



CHARLOTTESM
BUDGET & EVALUATION

**FY2012 and FY2013
Strategic Operating Plan
and FY2012-2016
Capital Investment Plan**

City Manager's Recommendation

May 9, 2011



- Overview:
 - Key Messages
 - Challenges
- Budget Summary
- Revaluation
- General Fund Summary
- Capital Investment Plan (CIP)
- Enterprise Funds
- Charlotte-Mecklenburg Utilities Rate Adjustment
CHARMECK.ORG

- Successfully weathered economic challenges of past three years:
 - Made decisions necessary to ensure strong financial position
 - Budget reductions in FY10 and FY11 made further reductions unnecessary
 - Recalibrated service delivery to new revenue forecasts

- Maintained strong financial policies and reputation (AAA credit rating)
- Applied revenue growth to base operating budget
- Few changes from last year's budget

Budget

- Have reserved:
 - \$18.4 million from Capital Reserves
 - \$445,446 from Criminal Justice Technology Reserve
 - General Fund reserves of \$82.3 million
- If not necessary:
 - \$8.4 million for “severe risk” technology projects
 - \$4.6 million to Technology Investments Fund
 - \$5.4 million to Insurance and Risk Fund
 - Total = \$18.4 million
 - \$445,446 to CMPD in FY13 budget
 - Retain reserves at 16%

Annexation

- \$5 million spent preparing for 6/30/11 annexation
- Much greater sum spent by Charlotte-Mecklenburg Utilities
- FY12 revenues exceed expenses by over \$1.0 million
- If no annexation, \$1.0 million cash reserve budgeted in FY12 and FY13

- 20% combined cut to CDBG and HOME funds:
 - Programmed into FY12 and FY13
 - Further Federal funding reductions are not anticipated at this time

Challenge #3: Employee Compensation

- No recommended compensation adjustment
- 3% average group insurance increase
- Restore 401(k) contribution back to 3% from 2%
- Restore a portion of reduced training budgets

Challenge #3: Employee Compensation

- Request authority for up to 1% lump sum adjustment from current year:
 - Up to \$3.5 million General Fund cost
 - Only if \$7 million in savings is generated
 - If not, proportional adjustment
 - Does not impact next year's budget
 - Important to get back on track next year with Public Safety and Broadbanding pay plans

Challenge #4: Funding in Capital Program

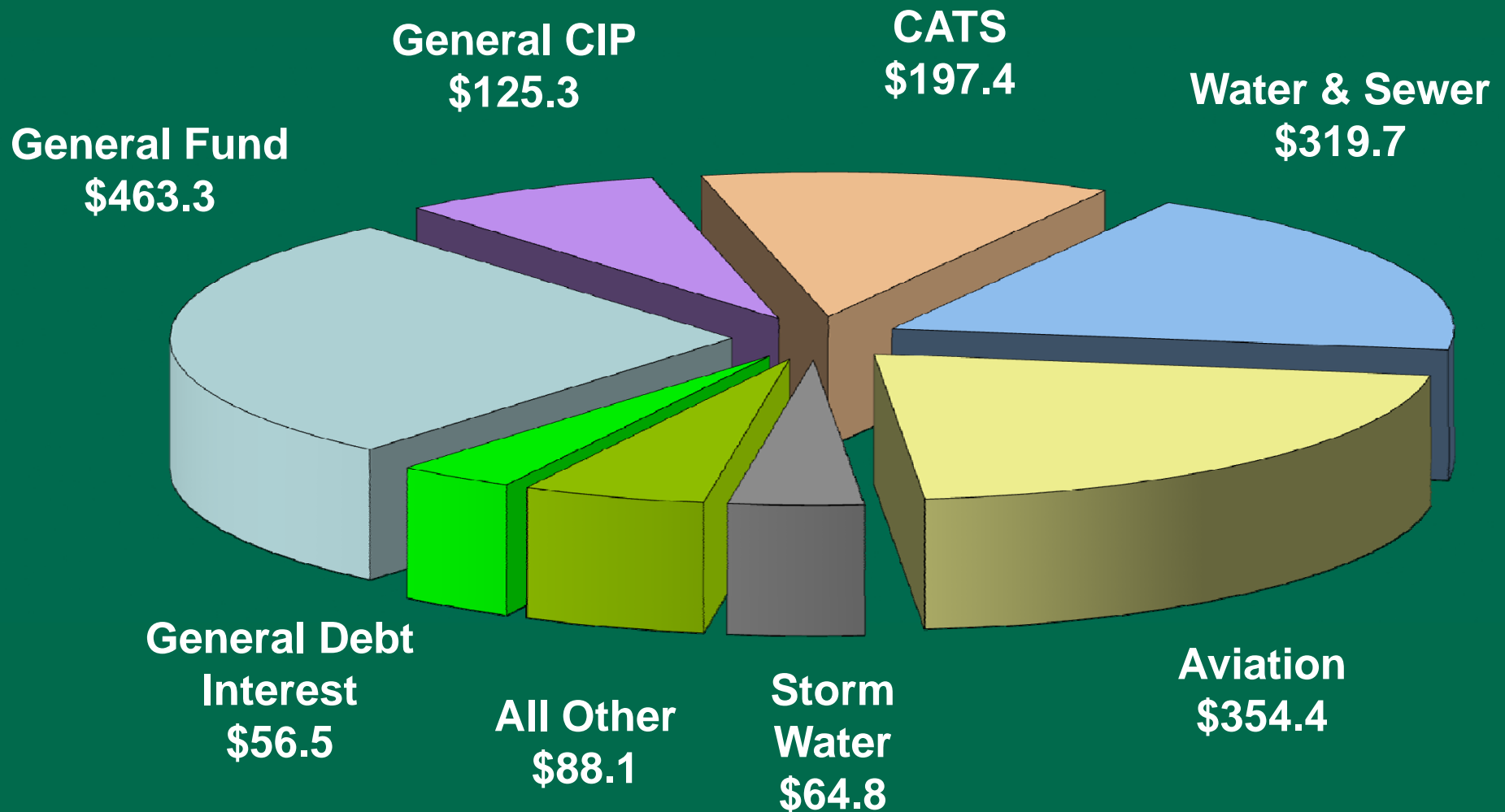
- No funding for future bond referenda
- \$20 million annually in 2006 yielded \$551 million of investment
- Major component of AAA rating
- Will need to address in the next year or two

- Fuel: 10¢ = \$500K
- Stimulus Police Officers:

