AGENDA

Meeting Type:	SPECIAL
Date:	02/18/1997
	BUDGET RETREAT

City of Charlotte, City Clerk's Office

City of Charlotte
FY98 Budget Half-day Retreat

February 18, 1997
2:00 p.m. - 6:00 p.m.
Room 267

2 00 p m	Opening Comments	Pam Syfert
2 15 p m	Principles of the Budget Retreat Process	Curt Walton
2 30 p m	Capital Investment Plan Financial Policies	Curt Walton
2 45 p m	Capital Investment Program	
	Neighborhood Improvements	Stanley Watkins
	Roads	Bill Finger
	Environmental	David Meacham
	Storm Water	Jeb Blackwell
	Water and Sewer	Doug Bean
	Aviation	Jerry Orr
5 00 p m	Quality of Life Index Status Report	Stanley Watkins
5 30 p m	Capital Program Evaluation Proposal	Curt Walton
5 45 p m	Review of Questions and Answers Material	Curt Walton
5 50 p m	March 18th Half-day Retreat Preview	Curt Walton
6 00 p m	Adjourn	

FY98 Budget Half-day Retreat
February 18

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Principles of the Budget Retreat Process

Goals for the FY98-FY99 Operating Budget and the FY98-02 Capital Investment Plan

Goal 1 Align resources with Council priorities

Goal 2 Implement the neighborhood and road improvement strategies included in the FY97-01 Capital Investment Program

Goal 3 Consider appropriateness of implementing key 2015 Action Plan steps as the FY98-FY99 budget cycle develops

Goal 4 Continue to reduce the cost of government services while maintaining customer service

Goal 5 Provide Council with budgetary information earlier in the budget development process

GOAL 6. County Revaluation -

Charge to Council Budget Committee

Charge:

1. To assist in the development of the agendas for Council's half-day monthly budget retreats,

2. To assist in the identification of the policy issues and questions associated with the budget retreats, and

3. To receive detailed information on some of the budget retreat topics to help shape presentation of the items at the retreats

Budget Committee Meetings are held on Mondays at 3:30 until 5:00 p.m. in CH14. The remaining meetings are:

March 3
April 7
May 5
June 2

Charge for Half-day Retreats

Charge:

1. For staff to share information on budget issues, problems and needs earlier in the budget development process, and

2. For staff to receive policy direction from Council during development of the Manager's Recommended Budget

Half-day Budget Retreats are scheduled for Tuesdays at 2:00 until 6:00 p.m. All of the Retreats will be held in Room 267 <u>EXCEPT</u> for the June 10th Retreat which is in the Meeting Chamber and includes <u>TELEVISED</u> straw votes.

February 18
March 18
April 22
May 6
May 20
June 10 (televised straw votes) *

* On March 3, the Budget Committee will discuss options to avoid a 6 00 p m conflict on June 10th with the County Commissioners Zoning Meeting

Budget Presentation and Adoption Schedule

Budget Presentation - May 19 *
Monday at 4 00 p m in Meeting Chamber, **televised**

Budget Public Hearing - June 9
Monday at 7 00 p m

Budget Adoption - June 23
Monday at Council Meeting

* On March 3, the Budget Committee will discuss an alternative date to May 19th to allow at least one week between presentation and the May 20th Budget Retreat

Capital Investment Plan Update

The following information includes Council's financial policies for the Capital Investment Plan and summary sheets highlighting the status of the City's major capital programs A briefing on each of these topics is scheduled for the February 18th Half-day Retreat Questions on this material may be directed to Curt Walton at 336-5019

Capital Investment Plan Financial Policies

1 Current general government debt policies are recommended to remain in place

- Diversify revenue sources dedicated to capital formation and debt service
- Maintain a balanced mix of financing strategies for funding capital projects including Pay-As-You-Go, grants and debt, without an excessive reliance on any one source
- Provide for issuance of additional debt at reasonable time intervals without increasing taxes, and timed in such a way as to avoid erratic impacts on tax rate changes
- Maintain highest credit ratings by scheduling and issuance of debt that sustains reasonable ratios (e g , percent of outstanding debt to assessed value)

2 The dedication of specific revenue to the capital plan will be maintained in the Municipal Debt Service Fund In FY97, the specific revenues dedicated to the Municipal Debt Service Fund include

- 6¾¢ of the property tax rate
- An annual contribution of $800,000 from the Powell Bill Fund
- A portion of the City's proceeds from Occupancy Tax
- Investment (interest) income

- ½¢ Sales Tax authorized in January, 1987

- Other/miscellaneous revenues including a portion of the intangibles tax, ABC profits, beer and wine license revenues, a contribution from Mecklenburg County for its share of debt cost for the new Charlotte-Mecklenburg Government Center, and a contribution from the General Fund for the municipal facilities lease-purchase transaction

3 Municipal Debt Service Fund Balance will be maintained at an adequate level to cover debt costs

- Ratio of debt service fund balance to actual debt service costs will approximate 50%

4 Pay-As-You-Go Tax Fund will be used in conjunction with long-term debt financing to finance capital projects

5 Asset sales will be dedicated to the Capital Investment Plan The retirement of any outstanding debt on sold assets will be the first priority of sales proceeds

6 Enterprise Funds' capital plans will be established on a self-sustaining basis (Water and Sewer and Airport)

- Water and Sewer and Airport capital projects are financed from revenues generated from user fees and charges

- In order to finance the proposed debt, the Water/Sewer rate study assumes a draw-down of Water/Sewer fund balance to not less than 10% of operating costs

Capital Investment Plan Program Policies

1 To evaluate capital project requests according to the following priorities

1st Priority	Retrofit Existing Facilities
2nd Priority	Replacement of Existing Facilities
3rd Priority	Expansion of Existing Facilities
4th Priority	New Facilities

2 To prioritize capital project funding to comply with Federal and State mandates

3 To continue a capital plan which meets the highest priority needs

4 To ensure that existing infrastructure is maintained and replaced

5 To provide for some new capital projects to help meet the highest priority community growth needs

6 To provide a balanced capital plan which will not fund all identified needs, but will fund projects in a variety of program areas

7 To ensure that the Capital Investment Plan will be the platform for economic development in the community

8 Preservation of the existing tax base is a fundamental principle for City capital investment decision-making

9 The City will continue to form partnerships with citizens and businesses to leverage public dollars making this a community of choice for living, working and leisure activities

10 Neighborhoods are the foundation of the community, a reinvestment program focusing on all neighborhoods should be an emphasis in a comprehensive capital investment strategy

CIP Program Update - Neighborhood Improvements

I. Financial Status

$32 million in Neighborhood Improvement Bonds were approved in November 1996 Prior to the bond approval, Neighborhood Improvements were funded at $2 million annually from Pay-As-You-Go

The Mid-Year Ordinance (February 24, 1997 Council Business Agenda) includes the appropriation of $8,615,000 in Neighborhood Improvement Bonds

This appropriation is needed to fund seven construction and four design contracts which are scheduled for award prior to June 30, 1997

II. Program Status

The program is slightly ahead of schedule The FY97-01 Capital Investment Plan included $8 million for appropriation in FY97 and the need has been identified for $8,615,000

A list is **attached** indicating the eighteen neighborhoods funded by the bonds These neighborhoods were identified as "showing signs of distress"

III. Recommended Changes

None

IV. Problem Areas

None

Attachment- Neighborhood Improvement Program Focus Areas

- Lakewood
- Wingate
- Cummings Avenue/Lincoln Heights
- Reid Park
- Druid Hills
- Villa Heights
- Grier Heights
- Wilmore
- Sterling/Sterling Heights
- Beatties Ford/Trinity Park
- Choyce Avenue
- Hidden Valley
- Oakhurst
- Plaza-Midwood
- Moores Chapel
- City View
- Wilora Lake
- Orchard Park

CIP Program Update - Transportation Program

I. Financial Status

With the passing of the bond referendum in November, the financial status is in good shape The **attached** table indicates that funding is available for major projects to start in FY97, FY98, FY99 and FY2000 All on-going programs are also funded through 2000, with the Sidewalk Program and the Business Corridor Program funded through 2001

