



Budget and Evaluation MEMORANDUM

May 9, 2014

TO: Mayor and City Council

A handwritten signature in cursive script that reads "Randy J. Harrington".

FROM: Randy Harrington, Director

SUBJECT: Questions and Answers from May 5th Budget Recommendation

Following the May 5th City Manager's Recommended Budget Presentation, the Questions and Answers on the proposed FY2015 Operating Budget and FY2015-FY2019 Community Investment Plan are provided as an attachment to this packet.

The next Council meeting on budget development will be the Budget Adjustments Meeting on May 14th at 3:00 p.m. in Room 267 of the Charlotte-Mecklenburg Government Center.

Attachment

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

Council Budget Retreat – Budget Adjustments May 14, 2014

The May 14th Budget Adjustments meeting provides the opportunity for Council to request information and discuss preliminary decisions regarding changes to the Manager's Recommended FY2015 Operating Budget and FY2015-FY2019 Community Investment Plan. By Council practice, Council members identify items for addition or deletion to the recommended budget. Those items receiving five or more votes from Council members will be analyzed by staff and brought back for a vote at the straw votes meeting scheduled for May 28th.

Each of the May 28th items receiving six or more votes will be included in the budget adoption ordinance on June 9th.

This packet includes:

- May 14th Budget Adjustments Agenda
- Q&As from the May 5th City Manager's Budget Recommendation

FY2015 Budget Workshop

Budget Adjustments

City of Charlotte

May 14, 2014
3:00 p.m. – 6:00 p.m.
Room 267

-
- | | | |
|------|---|-------------------|
| I. | Introduction | Ron Carlee |
| II. | Consideration of budget amendments | Mayor and Council |
| III. | Next Steps | |
| | ▪ May 28 th – Straw Votes at noon | |
| | ▪ June 9 th – Budget Adoption at 7:00 p.m. | |

Additional Information

- [Questions & Answers from May 5th Budget Presentation](#)
- [Questions & Answers from Prior Budget Workshops](#)

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

May 5th Budget Presentation Questions and Answers

Questions and Answers

From May 5th Manager's Recommendation

Financial Partners

Question 1: *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.*

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 5th City Manager's Budget Recommendation presentation because the Out of School Time Partner recommendations were not ready in time for Council's April 9th 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
Program Characteristics	120
Quality Staff and Programming	40
Family Engagement and Support	30
Effective Partnerships	30
Financial Sustainability	20
Program Strategies	100
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
Site Visits and Interviews	80
Program Site Visits	40
Staff Interviews	40
Total Points	300

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.

Out of School Time Partners	FY2015 Recommendation
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

Question 2 (Lyles): *Please provide information of the request by the YWCA for Out of School Time Partners funding.*

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

Fiscal Year	City Funding	Numbers of Children Served
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.

Question 3 (Barnes): *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?*

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

Question 4 (Barnes): *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.*

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.

Public Safety Allocation in General Fund	FY2011	FY2012	FY2013	FY2014	FY2015
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**

Question 6 (Smith): *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?*

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.

Question 7 (Lyles): *What sales taxes are planned to be received by the City in FY2015, and to where are they allocated?*

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
Total General Fund			1.5 %	\$80.3
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
Total All Funds			2.5 %	\$168.9

*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.

CityLYNX Gold Line

Question 8 (Barnes, Driggs, and Lyles): *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?*

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.

Question 9 (Driggs): *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?*

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):

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

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.

Question 10 (Barnes): *What is the cost of the 12 positions associated with CityLYNX Gold Line Phase 1 operations?*

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.

Position Title	# of Positions	Proposed Hire Date	FY2015 Costs w/Benefits*	FY2016 Costs w/Benefits
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
Personnel Services Total	12		\$493,690	\$938,068
Operating Costs Total			\$256,310	\$561,932
Total Budget			\$750,000	\$1,500,000

Enterprise Funds

Question 11 (Barnes and Driggs): *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?*

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.

Question 12 (Lyles): *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?

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.

Question 13 (Barnes): *Could the City outsource the Airport Auditor duties for less?*

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.

Question 14 (Driggs): *The Aviation budget includes a reference to the Air Traffic Control Tower. Isn't the federal government paying for that?*

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.

Question 15 (Driggs): *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?*

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.