FY12	FY13	FY14
\$0.0M	\$2.3M	\$3.1M

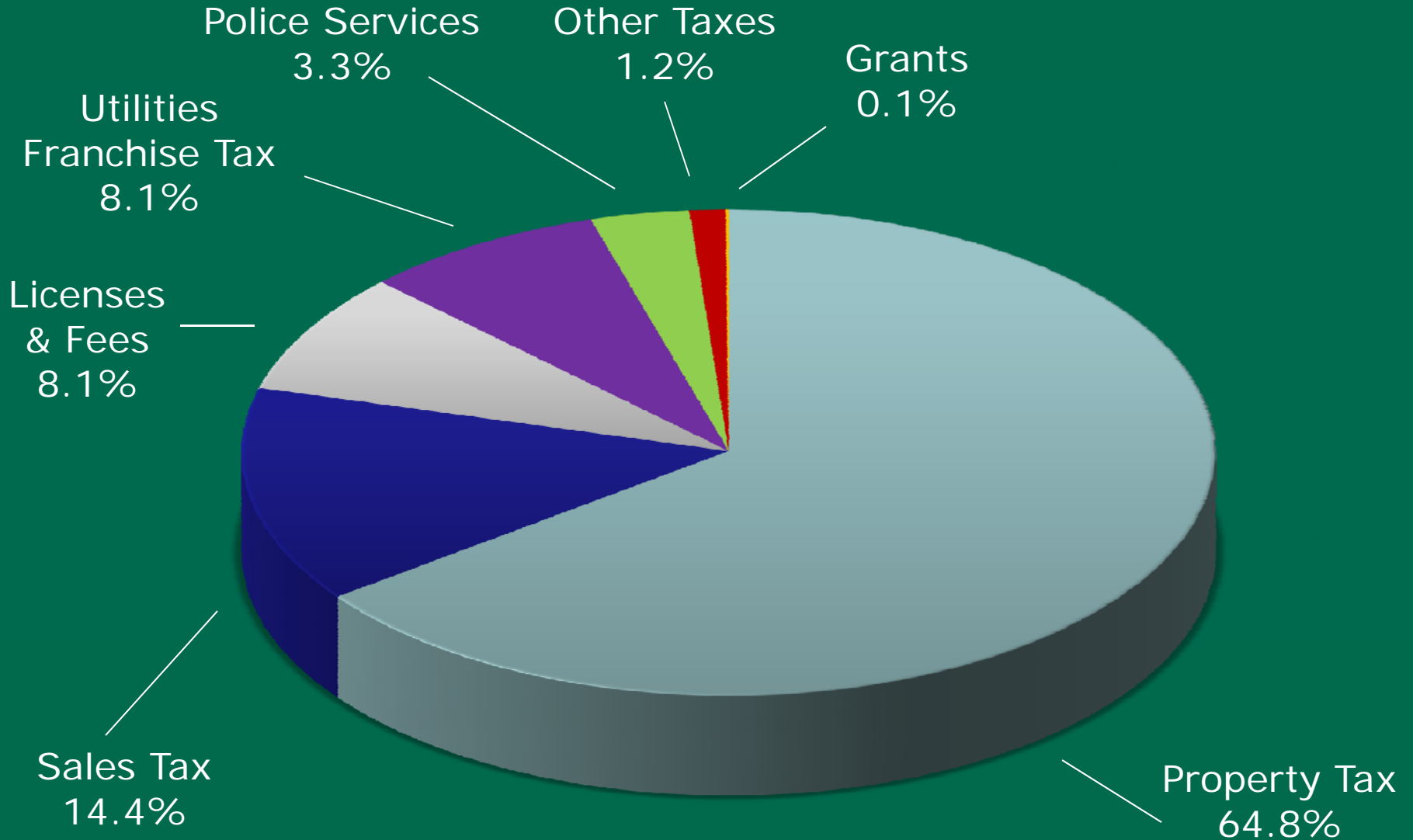
- Streetcar operating cost of \$1.5 million in 2015
- Insurance and Risk Management
- Ongoing technology investments