II. Program Status

Good progress is continuing on several programs Several sidewalk projects were awarded recently The next activity will include selection of consultants for several small projects and the major intersection project at Monroe and Sharon Amity Right-of-way acquisition for Colony Road Extension is also gearing up

III. Recommended Changes

None

IV. Problem Areas

None at this time

Proposed 1996 Street Improvement Bonds

	FY97	FY98	FY99	FY00	FY01	FY02	TOTAL
Roadway & Intersection Projects (in priority order)							
+ Providence & SharonAmity/Sharon Ln *		$250,000					$250,000
+ Randolph & Wendover*	$625,000	$625,000	$1,000,000				$2,250 000
+ Central & Kilborne/Norland*		$575,000	$610,000				$1,185,000
Fairview Rd & Sharon Rd Widening*	$305,000	$805,000	$1,370,000	$1,445,000			$3,925,000
+ Monroe & Sharon Amity	$205,000	$480,000	$1,070,000	$500,000			$2,255,000
CSX RR Bridge @ Mt Holly Rd *		$1,200,000	$2,250,000	$2,250,000			$5,700,000
Beatties Ford Widening to 4 Lanes*	$600,000	$450 000	$450,000				$1,500,000
+ Runnymede/Woodlawn & Selwyn		$130,000	$380,000	$450,000	$450,000		$1,410,000
+ Parkwood & The Plaza		$120,000	$430,000	$400,000	$395,000		$1,345,000
Colony Rd Extension*		$2,000,000	$5,390,000	$3,555,000			$10,945,000
Hoskins Rd Widening*		$100,000	$720,000	$500,000			$1,320,000
Prosperity Church Rd Widening		$400,000		$1,000,000	$2,100,000	$500 000	$4,000,000
Johnston Rd Extension		$500,000		$1,000,000	$4,000,000	$3,000,000	$8,500,000
+ Tenth & Graham			$45,000	$110,000	$220,000		$375,000
+ Monroe & Sardis Rd North			$90,000	$280 000	$290 000	$290 000	$950,000
Plan Study - Freedom Dr (NC27) Widening					$500 000		$500,000
Subtotals	$1,735,000	$7 635,000	$13,805,000	$11,490,000	$7,955,000	$3,790,000	$46,410,000
Other Transportation Programs							
Sidewalk Program	$2,000,000	$2 000,000	$2 000 000	$2,000 000	$2 000,000		$10,000,000
Business Corridor Program	500000	500000	500000	500000	500000		$2 500,000
Transit Radius Improvement Program	$85,000	$85,000	$85,000	$45,000			$300,000
Coordinated Arterial Signal Systems	$500,000						$500,000
Minor Roadway Improvement Program	$625,000	$1,250,000	$1,250 000	$1 250,000	$625 000		$5,000,000
Participation in State Highway Projects	$610,000	$285,000	$360,000	$110,000			$1,365,000
Safer Roads Demonstration Program	$100,000	$50,000	$50,000	$50,000			$250,000
Railroad Crossing Improve Program	$50,000						$50,000
Subtotals	$4,470,000	$4 170,000	$4,245,000	$3 955 000	$3 125 000	$0	$19 965 000
Totals	$6,205,000	$11,805,000	$18,050,000	$15,445,000	$11,080,000	$3,790,000	$66,375,000

Notes
+ indicates intersection projects
* projects already thru planning & design

CIP Program Update - Environmental

I. *Financial Status*

$27 million in bonds were approved by the voters in November 1993 to fund four projects

1 Underground Storage Tanks
2 Fire Pits Cleanup
3 York Road Landfill
4 Statesville Road Landfill

Current Bond Status $12 7 million issued and $14 3 million unissued

The FY97-01 CIP schedules $12 million in project appropriations, of which $9 million is for Underground Storage Tanks

II. *Program Status*

Underground Storage Tanks Project balance is $6 7 million The project is on schedule 175 out of 216 tanks have been completed State reimbursements under the program have totaled $673,196, reimbursements under review by the State total $1,027,798

Fire Pits Cleanup Project balance is $1 8 million The City's site closure plan has been submitted to the State for approval The site is a low priority to the State because it does not affect other property owners

York Road Landfill Project balance is $100,000 Periodic surface grading will be necessary at the site to ensure adequate cover and no ponding water On-going methane gas monitoring and water assessment is required by the State on the site

Statesville Road Landfill Project balance is $450,000 The site is a low priority to the State because it does not affect other property owners A study is underway to determine the best uses of the land

III. *Recommended Changes*

None

IV. *Problem Areas*

Environmental regulations are being rewritten at the federal and state levels

CIP Program Update - Storm Water

I. *Financial Status*

The Storm Water Program is financially sound Revenues are being generated at the levels that were projected in the Storm Water Rate Model that was used to set the rate in FY97 and estimate the rates over the next five years All funds in the Storm Water Capital programs are estimated to be fully encumbered by the end of the fiscal year

II. *Program Status*

The Storm Water Capital Investment Program includes five different initiatives

1 Flood Control Projects are large capital projects that replace or reconstruct large portions of the drainage system This program is primarily funded through Storm Water bonds and is on target to contract for use of all of its budget by year end

2 Repairs to Existing Storm Drains is the program that makes repairs to the City's drainage system that is located on private property This project was allocated $3 9 million for FY97 and is proposed to increase to $6 million by adding $2 1 million in FY98 Due to an unexpected large number of expensive repair projects, we are slightly behind schedule on the numbers of projects we anticipated completing this fiscal year

3 Channel Restoration is a new program for FY97 which solves erosion and stabilization problems in ditches and streams The program is now up and running and will meet its goals by year end

4 Neighborhood Improvements is a program where Storm Water funds are expended in concert with the City's Neighborhood Development bonds This program funds the Storm Water portion of infrastructure improvement in the City's neighborhoods

5 Economic Development is a Storm Water program that will begin in FY98 A program strategy describing eligibility and geographic requirements has been drafted and will be submitted to Council as part of the City's overall Economic Development strategy

III. *Recommended Changes*

None

IV. Problem Areas

As mentioned above, the Repairs to Existing Storm Drains program has experienced a number of projects that are significantly larger than the average cost of a typical project The program funding has been increased by 50% to ensure that the maximum number of projects will be removed from the workload

CIP Program Update -Water and Sewer Projects

I. *Financial Status*

The FY 97-01 CIP incorporated revenue bonds as the financing mechanism for funding future water and sewer capital needs The City conducted its first revenue bond sale in November, 1996 The market was very receptive to this sale as evidenced by the average interest rate of 5 33% The City will continue to use revenue bonds and general obligation bonds until all general obligation bonds previously authorized by the voters are sold There are no plans for additional general obligation bonds

II. *Program Status*

- The new North Mecklenburg Water Treatment Plant is expected to be operational by the end of FY 1997
  Approximate cost $49 million

- The expansion of the Franklin Water Treatment Plant is well underway with an estimated completion date of November, 1997
  Approximate cost $35 million

- The contract to expand McAlpine Wastewater Treatment Plant from a capacity of 48 million gallons per day to 64 million gallons per day was awarded on January 27, 1997
  Approximate cost $35 million

- Construction is underway on the expansion of McDowell Creek Wastewater Treatment Plant that will increase capacity from 3 million gallons per day to 6 million gallons per day This project is scheduled for completion in the Spring of 1998
  Approximate cost $24 million

III. *Recommended Changes*

Requests for additional funding in the FY98-02 CIP include the following projects

- Extension of water and sewer service to existing residents on existing streets in the City and County (the Street Main Extension program)

- Water and sewer service for annexation areas

- Raw water pipe line from Catawba Pump Station to Franklin Water Treatment Plant

- Reinvestment in Neighborhood water and sewer (rehabilitation of existing lines)

- Pump stations, outfalls and relief sewers

IV. Problem Areas

- Permitting delays associated with additional withdrawals from Mountain Island Lake have been encountered This is related to questions raised by Virginia Beach, Virginia with the Federal Energy Regulatory Commission (FERC) application