Question 16 (Driggs): *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%?*

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%.

Community Investment Plan

Question 17 (Driggs): *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.*

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.

Question 18 (Driggs): *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?*

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 to Question 18 above for additional explanation on the rationale for using prior approved capital project savings.

Employee Pay & Benefits

Question 19 (Driggs): *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?*

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

Question 20 (Smith): *Why do the full-time temporary positions need to convert to full-time regular status?*

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.

Question 21 (Lyles): *Are any laborer employees paid below 85% of the market rate? What is the median salary for a laborer at the City?*

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

Other Questions

Question 22 (Howard): *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?*

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 14th Budget Adjustments meeting (Council members Autry, Fallon, and Kinsey).

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

Questions and Answers from Prior Budget Workshops

Aviation **3**

- 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)3
- 2. What is Airport’s five-year timetable for issuing bonds for new projects? (March 19th Budget Workshop)3

Community Investment Plan **3**

- 3. 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)3
- 4. 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).....4
- 5. 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 9th Budget Workshop)10
- 6. What is the status of the West Tyvola sidewalk project? (April 9th Budget Workshop).....12
- 7. What are the reasons for the requested reprioritization of new Police facilities, including station locations, dates for station completion, and operating impacts? (April 9th Budget Workshop)13
- 8. 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 9th Budget Workshop)13
- 9. 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 9th Budget Workshop)14
- 10. Per the Time Warner Cable Arena Operating Agreement, what are the milestones and requirements for reviewing facility needs and lease terms? (April 9th Budget Workshop)15
- 11. What is the current naming rights agreement for the Bojangles Coliseum and when do the naming rights expire? (April 9th Budget Workshop)16
- 12. What are the potential economic impacts of the Bojangles Coliseum renovations? (April 9th Budget Workshop)16

Economic, Tax Rate, and Financial Analyses **17**

- 13. 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)17
- 14. 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)17
- 15. 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).....18
- 16. 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)18

Personnel **19**

- 17. What is the purpose of temporary and contract employees and how many are

currently employed by the City? (January 30th Council Retreat).....	19
18. The City’s Human Resources Standards and Guidelines provide the following definitions for position classifications: (January 30th Council Retreat)	19
19. 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).....	20
20. What are some example areas where consultants are used by the City? (February 26th Budget Workshop)	21
21. 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).....	21
22. What was the City’s total FY2014 Health Plan Budget, compared to the FY2015 forecast of \$89.4 million? (April 9th Budget Workshop)	23
23. Please provide examples of the impact of City employees’ benefits contributions at salary ranges below \$30,000? (April 9th Budget Workshop)	23
Solid Waste	24
24. What is the current contract and performance status of the Inland recycling contract? (January 30th Council Retreat)	24
25. How many solid waste garbage and recycling carts are replaced in a typical year due to damage? (February 26th Budget Workshop)	25
Transportation	25
26. 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).....	25
27. 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)	26
28. 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).....	26
29. What is the business relationship between the City and the ParkIt! vendor Central Parking Corporation? (January 30th Council Retreat)	26
30. 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).....	27
31. What is the status of any planned transportation improvements along the North Tryon Street corridor? (February 26 Budget Workshop)	27
32. 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)	29
Water and Sewer	30
33. What data is available on the frequency of repeat water leak repairs? (March 19th Budget Workshop).....	30
34. 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)	30
35. 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)	31
36. What are the financial impacts (revenue and cost) associated with the potential wastewater treatment agreement with Union County? (March 19th Budget Workshop)	31
37. 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)..... 31

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.

Community Investment Plan

- 3. 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.