FY2012 Total Budget \$1.67 Billion



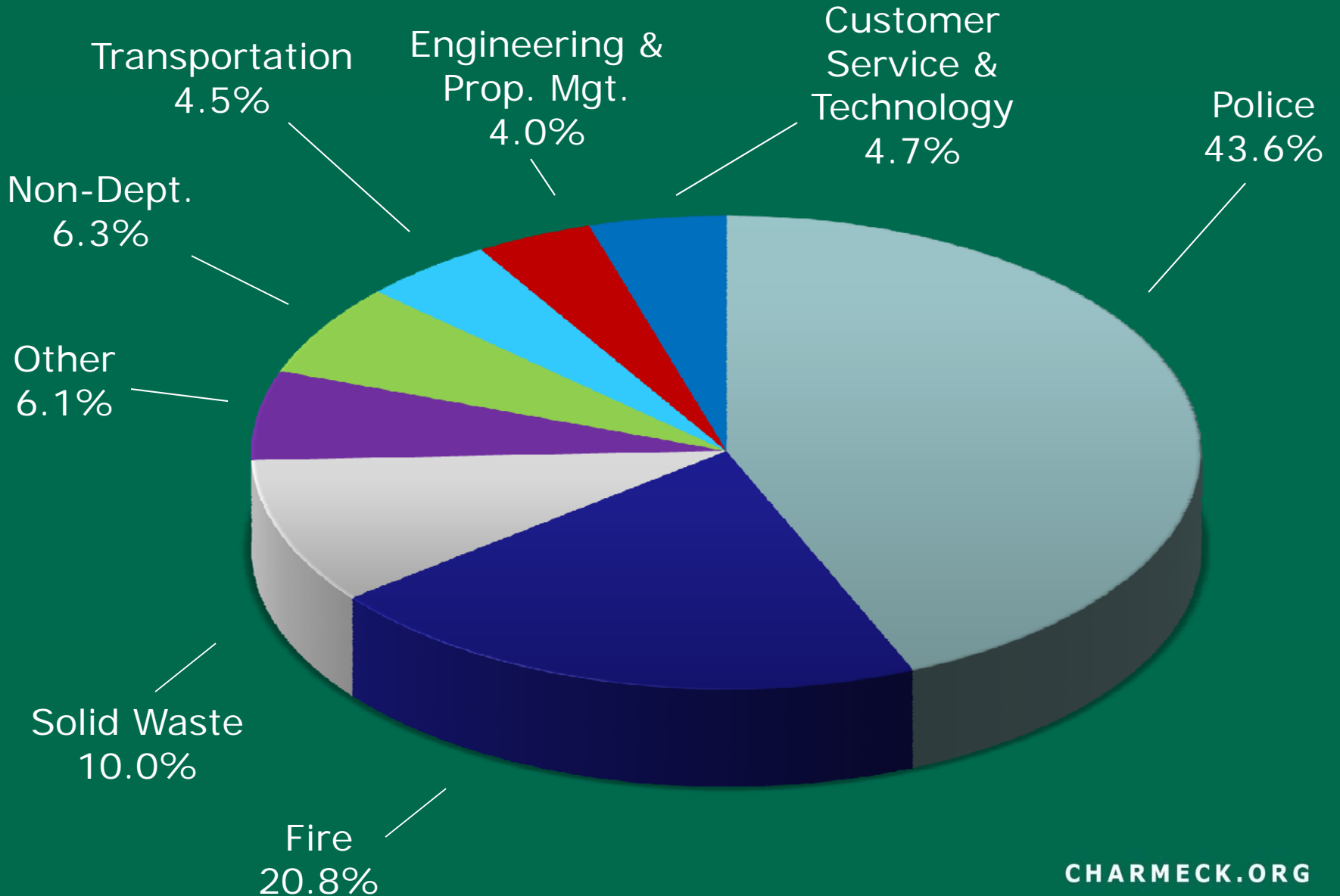


General Fund Revenues: Where the Money Comes From



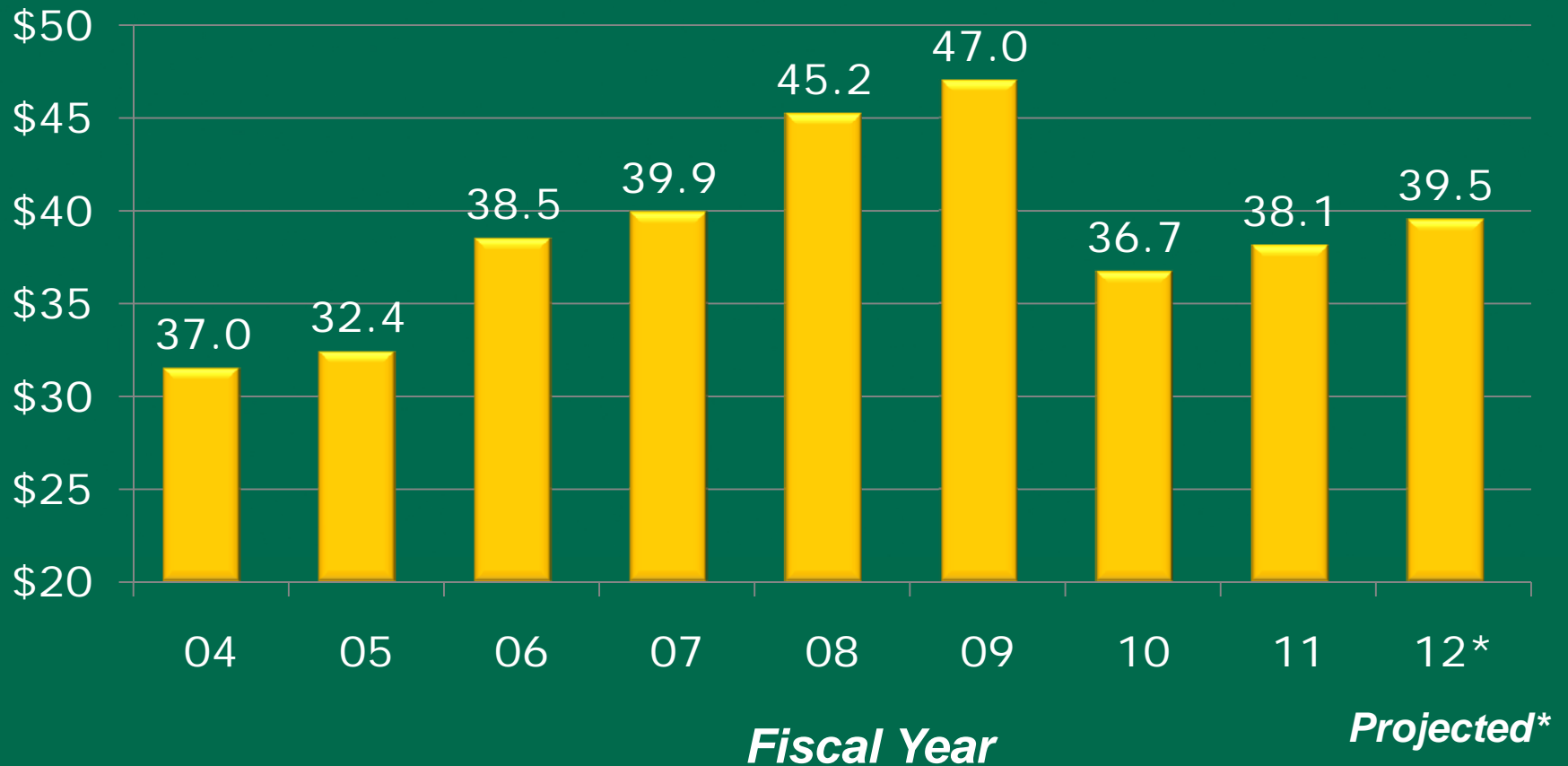


General Fund Expenditures: Where the Money Goes



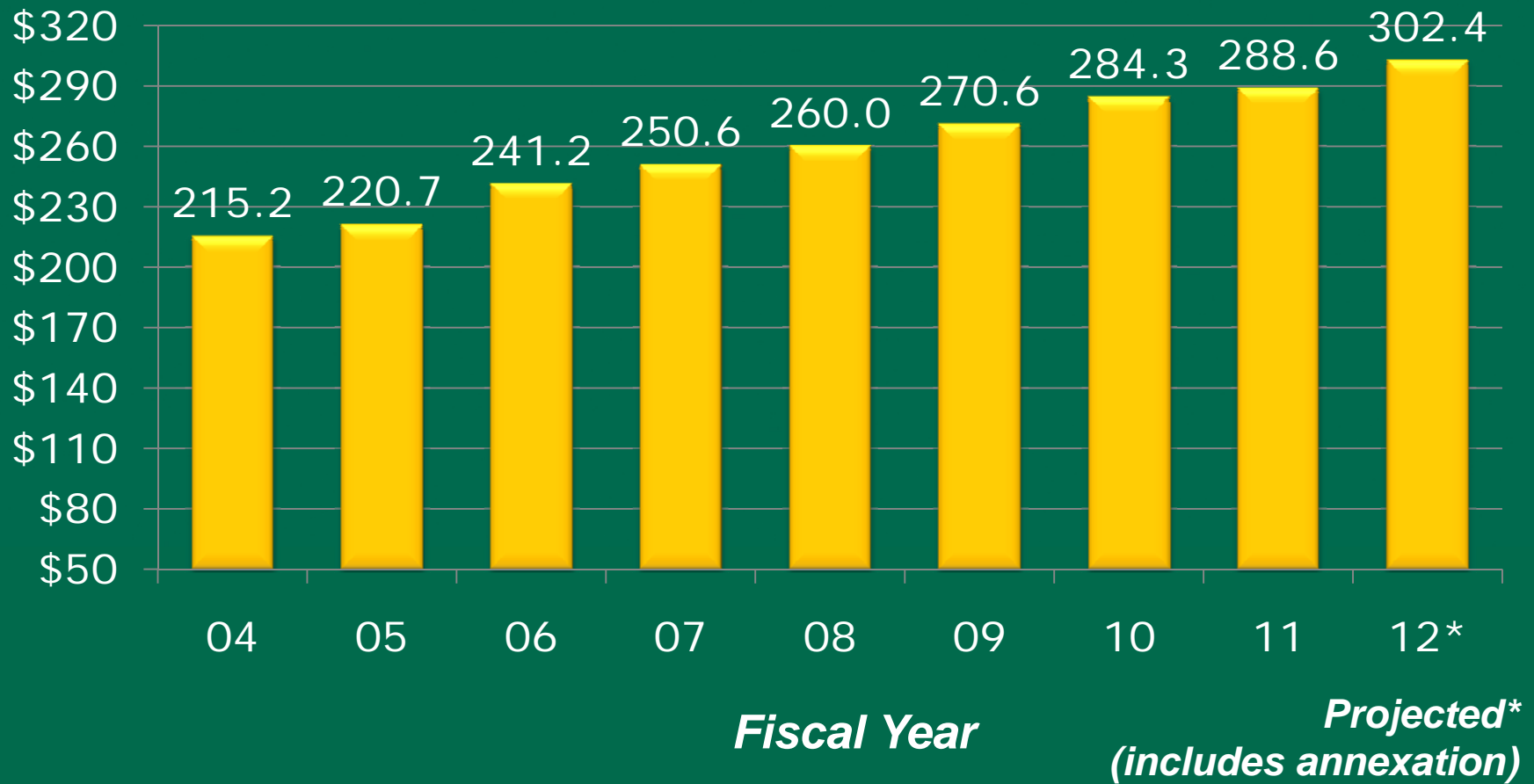
General Fund 1% Sales Tax Revenue

\$ in millions



General Fund Property Tax Revenue

\$ in millions





Property Revaluation

- Revenue-neutral property tax rate calculated per N.C. General Statute 159-11(e):
 - Step 1: **Determine a rate** that produces revenues equal to those produced for the current fiscal year
 - Step 2: **Increase the rate** by growth factor equal to the average annual percentage increase in the tax based due to improvements since the last general revaluation
 - Step 3: **Adjust the rate** to account for annexations, deannexations, mergers, or similar events





Property Revaluation

FY11 Property Tax Rate*	Revenue Neutral Tax Rate	Recommended FY12 Tax Rate
45.86¢	43.7¢	43.7¢

** per \$100 valuation*

- Recommend revenue-neutral property tax rate for FY2012
- Represents a 2.16¢ tax rate decrease from current year



Property Revaluation

- Municipal Service District (MSD) Rates:
 - All MSDs, except South End, experienced property valuation increases
 - Recommend leaving South End rate unchanged due to district’s loss in valuation (results in a tax decrease for South End MSD members)

MSD	FY11 Tax Rate*	Revenue Neutral Tax Rate	Recommended FY12 Tax Rate
District 1 – Center City	1.74¢	1.68¢	1.68¢
District 2 – Center City	2.39¢	2.33¢	2.33¢
District 3 – Center City	3.86¢	3.58¢	3.58¢
District 4 – South End	6.68¢	7.05¢	6.68¢
District 5 – University City	3.00¢	2.79¢	2.79¢

**Per \$100 valuation*



CITY OF CHARLOTTE

FY2012 General Fund Summary



- \$5.4 million General Fund budget gap identified at February Council Retreat
- Assumptions included:
 - No employee compensation plan adjustments
 - 8% group insurance increase
 - Restoration of 1% to 401(k) for all employees who are not sworn law enforcement
 - 0.5% overall operating expense increase
 - Increased City contribution to retirement plans:
 - 0.53% for non-sworn employees
 - 0.54% for sworn police
 - 25% overall contribution increase to the Risk Fund



- Changes since February Council Retreat:
 - Additional property tax revenue
 - Updated salary projection that reflected additional savings due to retirements and turnover
 - Lower group insurance increase (from 8% down to 3%)