- The CMUD Water and Sewer Extension Policy approved by City Council on April 13, 1992, provides for CMUD funded water and sewer extensions along existing streets to serve existing residential dwellings (maximum - 1,000 ft) Demand for this service continues to be very popular CMUD anticipates substantial additional demand related to annexation and the activation of systems for Matthews and Mint Hill

- The rapid expansion of the customer base and the expansion of facilities to meet the resulting demand for services will impact operating budgets

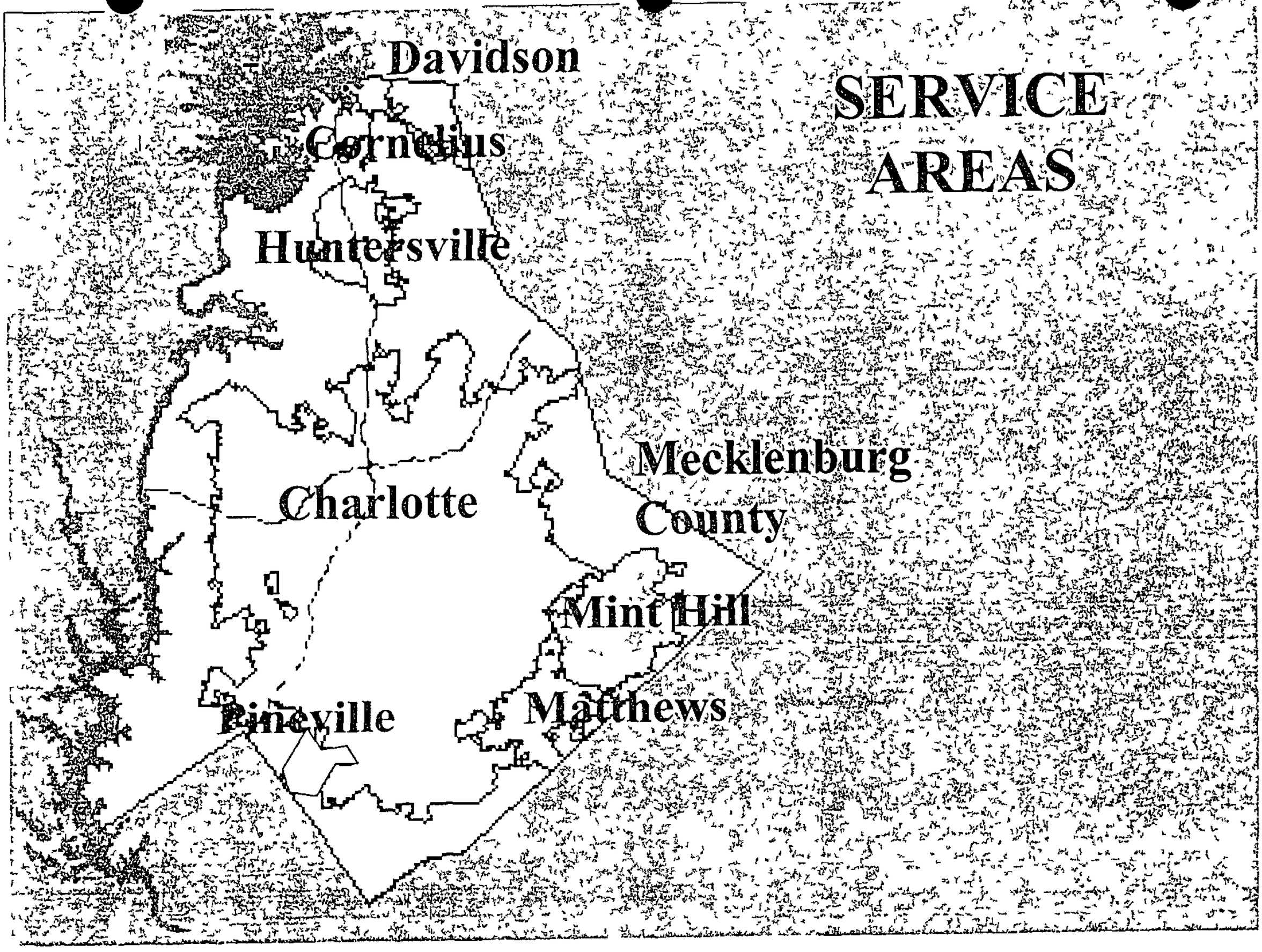
- Potential local mandates concerning stream water quality may have a substantial financial impact

