

The Charlotte-Mecklenburg Utility Department's goal is to maintain reserves equal to 50% of the next years' operating and debt service expenses. These funds provide sufficient coverage for operating and debt service expenses. This practice stabilizes rates because failure to maintain appropriate coverage could result in a technical default of the bonds, which could mean a loss in the Utility Department's AAA credit rating, and ultimately greater rate increases due to higher borrowing costs for future water and sewer investments. Reserves at 50% and a debt service coverage ratio of approximately 2.0 places the Charlotte Mecklenburg Utility Department near the bottom of AAA rated utilities.

Maintenance of the reserve is not the single driver for rate increases. The Charlotte Mecklenburg Utility Department has identified a need for approximately \$600 million in new investment over the next five years to address current and future growth in the community, mandated environmental regulations, and to maintain existing infrastructure.

Modest, consistent annual rate increases are required to cover the cost of this investment and maintain service quality. Larger but less frequent rate adjustments could also accomplish the same result. In an era of declining per-capita consumption driven by more water efficient appliances and other factors which support the need for long-term water conservation, customer growth alone cannot solely support annual increases in operating and capital cost.