- General Fund contribution to Storm Water:
 - First of three-year phase-in to restore General Fund cut
 - Additional \$151K
- New neighborhood street light requests:
 - Second of three-year suspension
 - Cost avoidance of approximately \$250K annually
- ImaginOn (Children's Theatre):
 - First of three-year phase-out of maintenance funding
 - Council voted to defer implementation one year
 - Savings of \$95K in FY12 and another \$95K in FY13

Implementation of Prior Budget Decisions for FY2012

- School Resource Officers (SROs):
 - First of three-year transition to increase Charlotte-Mecklenburg Schools (CMS) payment of SROs to reflect actual service allocation hours
 - Moves funding formula over three years

Year	Method	Total Cost	CMS Pays	Yr. to Yr. Difference
FY11 (current)	50% of 80%	\$6.1M	\$2.4M	-
FY12	60% of 90%	\$6.3M	\$3.4M	\$958K
FY13	70% of 100%	\$6.3M	\$4.4M	\$1.0M
FY14	80% of 100%	\$6.5M	\$5.2M	\$785K

Implementation of Prior Budget Decisions for FY2012

- School Crossing Guards:
 - Elimination of City funding
 - Savings of \$229K
- Stimulus funded 50 Police officers:
 - Loss of stimulus funding begins in FY13
 - \$3.1 million of lost grant revenue by FY14





Position Changes

KBU	Positions	Comments
Police	13 Response Area Commanders (RACs)	Create Lieutenant rank
	15 Police officers for Aviation	Funded by Aviation
Fire	1 Airport Battalion Chief	Funded by Aviation
	1 Fire inspector	Annexation
	1 Fire telecommunicator	Annexation
Solid Waste Services	5 sanitation team leaders	Associated with minimizing safety risks
	2 equipment operators	Annexation



Position Changes

KBU	Positions	Comments
City Attorney's Office	1 tort attorney	To support Risk Management
Business Support Services - Procurement	1 contract administrator 2 positions (contract administrator and a procurement agent)	For Charlotte Cooperative Purchasing Alliance (funded by commission fees) To address workload, compliance and oversight needs
Neighborhood & Business Services	8 unfunded positions deleted	Due to reorganization



- Solid Waste Services:
 - \$300K added for additional refuse and recycling carts
- CMPD Youth Initiatives:
 - \$200K added for youth engagement initiatives
- Capital Equipment Replacement:
 - \$1.5 million in financing added to replace aging Fire and Solid Waste equipment beyond current replacement level



- No pay increases in FY2012
- Recommend up to 1% of salary for one-time, lump sum payment from FY11 budget savings
- Restoration of 1% to 401(k):
 - 401(k) City contribution changes from 2% back to 3% (excluding sworn law enforcement)
 - Sworn law enforcement's 401(k) contribution remains 5%

- Group insurance increase: 3%
- Reduction in the group insurance rate from 8% (February Retreat) to 3% results from:
 - Increase in deductible from \$300 to \$400 in PPO A
 - Increase in out-of-pocket maximum from \$2,500 to \$3,000 in PPO A
 - Increase in retiree cost sharing from 32.5% to 37.5% for retiree only and 45% to 47.5% for retiree and dependents

(cont.)

- Transition to a “buy up” employee contribution model:
 - PPO B (base plan) – No increase in rates
 - PPO A (buy-up plan) – Higher employee rates associated with higher coverage levels (\$4.34 to \$11.93 per week increase depending on level of coverage)
- Prescription drug and life insurance rebidding savings
- Anticipated savings from a planned FY12 medical claims audit and a dependent eligibility audit
- Anticipated Early Retiree Insurance Program reimbursements resulting from Health Care Reform



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FY2012-2016 Capital Investment Plan

- Few changes in proposed CIP
- \$6.0 million in available, new General debt capacity unprogrammed in CIP
- No funding for a 2012 or subsequent bond referendum
- Council has until next year's budget process to approve a 2012 bond referendum