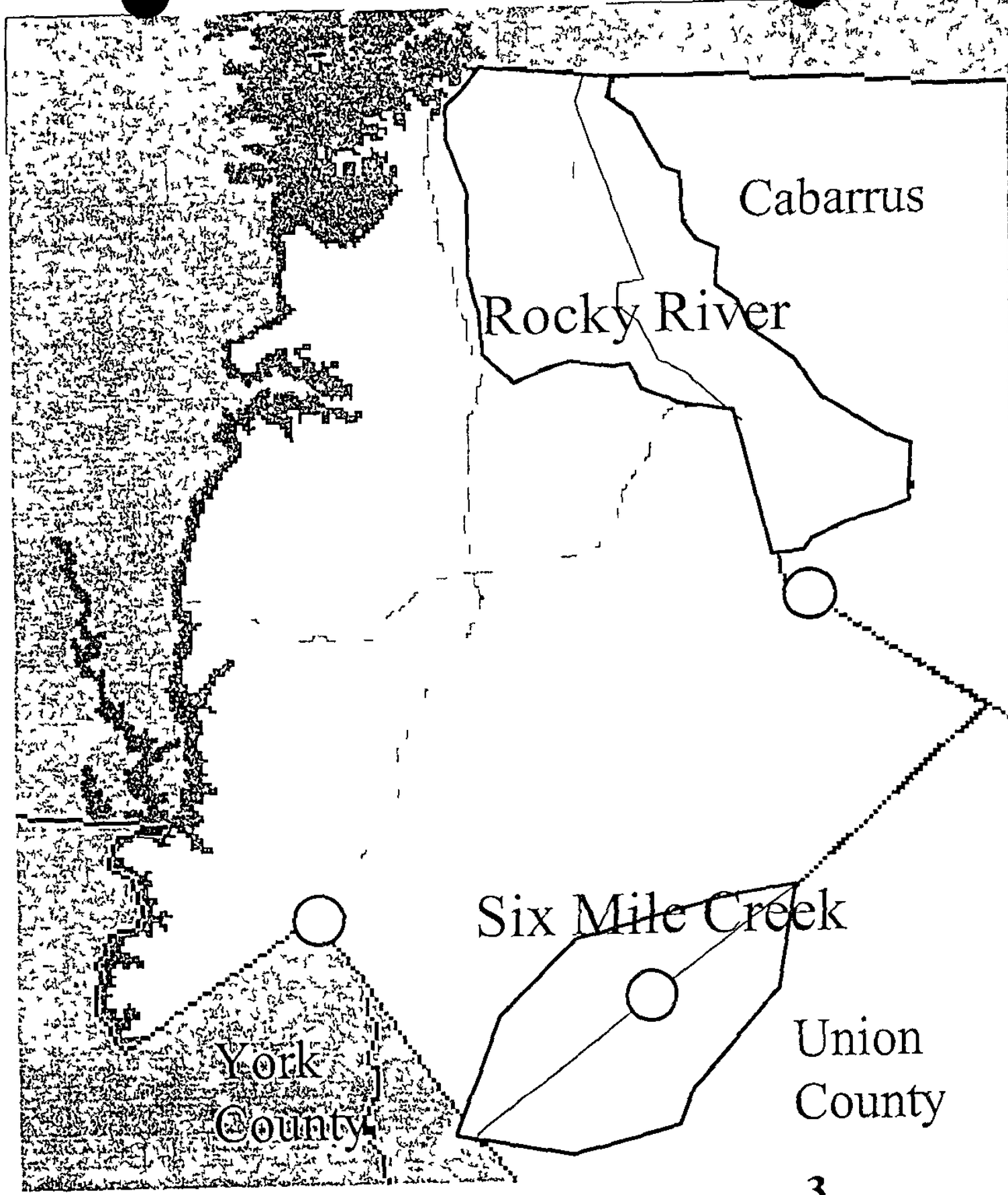
Charlotte-Mecklenburg Utilities

Capital Improvement Program

February 18, 1997

SERVICE AREAS





REGIONAL AGREEMENTS

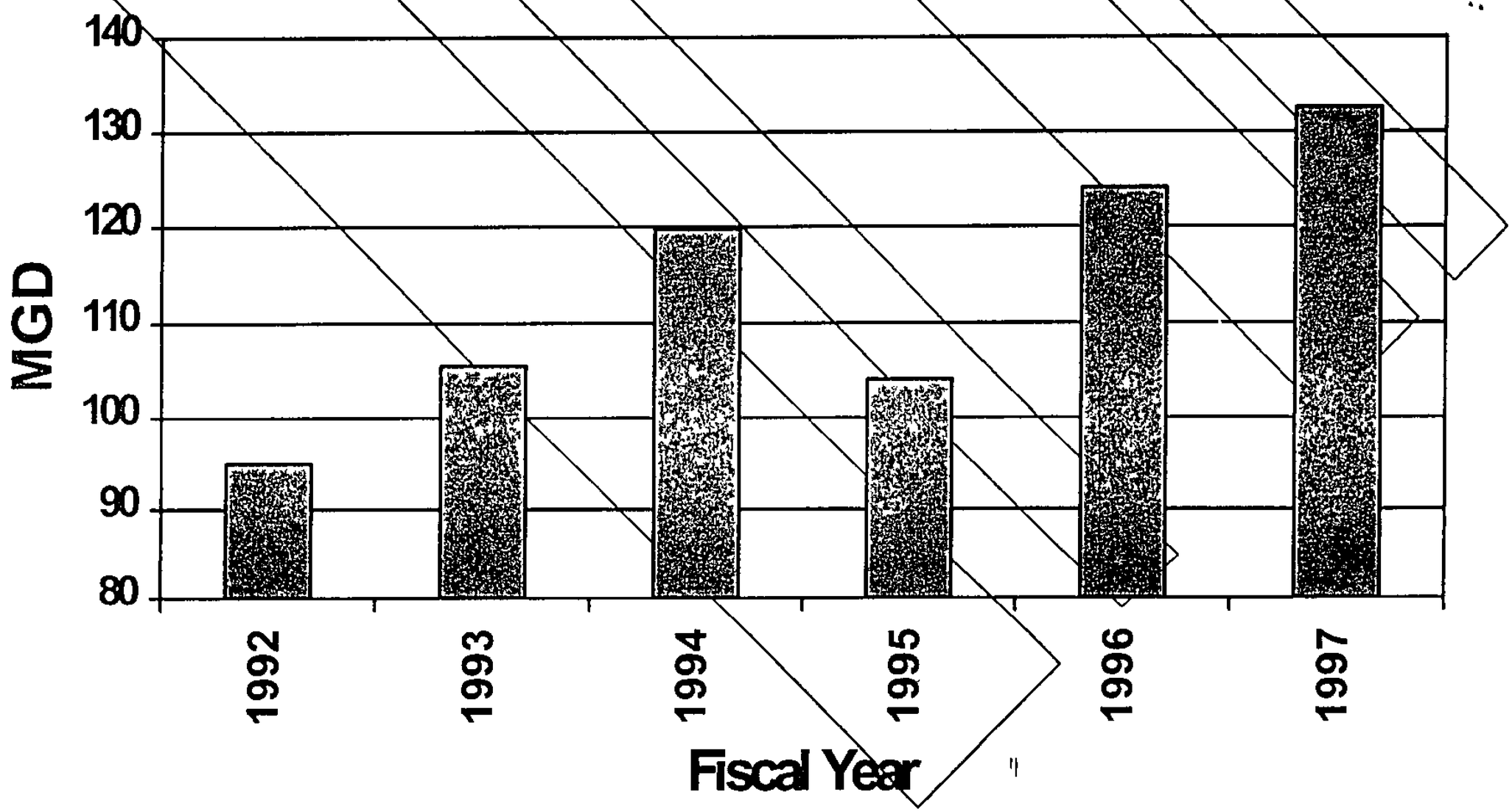
WATER

- **Union Co.**
- **Concord**

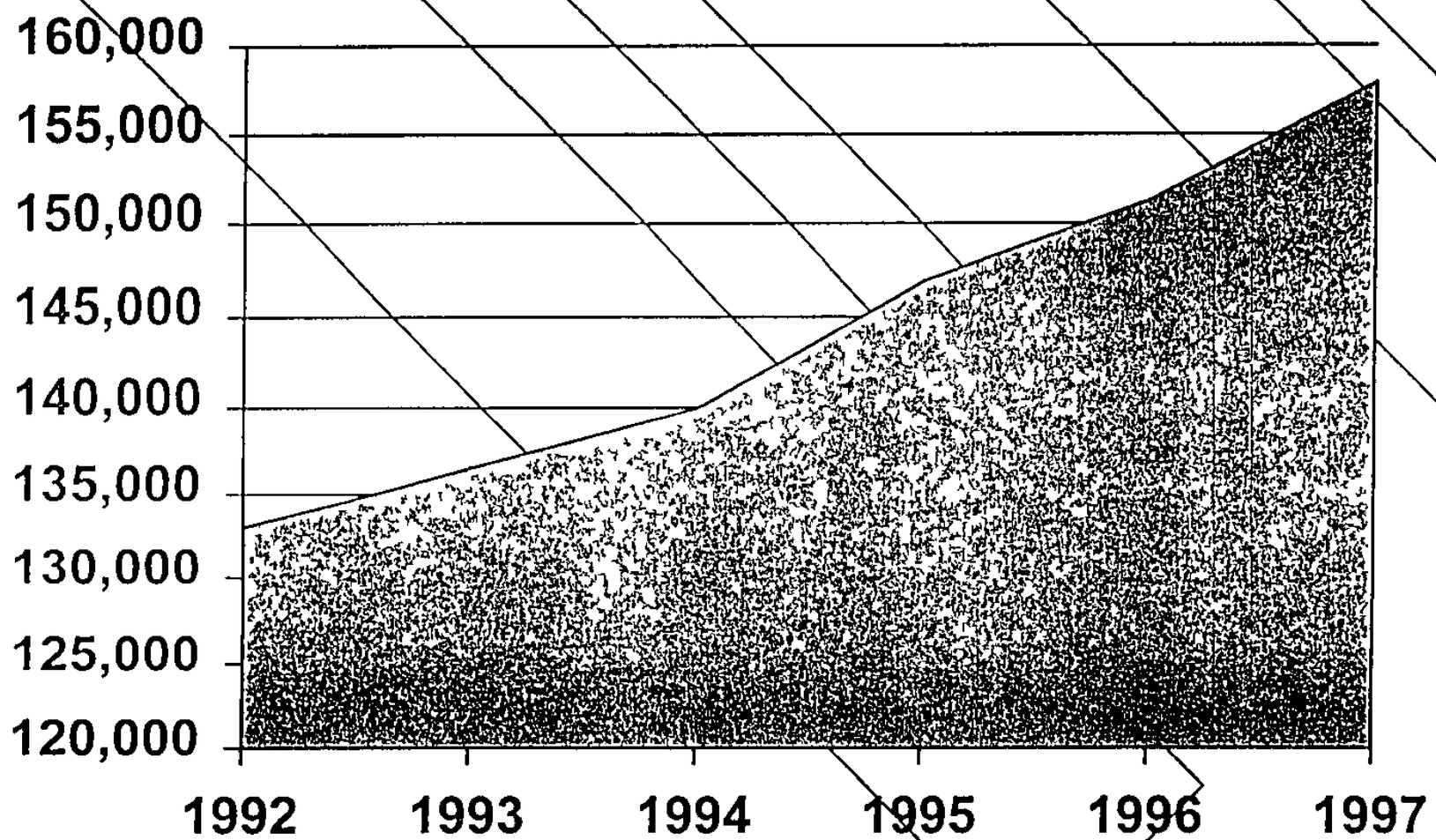
WASTEWATER

- **Cabarrus Co.**
- **Union Co.**
- **York Co., SC**

Maximum Daily Water Useage



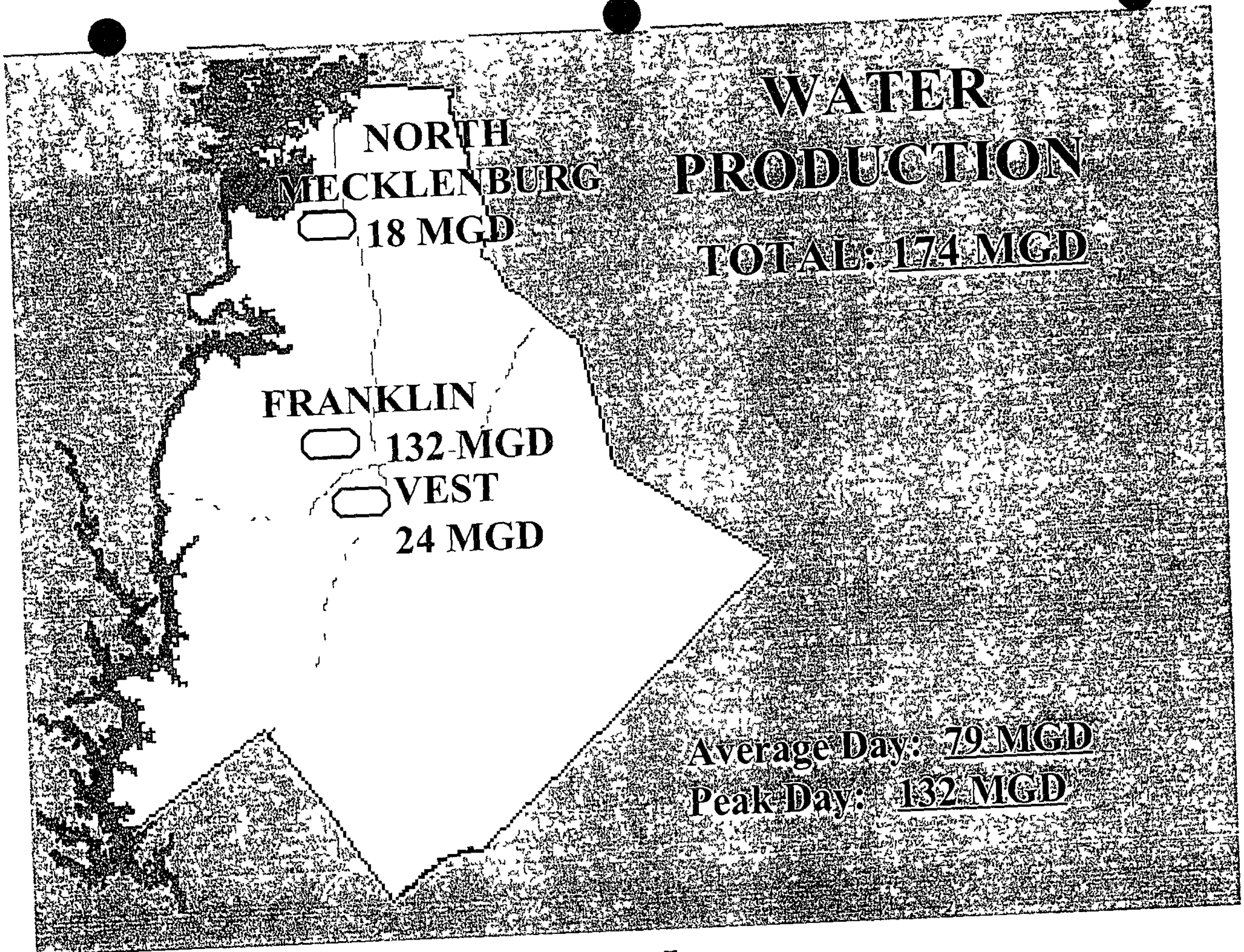
ACTIVE ACCOUNTS



Highlights of CIP

- Treatment Needs Are Being Met
- Priority Areas
