Council Budget Workshop
April 8, 2015

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2016 Budget Workshops

City of Charlotte

April 8, 2015
2:00 p.m. – 5:00 p.m.
Room 267

Distribution: Mayor and City Council
Ron Carlee, City Manager
City Manager's Executive Team
City Manager's Executive Cabinet
Office of Strategy & Budget

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Aviation
FY2016 & FY2017 Budget Presentation

Materials to be distributed at the April 8th Budget Workshop

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Charlotte Area Transit System
FY2016 & FY2017 Budget Presentation

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CHARLOTTE AREA TRANSIT SYSTEM

FY2016-FY2017 OPERATING BUDGET AND FY2016-FY2020 COMMUNITY INVESTMENT PLAN

Presented to:

Charlotte City Council

April 8, 2015

CHARLOTTE.

BUDGET GUIDANCE

- The dedicated ½ cent sales tax which was approved by Mecklenburg voters in 1998
- CATS Financial Policies
- The 2030 Transit System Plan

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CHALLENGES & OPPORTUNITIES

Challenges:

- ❑ Limited funding;
- ❑ Growth in revenue service hours not aligned with customer demand
- ❑ Advancement of the 2030 Plan

Opportunities:

- ❑ Revenue Growth Initiatives (Transit Funding Working Group Recommendations)
  - TIFIA Loan
  - Leveraging Assets
  - Value Capture
  - Legislative changes (P3, DB-FOM, SAD)

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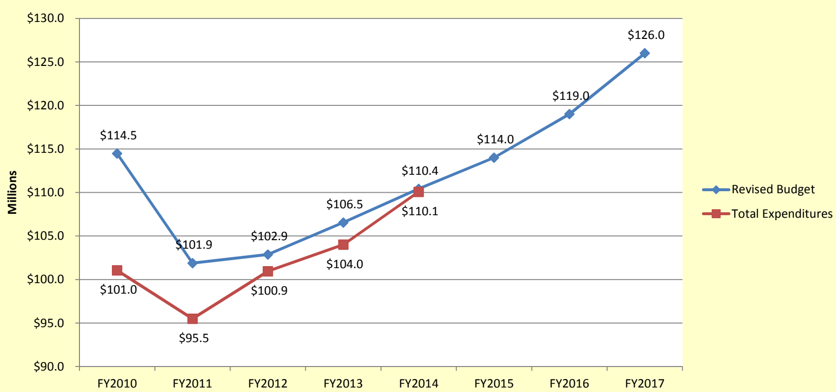
BUDGET MANAGEMENT

CATS has a demonstrated history of managing resources in a constrained fiscal environment.

Budget vs. Actual



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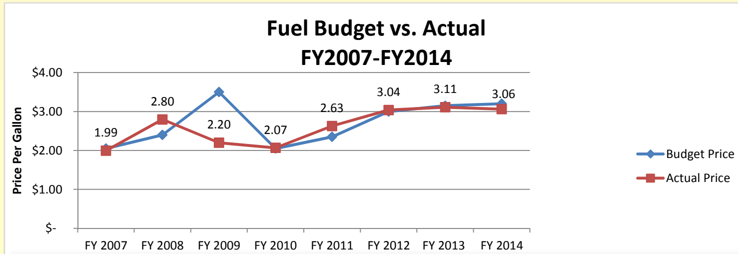
RESOURCE MANAGEMENT



- Fuel Forward Purchase Program; FY2014 Average was $3.06 versus budget $3.20;
- Use of “TERM” versus permanent City positions for project related work;
- Federally approved Indirect Cost Allocation Plan;
- Leveraging Assets
- In-house vehicle maintenance and fuel, fare and wash facility
- Adjusted fleet replacement
- Hybrid Bus Technology; buses use less fuel and produce less pollution.

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BUDGET SUMMARY

Sales Tax Fund Schedule	FY2015 Revised	FY2016 Proposed	% Change	FY2017 Proposed
Sales Tax Revenue	$ 73,087,000	$ 74,492,000	1.9%	$ 77,099,000
Transfer to Debt Service Funds	$ -12,466,898	$ -16,830,057	35.0%	$ -23,041,685
Transfer to Revenue Reserve	$ -1,488,343	$ -1,540,435	3.5%	$ -1,594,350
Allocate to Operating Fund	$ 59,131,759	$ 56,121,508	-5.1%	$ 52,462,966
Transit Operating Schedule of Revenues and Expenses				
Revenue	$ 132,430,456	$ 135,275,464	2.1%	$ 140,485,122
Operating Expense	$ 114,206,940	$ 119,041,001	4.2%	$ 126,037,003
Transfer to Capital Program	$ 18,223,516	$ 16,233,463	-10.9%	$ 14,485,125
Expense	$ 132,430,456	$ 135,275,464	2.1%	$ 140,522,125
Transit Debt Service Schedule				
Revenues	$ 23,365,162	$ 28,766,057	23.1%	$ 39,935,685
Expense	$ 23,365,162	$ 28,766,057	23.1%	$ 39,935,685
Transit CIP Schedule of Revenues and Expenses				
Revenue	$ 232,375,298	$ 407,084,138	75.2%	$ 267,977,077
Expense*	$ 210,352,426	$ 384,750,688	82.9%	$ 148,112,438
*BLE Expense included**	*$ 182,446,000*	*$ 351,051,000*	92.4%	*$ 109,047,000*

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HIGHLIGHTS

Key Elements of the Proposed FY2016-FY2017 Transit Operating and Debt Services Budgets and FY2016-FY2020 Transit CIP:

Operating:
- Recovery of the Transit Sales Tax. FY16 increases $1.4m (1.9%) over FY2015.
- Opening of the new CityLYNX Gold Line streetcar service; $1.5m in FY2016
- Ridership growth averages 2.2% annually over the two year period
- Change in STS Fleet Maintenance Program results in:
  - $89,000 in savings
  - Increased efficiency due to 24/7 repair capabilities

Debt:
- Programmed receipt of a $180 million Federal TIFIA Loan

Capital:
- Construction and implementation of the $1.16 billion Blue Line Extension new light rail service connecting Uptown Charlotte with the University Area.
- Maintaining assets in a state of good repair:
  - Preventive maintenance $22,051,885
  - Maintenance-of-Way and Bridge Program $13,157,791

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FY2016-2017 OPERATING BUDGET SOURCES & USES OF FUNDS

Charlotte Area Transit System (CATS)
Summary of Operating Revenues and Expenditures

(IN MILLIONS)	FY2015 Revised	FY2016 Proposed	% Change	FY2017 Proposed	% Change
Total Sales Tax Receipts	$ 73.1	$ 74.5	1.9%	$ 77.1	3.5%
Transfer to Debt Service Funds	$ (12.5)	$ (16.8)	35.0%	$ (23.0)	36.9%
Transfer to Revenue Reserve	$ (1.5)	$ (1.5)	3.5%	$ (1.6)	3.5%
Operating Fund Allocation	$ 59.1	$ 56.1	-5.1%	$ 52.5	-6.5%
Operating Revenues					
Sales Tax Allocation	$ 59.1	$ 56.1	-5.1%	$ 52.5	-6.5%
Fares and Service Reimbursements	$ 31.8	$ 32.8	3.0%	$ 35.6	8.5%
Maintenance of Effort	$ 19.7	$ 20.3	3.0%	$ 20.9	3.0%
Operating Assistance	$ 13.4	$ 12.9	-3.9%	$ 13.0	0.4%
Transfer from other funds	$ 4.5	$ 9.0	102.0%	$ 14.0	54.9%
Other (Advertising, Misc)	$ 3.9	$ 4.1	7.0%	$ 4.6	11.9%
Total	**$ 132.4**	**$ 135.3**	**2.1%**	**$ 140.5**	**3.9%**
Operating Expenditures					
Transportation Services	$ 115.0	$ 123.5	7.4%	$ 130.5	5.6%
Transit Development	$ 3.1	$ 3.3	4.9%	$ 3.3	1.1%
Marketing and Communications	$ 4.6	$ 4.7	2.1%	$ 4.8	1.3%
Executive and Administration	$ 7.1	$ 7.5	5.5%	$ 7.8	3.6%
Sub-total Operating	**$ 129.9**	**$ 139.1**	**7.1%**	**$ 146.4**	**5.3%**
Transfers to Eligible CIP Projects	$ (15.7)	$ (20.0)	27.7%	$ (20.4)	1.7%
Total Net Operating Expense	**$ 114.2**	**$ 119.0**	**4.2%**	**$ 126.0**	**5.9%**
Transfer to Capital Program Support	$ 18.2	$ 16.2	-10.9%	$ 14.5	-10.8%
Total	**$ 132.4**	**$ 135.3**	**2.1%**	**$ 140.5**	**3.9%**

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CATS FRONTLINE SERVICE

FY2015

Mode	Revenue Service Hours	Riders	Net Operating Budget
Bus	832,000	20.2 million	$73.1 million
STS	134,000	235,000	$8.4 million
Vanpool	38,000	247,000	$0.89 million
Rail (Train)	34,000	5.2 million	$9.7 million
CityLYNX	3,600	125,000	$0.75 million
Total	1.04 million	26.0 million	$92.8 million

FY2016

Mode	Revenue Service Hours	Riders	Net Operating Budget	Percent Increase Over FY2015
Bus	837,000	20.4 million	$75.6 million	3.4%
STS	136,000	237,000	$9.1 million	8.3%
Vanpool	39,000	250,000	$0.9 million	1.8%
Rail (Train)	34,000	5.3 million	$10.8 million	11.3%
CityLYNX	13,000	433,000	$1.5 million	100.0%
Total	1.1 million	26.6 million	$97.8 million	5.4%

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FY2016 CHANGES

Bus

- *Proposed services*
  - *Veteran's Service Center*
  - *Express Service From Highland Creek*
- Bus/Rail Integration with addition of new CityLYNX Gold Line and BLE

Light Rail

- 35 new project funded positions for start-up and testing of new rail cars paid for by the BLE project until revenue service begins.
- 13,000 service hours for the CityLYNX Gold Line

Special Transportation Services (STS) Maintenance

In FY2015, the Bus Operations Division competed for the right to perform maintenance on STS vehicles and was successful.

- 8% savings in Maintenance costs
- Saving utilized to upgrade a position to STS Safety Supervisor.

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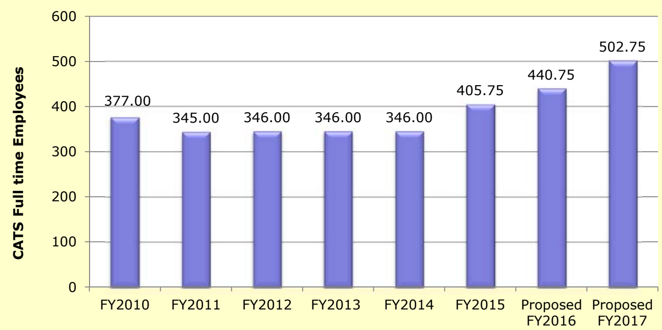
STAFFING



FY2015, FY2016, and FY2017 include ALL employees including TERMS

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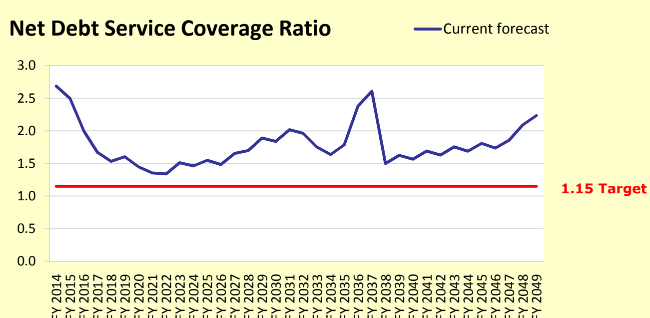
DEBT PROGRAM

- Outstanding Debt as of June 30, 2014 is $257.8 million
- The Revenue Reserve Fund balance as of June 30, 2015 is $2.5 million
- Advancing TIFIA loan for BLE local funding share
- Debt Levels and year-end Fund balance (≥ $100M) are managed through Financial policies; both provisions protect the sustainability of CATS programs from fluctuations in key sources of revenue.



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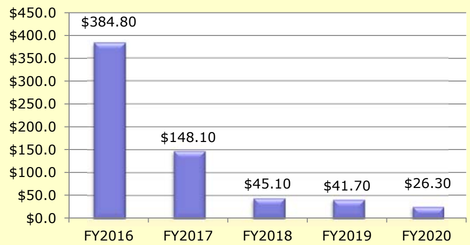
FY2016-FY2020 COMMUNITY INVESTMENT PLAN

5-Year CIP $646 million



Sources of funds for the 5-Year CIP

- Federal Grants
- State Grants
- Short Term Debt
- TIFIA Long Term Debt
- Local Matching Funds

Priorities include:

- Rapid Transit: Construction of the Blue Line Extension ($460.2 million)
- Asset Management:
  - ✓ Fleet: Replacement of buses and other revenue vehicles ($68.2 million) and continued 5-year overhaul of the S-70 railcars ($6.9 million), along with preventative maintenance
  - ✓ Safety: Upgrade the current Automatic Train Protection (ATP) system on current train cars ($1.9 million) and fund Transit Bridge Program and critical Maintenance of Way items including biannual inspections of bridges, culverts and retaining walls ($9.8 million)
  - ✓ Technology: Replace and/or upgrade radio equipment, route scheduling system, and 20+ year old fare box system ($14.2 million)
  - ✓ Transit Amenities: Upgrade bus stops to ADA standards ($3.1 million)

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CITYLYNX GOLD LINE PHASE 2

- Federal Small Starts Grant (50%) expected to be awarded as early as October 2015.
- If awarded, construction could start mid 2016 with completion by the end of 2019
- Operations funding plan is under development, contingent upon Small Starts Grant award.