4. 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

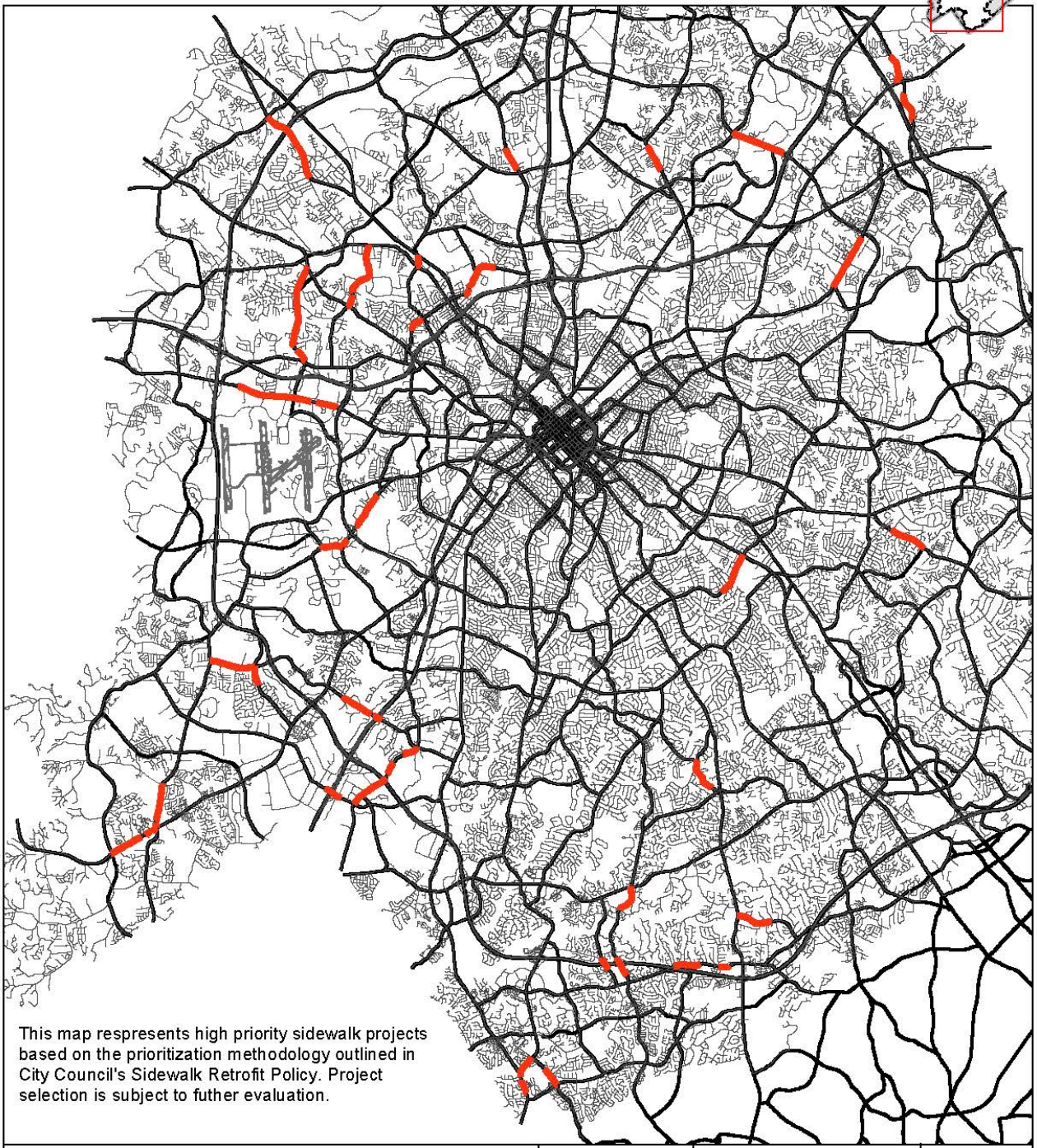
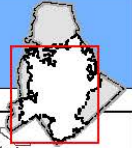
arise, the thoroughfare sidewalk construction list and schedule would be adjusted to create capacity for that work.

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.



Potential Sidewalk Project Locations



This map represents high priority sidewalk projects based on the prioritization methodology outlined in City Council's Sidewalk Retrofit Policy. Project selection is subject to further evaluation.

 High Priority Sidewalk Requests

Planning & Design
4/11/14



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.

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

Proposed 2014 Funded Design Projects; Proposed For Construction Using 2016 Bond Funding (shown in blue on Attachment 2 map)
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.

Proposed Pedestrian Signal Installations (by intersection)
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 th 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.

Proposed Accessible Pedestrian Signals
3 rd Street & College Street
3 rd 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.

Proposed Bridge Replacements
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.