  - Maintain Existing Customer Service
  - Provide for New Customers
  - Implement Regional Service

WATER PRODUCTION



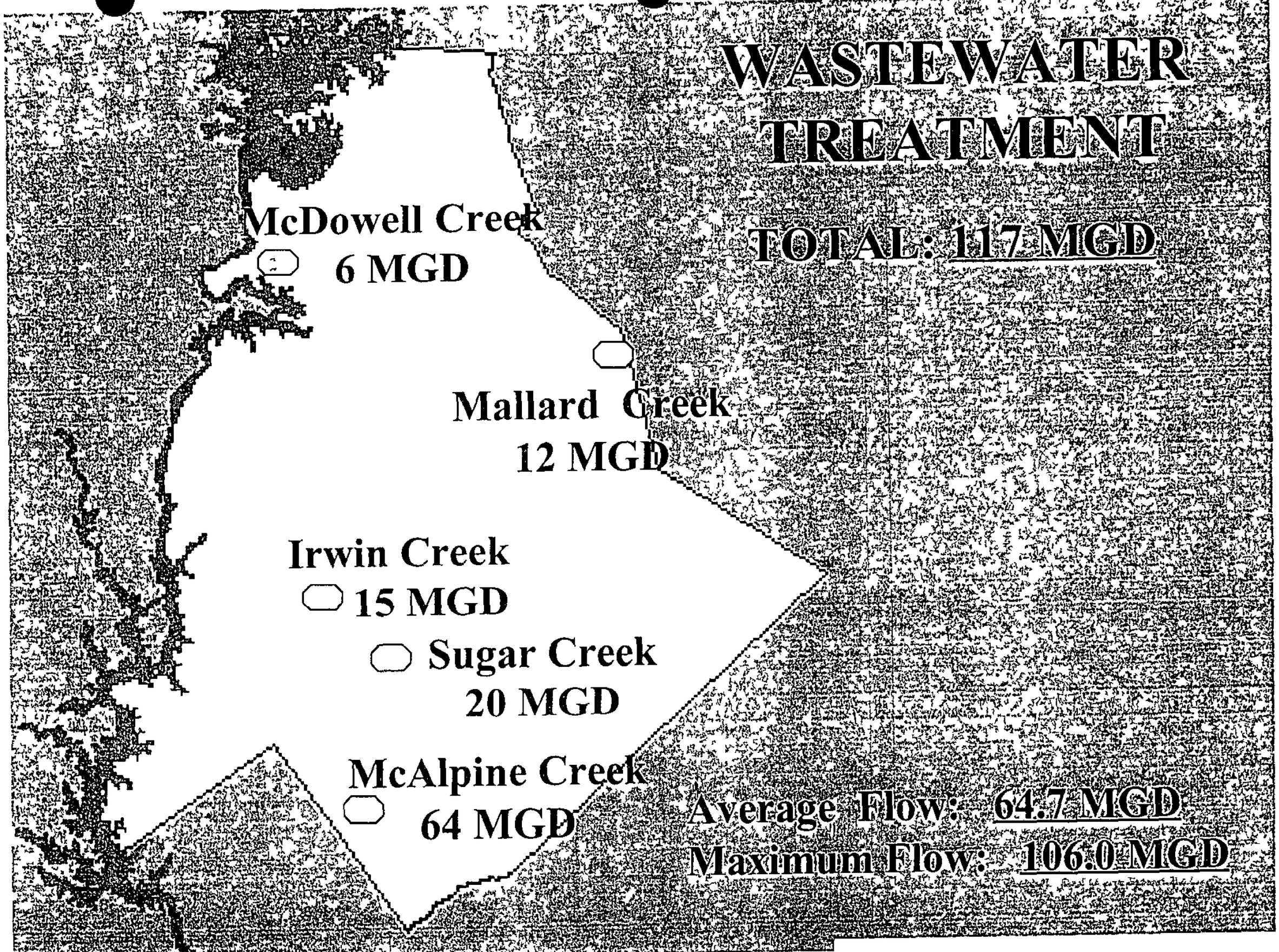
TOTAL: 174 MGD

Average Day: 79 MGD

Peak Day: 132 MGD

WASTEWATER TREATMENT

TOTAL: 117 MGD



Average Flow: 64.7 MGD

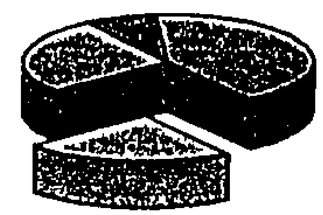
Maximum Flow: 106.0 MGD

Treatment

Water	Sewer	Total
$29 M	$44 M	$73 M

<u>Significant Projects:</u>

- Mallard Creek WWTP Expansion ($31 M)
- Catawba Pipeline ($11 M)
- Water Plant Rehabilitation ($10 M)