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General Fund Update
FY2016 & FY2017 Budget

Materials to be distributed at the April 8th Budget Workshop

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Financial Partners

Materials to be distributed at the April 8th Budget Workshop

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Community Investment Plan
FY2016 & FY2017 Update

Materials to be distributed at the April 8th Budget Workshop

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Questions & Answers From March 17th Budget Workshop

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Questions and Answers
March 17th Budget Workshop

General Fund Update

Question 1: *Are there any updates from the Governor's Office or General Assembly related to the replacement of lost revenue from the elimination of the Business Privilege License Tax?*

The North Carolina League of Municipalities has had conversations with the General Assembly, but there have not been any revenue replacement proposals to date. Staff will continue to keep Council updated related to any discussions at the State level.

Question 2: *What is the current cost recovery rate of the City's various regulatory user fees, including Utility Right-of-Way fees?*

User fees are charged to those who receive governmental services or use governmental facilities. These fees are categorized as regulatory or non-regulatory.

Regulatory user fees are associated with or incident to a regulatory program, such as land use permits, subdivision reviews, dance hall licenses, and hazardous chemical permits.

- As part of the FY2006 budget process, City Council adopted a policy to recover 100% of fully allocated costs associated with regulatory services. The fully allocated cost recovery model includes both direct and indirect costs. Staff time is an example of direct costs. Facility cost is an example of indirect costs.
- From July 2008 until June 2012, the Council-adopted user fees were held flat to mitigate impacts from the recession.
- Effective July 1, 2012, City Council approved a multi-year approach to gradually return to 100% cost recovery.
- Over the last three years, the average fee increased by 6%; however, due to increases in annual operating costs the recovery percentage moved less than 6%.

Fiscal Year	FY2013	FY2014	FY2015
Recovery Rate	**75%**	**80%**	**83.3%**

- Currently there are no regulatory user fees associated with enterprise fund services. However the development of plans review fees for Charlotte Water is under review as part of the budget process and will be addressed as a part of the City Manager's Recommended Budget for FY2016. The plan review fees for Charlotte Water are anticipated, if approved, to include a phased three-year implementation progression to reach 100% cost recovery. This would be needed to provide adequate time and opportunity to work with the development community and other key stakeholders impacted by the new fees.

Staff is currently working to calculate a 100% recovery rate for existing regulatory user fees, analyze the market rates of comparable fees in surrounding jurisdictions, and determine the impact of bringing user fees to 100% full cost recovery. The table below lists the FY2014 and FY2015 recovery rate for plans review fees in each applicable department:

Department: Regulatory Service	FY2014 Recovery Rate	FY2015 Recovery Rate	Percentage Point Change
Engineering & Property Management: Land Development	75%	79%	4%
Charlotte Department of Transportation: Land Development and Right-of-Way	100%	100%	0%
Charlotte-Mecklenburg Planning Department: Rezoning, Subdivision, Urban Plan and Zoning Administration	65%	76%	11%
Charlotte Fire Department: Fire Code and Plans Review	100%	100%	0%
Charlotte-Mecklenburg Police Department: Adult Businesses, Carnivals, Dance Halls, and Passenger Vehicle for Hire	82%	87%	5%
Neighborhood and Business Services: Zoning Administration	62%	76%	15%
City Clerk's Office: Legal Advertisements for Rezoning Petitions	30%	40%	10%

Per the Utility Right-of-Way Stakeholder process, Utility Right-of-Way fees are calculated based on annual operational costs and actual usage. The fees are billed and collected annually from local utilities, including Charlotte Water. The total Utility Right-of-Way fees billed for FY2015 is $601,000.

Non-regulatory user fees include all other user fees for City services or facilities that are unrelated to regulations. Examples are fees associated with city-owned cemeteries or airport landing fees. These fees are calculated using different methods since Council policy does not require non-regulatory fees to recover a specific percentage of the costs incurred by the City agency in provision of the service. Aviation fees, for example, are based on negotiated contracts. The goal for cemetery fee is to be competitive in the market while providing quality, affordable services and stable perpetual care.

Question 3: *What are the Powell Bill revenue and Street Resurfacing cost considerations related to the anticipated FY2016 budget gap?*

Powell Bill Revenue

The State Gas Tax is the primary source of street resurfacing and maintenance funding for the City, representing approximately 80% of the total revenues supporting the Powell Bill Fund. In FY2015, the City received $20,251,155 in actual receipts from the gas tax. This is an increase of $477,483 (2.4%) over the FY2014 actual receipts. The actual FY2015 Gas Tax receipts were also $437,149 above the amount budgeted for FY2015.

The second largest source of revenue for the Powell Bill Fund is a transfer from the General Fund to support additional street resurfacing. Beginning in FY2007, and in each year since, the City has transferred $4,261,000 from the General Fund to the Powell Bill Fund in a collaborative effort to maintain citywide pavement conditions. In FY2015 the $4,261,000 General Fund transfer represents 17.2% of the total revenue in the Powell Bill Fund. Other annual Powell Bill revenues include Street Degradation Fees ($650,000) and Interest Income ($80,000).

The City maintains a minimum fund balance reserve policy for the Powell Bill Fund of $1.0 million. As of June 30, 2014, the Powell Bill Fund has a fund balance amount of $2.1 million. Up to $1.1 million of this fund balance is being considered for appropriation in FY2016. Additionally, the $437,149 in unbudgeted gas tax revenue received during FY2015 will be added to fund balance for potential use in FY2017 and future fiscal years.

Street Resurfacing Cost

The FY2016 budget request for the Powell Bill Fund includes $12,041,870 specifically for contracted street resurfacing. If approved, this budgeted amount would represent a $1.6 million (15.5%) increase over the current contracted resurfacing budget in FY2015. This increase is made possible by a projected 3.9% increase in Gas Tax revenue over FY2015, and a $1.1 million allocation from Powell Bill Fund Balance in FY2016.

Based on current bid and asphalt prices it is estimated that the proposed FY2016 budget for contracted resurfacing would pave 231 lane miles resulting in a 23 year resurfacing cycle. Charlotte Department of Transportation's goal is to achieve a pavement condition rating of 90, which is comparable to a 12-14 year resurfacing cycle. To achieve the pavement condition rating goal, the City would need to pave at least 370 lane miles annually, at an estimated cost of $19.2 million per year, to reduce the resurfacing cycle to 14 years. Reaching this goal would require both a continuation of the $4.3 million General Fund transfer and $7.2 million in additional annual revenue.

If the $4,261,000 General Fund transfer to the Powell Bill Fund was reallocated to the General Fund to help resolve the anticipated FY2016 budget gap, the number of lane miles that could be paved during FY2016 would be reduced to 150, increasing the resurfacing cycle to 35 years, more than double the 14 year cycle target.

The Table below provides a summary of the impact on street resurfacing without the General Fund Contribution.

Contracted Street Resurfacing	(in Millions) Funding	Lane Miles Resurfaced	Resurfacing Cycle
CDOT Goal (Pavement Condition Rating of 90)	$ 19.2	370	14 Years
Proposed FY2016 Budget (with General Fund Contribution)	$ 12.0	231	23 Years
Eliminate General Fund Contribution	$ 7.8	150	35 Years

General Community Investment Plan Update

<u>Question 4:</u> *Can the "Potential Capital Considerations for FY2015-FY2019" be categorized by urgency and proposed timeline?*

Staff has reviewed the capital needs identified last year in the "Potential Capital Considerations for FY2015-FY2019" list, along with additional capital needs that have been identified for FY2016-FY2020 from requests submitted by departments on January 23rd, 2015. From this review, a list of High Priority Potential Needs for FY2016 and other Potential Adjustments and Additions to be considered in FY2017 as part of the biennial review of the Approved General Community Investment Plan has been developed and will be presented for City Council discussion at the April 8th Budget Workshop during the General Community Investment Plan Update.

<u>Question 5:</u> *Please provide the prioritizations and policies associated with the Community Investment Plan?*

Below are the Community Investment Plan Program Policies included annually in the Community Investment Plan section of the Preliminary Strategy Operating Plan (i.e. "City Managers Recommended Budget Book") and the Final Strategic Operating Plan (i.e. "Council Adopted Budget Book"). These Program Policies provide guidance to the City Manager and City Council in prioritizing identified capital infrastructure needs.

<u>COMMUNITY INVESTMENT PLAN PROGRAM POLICIES</u>

1. Evaluate capital projects requests according to the following priorities:
   1st priority: Maintenance and/or retrofitting of existing infrastructure
   2nd priority: Replacement of existing infrastructure
   3rd priority: Expansion of existing infrastructure
   4th priority: New infrastructure

2. Develop and implement a capital program based on Smart Growth principles:
   - Maintain land use planning
   - Sustain effective land use decisions
   - Strengthen neighborhoods
   - Build a competitive economic edge
   - Design for livability
   - Safeguard the environment
   - Expand transportation choices
   - Use public investment as a catalyst

3. Preserve the existing tax base, a fundamental principle for City capital investment decision-making

4. Affirm neighborhoods as a foundation of the community and emphasize a reinvestment program for all neighborhoods

5. Form partnerships with citizens and businesses to leverage public dollars and make the community one of choice for living, working, and leisure activities

6. Serve as a platform for economic development through the funding of priority projects in targeted investment areas

7. Provide a balanced capital plan, which funds the highest priority community needs in a variety of program areas

8. Anticipate infrastructure and facility needs resulting from future changes in the City's boundaries and density that are consistent with Council's development and growth policies
9. Comply with applicable federal and state mandates

Pay & Benefits

Question 6: *What is the distribution of budgeted positions between the Broadband and Public Safety Pay Plans?*

The Table below shows the distribution of the City's budgeted positions between the Broadband and Public Safety Pay Plans. The positions within each Pay Plan are further grouped according to Job Categories.

Job Category	Budgeted Positions	% of Total Budgeted Positions
Broadband Positions (non-sworn/uniformed)		
Clerical/Admin. Support	740.50	10.3%
Executive/Official	75.00	1.0%
Professional/Mid Management	1,269.00	17.7%
Protective Services	148.00	2.1%
Service Maintenance	261.00	3.6%
Skilled Craft	1,201.75	16.7%
Technicians	640.00	8.9%
Broadband Total Positions	**4,335.25**	**60.4%**
Public Safety Positions (sworn/uniformed)		
Police Sworn Rank	1,788	24.9%
Police Sworn Management	20	0.3%
Fire Uniformed Rank	1,001	13.9%
Fire Uniformed Management	38	0.5%
Public Safety Total Positions	**2,847**	**39.6%**
Total Budgeted Positions	**7,182.25**	

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Questions & Answers From March 19th Council Budget Committee

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Questions and Answers
March 19th Budget Committee

CATS

Question 1: *Do changes proposed to the sales tax impact the ½ cent transit tax?*

Senate Bill 369 – Sales Tax Fairness Act, filed on March 23, 2015, proposes to *"phase in the conversion of the local sales and use taxes authorized under Articles 39, 40 and 42 to a State sales and use tax that is allocated to the counties and cities on a per capita basis as a local revenue source."*

The ½% Transit Sales Tax (Article 43) is not directly referenced in SB369 and is not modified in any substantive manner. It does not appear that the bill, as introduced, will affect the Transit Sales Tax receipts or distribution. Transit sales taxes (under Article 43) are currently in place in three counties – Mecklenburg, Durham and Orange.

Question 2: *Can we change the City's policy of raising rates every other year to annually based on the higher level of service transit patrons receive?*

CATS Financial and Fare Policies are approved by the Metropolitan Transit Commission (MTC), not by City Council policy. These policies provide for an increase in fare levels every two years to ensure that fare revenues keep pace with inflation and reflect a fair-share contribution by riders to the costs of operating the transit system. An increase of either $0.25 (twenty-five cents) or the average of 2-year inflation (whichever is higher) is recommended for the base cash fare every two years. The MTC may recommend changes in transit fares, outside of the two year cycle, in recognition of significant changes in transit costs.

Question 3: *What is the current trend for the number of new vehicle registrations?*

In FY2008, prior to the beginning of the Great Recession, the number of new vehicle registrations in Charlotte increased 2.9% over the previous year. Registrations declined over the next two years during the recession, then began to stabilize and grow at a modest rate between FY2011 and FY2013. In FY2014, the first year of the new Motor Vehicle Tax and Tag law, registrations declined 2.7%. Registrations are expected to stabilize as motorists become accustomed to the Tax and Tag proceedures, and are projected to increase at a rate of 2.0% annually in the current and future fiscal years. The following two Tables show the actual number of new vehicles registrations billed by the City for FY2007 through FY2014, and the projected number of vehicles for FY2015 through FY2020.