5. *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 9th 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"> • Neighborhood Improvements • Northeast Corridor Access Improvements • Affordable Housing projects • South Corridor Infrastructure • N. Tryon Redevelopment
2	\$ 136.6 M	<ul style="list-style-type: none"> • Statesville Road Widening • Neighborhood Improvements • Affordable Housing projects • Beatties Ford Road Widening • Fred D. Alexander Section C
3	\$ 150.3 M	<ul style="list-style-type: none"> • Fred D. Alexander Section B • South Corridor Infrastructure • Affordable Housing projects • Neighborhood Improvements • Dixie River Road Realignment
4	\$ 86.4 M	<ul style="list-style-type: none"> • Northeast Corridor Access Improvements • Johnston-Oehler Road Improvements • City Boulevard Extension • NC 49 / US 29 Intersection • Affordable Housing projects • Neighborhood Improvements
5	\$ 53.8 M	<ul style="list-style-type: none"> • Neighborhood Improvements • Idlewild Road Widening • Hickory Grove Road Widening • Affordable Housing projects
6	\$ 29.2 M	<ul style="list-style-type: none"> • South Corridor Infrastructure • Affordable Housing projects • Sidewalks
7	\$ 51.5 M	<ul style="list-style-type: none"> • Rea Road Widening • Community House Road Improvements

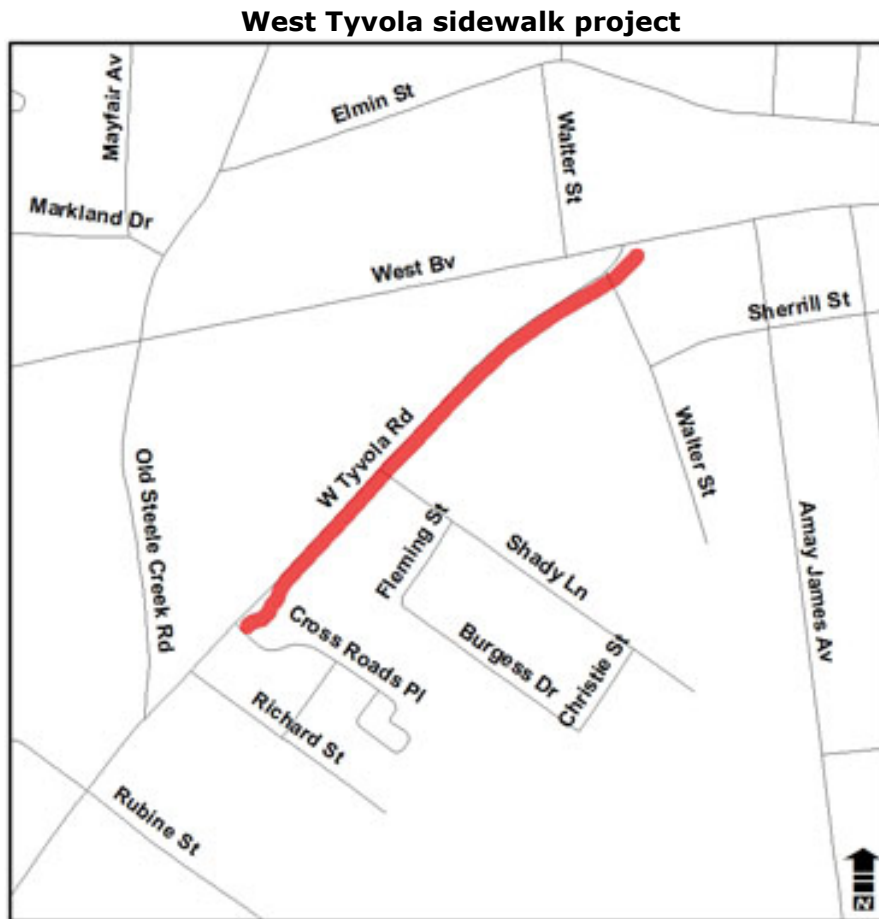
		<ul style="list-style-type: none"> • Ballantyne Commons Pkwy/Elm Lane Intersection • McKee Rd/Providence Rd Intersection • Sidewalks • Minor Roadway Improvements • Providence Road/I-485 Area Plan Improvements
--	--	---

6. What is the status of the West Tyvola sidewalk project? (April 9th 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:



7. What are the reasons for the requested reprioritization of new Police facilities, including station locations, dates for station completion, and operating impacts? (April 9th 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

Police Division	Year Funded	Anticipated Completion Year
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.