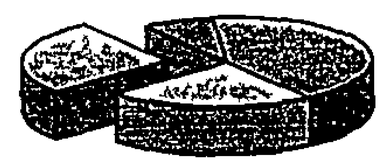
Maintain Customer Service

Water	Sewer	Total
$38 M	$45 M	$83 M

Significant Projects:

- Irwin Creek Relief Sewer ($9 M)
- Long Creek Pump Station ($5 M)
- Rehabilitation ($40 M)

Lakewood	Dilworth
Wilmore	Myers Park
Plaza/Midwood	Central Business District

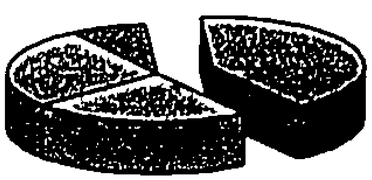


New Customer Service

Water	Sewer	Total
$51 M	$78 M	$129 M

Significant Projects:

- Street Main Extensions ($84 M)
- Annexation ($14 M)
- Acquisition of Private Systems ($9 M)
- Clarkes Creek Outfall ($6 M)
- Beatties Ford Water Main ($2 M)

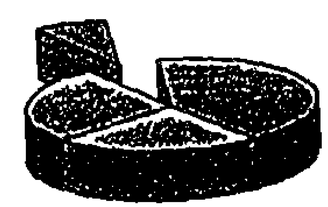


Regional Service

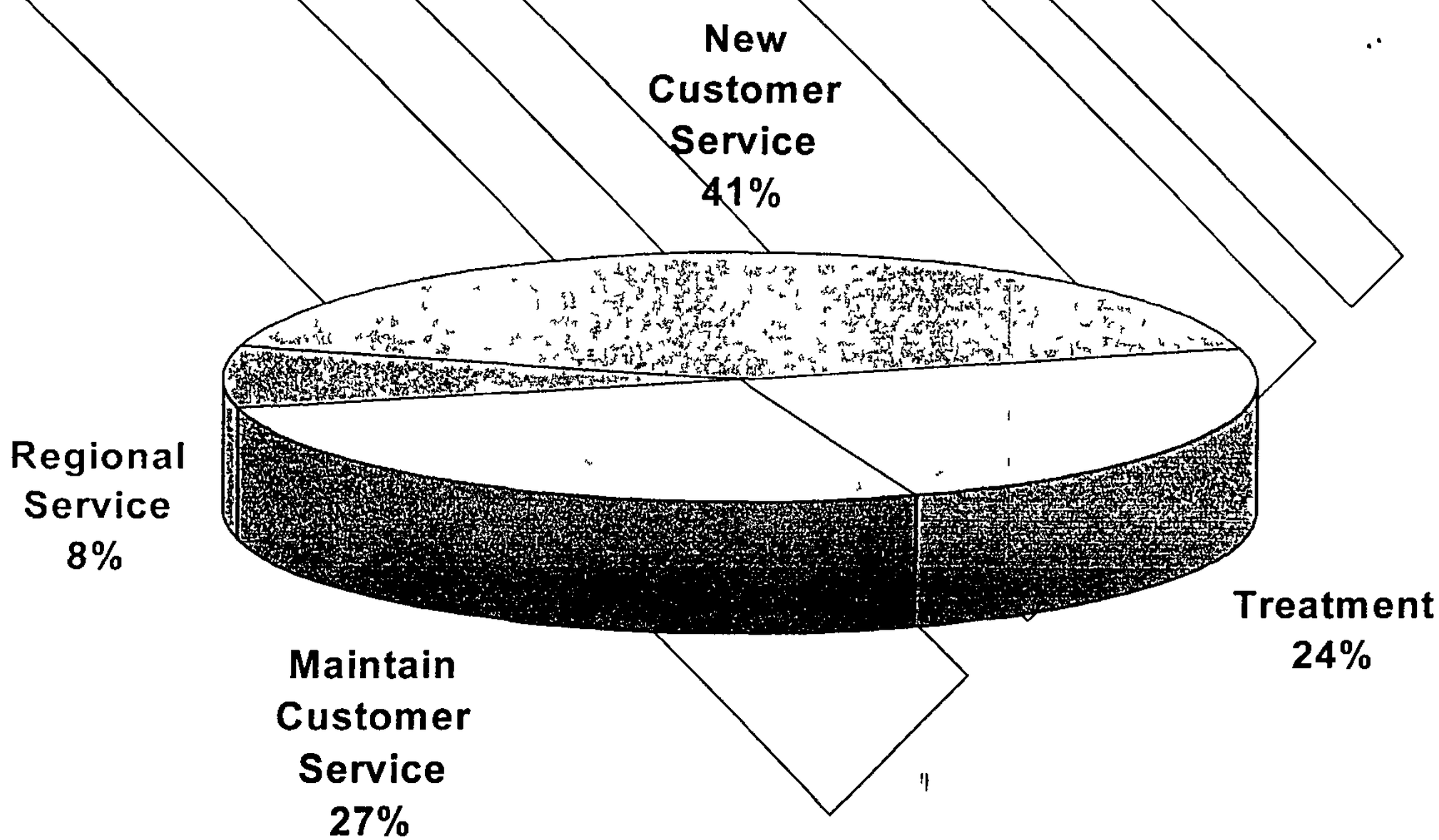
Water	Sewer	Total
$0	$25 M	$25 M

<u>Significant Projects:</u>

- Cabarrus Regional Outfall ($25 M)



Total CIP = $ 310 million



Issues

- Conservation - The Business Case
- Small Towns
- Regional Agreements
  - South Carolina
  - Four County Study
- Regulatory Requirements

CIP Program Update - Aviation

I. *Financial Status*

Over the past 10 years, the Airport has spent an average of $25 million a year on Capital Improvement Program projects These projects are funded through a variety of sources FAA (Airport Improvement Program), North Carolina State DOT, North Carolina State Highway Department, Airport Operating Revenues, General Airport Revenue Bonds and Special Facility Funds

II. *Program Status*

The Airport has implemented a majority of the recommendations established in the 1987 Airport Master Plan Update The Airport is now in the process of completing the 1997 Master Plan Update which will recommend projects such as the acquisition of 1,000 acres, an additional air carrier runway and other projects associated with airfield, terminal and cargo development, and noise compatibility

III. *Recommended Changes*

Implement the 1997 Master Plan, the Part 150 Noise Compatibility Program Updates and the Environmental Impact Statement

IV. *Problem Areas*

Future Funding Sources, continued viability of the air hub system/network, continued viability of USAir, and impacts of airport growth and development on community

Neighborhood Quality of Life Index
Status Report - February 1997

What is the Neighborhood Quality of Life Index?

- The Neighborhood Development and Planning Key Businesses have contracted with UNCC's Urban Institute to develop and construct a Neighborhood Quality of Life Index by April 1997

- This index will measure the quality of life in the 73 CWAC neighborhoods by tracking a wide variety of conditions that affect neighborhood life Categories of variables include economic opportunity, social fabric, environment, education, physical conditions, community health, safety and civic engagement This year's findings will serve as a baseline that we may then use to track changes in neighborhood conditions over time

- Neighborhood Development and other key businesses will use the Index as a reference point for developing work plans, making recommendations for resource allocation decisions and as a yardstick for measuring performance progress

What is the current status of this project?