Actual	Number of Vehicles	Annual % Change
FY07	519,793	
FY08	534,992	2.9%
FY09	528,303	-1.3%
FY10	523,067	-1.0%
FY11	524,639	0.3%
FY12	537,536	2.5%
FY13	547,023	1.8%
FY14	532,080	-2.7%

Projected	Number of Vehicles	Annual % Change
FY15	542,722	2.0%
FY16	553,576	2.0%
FY17	564,648	2.0%
FY18	575,941	2.0%
FY19	587,459	2.0%
FY20	599,209	2.0%

Question 4: *Can we look at the CATS/City owned parking lots (and other land?) as another potential revenue source?*

The Transit Funding Working Group (TFWG) recommended several possibilities for leveraging Transit assets. In response, CATS is currently preparing a draft solicitation to gauge developer interest in redeveloping transit property at the I-485 light rail station. Any proposed transaction must first be reviewed and approved by the Federal Transit Administration to ensure compliance with federal Joint Development policy. This is the same process that was utilized by CATS several years ago when property at the Scaleybark Station was sold for redevelopment and revenue from that sales was received by CATS for transit purposes.

In addition, CATS will shortly complete a "value capture" analysis for quantifying the change in property values along the Blue Line, the Blue Line Extension and the future Red Line. If accepted and approved by several jurisdictions, including the City of Charlotte, this will be an additional revenue source for sustaining and growing transit in the region.

General Community Investment Plan

Question 5: *Can we revise the potential adjustments & additions list to separate items that are in the adopted CIP from items that are not in the CIP, and can we get a narrative explanation for each of the capital items on the potential adjustments & additions list?*

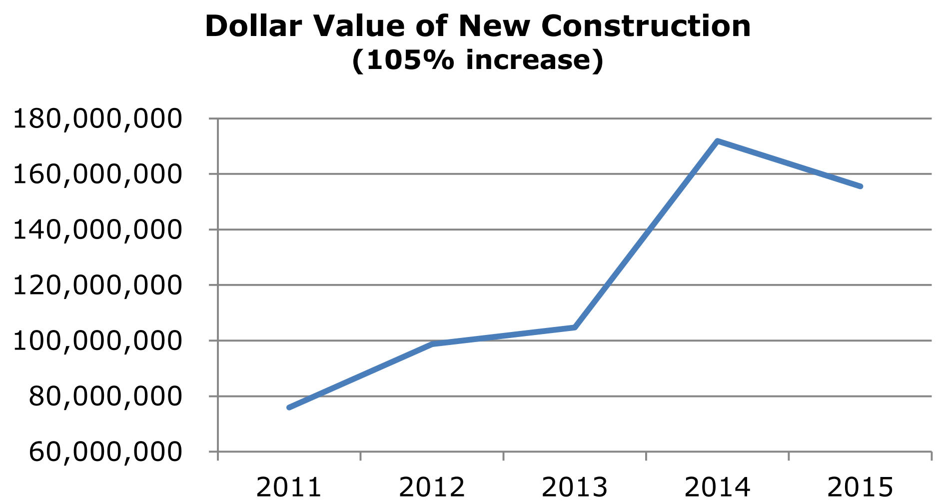
Included in the materials for the April 8th Council Budget Workshop is a revised list of Potential Adjustments and Additions to the Approved General Community Investment Plan that separately identifies those that would be adjustments to projects already included in the Approved General Community Investment Plan and those that would be new additions to the previously approved plan. The revised list also includes narrative explanations for each of the potential adjustments and additions. Staff will present the revised list for City Council discussion at the April 8th Budget Workshop during the General Community Investment Plan Update.

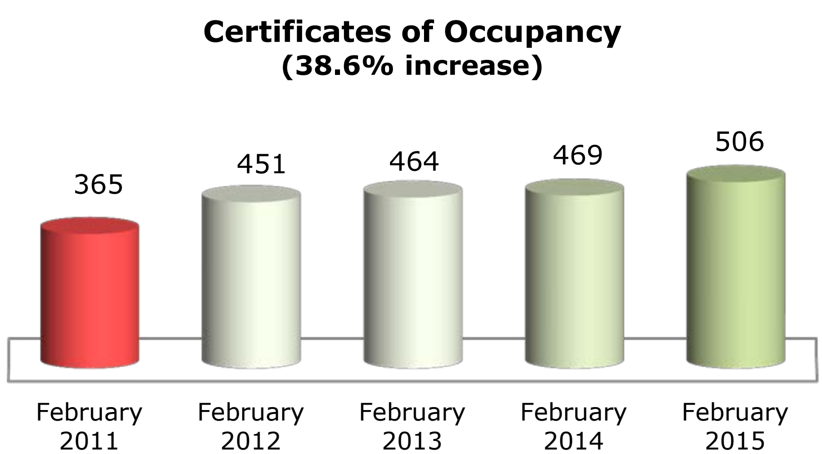
General Fund Balancing Options

<u>Question 6:</u> *When is the next property tax revaluation? How are we trending in terms of new building permits and other indicators of economic growth? What are we looking at in terms of the long-term implications of our current revaluation cycle?*

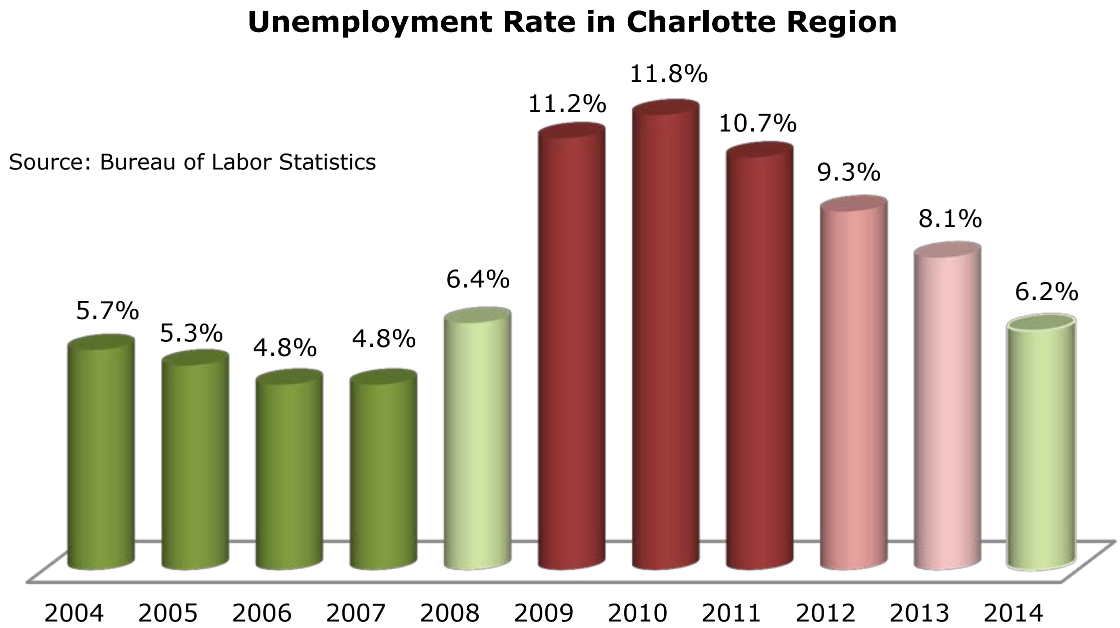
North Carolina General Statutes require Counties to complete a revaluation at least every eight years. The last revaulation in Mecklenburg County was completed in 2011. The next revaulation is required to occur by 2019. Early indications from the County suggest a possible revaluation in 2018.

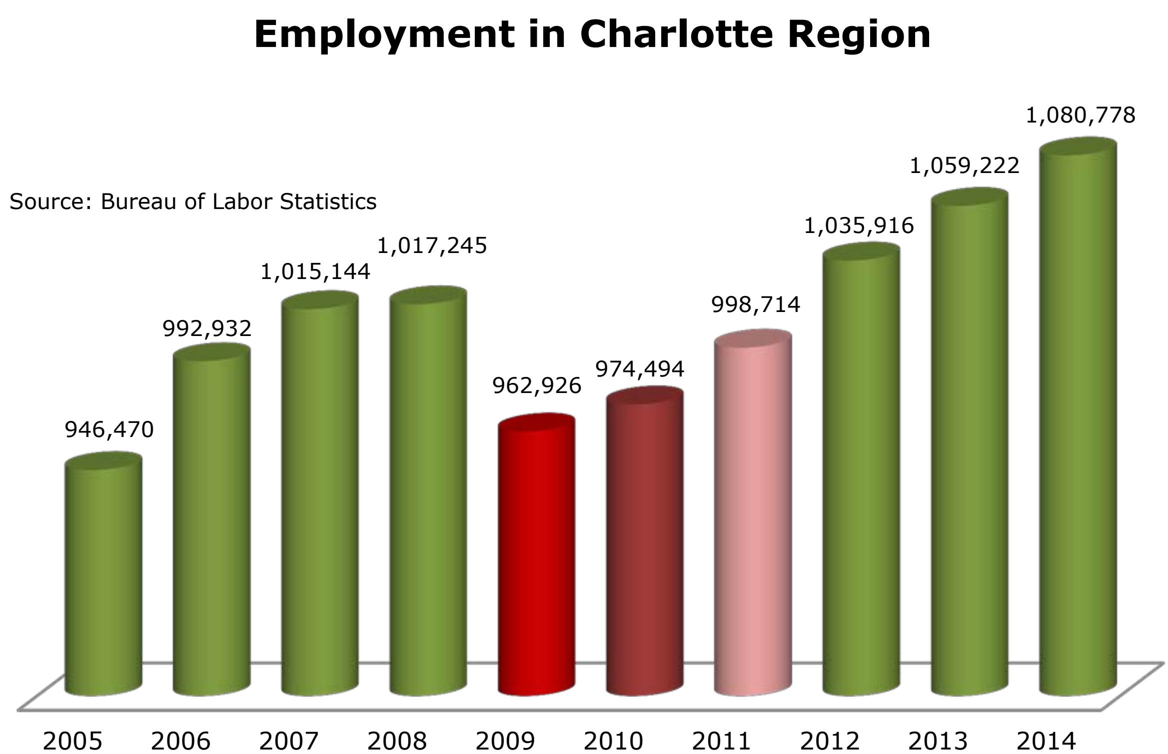
County permitting for new construction activity has increased steadily over the past four years. The following two charts compare statistics through the first eight months of the previous five fiscal years:

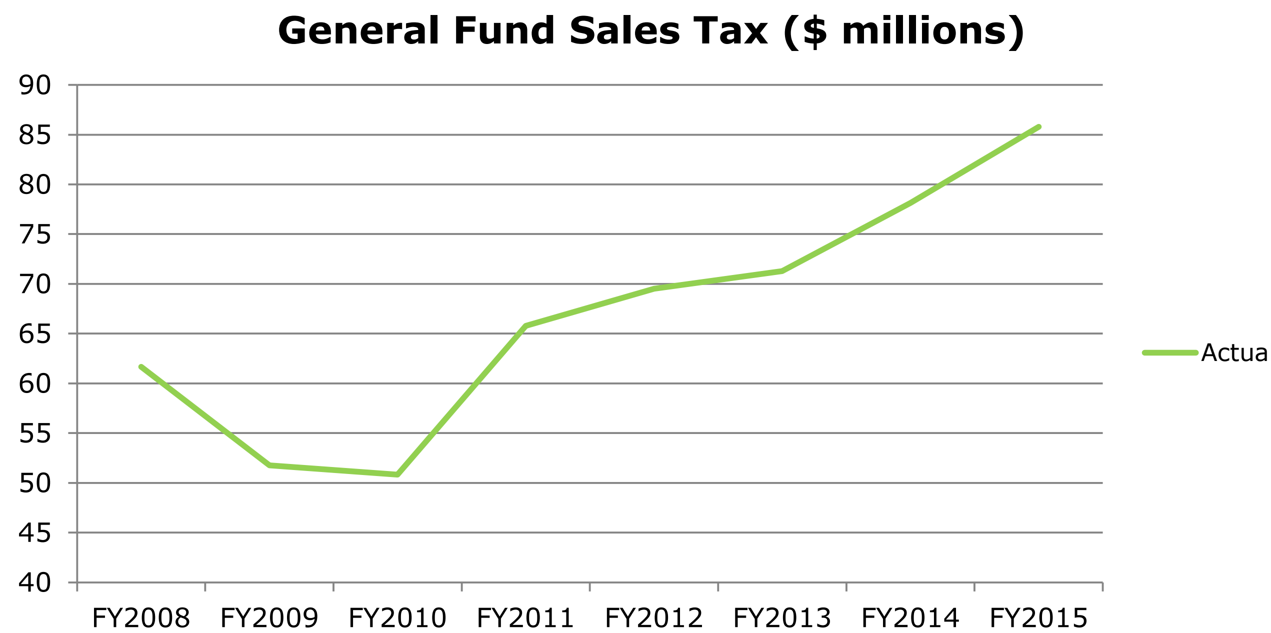




The following economic growth indicators have all been trending positive:







Long-term implications of the 2011 revaluation are generally unknown at this time. The base will be permanently adjusted with the results of this cycle.