8. 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 9th 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.

9. *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 9th 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 nd 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.

10. Per the Time Warner Cable Arena Operating Agreement, what are the milestones and requirements for reviewing facility needs and lease terms? (April 9th 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.

11. *What is the current naming rights agreement for the Bojangles Coliseum and when do the naming rights expire? (April 9th 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.

12. *What are the potential economic impacts of the Bojangles Coliseum renovations? (April 9th 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.

Economic, Tax Rate, and Financial Analyses

13. 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.

14. 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):

City of Charlotte	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%

Total Annual	\$1,533.94	\$1,619.73	\$85.79	5.7%
Total Monthly	\$127.83	\$134.98	\$7.15	5.7%

Mecklenburg County	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) ¹	\$24.60	\$24.60	\$0.00	0.0%
Total Annual	\$1,418.82	\$1,459.73	\$40.91	2.89%
Total Monthly	\$118.24	\$121.64	\$3.41	2.89%

¹ 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.

15. 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.

16. 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.

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

Personnel

17. 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.

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

Position Classification	Definition
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:

Summary of Temporary/Contract Employees by Department	
Departments	Quantity
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
TOTAL	445

19. 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.

20. 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):

Operating		
Type of Consultant	Purpose	Duration
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

Community Investment Plan		
Type of Consultant	Purpose	Duration
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

21. 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:

FNS Household Size	Maximum Gross Monthly Income Limit	Maximum Gross Annual Income Limit
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*.

22. 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.

23. 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.

Plus PPO Wellness and Dental Plus				
	Employee Only Coverage		Employee and Family Coverage	
Annual Salary	\$28,045		\$28,045	
Weekly Salary	\$539.33		\$539.33	
	Employee Contribution	City Contribution	Employee Contribution	City Contribution
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

Basic PPO Wellness and Dental Basic				
	Employee Only Coverage		Employee and Family Coverage	
Annual Salary	\$28,045		\$28,045	
Weekly Salary	\$539.33		\$539.33	
	Employee Contribution	City Contribution	Employee Contribution	City Contribution
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

24. 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.

25. *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

26. *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.

27. 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.

28. 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.

29. 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.

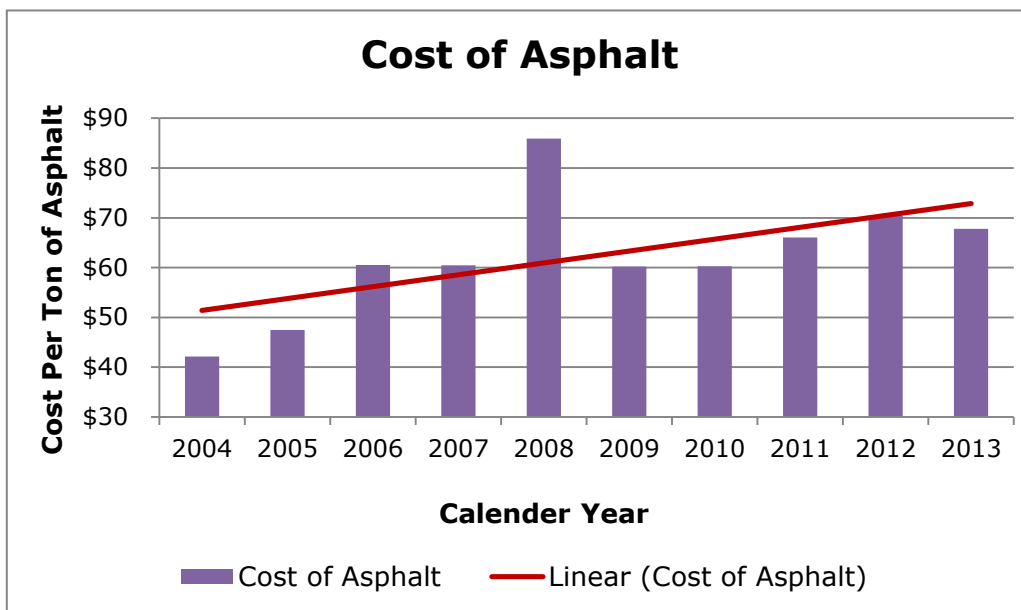
The current on-street parking contract with Central Parking expires on September 30, 2014, and City staff is in the process of preparing a bid package.