- Quality of Life indicators were selected with input from Neighborhood Development, Police, Planning, neighborhood residents and others

- Representatives from all CWAC neighborhoods were invited to informational meetings on the Quality of Life Index held at five locations throughout the city during the month of December Neighborhood perspectives on neighborhood boundaries were solicited

- UNCC has identified the data sources for the variables, collected almost all of the required data, and performed preliminary statistical analyses The next step is a meeting with City staff to review preliminary results and establish norms for neighborhood quality of life The latter will be used to calibrate the Index

- A draft report is due to the City on March 3, 1997 and the final report is anticipated by April 1, 1997 The report and its findings will be presented to Council as soon as it is available

Capital Program Evaluation

The information on the following pages contains an Executive Summary and proposal by the UNCC Urban Institute to evaluate the costs and benefits of the Neighborhood Improvement capital program

The Capital Needs Advisory Committee suggested that the City should evaluate capital investment strategies to determine "best practices" and most effective programs

Capital Program Evaluation Proposal
Executive Summary

Neighborhood Improvement Projects

- Purpose of the study is to address 3 questions
  1. What is the "business case" for making investment decisions in Charlotte's neighborhoods?
  2. What are the "vital signs" of the community? What are the key success measures for the Neighborhood Improvement Program?
  3. Does capital investment pay for itself?

- The study will focus on
  1. Seversville and Sterling Neighborhoods (test neighborhoods), and
  2. Washington Heights and York Road Neighborhoods (control neighborhoods) which have similar characteristics These two neighborhoods are not targeted for Neighborhood Improvement Project funds within this study period but will be included on a future list for improvements

- Analysis will include
  1. Guidelines for conducting an appropriate benefit-cost analysis
  2. Guidance and technical support for data collection
  3. Analysis of the data for the four neighborhoods

- Methodology
  1. Calculate the total costs of the program, including direct and indirect costs
  2. Determine the benefits of the program (including changes in property values, land use, sales tax generation and crime rates), and place a dollar value on those changes
  3. Compare the benefits and the costs

- Data Collection
  1. Measurement of "vital signs" before program implementation
  2. Establish benchmarks
  3. Complete Phase I by July 30, 1997 and Phase II by July 30, 1999

- Cost
  1. Cost of Phase I is $23,000 Funding is to come from savings in the first half of the fiscal year from the multi-family recycling collection contract
  2. Cost of Phase II is $15,000

January 23, 1997

PROPOSAL TO EVALUATE THE NEIGHBORHOOD IMPROVEMENT PROGRAM FOR THE CITY OF CHARLOTTE BUDGET AND EVALUATION DEPARTMENT

I Introduction

This proposal is in response to a request made by the City of Charlotte Budget and Evaluation Department The UNC Charlotte Urban institute is pleased to respond to this opportunity

The UNC Charlotte Urban Institute is an applied research and public service outreach arm of the University of North Carolina at Charlotte The Institute was formed in response to state enabling legislation in 1969, and since that time has been active in a variety of ways in the Charlotte urban region

The Institute has worked extensively with local governments and non-profit organizations in this community Through separate contracts with numerous city and county agencies and private firms, the Institute has provided the following types of services, consolidation studies, water and sewer studies, teacher training needs, transportation studies, waste exchange market assessments, economic targeting studies, real estate newsletters, business and industry directories, tourism studies, teleconferencing, public opinion surveys, retail marketing surveys, housing needs surveys, medical needs surveys, strategic planning, population projections, and apartment surveys, among others

The Institute's Economic Development and Planning Program conducts research and provides assistance, on a contractual basis, to local governments, planning organizations, and economic development agencies Projects include strategic planning, feasibility studies, land use plans, and regional economic analysis

II. Project Staffing

The team of researchers who would be involved in the evaluation of the Neighborhood Improvement Program for the City of Charlotte have extensive experience in economic analysis and neighborhood development studies

Dr Harrison Campbell, Co-Principal Investigator, is an Assistant Professor in the Department of Geography and Earth Sciences, University of North Carolina - Charlotte Prior to joining the UNC Charlotte faculty, Dr Campbell was a Senior Fellow with The Institute of Public Policy, George Mason University His research interests are focused on regional modeling and fiscal impact analysis While at George Mason, Campbell developed a regional economic forecasting model for the Northern Virginia Urban - suburban region

Dr Owen Furuseth, AICP, is a Faculty Associate with the UNC Charlotte Urban Institute as well as a Professor in the Department of Geography and Earth Sciences His professional interests include neighborhood studies and urban planning. Dr Furuseth's professional background includes planning positions with a private consultant in Florida, as well as serving as an Associate Planner with the Jacksonville (Florida) Area Planning Board Since joining the faculty at UNC Charlotte, he has worked as a consultant to numerous municipal governments and planning agencies He would act as Co-Principal Investigator in this project

The Institute would also employ the services of a graduate research assistant from the Department of Geography and Earth Sciences and other student workers to conduct the field work

III. Research Program

The construction and maintenance of streets, roads, water and sewer lines, provision of parks and open space are but a few basic functions performed by local governments Increasingly, city governments are required to base and evaluate their resources allocation decisions on economic grounds in addition to the interests of tax payers and distributional issues that surround public investment decision making Because sound public management requires an assessment of the efficiency and effectiveness of their spending decisions, the Capital Needs Advisory Committee has posed several questions of fundamental importance

1) How well is the Capital Investment Plan (CIP) addressing the community's need for infrastructure?

2) Are infrastructure investments being coordinated among the various agencies?

3) What is the "business case" for making investment decisions in Charlotte's neighborhoods?

4) What are the "vital signs" of the community? What are the key success measures for the Neighborhood Improvement Program (NIP)?

5) Does capital investment pay for itself?

This proposal outlines a methodology and system for data collection and analysis that will address the last three of these questions

When making a "business case" (questions 3 and 5) for public sector capital investment, a benefit-cost approach to program evaluation is suggested While many functions of local government are designed to provide and enhance *intangible* benefits to its residents such as improvements in the quality of life and sense of community, capital improvement programs can be evaluated in terms of the costs associated with their expenditure and the future stream of benefits that accrue to various parties involved in both the public and private sectors

We propose to establish procedures that will permit a benefit-cost analyses of the NIP Subsequently, this analysis will be applied to two selected NIP neighborhoods and two control neighborhoods Specifically, this proposal will outline the research framework and some of the critical issues involved in benefit-cost analysis, so that the general framework can be replicated in other target neighborhoods in the future It is proposed that a team of researchers from the Urban Institute, University of North Carolina at Charlotte will, in consultation with the city staff, (1) develop a set of guidelines for conducting an appropriate benefit-cost analysis of the NIP, (2) provide guidance and technical support for the establishment of consistent, systematic data collection required for the benefit-cost analysis, and (3) conduct the analysis for study neighborhoods when sufficient time has passed to measure the benefits of the program

IV. Research Methods

The benefit-cost methodology will form the core at the research design Benefit-cost analysis is a set of practical, systematic procedures that program evaluators can use to place dollar values on all costs and benefits of a program The framework is best suited for program evaluation where making a "business case" for investment is the objective of the inquiry At its heart are three seemingly simple tasks

- Calculate the total costs of the program

- Determine the benefits of a proposed or existing program and place a dollar value on those benefits.
- Compare the benefits and the costs.