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Reference Guide of Prior Questions & Answers

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Reference Sheet of Prior Q&As

General Community Investment Plan

1. ***What would be the impact on future debt service capacity for the General Community Investment Plan if the State Legislature changed the sales tax distribution methodology to a per-capita only distribution? (January 30th Council Retreat):***

   - The potential change in distribution methodology would impact the local option sales tax (Articles 39 and 42) currently distributed based on point of collection, and the City Hold Harmless sales tax, currently distributed using a mix between point of collection and per-capita.
   - The City allocates Articles 39, 42, and Hold Harmless local option sales tax revenues to the General Fund, with a portion then transferred to the General Capital Pay-As-You-Go Fund. The potential change in distribution methodology would result in an estimated loss to the City of $29.1 million in sales tax revenues, all of which would impact the General Fund, with no impact to the Debt Service Fund.
   - Article 40 Sales tax revenues dedicated to the General Debt Service Fund to support future debt service capacity are already collected on a per-capita only basis. As a result, there would be no impact on future debt service capacity for the General Community Investment Plan if the State Legislature changed the sales tax distribution methodology to a per-capita only distribution.

   The table below shows the allocation of the sales tax revenue by type, the current distribution methodology for each, and the impact of the potential loss of $29.1 million.

State Statute	Current Distribution Method	Estimated Potential Loss ($ millions)
General Fund		
Article 39	Point of collection	($16.8)
Article 42 [a]	Point of collection	($8.0)
City Hold Harmless [b]	Point of collection/Per-Capita	($4.3)
Total General Fund		**($29.1)**
Municipal Debt Service Fund		
Article 40 (Debt Service)	Per capita Only	$0.0
Total All Funds		**($29.1)**

[a] A portion of the Article 42 sales tax in the General Fund is transferred to the Pay-As-You-Go Fund for capital support, in an amount equal to the Article 40 (per capita) collection. As a result, the estimated potential loss of sales tax revenue if the State Legislature changed the sales tax distribution methodology to a per-capita only distribution should have no impact on the Pay-As-You-Go Fund.

[b] Counties are required to hold municipalities harmless due to the repeal of Article 44 Sales Tax

2. ***What are Two-Thirds Bonds, and does the City use this financing approach for General Obligation debt? (January 30th Council Retreat):***

Generally, when a local government issues general obligation (G.O.) debt—pledging its taxing power as security for the borrowing—it must first obtain voter approval. Two-thirds Bonds are an exception to the requirement to obtain voter approval for issuance of G.O. debt. Through Two-thirds Bonds, local governments may issue G.O. debt without voter approval in an amount up to two-thirds of the amount by which it reduced its outstanding G.O. debt in the preceding year.

The amount of two-thirds capacity that could be issued is calculated by determining the net reduction in principal payments on outstanding G.O. debt in the previous fiscal year. Principal payments on new G.O. debt issued during that same fiscal year must be subtracted from principal payments retired on existing outstanding debt before calculating the two-thirds capacity. For example, if a City retired $6,000,000 in principal payments on outstanding G.O. debt in the preceding year, but added $3,000,000 in principal payments for newly-issued G.O. debt, it could only issue non-voted G.O. debt (Two-thirds Bonds) in an amount up to two-thirds of the net $3,000,000 ($6,000,000 - $3,000,000) X (0.667) = $2,000,000 in Two-thirds Bond capacity.

Additional requirements and restrictions

- Two-thirds bonds must be issued in the year immediately following the year in which the debt was reduced. Two-thirds capacity may not be accumulated from year to year
- Two-thirds bonds can be used for any of the same authorized purposes as voter-approved G.O. bonds, with a few exceptions:
  The following purposes for which G.O. debt may be used are always subject to voter approval, and therefore cannot be funded with non-voted two-thirds bonds:
  - Auditoriums, coliseums, arenas, stadiums, civic centers, convention centers, and facilities for exhibitions
  - Athletic and cultural events, shows, and public gatherings
  - Art galleries, museums, art centers, and historic properties
  - Urban redevelopment
  - Public transportation (Transit)
  - Cable television systems

In FY2014, the City of Charlotte retired $111,643 in principal on outstanding G.O. debt, but added $239,543 in principal for new G.O. debt issued in FY2014. As a result, the City has no two-thirds bond capacity for FY2015. With the approval of the $816.4 million Community Investment Plan covering four G.O. Bond Referenda between 2014 and 2020, it is unlikely the City will have any Two-thirds Bond capacity at least until after 2020. Additionally, any two-thirds capacity that may be created after 2020 will be a relatively small amount and would be insufficient to fund any significant capital infrastructure needs.

City Expenditures

3. *How does the City budget for fuel costs, and how is fuel purchased for service vehicles? (January 30th Council Retreat):*

The City budgets for fuel costs each fiscal year based on actual expenditures in the current and preceding fiscal years, current market conditions, and fuel price projections provided by fuel contractors.

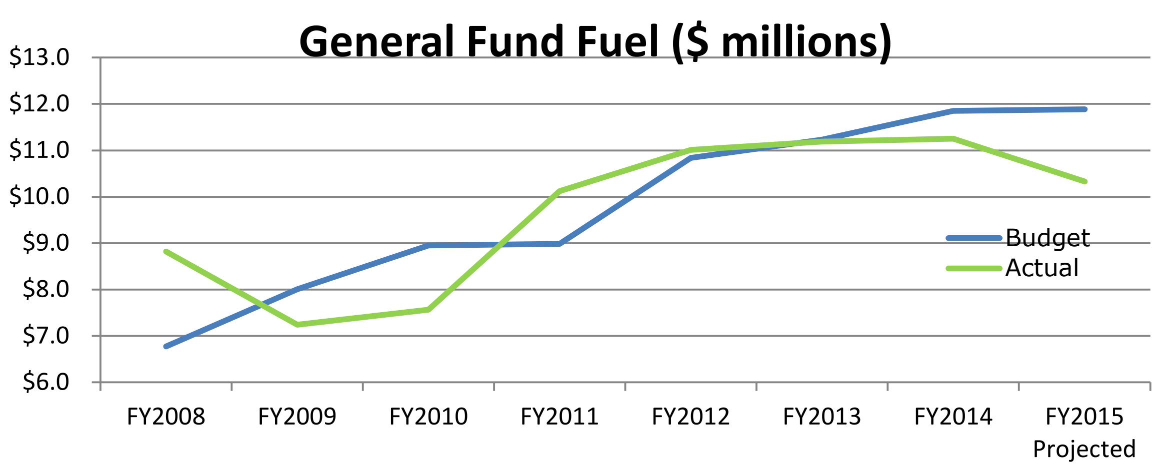
The City currently uses various contractors for the provision of fuel supplies including gasoline, diesel, auxiliary fuels and motor oils. The largest and most commonly used contractor is FuelMan. This City-wide contract is solicited through the Charlotte Cooperative Purchasing Alliance on behalf of the City, County, and other local and national participating agencies. The FuelMan contract allows City workers to use a Fuel Card to purchase fuel at contract prices from retail gas stations throughout the City. FuelMan also provides delivery of bulk fuel supplies for storage at onsite City-owned fuel tanks and generators at various City facilities. The majority of savings in fuel costs in the current fiscal year has occurred through FuelMan contract pricing, which reflects current market conditions.

Below is a summary of the various means for purchasing fuel used by City departments with the largest fleets:

- **Charlotte Mecklenburg Police Department** - uses FuelMan for all vehicles.
- **Charlotte Water** - uses FuelMan for all crew vehicles. FuelMan subcontracts with Mansfield to provide bulk fuel purchases for generators at the various plants, lift and booster stations.
- **Charlotte Department of Transportation** - uses FuelMan for all vehicles.
- **Solid Waste Services -** FuelMan subcontracts with Quick Fuel to provide mobile after-hours fueling for (SWS) vehicles.
- **Charlotte Fire Department** - a separate fuel contract was approved by the Charlotte City Council on November 10, 2014 and is used for all of the Fire Department's emergency and transportation vehicles. The contract provides priority purchasing in high demand situations.
- **Charlotte Area Transit System (CATS) -** fixed price forward purchase contracts are used by CATS to procure Diesel fuel. The program began with a fuel bid designed to purchase both fixed-price and index-price fuel in spring 2009. The first fixed-price fuel agreement was approved April 15, 2009. Over the course of the program's history CATS has had 19 overlapping agreements for fixed-price fuel.

4. *How have lower gas prices impacted the City's current year operating budget? (January 30th Council Retreat):*

Overall, the City is experiencing operational savings in FY2015 due to falling oil prices. The chart below illustrates actual fuel expenditures incurred by City service departments compared to budgeted amounts over the past several years. FY2015 fuel expenditures for General Fund service departments are projected to be approximately $1.6 million under budget. The majority of the fuel savings will occur in the Police Department ($1.3 million), and Fire Department ($0.1 million), with the remaining savings occurring in various other City departments. These savings in fuel costs will help to offset other unanticipated operating costs in FY2015 such as Fire Department retirement payouts and Police separation allowances.



Public Safety

5. *What is the current budget gap associated with Police Separation Allowance Payments? Is staff developing options to close the budget gap and cover projected future year costs associated with those payments? (January 30th Council Retreat):*

Charlotte Mecklenburg Police Department (CMPD) sworn officers are entitled to a "separation allowance" benefit, as defined in GS 143-166.41-50. The special separation allowance is available to local and state law enforcement officers if they retire on a service retirement allowance (thirty years of service, or age 55 with 5 years of service). The separation benefit is a predetermined monthly allowance (based on years of service and last annual salary) that is payable from the time the officer retires until the officer reaches age 62 (the point at which the officer reaches social security eligibility).

For FY2015, CMPD has a budget of $2,250,000 for all Sworn Officer Separation Allowance Payments, whereas actual expenditures are estimated to be approximately $4,000,000. Prior to FY2014, CMPD had been able to absorb the unbudgeted costs for separation allowance through various personal services savings. In prior years, the Police budget produced enough salary savings to cover specific line-item overages in sworn officer Separation Allowance Payments.

CMPD's current staffing model calls for the department to be at full staffing levels at all times. Due to the Sworn Officer Separation Allowance Payments, full staffing has been unattainable. The budget adjustments required to cover the Separation Allowance Payments have made it difficult for CMPD to complete the necessary number of recruit classes to constitute full staffing levels. CMPD currently schedules three recruit classes per year, but would like to hold four classes per year to keep up with the current retirement and turnover rate.

In accordance with retirement payouts, the City Manager has asked a full review be conducted to determine the City's future expenses related to these items. During the FY2016 budget planning process, the Department of Management & Financial Services/Office of Strategy & Budget and CMPD will work together to identify options for closing the separation allowance funding gap.

An actuarial study, commissioned by the City, clearly shows that separation allowance will continue to be a challenge for future CMPD budgets as the payments continue to climb approximately $500,000 annually from FY2016-FY2020. The table below shows the projected annual Separation Allowance Payments through 2063.

Actuarial Study				
	Number of Participants			Projected Benefit Payments
December 31,	Actives	Retirees	Total	
2013	1,829	207	2,036	$ 3,749,198
2014	1,849	207	2,056	$ 3,831,546
2015	1,869	214	2,083	$ 3,967,493
2016	1,890	240	2,130	$ 4,476,779
2017	1,911	266	2,177	$ 4,916,410
2018	1,932	282	2,214	$ 5,335,206
2019	1,953	311	2,264	$ 5,870,246
2020	1,975	330	2,305	$ 6,334,278
2021	1,996	339	2,335	$ 6,658,340
2022	2,018	348	2,366	$ 7,019,600
2023	2,040	363	2,403	$ 7,521,326
2024	2,063	379	2,442	$ 8,126,225
2025	2,086	372	2,458	$ 8,286,959
2026	2,109	363	2,472	$ 8,472,843
2027	2,132	353	2,485	$ 8,640,801
2028	2,155	340	2,495	$ 8,663,509
2029	2,179	325	2,504	$ 8,556,220
2030	2,203	301	2,504	$ 8,133,009
2031	2,227	268	2,495	$ 7,471,025
2032	2,252	241	2,493	$ 6,859,044
2033	2,276	208	2,484	$ 6,123,979
2034	2,301	195	2,496	$ 5,900,965
2035	2,327	182	2,509	$ 5,659,528
2036	2,352	178	2,530	$ 5,662,350
2037	2,378	181	2,559	$ 5,886,199
2038	2,404	186	2,590	$ 6,242,677
2039	2,431	191	2,622	$ 6,628,908
2040	2,458	198	2,656	$ 7,137,479
2041	2,485	206	2,691	$ 7,639,193
2042	2,512	208	2,720	$ 7,974,032
2043	2,540	215	2,755	$ 8,482,714
2044	2,567	215	2,782	$ 8,637,304
2045	2,596	218	2,814	$ 8,951,728
2046	2,624	218	2,842	$ 9,186,734
2047	2,653	221	2,874	$ 9,513,427
2048	2,682	234	2,916	$ 10,290,345
2049	2,712	247	2,959	$ 11,116,952
2050	2,742	252	2,994	$ 11,669,381
2051	2,772	258	3,030	$ 12,305,531
2052	2,802	266	3,068	$ 13,108,407
2053	2,833	270	3,103	$ 13,740,387
2054	2,864	273	3,137	$ 14,367,262
2055	2,896	275	3,171	$ 14,944,171
2056	2,928	277	3,205	$ 15,554,905
2057	2,960	279	3,239	$ 16,179,107
2058	2,992	280	3,272	$ 16,780,499
2059	3,025	280	3,305	$ 17,377,966
2060	3,059	281	3,340	$ 17,994,976
2061	3,092	281	3,373	$ 18,637,815
2062	3,126	282	3,408	$ 19,342,346
2063	3,161	282	3,443	$ 20,083,623

6. ***What types of emergency calls comprise the 4,390 calls experienced by Fire Station 42 in 2014? (January 30th Council Retreat):***

The Eastland Mall area has some of the highest emergency call volumes in the City. The majority of the calls in this area are answered by Station 42, which currently houses a single engine company. The Charlotte Fire Department has requested an additional engine company at Station 42 in their FY2016-2017 annual operating budget, this request was discussed as part of the Budget Outlook Report presentation at the January 30 Council Retreat. During the Retreat discussion, the City Council requested a list of the number and types of calls received at Station 42 in FY2014. The table below shows the distribution of calls by type.