Approved 2010 Bond Referendum

**Neighborhood
Improvements**

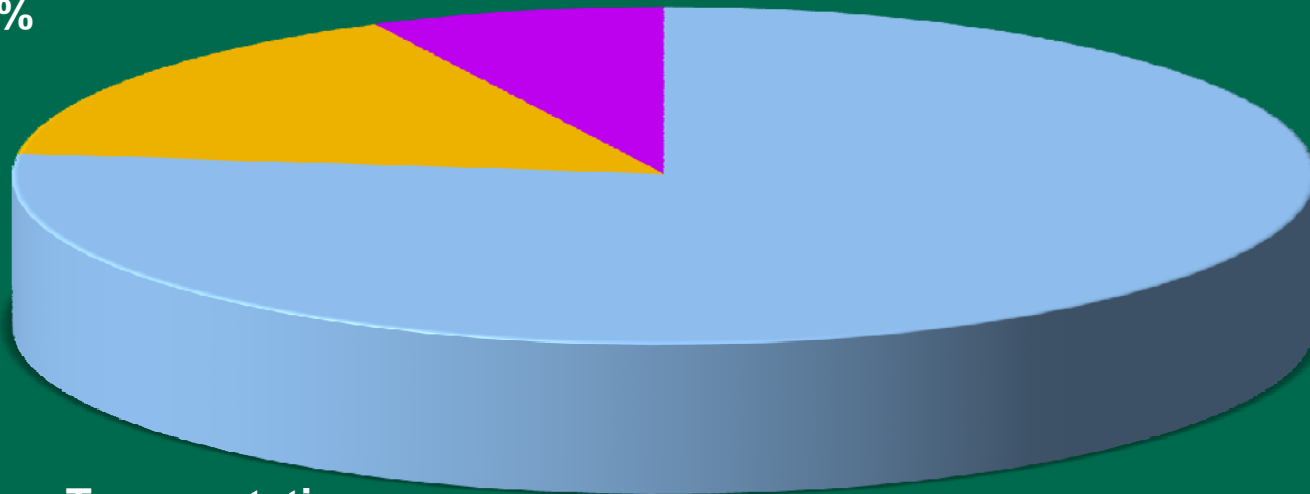
\$32 million

16%

Affordable Housing

\$15 million

7%



Transportation

\$156.6 million

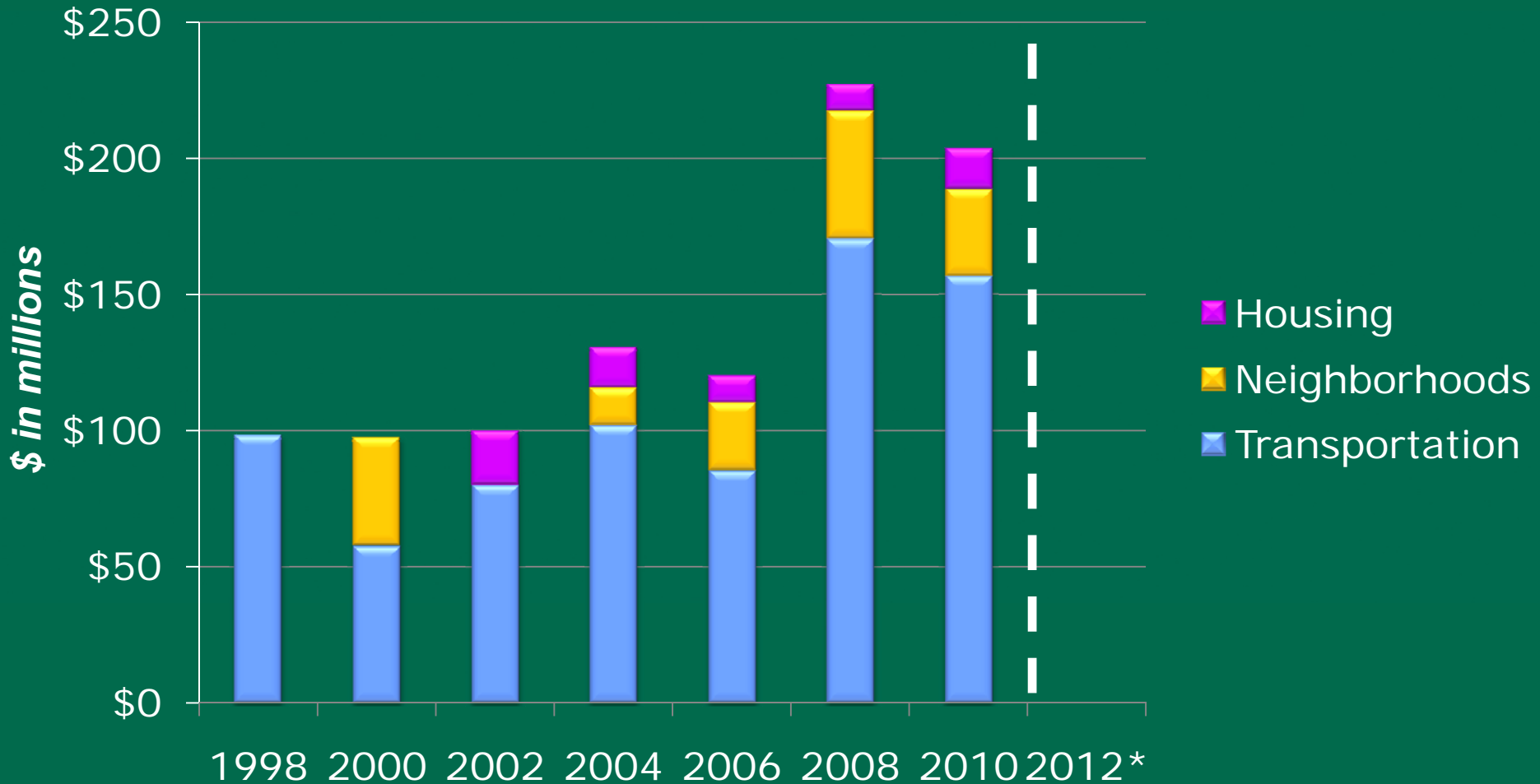
77%

Total: \$203.6 million

(including sidewalks, area plans, pedestrian safety and traffic calming)



City Bond Referenda General Capital Projects Trend



*No funding source currently identified



- Joint Communications Center:
 - Project would co-locate various City and County communications functions on the new Fire Headquarters campus (Dalton Ave. and Graham St. area)
 - Potential occupants include:
 - CMPD 911, Fire 911, CharMeck 311, Emergency Operations Center, Meck. County Sheriff's Dept., MEDIC, CDOT Traffic Cameras, and the City's data center
 - Project in program development stage
 - Staff recommends refining the project scope and budget for next year in anticipation of a future CIP

CIP Changes from Reprogrammed Project Savings

- Fire Investigations Building (\$1.9 million):
 - Project would renovate an existing building and continue efforts to consolidate Fire functions on the new Fire Headquarters campus
- Freedom Drive Widening Project (add \$2.0 million):
 - Proposed total project budget is \$27.3 million
 - \$2.0 million added for higher construction costs due primarily from new NCDOT design requirements and other unexpected costs



Enterprise Funds Summary

(Aviation, CATS, Storm Water, and
Charlotte-Mecklenburg Utilities)



Enterprise Funds Summary

Key Business Unit	FY12 Operating	FY12 Capital	Changes
Aviation	\$84.6M	\$228.4M	None
CATS	102.9M	86.6M	No fare changes in FY12
Storm Water	10.0M	48.6M	6.5% impervious surface fee increase
Utilities	111.6M	117.9M	New rate structure and rate adjustments

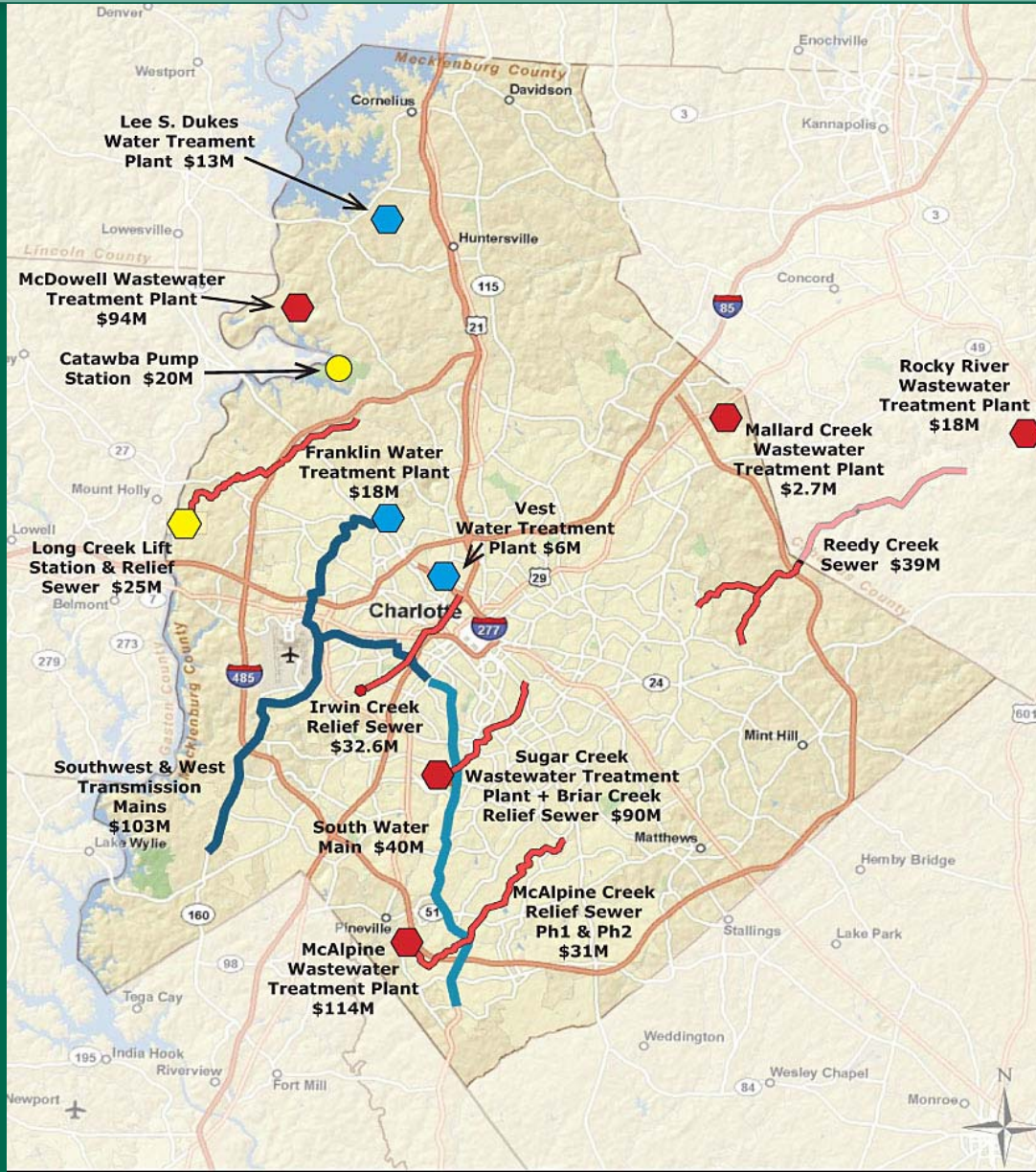


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Charlotte-Mecklenburg Utilities