Below, we outline some of the issues and procedures for accomplishing each of the three tasks

Step 1 Calculating costs of the NIP Unlike many investments, calculating the costs of Charlotte's NIP is the most straight-forward of the tasks Included are direct and indirect costs Direct costs are those expended at "ground level" including personnel, facilities, equipment, materials, and program administration As the City allocates funds and makes expenditures in targeted neighborhoods' streets, sidewalks, lighting, etc , direct capital costs are incurred These expenditures have an expected useful life which determines the longevity of the investment On a very basic level, the initial capital expenditure, even if made over a number of years, constitutes the sum total direct costs of the capital improvement program Other direct costs might include operating, maintenance, and repair costs These costs will be relevant only if the NIP results in maintenance and repair costs that differ significantly from similar costs already being incurred and are likely to occur in the future For example, if X dollars are required to maintain neighborhood streets, and these expenditures would be made with, or without, the NIP, then the maintenance and repair costs do not impose any added burden on the City's budget On the other hand, if future maintenance and repair costs are likely to be higher as a result of the NIP, then accounting of these costs is appropriate. It is entirely possible, that maintenance costs might be *lower* due to the investment program. Such would be the case if new, more durable pavement materials were used in place of older materials In this case, *cost savings* would be counted on the benefit side of the analysis

Step 2 Calculating Benefits The calculation of benefits is perhaps the most involved aspect of a public sector benefit-cost analysis Since the objective is to make a "business case" for public expenditure, only consideration of the public benefits and costs is warranted Like cost estimation, there are both direct and indirect benefits Some of these benefits require greater to expertise to measure, however.

Increases in public sector tax capacity and any applicable cost savings constitute direct benefits in this case. It is likely that appropriate infrastructure investment will increase property values by making the land it serves more productive This benefit can be measured in terms of changing property values on residential, commercial, and industrial land uses Benefits accruing to land are capitalized in land values which form the city's tax base and contribute to its fiscal capacity Likewise, changes in land use that result in differing property valuations are also included here Cost-savings, referred to above, also constitute direct benefits Other direct benefits include that portion of tax revenue (personal property, personal and corporate income, and sales taxes) the city receives from added sales, wages, or corporate income that are the direct result of the NIP

Indirect benefits are those benefits that accrue as an indirect result of the investment For example, parts of adjoining neighborhoods may experience changing property values as a result of investment in the targeted areas These *spillover effects* can be significant in the estimation of a project's benefits Spillover effects require careful consideration before data collection and analysis begin so that their effects are properly captured Similarly, if a street lighting program results in fewer crimes against persons and property, then the public sector benefits might be measured in terms of fewer police officer responses to the neighborhood in question -- a kind of indirect, cost-savings benefit Other indirect benefits might include (probably small) multiplier effects from the spending of household wages and income If capital expenditures cause neighborhood businesses to be more competitive, or payrolls to increase, the added earnings of individuals will be partially spent in the local economy thereby generating sales taxes for the city Further, a portion of the *added* earnings will be returned to the city in the form state shared revenues after personal income taxes have been paid on the marginal increment in personal income

Another category of indirect benefits involves changes in neighborhood-based social and economic conditions Lessening dependence on public assistance, fewer social problems, and higher rates of labor force participation represent other possible indirect benefits in NIP neighborhoods Some of the fiscal benefits, however, would be associated with county-administered federal programs (e g AFDC, Food Stamps)

In short, there are a variety of direct and indirect benefits that might be realized from basic investment in public infrastructure The list of such benefits should be developed in consultation with city staff knowledgeable about sources of local revenue and experts in the field of program evaluation, to assure that all relevant benefits are measured while not double-counting either benefits or costs

Step 3 Comparing Benefits and Costs Once all relevant data have been collected, the analysis seeks to compare the costs of the NIP (both direct and indirect) with the associated benefits Appropriate for this task is calculating the net present value of the benefits stream that is compared to the costs of the program While the calculation of the benefit-cost ratio is straight-forward, a critical consideration is the choice of appropriate discount rate to translate a stream of future costs and benefits into present-day values The end result of this calculation is a direct, policy-relevant assessment of the NIP in terms of the desired "business case"

Other Measurement Issues. Finally, there is the issue of how to operationalize the benefit-cost calculations First, a simple assessment of the vital neighborhood signs (see below) can be compared to program costs and the evaluation conducted However, if the target areas were initially identified because of declining property values or other measures of urban distress, then the capital improvement program may not be, by itself, sufficient to "turn around" the downward slide of the neighborhood Does such a case imply there are no benefits from the program? The program may still have substantial benefits from a cost-saving-type perspective That is, the benefit of the capital improvement program might be to *slow the rate of decline* in the targeted neighborhood If pre-investment measurement indicates that the trend in, say, property values is downward, and the NIP alters this trend in the "right" direction, then positive benefits (measured as the difference in property values after the investment and the extrapolated property value based on historical trends) have been realized How can the "extrapolated trend" be measured? In order to address this issue, two paired neighborhoods will be selected and involved within the research framework. These latter neighborhoods will be used as "control" areas, following a quasi-experimental design model They will be chosen because they mirror economic, social, and land use conditions in the NIP neighborhoods. All of the benefits-related data collected for the sample neighborhoods will also be compiled for the control areas. Thus, the impact of the NIP on community conditions in the targeted neighborhoods can be compared, both before and after capital investment to other similar neighborhoods (the control) in order to assess the likely direction of economic conditions without the NIP The control neighborhoods, then provide one more benchmark against which benefits can be estimated

V. Data Collection

Since the research assignment evaluates the fiscal impact of capital improvements, the study methodology must be able to assess the benefits and costs as they unfold over time It is essential, therefore, that a suitable benchmark against which future benefits and costs are measured be established, This involves the measurement of "vital signs" (question 4) *before* program implementation and similar measurement at a future date after implementation

The establishment of a benchmark involves evaluating the current conditions, or neighborhood health, in the target areas before any investment takes place The list of relevant "vital signs" includes a *current* assessment of all property in the study area, compilation of historical trends in property values, building permits issues, median household income, business listings of those establishment with payrolls, new and existing home sales, single family and multifamily housing units, average monthly rents, and neighborhood employment by place of work, to name a few

Establishing the benchmark serves several purposes (1) it measures critical variables before any capital investment takes place so reliable estimates of future conditions can be evaluated, (2) it highlights problem areas where data collection will be difficult, (3) it reveals data collection issues for which proxies might have to be developed, and perhaps most importantly, (4) establishes the data collection routine for the subsequent benefit-cost analysis and streamlines the data collection process for future evaluations

The discussion of spillover effects raises the important issue of geographic scale Over what area should the study be conducted? Obviously, capital expenditures will be highly focused and the geographic extent of this expenditure will be known It is likely, however, that the benefits of the program will extend beyond the immediate area of expenditure To capture these benefits, the benchmark, or baseline, measurements must be extended to cover those areas in which spillover effects are likely to accrue This spatial margin of spillover will be important to the assessment of program benefits and requires careful consideration, forethought, and planning The choice of the spillover boundaries will be made in consultation with city staff

The proposed research project will be carried out in two stages Phase I will establish the bench marks and develop a data base for the two NIP neighborhoods and two control neighborhoods These data will subsequently be used in Phase II for calculating the benefits of the NIP expenditures The period of time between Phase I and II will be determined by the Urban Institute research team in conjunction with city staff, however, minimum period of 24 months is recommended In Phase II, the benefit-cost analysis will be carried out and a report presenting the analytical findings will be prepared

VI. Deliverables

The Urban Institute will provide the City of Charlotte Budget and Evaluation Department with sixty (60) copies of the report containing the research results The Phase I research data will be provided as a report and GIS files The Phase II research results will similarly be provided to the client The report is the property of the City of Charlotte should any need arise for further distribution The investigators will be allowed to use the research data in the publication of scholarly material Four public presentations of the research activities to members of the City Council and/or other designated bodies will be made by the project staff

VII. Timeframe and Cost

The time required to complete the Phase I would be approximately six months If we can begin the process by March 1, 1997, we will plan to have a final report of Phase I to the Budget and Evaluation Department by July 30, 1997 This timeframe can be amended at the mutual consent of both parties

The cost of conducting Phase I research for the City of Charlotte would be $23,000 One-third of the agreed upon amount would be payable when the contract is signed, one-third at the mid-point of the contract, and the balance upon completion of the project The cost of carrying out Phase II is $15,000

If the Urban Institute is selected as provider of these services, a contract will then be executed between the City of Charlotte Budget and Evaluation Department and UNC Charlotte

Additionally, the investigators will schedule eight meetings with City of Charlotte staff to discuss the research program and consult on issues or questions resulted to the investigation