Call Type (Engine 42)	Type Count	% of Total Calls
Fire	179	4.08%
False Alarm	228	5.19%
Motor Vehicle Accidents	277	6.30%
Rescue	747	17.02%
Other (Chemical Leaks, Fuel Spills, Weather Events)	852	19.41%
Emergency Medical Services	2,107	48.00%
TOTAL	**4,390**	**100.00%**

Budget Update

7. ***What are the basic expenditure assumptions for the "General Fund Projection Summary" (slide 2 from the February 25th Budget Workshop)? (February 25th Council Retreat):***

The General Fund projected expenditures presented at Council's February 25th Budget Workshop and the January Council Retreat contain several assumption components. The average annual increase in projected expenditures is 2.63%, outpacing the average annual increase in projected revenues of 1.49%. This is due primarily to the anticipated elimination of the Business Privilege License Tax effective in FY2016. The net impact results in a cumulative four year projected deficit of $86.7 million as shown in the table below.

	FY2015 Revised	FY2016	FY2017	FY2018	FY2019	Average Annual Increase
Revenues	$585.7	$586.5	$598.2	$609.7	$621.4	**1.49%**
Expenditures	$585.7	$602.2	$617.3	$633.1	$649.9	**2.63%**
Savings/(Gap)	**$0.0**	**($15.7)**	**($19.1)**	**($23.4)**	**($28.5)**	
Savings/(Gap) as % of expenditures	**0%**	**(2.6%)**	**(3.1%)**	**(3.7%)**	**(4.4%)**	

The following table outlines the assumptions used to populate the expenditure projections:

Description	FY2016 Increase/ Decrease	FY2017 Increase/ Decrease	FY2018 Increase/ Decrease	FY2019 Increase/ Decrease
Public Safety Pay Plan Steps	2.5%-5.0%	2.5%-5.0%	2.5%-5.0%	2.5%-5.0%
Public Safety Pay Plan Market Adjustment	1.5%	1.5%	1.5%	1.5%
Employee Merit	3.0%	3.0%	3.0%	3.0%
Employee Health Insurance	9.0%	9.0%	9.0%	9.0%
Law Enforcement Employee Retirement	(4.9%)	3.0%	3.0%	3.0%
Firefighter Retirement	0.0%	3.0%	3.0%	3.0%
Employee Retirement Contribution	(7.0%)	3.0%	3.0%	3.0%
Risk Management	0.0%	1.0%	3.0%	3.0%
Operating Expenses	1.5%	1.5%	1.5%	1.5%
Solid Waste Contracts	$2,200,000			
Law Enforcement Separation Allowance	$2,000,000	$450,000	$500,000	$500,000

8. *How are the City's Plans Review fees structured, both for the General Fund and Charlotte Water? (February 25th Council Retreat):*

The City charges regulatory user fees to recover the costs associated with providing special regulatory services, such as Plans Review. As part of the FY2006 budget process, City Council adopted a policy to recover 100% of fully allocated costs associated with regulatory services.

However, from July 2008 until June 2012, the Council adopted Plans Review fees were held flat to mitigate impacts from the recession. Effective July 1, 2012, City Council approved a multi-year approach to gradually return to 100% cost recovery. Staff is currently working to calculate a 100% recovery rate for existing plans review fees as part of the City Manager's Recommended Budget for FY2016.

For Charlotte Water, the development of plans review fees is under review as part of the budget process and will also be addressed as a part of the City Manager's Recommended Budget for FY2016. At this time, there is no cost recovery formula built into the Charlotte Water Plans Review fees. The Plans Review fees for Charlotte Water are anticipated, if approved, to include a phased three-year implementation progression to reach 100% cost recovery. This would be needed to provide adequate time and opportunity to work with the development community and other key stakeholders impacted by the new fees.

The table below lists the FY2014 and FY2015 recovery rate for General Fund Plans Review fees in each applicable department:

Department: Regulatory Service	FY2014 Recovery Rate	FY2015 Recovery Rate	Percentage Point Change
Engineering & Property Management: Land Development	75%	79%	4%
Charlotte Department of Transportation: Land Development and Right-of-Way	100%	100%	0%
Charlotte-Mecklenburg Planning Department: Rezoning, Subdivision, Urban Plan and Zoning Administration	65%	76%	11%
Charlotte Fire Department: Fire Code and Plans Review	100%	100%	0%
Charlotte-Mecklenburg Police Department: Adult Businesses, Carnivals, Dance Halls, and Passenger Vehicle for Hire	82%	87%	5%
Neighborhood and Business Services: Zoning Administration	62%	76%	15%
City Clerk's Office: Legal Advertisements for Rezoning Petitions	30%	40%	10%

If the cost recovery formula for all General Fund regulatory user fees was increased to 100% – to include both the land development fees referenced above, as well as other regulatory user fees such as Fire permitting and Passenger Vehicle For Hire fees – this would result in an additional $2.1 million in revenue to the General Fund for FY2016.

Charlotte Water

9. ***Question 3: For Charlotte Water's Service Level Change requests listed on Slide #7 of the February 25th Budget Workshop presentation, please provide additional information on what is driving these requests. (February 25th Council Retreat):***

The preliminary Service Level Change requests shared at the February 25th Budget Workshop are driven by changes in regulations governing Charlotte Water and by increases in workload related to improvements in the region's economy.

Regulatory Drivers

Of the $2.7 million in preliminary service level change requests, $2.1 million are associated with the changing regulatory environment. The State of North Carolina has increased requirements for performing underground utility locations. In order to comply with these new requirements, an additional $1.3 million is needed. Additionally, Federal Clean Water Act requirements and state laws concerning public records and procurement are also cost drivers. Environmental Permit and other violations are a potential outcome of not meeting regulatory requirements. Penalties for these types of violations range from civil penalties to moratoriums on new water/sewer service connections to potential criminal charges.

Economic Drivers

Economic growth and customer service needs constitute the remaining $600,000 in requests. Increased construction of new subdivisions and commercial development has driven the need for more plans review staff. As part of this budget cycle, Charlotte Water is planning to propose new user fees to cover those expenses.

Budget Process
These Service Level Change requests remain under review by the City Manager, who will present his FY2016 & FY2017 budget recommendations on May 4th.

10. *Related to the pie chart on Slide #5 titled "FY2016 Budget By Program," of the $225,930,768 capital allocation, how much is comprised of new construction and how much is maintenance? (February 25th Council Retreat):*

The $225.9 million is divided into two categories. The first category represents the FY2016 appropriations necessary to cover Charlotte Water's yearly principal and interest payments on outstanding debt. The second category provides the Pay-As-You Go (PAYGO) dollars necessary to support current and future capital programs. The PAYGO category includes both new construction and maintenance related projects. Both categories are consistent with the long-term financial planning model. The table below provides an additional detail on the components within the $225.9 million.

Category	Request	Percent
Principle and Interest Payments	$151,354,379	67%
PAYGO (New Construction)	$19,369,400	9%
PAYGO (Maintenance)	$55,206,989	24%
Total	**$225,930,768**	**100%**

Proceeds from new debt programmed in Charlotte Water's FY2016 Community Investment Plan are not included in the $225.9 million.

11. *For rate increase Scenario 4 on Slide #15, what would be the impact to revenue if Tier 2 was frozen? (February 25th Council Retreat):*

Charlotte Water developed Scenario 5 based on the following three assumptions:

1. Elimination of Tier 1 Subsidy
2. Increase Debt Service Recovery to 25%
3. No Change to Tier 2, 3 and 4 Water Rates

Freezing Tier, 2 under Scenario 5, results in an estimated $3,653,044 in additional revenue, compared to not freezing Tier 2 rates. Using this methodology, a 7 Ccf customer would see a 7.1% rate increase over FY2015. The table below demonstrates the difference between Scenario 4, which only freezes Tiers 3 and 4, and Scenario 5, which freezes Tiers 2, 3, and 4. Assumptions 1 and 2 are the same for both Scenario 4 and Scenario 5.

Tiers	Consumption	Scenario # 4		Scenario # 5	
		Rate	Revenues	Rate	Revenues
1	16,241,349	1.62	$26,280,766	1.62	$26,280,766
2	6,374,175	2.09	13,302,261	2.66	16,955,304
3	4,024,873	4.71	18,957,152	4.71	18,957,154
4	2,407,283	8.91	21,448,892	8.91	21,448,891

Total	**29,047,680**		**$79,989,071**		**$83,642,114**
Difference between Scenario 4 and Scenario 5					**$3,653,044**

In Scenario 4, Tier 2 rates are lower because the increased revenue from freezing Tier 3 and Tier 4 is spread evenly over Tier 1 and Tier 2.

12. *What is the rationale of each of the rate scenarios? (February 25th Council Retreat):*

Following feedback from Council's Budget Committee, Charlotte Water has explored several options for changing the water and sewer rate methodology for FY2016. These options are designed to align the cost of service with each rate tier and to also decrease reliability on volumetric revenue by increasing the fixed portion of customer bills. Increasing the fixed component of the revenue stream will decrease revenue disruption caused by weather, changing economic conditions, or other uncontrollable factors.

The following table addresses the rationale for each potential rate methodology scenario, according to three key factors:

- Aligning rate charges with actual cost of service
- Improving revenue predictability and stability
- Linking customer growth and revenue growth

Scenario	Align rate charged with cost of service	Improve Revenue Predictability & Stability	Linking Customer and Revenue Growth	FY2016 Bill Impact for 7 Ccf Customer**
Current Methodology				$2.18
Scenario 1: Eliminate Tier 1 Subsidy	√	√	√	$2.25
Scenario 2: Increase Availability Fee		√	√	$2.58
Scenario 3: Eliminate Tier 1 Subsidy & Increase Availability Fee	√	√	√	$2.64
Scenario 4: Eliminate Tier 1 Subsidy, Increase Availability Fee, Freeze Tier 3, &4 Rates	√	√	√	$2.32
Scenario 5: Eliminate Tier 1 Subsidy, Increase Availability Fee, Freeze Tier 2, 3, &4 Rates		√	√	$4.04

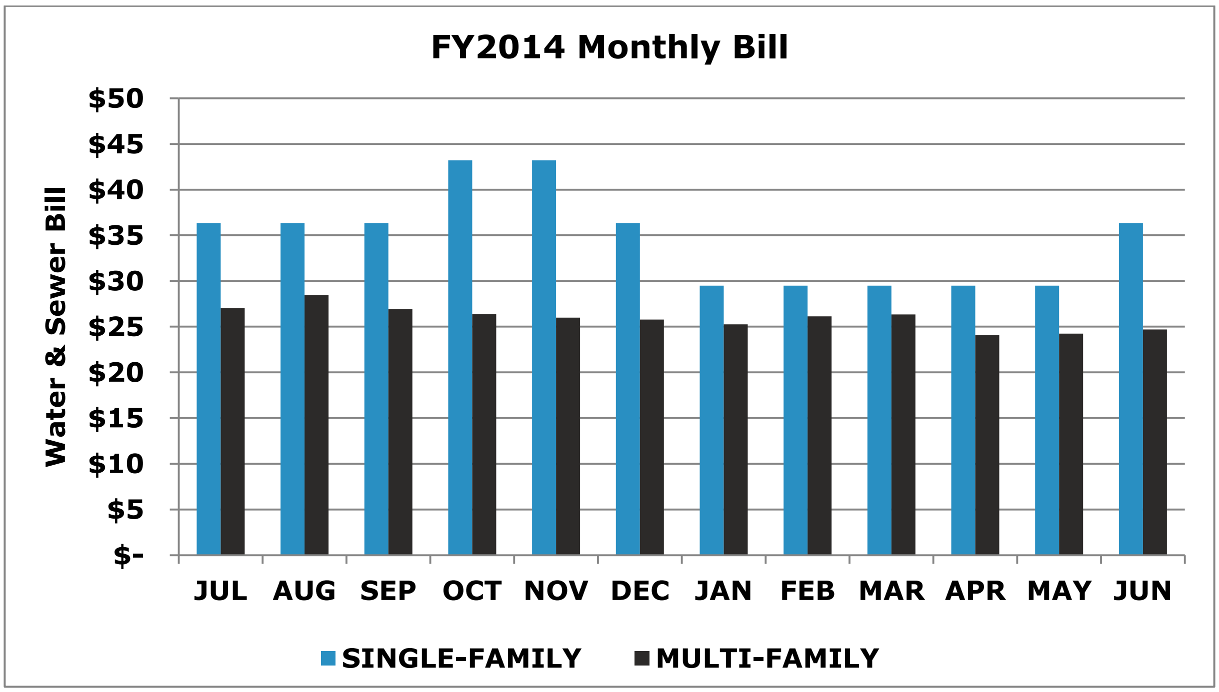
** These potential rate impacts are based upon preliminary estimates and are for illustrative purposes.