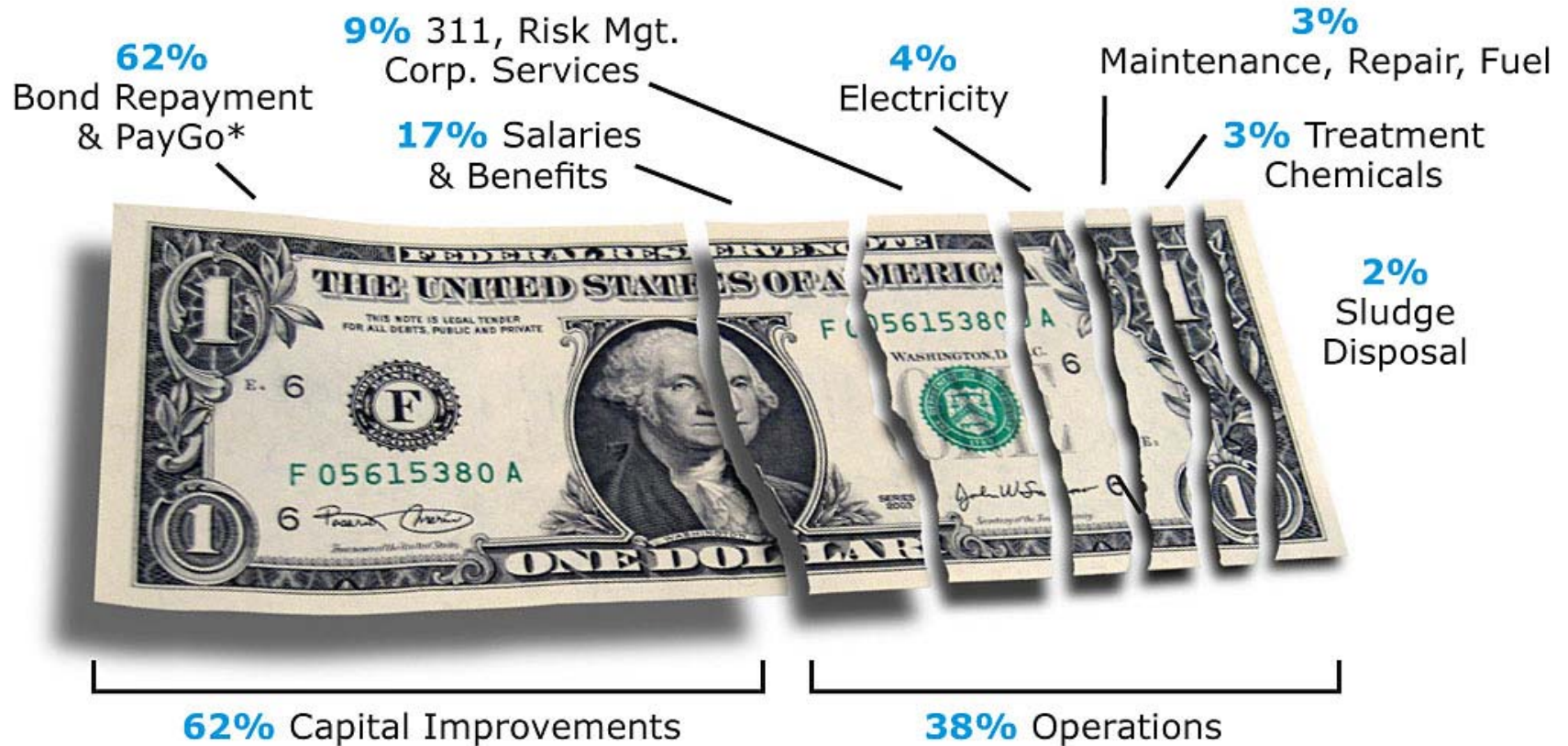


Examples of Key Projects Since 2000



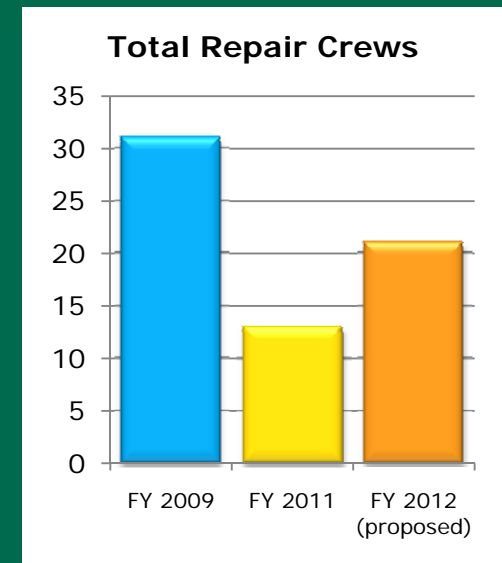
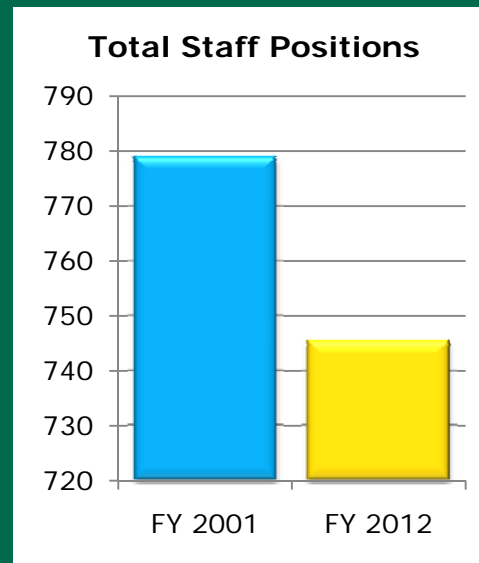
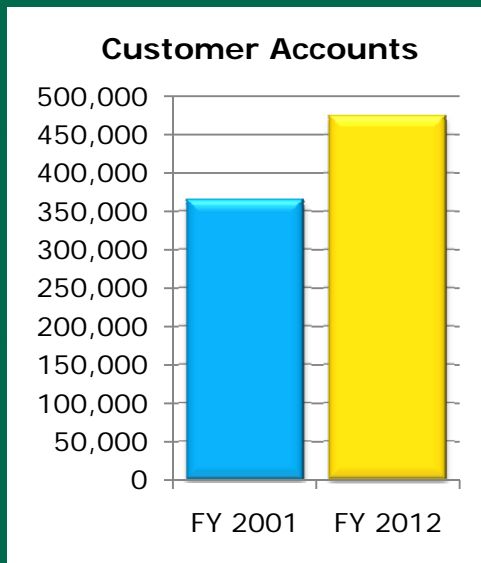