30. 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:



31. 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.

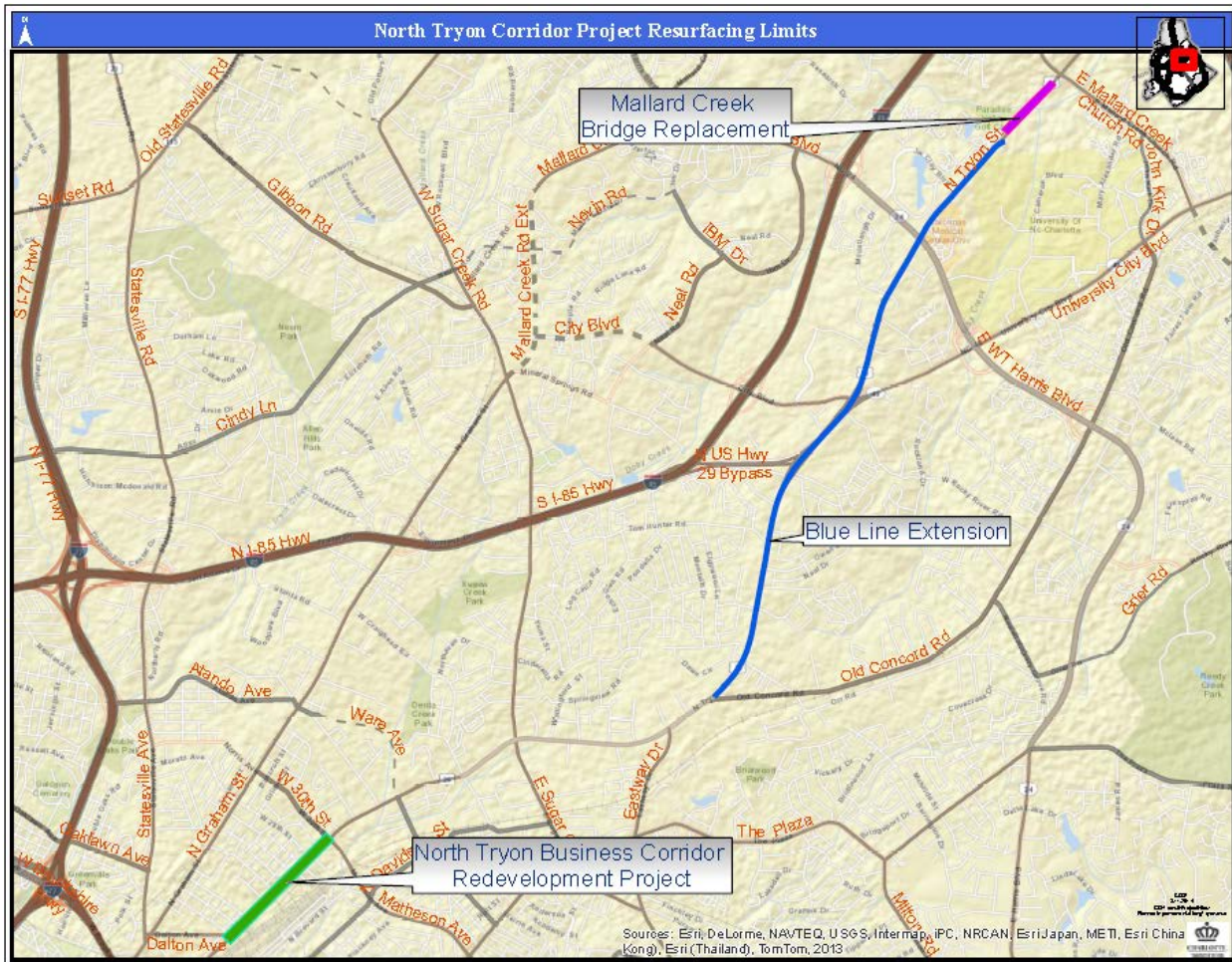
The North Tryon Business Corridor Redevelopment project is currently in the Design phase. Construction is expected to begin in late 2015, with project completion anticipated by the 4th Quarter 2017.

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





32. 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

33. 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.

34. 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.

35. *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.

36. *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.

37. *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.