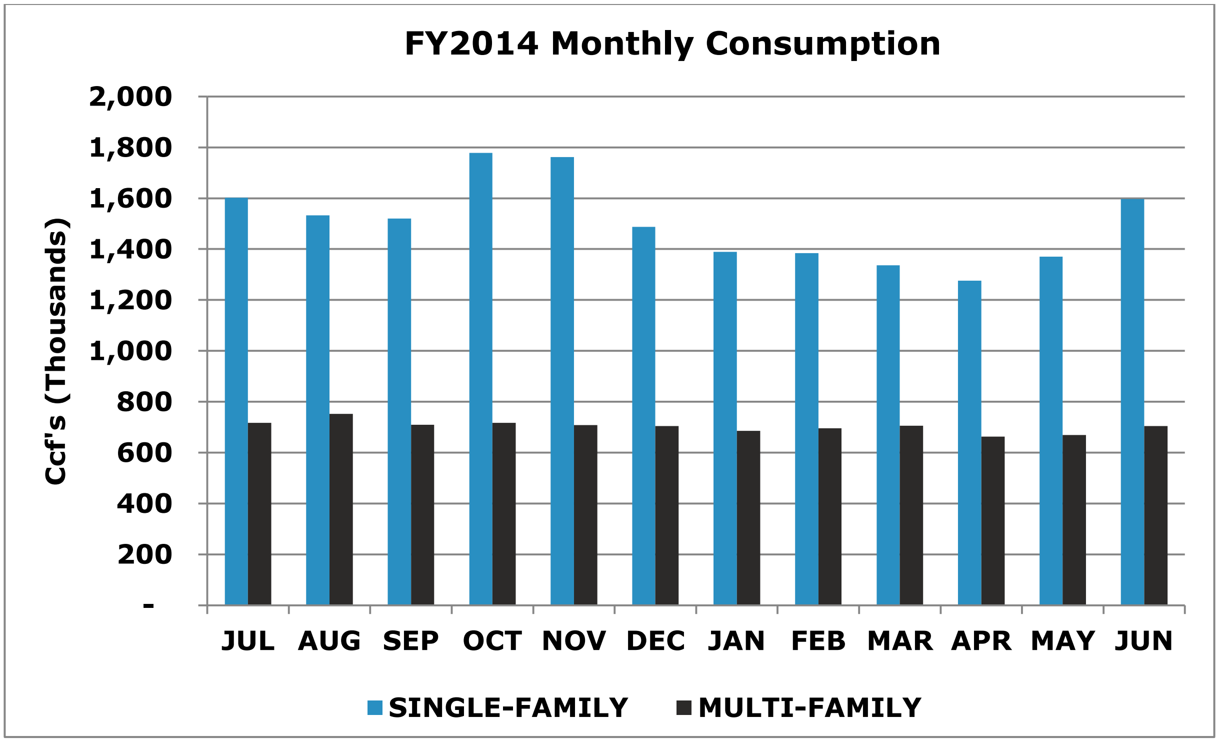
Please note that Scenario’s 1 through 4 each generate the same amount of revenue for FY2016.

13. ***How does single-family water and sewer usage differ from that of multi-family usage? (February 25th Council Retreat):***

The monthly per unit bill for a single-family residence averages $8.71 more than the monthly bill for an individual multi-family unit. Monthly consumption for a single-family residence is 1.9 Ccf (1,421 gallons) more than the consumption for an individual mufti-family unit.

The FY2014 monthly bill and consumption rates are provided in the following charts:



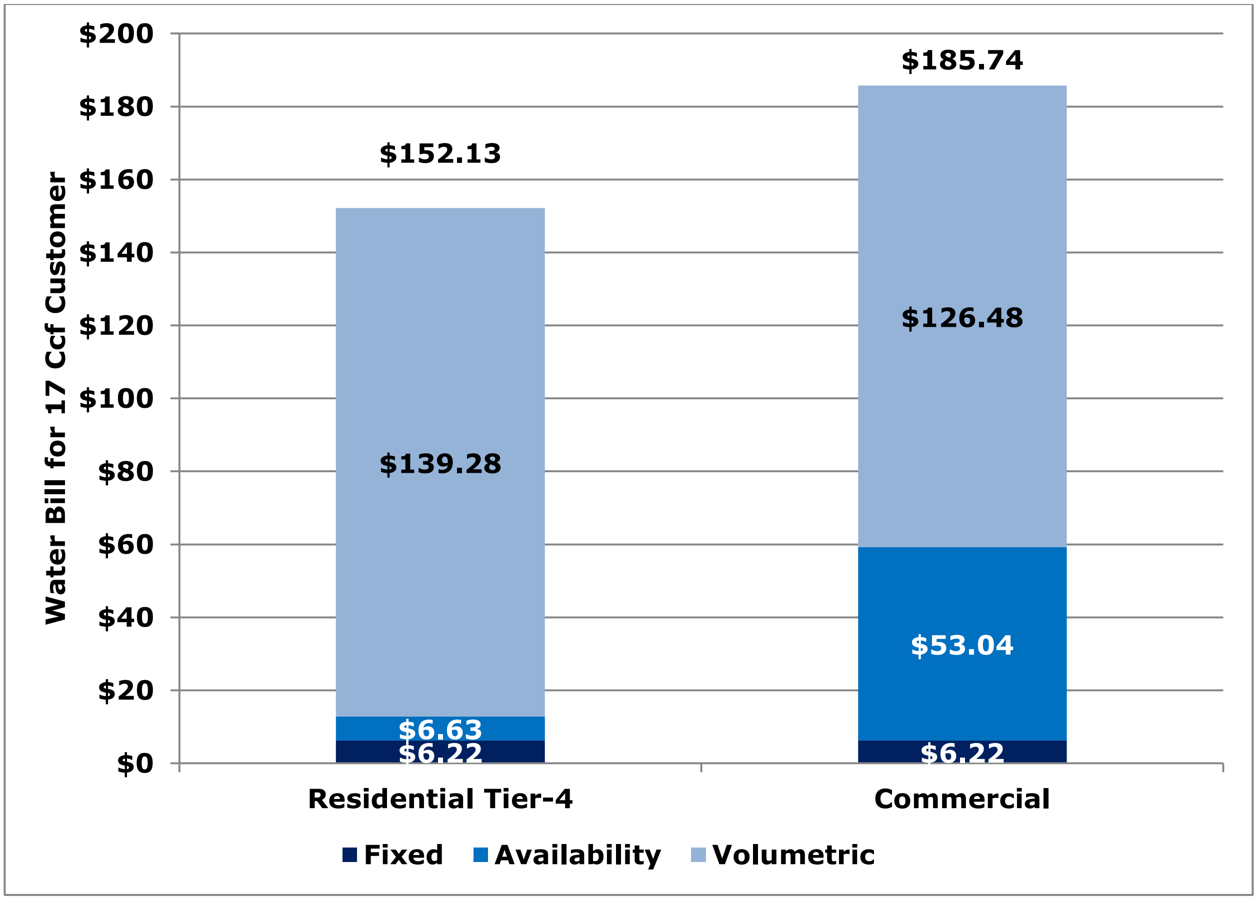


14. *What is the commercial rate? How does it compare to the Tier 4 residential rate? (February 25th Council Retreat):*

Charlotte Water develops monthly charges through a cost of service model, which distributes operating and capital costs to customer classes based on demand and usage characteristics. In addition to volumetric charges, commercial and residential customers pay monthly availability fees based on meter size. Residential customers typically pay $6.63 per month in availability fees. Commercial (Non-Residential) customers pay monthly availability fees ranging from $16.58 for a 1″ service to $1,127.04 for a 12″ service.

Charlotte Water's preliminary FY2016 Tier 4 combined water and sewer rate is $10.20 per Ccf. The preliminary FY2016 Commercial combined water and sewer rate is $7.44 per Ccf. Taking the availability fee into account, a commercial customer with a 2-inch meter would pay $185.74 per month for 17 Ccfs while a residential customer with a ¾ inch meter would pay $152.13. Only about 4% of the total number of water/sewer bills issued in a year has any Tier 4 consumption.

The chart below provides a comparison of the Commercial and Tier 4 residential rates based on 17 Ccfs of consumption.



15. ***Please list examples of capital projects currently funded, with anticipated future funding, and without current funding? (February 25th Council Retreat):***

Charlotte Water anticipates budgeting approximately $14 million as part of the FY2016 Community Investment Plan to continue work on the following six currently funded projects.

1. Clems Branch Pump Station Improvements ($3M)
2. Coffey and Taggart Creek Outfall ($1M)
3. McDowell Basin Trunk Sewers ($3M)
4. Steele Creek LS Replacement ($4M)
5. Vest FM & Pump Station to Franklin ($2.03M)
6. WM – Tyvola Road West ($1M)

These six projects represent $72 million in prior year appropriations. Within the total five-year Community Investment Plan, Charlotte Water anticipates the need for approximately $233 million in new debt service proceeds over 51 currently funded projects.

Attachment 1 is a table that provides a detailed list of the 51 Community Investment Plan Projects mentioned above.

Storm Water Services

16. *Is there an opportunity to use a "sinking fund" approach for Storm Water capital projects? (February 25th Council Retreat):*

A sinking fund is established by setting aside revenue over a period of time to fund a future capital expense. The funds can be used to replace capital equipment as it becomes obsolete or to fund a major fixed asset expenditure. The payments are amortized to that future expenditure.

Storm Water Services has both a backlog of previously identified projects as well as the addition of new projects being added to the work list each year. Neither the backlog nor the new projects added annually are fully funded within the current fee structure.

To establish and use a "sinking fund" approach to fund Storm Water capital needs, staff projects the following two-part funding scenario would be necessary:

1. Set the fee structure so all new projects added annually are fully funded by the revenue and debt capacity generated by those fees, which can be accomplished by:
    - Initiating a four tier rate structure for single family detached parcels
    - Increasing Storm Water fees by 5.9% annually starting in FY2017
2. Then, using the sinking fund concept, add a onetime fee increase in addition to the 5.9% above to be dedicated to eliminating the current backlog of projects.

The following table provides examples of the potential revenue and debt capacity that could be generated by a onetime fee increase to support a sinking fund. All capacity numbers shown are for the FY2016-FY2028 timeframe.