Cost of Improvements and Investments



*PayGo (Pay-As-You-Go) cash used for capital projects

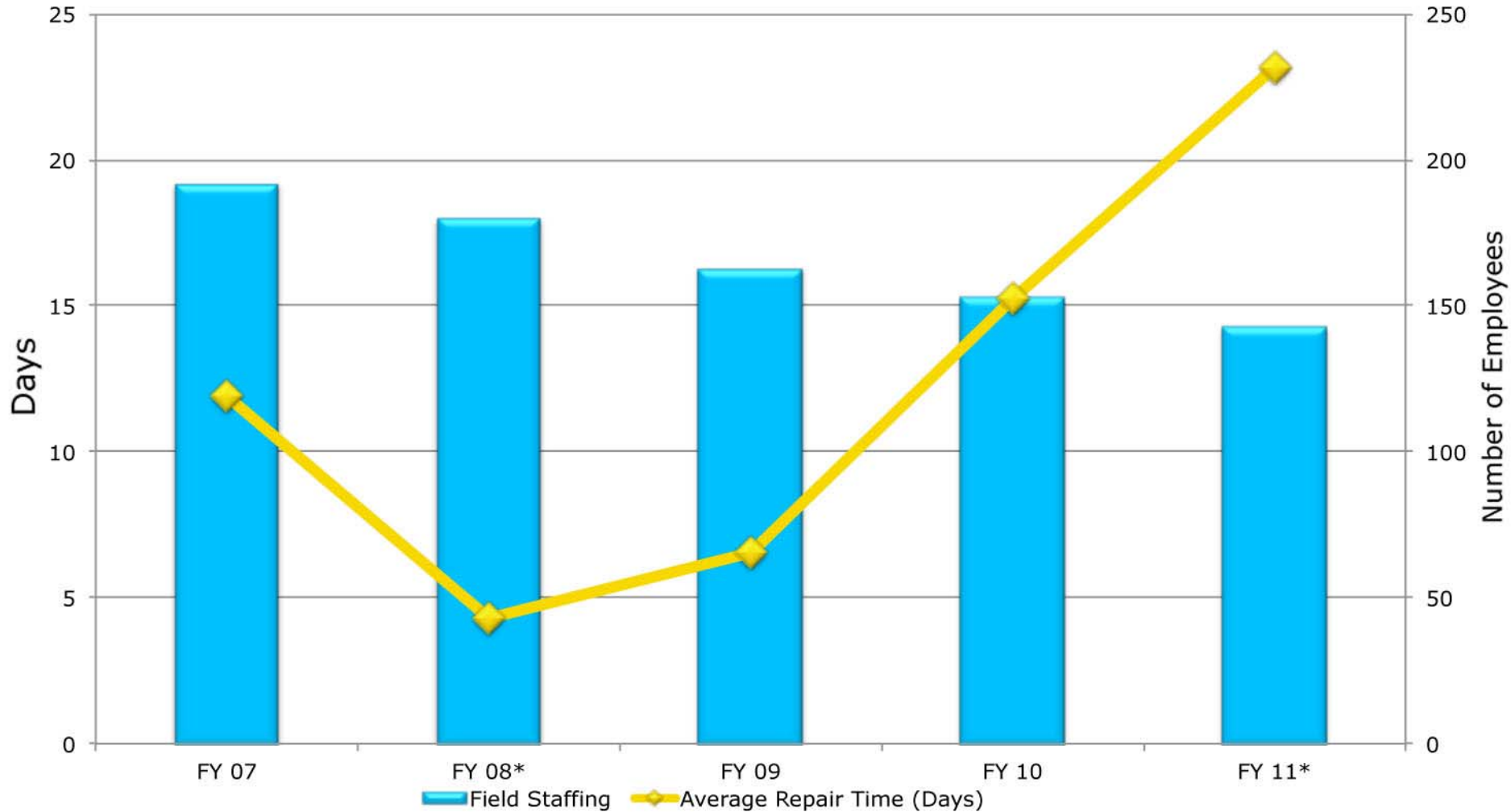
Water and Sewer Accounts and Positions



- Since FY01, water and sewer accounts have increased 30%
- Since FY09, water and sewer line repair crews have been reduced by 58%
- Proposed FY12 budget would increase number of water and sewer line repair crews from 13 to 21

Leak Response Time Increases as Repair Staff Decreases

Minor Leak Average Repair Time (Days)



* Contractors hired to resolve leak backlog.

Water and Sewer Rates 2011 – 2012

Residential Water Rates

	FY 2011	FY 2012
Tier 1 (1 – 4 Ccf)	\$1.45	\$.98
Tier 2 (5 – 8 Ccf)	\$1.64	\$1.96
Tier 3 (9 – 16 Ccf)	\$2.69	\$3.41
Tier 4 (over 16 Ccf)	\$5.32	\$5.32
Sewer Charges	\$4.31	\$4.14

Non-Residential Water Rates

	FY 2011	FY 2012
	\$2.04	\$2.20



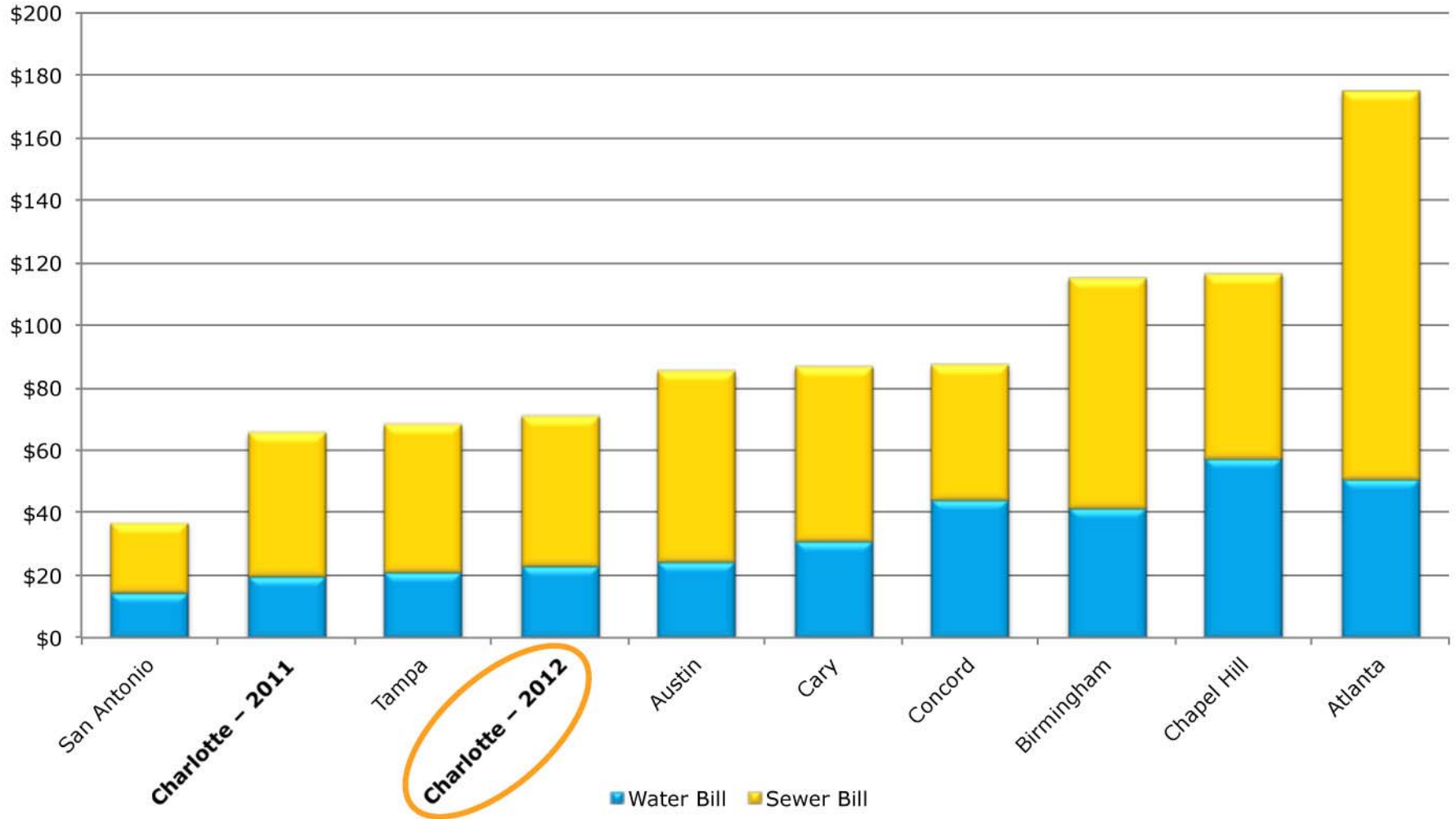
Difference in Water and Sewer Rates for Residential Customers

	Water		Sewer		Difference
	FY 11	FY 12	FY 11	FY 12	
4 Ccf/month	\$8.20	\$8.57	\$19.64	\$23.26	\$3.99
8 Ccf/month*	\$14.76	\$16.41	\$36.88	\$39.82	\$4.59*
16 Ccf/month	\$36.28	\$43.69	\$71.36	\$72.94	\$8.99
32 Ccf/month	\$121.40	\$128.81	\$105.84	\$72.94	-\$25.49

* **75% of Utilities customers use 8 ccf or less** of water each month. The difference in their monthly water and sewer bill will be \$4.59 (an 8.88% increase)



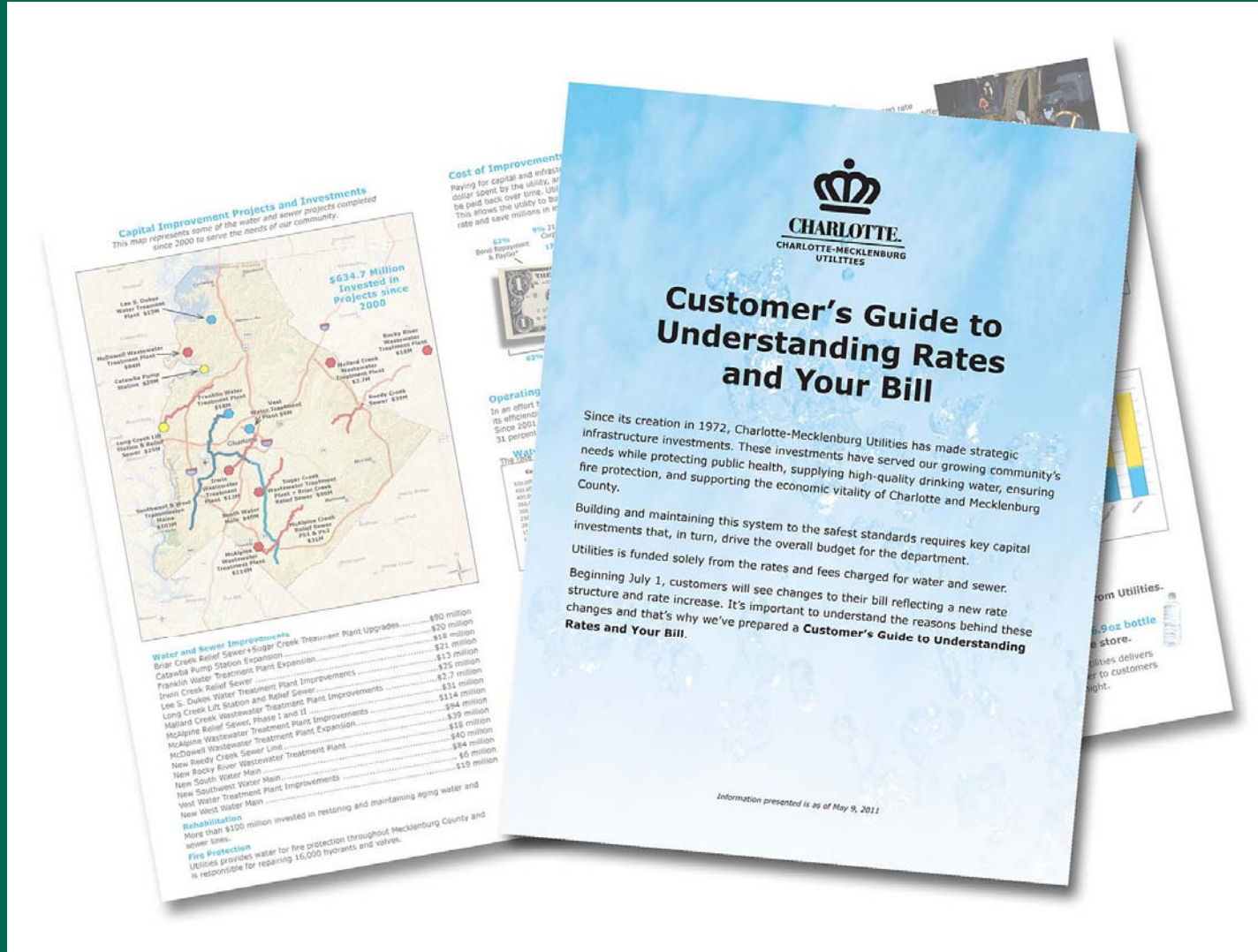
10 Ccf Customer Bill Comparison to Other Cities





Key Distribution Points

- **Newspaper Insert** to 68,000 *Carolina Weekly Paper* Issues
- **Email** Distribute to neighborhood associations and HOAs
- **Email** Distribute to Utilities newsletter list
- **Water Bill Insert**
- Pushed out via the City's **Social Media Apps**
- Distribute to **County and Town Leadership**
- Posted on **cmutilities.com**



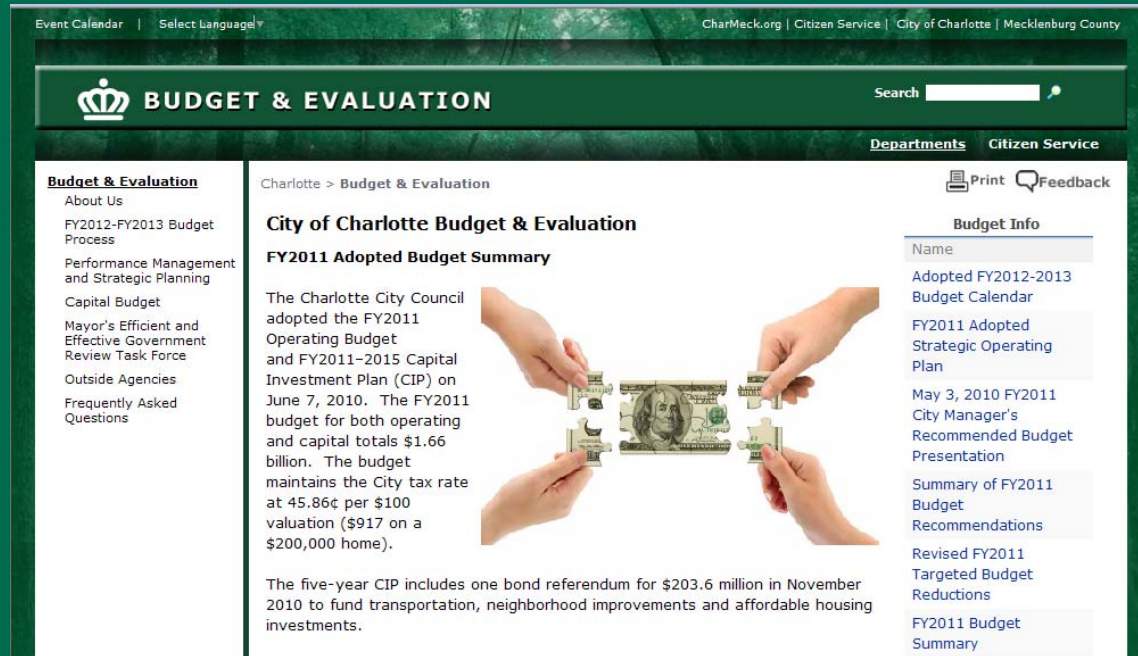


- May 18th – Budget Adjustments
- May 23rd – Budget Public Hearing at 5:00 p.m.
- June 1st – Straw Votes
- June 13th – Budget Adoption

- Web site: <http://citybudget.charmeck.org>

- Budget & Evaluation Office: 704-336-2306

- Copies available in City Clerk's Office



The screenshot shows the website for the City of Charlotte Budget & Evaluation. The header includes navigation links for 'Event Calendar', 'Select Language', 'CharMeck.org', 'Citizen Service', 'City of Charlotte', and 'Mecklenburg County'. The main navigation bar features the 'BUDGET & EVALUATION' logo and a search box. Below the navigation bar, there are links for 'Departments' and 'Citizen Service'. The main content area is divided into three columns. The left column contains a 'Budget & Evaluation' menu with links for 'About Us', 'FY2012-FY2013 Budget Process', 'Performance Management and Strategic Planning', 'Capital Budget', 'Mayor's Efficient and Effective Government Review Task Force', 'Outside Agencies', and 'Frequently Asked Questions'. The middle column displays the 'City of Charlotte Budget & Evaluation' page, featuring a 'FY2011 Adopted Budget Summary' section. This section includes a paragraph about the City Council's adoption of the FY2011 Operating Budget and FY2011-2015 Capital Investment Plan (CIP) on June 7, 2010, and a photograph of hands holding puzzle pieces that form a \$100 bill. The right column contains a 'Budget Info' section with a list of links: 'Adopted FY2012-2013 Budget Calendar', 'FY2011 Adopted Strategic Operating Plan', 'May 3, 2010 FY2011 City Manager's Recommended Budget Presentation', 'Summary of FY2011 Budget Recommendations', 'Revised FY2011 Targeted Budget Reductions', and 'FY2011 Budget Summary'. The bottom of the page features the 'CHARMECK.ORG' logo.



- Mayor and City Council
- Key Business Executives
- Corporate Communications & Marketing
- Finance and Human Resources staff
- Budget contacts in Key Business Units
- Budget and Evaluation staff



CITY OF CHARLOTTE

FY2012 and FY2013 Strategic Operating Plan and FY2012-2016 Capital Investment Plan

City Manager's Recommendation

May 9, 2011