One Time Fee Increase FY2017 Only on 4 rates	Revenue Generated	Debt Generated	Total Sinking Fund Capacity Generated
1.0%	$7.47	$10M	$17.31M
3.5%	$26.13	$20M	$38.22M
7.0%	$52.26	$40M	$73.61M

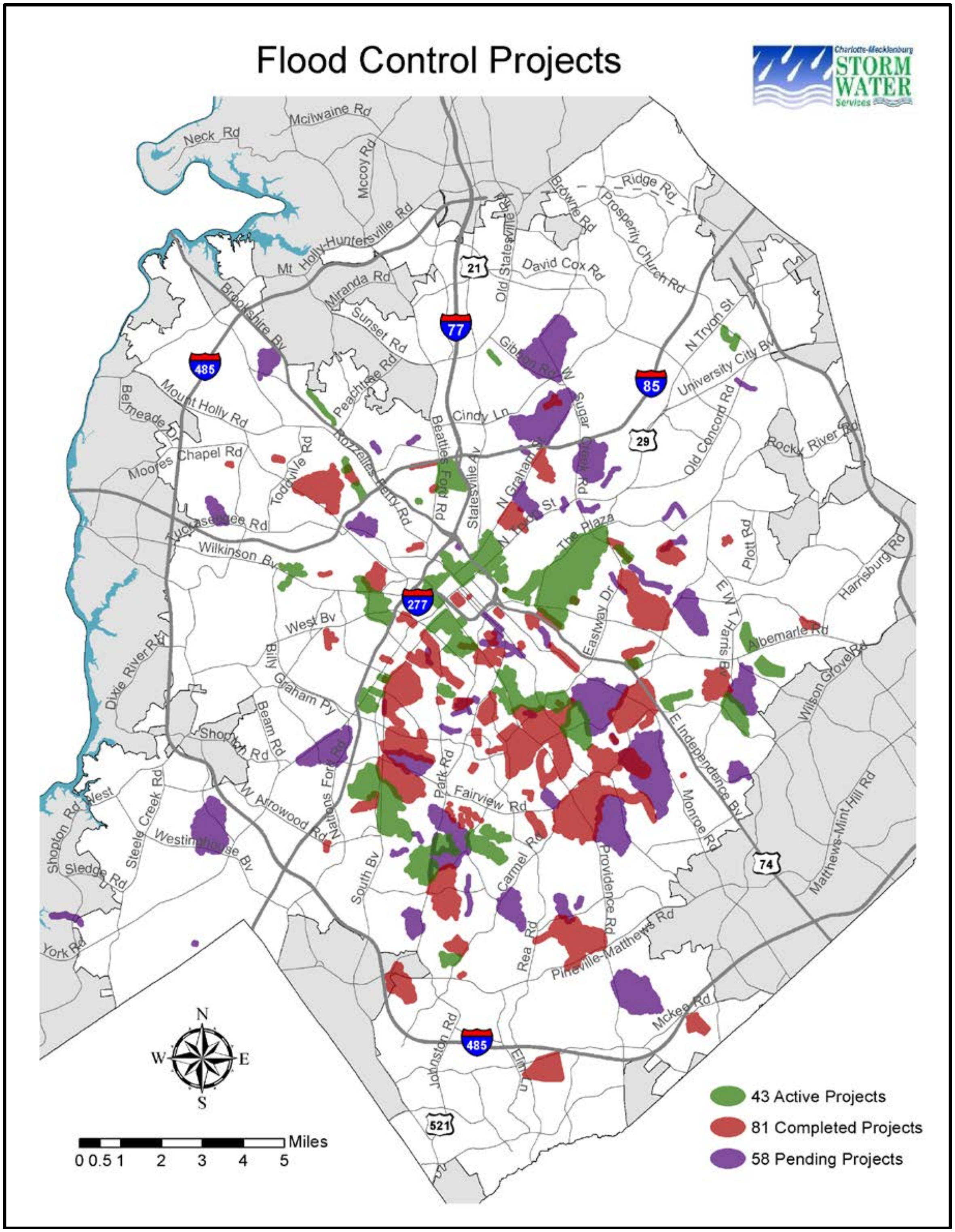
Note: Total capacity will be less than total revenue plus debt because of debt payments.

17. *Please provide examples of where major Flood Control projects are currently located. (February 25th Council Retreat):*

The following table lists the 43 active flood control projects throughout the City.

Location of Active Flood Control Projects	
6th and Graham	Louise
Alanhurst/Cherrycrest	Lyon Phase 1
Beckwith/Meadow	Lyon Phase 2
Blenhein	Margaret Turner
Brentwood Phase 1	Mary Alexander
Brentwood Phase 2	McAlway/Churchill
Cedars East	Meadowridge
Celia	Myrtle Ave/Morehead Phase 1
Chandworth	Myrtle Ave/Morehead Phase 2
Chatham	Parkwood Phase 1
Cherokee/Scotland	Parkwood Phase 2
Cutchin	Peterson
Edgewater/Rosecrest Phase 1	Princeton/Somerset
Edgewater/Rosecrest Phase 2	Robinhood/Dooley
Gaynor	Shamrock Gardens
Greenhaven/Pierson	Tattersall
Hampton	Wanamassa
Hill	Water Oak
Hinsdale/Tinkerbell	Wilkinson Blvd
Kenilworth/Romany	Wiseman
Lilly Mill	Yancey
Lincoln Heights	

The following map provides the geographic location of these active projects, as well as completed and pending flood control projects.


Flood Control Projects
Charlotte-Mecklenburg STORM WATER Services
43 Active Projects
81 Completed Projects
58 Pending Projects
Miles
0 0.5 1 2 3 4 5

18. *Please provide scenarios where there are varying Storm Water fee changes in alternating years (as have been presented to Council in prior years).(February 25th Council Retreat):*

The scenarios below were provided to City Council on May 28, 2014 as part of the FY2015 Straw Votes discussion. These scenarios were produced with the assumption that all of the increased revenue and additional staff would support the completion of the Maintenance & Repair Project Backlog.

Scenario A – Continue historical Fee Model - 1/2% Step down each year to a floor of 2.5% annually
If the Fee Model employed prior to FY2015 were continued through FY2020 when the annual fee increase was projected to stabilize at 2.5% annually, the wait time by FY2020 would be reduced to 2 - 3 years

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

Scenario B – No fee increase in FY2015
Under Scenario B, the wait time by FY2020 would increase to 6 - 7 years

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

Scenario C – Annual 3% Fee Increase
Under Scenario C, the wait time by FY2020 would be reduced to 3.5 - 4.5 years

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

Scenario D – One-time fee increase to reduce the backlog to 1 year – Cash Only
Under Scenario D, the wait time by FY2020 would be reduced to approximately 1 year. Work on the backlog will be paid with Pay-As-You-Go cash only.
Next fee increase would be needed in FY2021.

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

Scenario E – One-time fee increase to reduce the backlog to 1 year – Cash and Debt

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

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

19. ***Has the City considered purchasing property in high flood prone areas, rather than paying the higher cost of remediating private property? (February 25th Council Retreat):***

Yes, the City has previously purchased property in high flood prone areas. As part of capital investment planning, multiple alternatives are identified to solve problems and to ensure cost beneficial improvements. The feasibility of purchasing properties in flood prone areas is evaluated on a case by case basis and may be pursued if the benefits outweigh the improvement costs. In considering whether to purchase properties in flood prone areas, staff also evaluates various intangible impacts, including:

- Loss of affordable housing
- Reduction of the tax base
- Creation of vacant property in neighborhoods
- Future maintenance costs.

Some examples where the City has purchased property in high flood prone areas include:

- **Celia Avenue Storm Drainage Improvement Project** - to reduce flooding of streets and structures. Celia Avenue connects to Beatties Ford Road just north of the Brookshire Freeway. Celia Avenue frequently floods and provides the only vehicular access (dead end road) for 12 properties. Several alternatives were considered. The selected alternative included purchase of two parcels, home demolition, culvert replacement, and realigning and raising of the roadway. At a cost of $725,000, this selected alternative resulted in a $460,000 cost savings compared to the next lowest cost alternative. The properties were closed on May 31, 2013 and November 11, 2013.
- **Brentwood Storm Drainage Improvement Project** – to reduce flooding of streets and structures, and repair stream bank erosion. The project is bordered by Remount Road to the south and west and Barringer Drive to the east. Several planning phase alternatives were evaluated. One portion of the project experienced frequent flooding of Barringer Drive and a house, 2438 Barringer Drive. The selected alternative for this area included purchase and demolition of 2438 Barringer Drive and culvert replacement to eliminate the house flooding and meet design standards for Barringer Drive. At a cost of $1,830,000, this selected alternative resulted in $259,000 cost savings compared to the next lowest cost alternative. The property was closed on November 1, 2012.

<u>Enabling legislation to allow purchase of flood prone property</u>
In 2014, the General Assembly enacted legislation authorizing counties with populations of at least 910,000 to engage in a greater range of flood control solutions on private property that would lead to more cost effective solutions. SL 2014-14 authorizes certain types of flood control solutions as permissible measures for public enterprises operated by counties

using storm water fees. The legislation expressly authorizes those counties to purchase property for the purpose of demolishing flood-prone buildings and to implement flood damage reduction techniques that result in improvements to private property including elevating structures, demolishing flood-prone structures, and retrofitting flood-prone structures. The legislation states that these private property improvements are only performed as long as certain conditions are met, such as obtaining consent of the property owners and conducting feasibility studies before proceeding.

The Storm Water Services program has operated as a public enterprise using storm water fees under the authority of the North Carolina General Statutes (NCGS) 160A-311 since 1993. While NCGS 160A-311 does not expressly authorize the same types of flood control solutions that were authorized by SL 2014-14, the City interpreted the language very broadly and engaged in these flood control solutions. Since the City of Charlotte operates its storm water management program in coordination with a county that meets the population threshold of SL 2014-14, the City is seeking similar enabling legislation in order to be specifically authorized to continue implementation of flood damage reduction techniques on private property using storm water fees.

20. ***What would be the impacts of not increasing the Storm Water fee, or increasing it at a small amount (such as 2%)? (February 25th Council Retreat):***

The table below shows the impact on Storm Water revenues, capital expenditures, and the ability to pursue capital projects if Storm Water fees were not increased, or increased 2%, under both the current two rate structure and a potential four rate structure.

FY2016-FY2028	2 rates	2 rates	4 rates
Rate Increase	**0%**	**2% in FY16 only**	**0%**
Revenue	746,226,175	761,150,699	846,932,850
Bond Proceeds	180,000,000	180,000,000	240,000,000
Capital Expenditures	623,580,573	634,029,604	770,351,569
Additional Capacity	(79,521,044)	(69,072,013)	67,249,952
Flood Control	Average starting 2 projects/year	Average starting 2.2 projects/year	Average starting 3 projects/year
Maintenance and Repair	9 year wait & growing	9 year wait & growing	7-8 year wait
C Low Priority Projects	No projects started	No projects started	No projects started

21. ***Please explain contributions from the General Fund for Storm Water Services. (February 25th Council Retreat):***

The City has provided General Fund contributions to Storm Water Services associated with the impact on storm water systems from impervious surfaces of City-maintained streets and City-owned general government facilities since 1993. Beginning in 1995, the City also began making Storm Water contributions from the Powell Bill Fund.
While the City does make a contribution to Storm Water Services for City-maintained streets through the Powell Bill Fund, the State does not make a similar contribution for State-maintained roads. Charlotte City Code Sec. 18-40 – Exemptions and Credits Applicable to Service Charges states:

The following exemptions from storm water service charges shall be allowed:

Public road rights-of-way which have been conveyed to and accepted for maintenance by the State and are available for use in common by the general public for motor vehicle transportation.

Below is a summary of the changes to the City contributions that have occurred since 1994.

- In FY1994, Council approved a $2.5 million annual contribution to Storm Water Services for City maintained streets and general government facilities and also dedicated one cent of the property tax rate to Storm Water Services.
- In FY1995, the $2.5 million annual contribution was split between General Fund and Powell Bill ($2.0 million and $500,000 respectively).
- Beginning in FY1997, the contributions were increased each year based on the annual percentage increase of the Storm Water Fee.
- In FY1998, the City began phasing out dedicated property tax revenues at a rate of 25% annually through FY2001.
- In FY2006, City Council approved a cap on the General Fund and Powell Bill Fund contributions at $5.68 million ($4.54 million General Fund, $1.14 Powell Bill Fund).
- In FY2011 City Council approved a 10% reduction of the total contribution, to be reinstated at the rate of 33% annually beginning in FY2012 through FY2014.
- The current FY2015 contribution is $4.54 million from the General Fund and $1.14 million from the Powell Bill Fund, for a total City contribution of $5.68 million.

The following table shows the annual and total contributions from the City's General Fund and Power Bill Fund to Storm Water Services between 1993 and 2015.

General Fund and Powell Bill Contributions to City Storm Water Services					
Fiscal Year	**Fee Increases**	**General Fund Contribution**	**Powell Bill Fund Contribution**	**Dedicated Property Tax**	**Total Payment**
1993	0%	1,250,000	0	0	1,250,000
1994	0%	2,500,000	0	2,626,313	5,126,313
1995	0%	2,000,000	500,000	2,815,352	5,315,352
1996	0%	2,000,000	500,000	2,901,430	5,401,430
1997	10.0%	2,200,000	550,000	3,053,738	5,803,738
1998	10.0%	2,420,000	605,000	2,608,377	5,633,377
1999	10.0%	2,662,500	665,000	1,895,595	5,223,095
2000	10.0%	2,928,250	732,200	1,003,089	4,663,539
2001	10.0%	3,221,275	805,000	0	4,026,275
2002	7.5%	3,466,092	867,172	0	4,333,264
2003	5.5%	3,653,949	915,460	0	4,569,409
2004	7.5%	3,927,699	984,120	0	4,911,819
2005	7.5%	4,222,276	1,057,929	0	5,280,205
2006	7.5%	4,539,290	1,137,273	0	5,676,563
2007	7.0%	4,539,290	1,137,273	0	5,676,563
2008	7.0%	4,539,290	1,137,273	0	5,676,563
2009	7.0%	4,539,290	1,137,273	0	5,676,563
2010	5.0%	4,539,290	1,137,273	0	5,676,563
2011	7.0%	4,085,361	1,137,273	0	5,222,634
2012	6.5%	4,236,671	1,137,273	0	5,373,944

2013	6.0%	4,387,981	1,137,273	0	5,525,254
2014	5.5%	4,539,291	1,137,273	0	5,676,564
TOTAL		**$76,397,795**	**$18,417,338**	**$16,903,894**	**$111,719,028**

22. *Please list capital projects currently funded, with anticipated future funding, and without current funding? (February 25th Council Retreat):*

The following table lists the funded and non-funded portions of current Flood Control projects. Flood Control Projects on the backlog are without funding until FY2021.

Flood Control Project	FY2015 CIP Funding	FY2016 – FY2020 Anticipated CIP Funding
Bleinhein	Construction	
Brentwood Phase 1	Construction	
Brentwood Phase 2	Construction	
Celia	Construction	
Cherokee/Scotland	Construction	
Gaynor	Construction	
Myrtle/Morehead Phase 1	Construction	
Parkwood Phase 1	Construction	
Robinhood/Dooley	Construction	
Wiseman	Construction	
Lilly Mill	Design & Construction	
Meadowridge	Design	Construction FY2016
Louise	Planning & Design	Construction FY2016
Lyon Phase 1	Planning & Design	Construction FY2016
McAlway/Churchill	Planning & Design	Construction FY2016
Peterson	Planning & Design	Construction FY2016
Princeton/Somerset	Planning & Design	Construction FY2016
Alanhurst/Cherrycrest	Planning & Design	Construction FY2017
Cedars East	Planning & Design	Construction FY2017
Greenhaven/Pierson	Design	Construction FY2017
Hampton	Planning & Design	Construction FY2017
Hinsdale/Tinkerbell	Planning & Design	Construction FY2017
Kenilworth/Romany	Planning & Design	Construction FY2017
Lincoln Heights	Planning & Design	Construction FY2017
Mary Alexander	Planning & Design	Construction FY2017
Myrtle/Morehead Phase 2	Planning & Design	Construction FY2017
Water Oak	Planning & Design	Construction FY2017
Wanamassa	Planning	Design FY2016/Construction FY2017
6th & Graham	Planning & Design	Construction FY2018
Edgewater/Rosecrest Phase 1	Planning & Design	Construction FY2018
Lyon Phase 2	Planning & Design	Construction FY2018
Hill	Planning & Design	Construction FY2018
Shamrock Gardens	Planning & Design	Construction FY2018
Yancey	Planning & Design	Construction FY2018
Margaret Turner	Planning	Design FY2016/Construction FY2018
Chandworth	Planning & Design	Construction FY2019
Chatham	Planning & Design	Construction FY2019
Parkwood Phase 2	Planning & Design	Construction FY2019
Tattersall	Planning & Design	Construction FY2019

Wilkinson	Planning & Design	Construction FY2019
Beckwith/Meadow	Planning & Design	Construction FY2020
Cutchin	Planning & Design	Construction FY2020
Edgewater/Rosecrest Phase 2	Planning & Design	Construction FY2020

Financial Partners

23. *If the CRVA's funding request of $150,000 for the Film Commission is not funded, could the CRVA prioritize their dedicated revenue source funding to use towards the Film Commission? (February 25th Council Retreat):*

Potential Funding of Film Commission Using Dedicated Revenues
In their FY2015 budget, the CRVA also allocated $150,000 of their dedicated Occupancy Tax and Food & Beverage Tax proceeds to the Film Commission as CRVA's part of the City, County, and CRVA three-way agreement to provide an adequate level of funding to stabilize the Film Commission as the lead organization that supports that industry.

Per CRVA, if the City discontinues the $150,000 funding for the Film Commission from General Fund discretionary funds, the CRVA would not be able to absorb that portion and will not be able to sustain its current level of engagement in promoting the Charlotte region as a location for film and commercial/television productions. The impact would be less solicitation, marketing, and service support available to the Film Industry, which has two major hubs in North Carolina: Wilmington and Charlotte. CRVA responded that reduced funding towards an aggressive and competent effort to maintain and grow the film industry may result in jobs supporting film to be lost to Wilmington or other locations.

City Funding to CRVA
The City of Charlotte provides funding to the CRVA for two different programs through two separate revenue sources:

- Visit Charlotte – Dedicated Occupancy Tax and Food & Beverage Tax Proceeds
- Charlotte Regional Film Commission – Discretionary General Fund Revenues

CRVA's FY2016 Film Commission Request – Discretionary General Fund Revenue
CRVA's FY2016 Charlotte Regional Film Commission request of $150,000 is for General Fund discretionary funds. Through the Charlotte Regional Film Commission, CRVA promotes the Charlotte region as a location for film and commercial/television productions. CRVA's Charlotte Regional Film Commission provides site location, crew, equipment, stage, and support service information for commercials, independent films, television series, and still photography shoots.

CRVA's FY2016 Visit Charlotte Funding Request – Dedicated Revenues
CRVA's FY2016 funding request of $13,597,941 is for their Visit Charlotte division. The Visit Charlotte division promotes the region with sales and marketing activities that bring conventioneers, meeting and special event attendees, and tourist to Charlotte every year.

Funding for CRVA's Visit Charlotte program are based on actual funding distributions from the occupancy tax and prepared food and beverage tax proceeds in compliance with Chapter 908 of the 1983 Session Laws, as amended by Chapters 821 and 922 of the 1989 Session Laws and Chapter 402 of the 2001 Session Laws (collectively "Tax Legislation"), as follows:

For general tourism marketing:

- First 3% Occupancy Tax,
- 50% of the first $1 million collected,
- 35% of the 2nd $1 million collected, and
- 25% of all revenue above $2 million

For Convention Center marketing:

- 15% of collected 2nd 3% Occupancy Tax and 1% Food and Beverage Tax

For Business Development:

- $1.9 million in FY2015 growing at 3% a year

24. *What have been the Film Commission's activities and achievements in the past year? (February 25th Council Retreat):*

The following response was provided directly by CRVA:

"The first and most prominent goal of the Charlotte Regional Film Commission (CRFC) is to promote on location filmmaking within the region. The CRFC has a strong commitment to film and video production, and services all projects: still photography, commercials, television, feature, and independent films. The CRFC's primary services include: information of local filming procedures; site location photography and location library; scouting services within the region; information on crew, equipment, stages and support services; and liaison with city, county, state, and federal governments. The CRFC's goal is to promote the Charlotte Region as a superior film location, and to sustain and build awareness of the Charlotte Region in the film and video industries both domestically and internationally.

Currently, the CRFC is in the process of launching a new brand for its office, which includes a new logo, website, collateral, and promotional items. The CRFC is also working with a new database provider that manages locations, contacts, and project information allowing the Charlotte Region to be more competitive in the marketplace.

The CRFC hired two new employees for its Film Office: Film Coordinator and Location Manager. The addition of this staff has allowed more time for the Director to proactively promote the city and better respond to inquiries and service projects that choose Charlotte as their location. The CRFC is also building a more robust location database, which includes photos of locations from across the region that will assist the CRFC in selling the Charlotte Region as a diverse film location (city, rural, mountains, small town, etc.). These improvements will allow the CRFC to realign their time and energy in the marketplace.

Reductions to the NC Film Incentives have produced ripple effects, locally, with a steady decline in pipeline leads and productions for film and television. However, the CRFC has realigned its focus on recruiting commercial projects, reality-TV shows, sports marketing, and photography – all projects that do not depend on the state's incentive and have been successful in the region in the past. The CRFC's pipeline of projects will continue to grow and demonstrates a continued need for the City and County's investment in the CRFC.

CRVA-Charlotte Regional Film Commission's activities and achievements in the past year are as follows:"

Film Commission Performance Metrics:

Measure	FY2015 Mid-Year Actual	FY2016 Target
Number of qualified film/TV prospects/leads generated	64	125
Increase the number of feature film/TV prospects/leads generated for the Charlotte Region	10	8
Total budget for films/TV projects produced	$38 million*	$9 million
Number of film crew positions filled locally	680*	400

*Estimates as final numbers unavailable until released by the North Carolina Department of Revenue

Tradeshows, conferences, and sales missions:

- Cineposium- Association of Film Commissioners International Conference – NYC
- NYC Sales Mission - called on production companies
- Sundance Film Festival – sponsored event at festival with the NC Film Office and Wilmington Film Commission
- Locations Trade Show in LA – sponsored booth with NC Film Office, Wilmington Film Commission and Piedmont Triad Film Commission
- International Film Festival Summit

Membership of Associations:

- Association of Film Commissioners International
- Associate member of Association of International Commercial Producers

Recent Projects:

- BANSHEE (HBO) 3nd season
- VACATION (Warner Brothers)
- PAPER TOWNS (FOX)
- 4 BLOOD MOONS (Independent film)
- MAX (MGM)
- ASHBY (Independent film)
- OUTCAST (HBO and International FOX); Pilot recently shot in York and Chester counties utilizing crew and vendors from the Charlotte region; Project has been picked up and is planning on returning to the Charlotte region.

Reality Shows:

- HOUSE HUNTERS
- LAST COMIC STANDING
- A SALE OF TWO CITIES
- WHO DO YOU THINK YOU ARE?
- MTV CATFISH
- UNNAMED NEW REALITY SHOW
- DOLLARS AND SENSE (Catwalk Productions)

Commercials:

- PRUDENTIAL – national commercial filmed at the NASCAR Hall of Fame
- BANK OF AMERICA
- DUKE ENERGY
- US ARMY
- NATIONWIDE
- BOJANGLES
- MOUNTAIN DEW
- NCEL
- NAPA
- BURGER KING
- USPS
- EVERHART HEALTH
- LOWES
- GRASTEK
- VALVOLINE
- GOOD YEAR
- SUBWAY
- KIOTI TRACTOR

Print:

- MACY'S
- ZURICH INSURANCE
- MACK TRUCK
- KIOTI TRACTOR

25. *Please provide additional information on the new request from the Foundation For The Carolinas' Third Grade Reading Initiative? (February 25th Council Retreat):*

Overview
The Third Grade Reading Initiative ("Read Charlotte") is a new collaborative effort to double the percentage of third grade students reading at grade level. Currently, more than half of all Charlotte-Mecklenburg Schools' third graders are not reading at grade level. If a child is not reading at or above grade level by the end of the third grade, he or she is four times more likely to drop out of school than a child who is reading proficiently.

Committee Discussion
On October 17, 2014, the Third Grade Reading Initiative was discussed at Council's Economic & Global Competitiveness (ED&GC) Committee, following requests for staff to explore opportunities for collaboration with private and foundation efforts, including related to the Third Grade Literacy initiative. As a result of those discussions, staff suggested that the Third Grade Reading Initiative submit a request through the Financial Partner Process.

Current Status of Third Grading Reading Initiative
As of January 28, 2015, the Foundation For The Carolinas has raised $4.6 million from private foundations and corporations. The funds raised are three and five year commitments, at a minimum, of $100,000 annually. The following table lists the nine lead funders for "Read Charlotte" and the term of their funding commitment:

Organization	Amount/Year	# Years	Total Pledged
Bank of America	$100,000	3 years	$300,000
CD Spangler Foundation	$100,000	5 years	$500,000
Duke Energy Foundation	$100,000	5 years	$500,000
Foundation For The Carolinas	$100,000	5 years	$500,000
PNC	$100,000	5 years	$500,000
PricewaterhouseCoopers LLP	$100,000	3 years	$300,000
The Belk Foundation	$150,000	5 years	$750,000
The Duke Endowment	$150,000	5 years	$750,000
Wells Fargo	$100,000	5 years	$500,000
Total To-Date			**$4,600,000**

Financial Partner Budget Process
The Financial Partner information provided to Council at the February 25, 2015 Budget Workshop included all requests received from organizations that submitted applications to the City. The City Manager will present his Financial Partner funding recommendations to Council at their April 8, 2015 Budget Workshop.

26. ***What are the funding sources for the current year (FY2015) allocation to the Charlotte Mecklenburg Housing Partnership? (February 25th Council Retreat):***

The Charlotte Mecklenburg Housing Partnership (CMHP) is funded with local Innovative Housing Pay-As-You-Go (PAYGO) funds and federal grant funding from the U.S. Department of Housing and Urban Development (HUD). The CMHP Affordable Housing Contract is funded with PAYGO and a portion of the City's Community Development Block Grant (CDBG) allocation. The CMHP HouseCharlotte program is funded with PAYGO and the HUD HOME Investment Partnerships Program grant (HOME).

The table below provided the current funding sources and amounts for CMHP's FY2015 Affordable Housing Contract and HouseCharlotte programs:

Charlotte Mecklenburg Housing Partnership Program	City PAYGO Funds	Federal HUD Grant Funds	Type of HUD Grant	Total FY2015 Funding
Affordable Housing Contract	$490,000	$1,470,000	CDBG	$1,960,000
HouseCharlotte	$57,750	$173,250	HOME	$231,000

Financial Partner Question asked at March 2nd Council Workshop

The following information was requested during the Arts & Science Council's "Cultural Life Task Force" presentation at Council's Monday, March 2nd Workshop.

27. Please provide a comparison of City and County arts and cultural spending.

Attachment 2 provides the tables listing the different arts and cultural funding components for both the City of Charlotte and Mecklenburg County.