



May 7, 2018

Honorable Mayor and City Council
City of Charlotte, North Carolina

I respectfully submit to you the Proposed Fiscal Year (FY) 2019 Budget for the City of Charlotte. The Proposed Budget is composed of the General Fund, Enterprise Funds, Capital Funds, and Special Revenue Funds for a total of \$2.6 billion. A summary of the Proposed Budget is outlined in the following table:

Proposed FY 2019 Budget	
General Fund	\$693,825,975
Transfers to Other Funds	-\$93,089,227
Subtotal General Fund	\$600,736,748
Enterprise Funds	
Aviation	\$662,325,674
Charlotte Area Transit System (CATS)	\$231,706,829
Charlotte Water	\$472,146,940
Storm Water	\$74,322,005
Subtotal Enterprise Funds	\$1,440,501,448
Capital Investments	
General Capital Debt Service	\$91,604,658
General Community Investment Plan	\$363,740,162
Subtotal Capital Investments	\$455,344,820
Special Revenue Funds	\$122,433,921
Total All Funds	\$2,619,016,937

As we began development of the Proposed FY 2019 Budget, we encountered some challenges resulting from the loss of \$8.7 million across three major revenue sources. First, a loss of \$4.0 million from the restructuring of the law enforcement agreement between Mecklenburg County and the city, which eliminated policing services provided by Charlotte-Mecklenburg Police Department (CMPD) in the Towns of Huntersville, Cornelius, and Pineville's sphere of influence. Second, a loss of \$2.7 million in utility franchise sales tax revenue due to lower than expected sales of electricity and natural gas. Third, a loss of approximately \$2.0 million from the state legislated equalization of public service company property values, which occurs every seventh year of the eight-year property valuation cycle.

Slow revenue growth in a climate of escalating costs and increasing demand for city services made it difficult to fund existing service levels, even before considering the needs of the community, addressing the recruitment and retention challenges for police officers, or providing city employees with a salary increase.

As the budget process continued, the revenue forecast improved, but not nearly enough to meet total needs.

To address this gap, we analyzed ways to raise

revenues, reduce expenditures, improve efficiency, grow the economy, and share services. We evaluated

contracts, renegotiated agreements, examined existing operating expenditures, and reduced discretionary spending to save approximately \$12.3 million. This amount, in addition to \$1.4 million from strategic consolidations, results in over \$13.7 million in savings.

Efficiency & Effectiveness Savings

Re-evaluated mandatory and contractual costs	\$ 3.7m
Identified savings in all General Fund departments	\$ 8.6m
Consolidated internal services	\$ 1.4m

FY 2019 Total Savings — \$13.7m

Engaging with the Community



Engagement takes many forms. Over the last decade, social media has emerged as an engagement tool to reach all age groups and audiences. The city uses social media platforms to stay connected with over 355,000 people. To expand on these efforts, we created a unique tool called Government University (Gov U). This is a social media channel and online platform that provides opportunities for residents to learn what we do and how

we do it. Gaining knowledge about how government works helps residents become more involved and play an active role in shaping their city.

In October 2017, we organized a series of six community engagement events called, “Meet and Eat”, to engage over 1,200 residents on available services and seek feedback on issues most pressing to them. This valuable feedback was used in making decisions during the budget process. While visiting with staff from departments, residents were asked to share what they value in their communities. The top five priorities, in order, they identified in order were:

- Housing and neighborhoods
- Roads, sidewalks and street lights
- Economic development
- Public transit
- Police



In addition to the community series, we hosted an internal employee Meet and Eat event to engage with each other and increase and collaboration across departments. More than 1,000 city employees

had the opportunity to provide feedback about operations, connect with other employees, and learn more about how each of us helps make Charlotte a great place to live, work, and play.

Charlotte's budget development process also provides for formal opportunities where City Council members provide input on priority areas to be considered in the formulation of the Proposed Budget. These include regularly scheduled City Council meetings, the Annual Strategy Meeting held in January, and six dedicated budget meetings (three Budget Committee meetings and three Budget Workshops) prior to the City Manager's May presentation.

The budget I propose to you is based on a new foundation. It signals the end of the "run your business" philosophy used for two decades to operate this organization. It requires us to change our current business model of operating as autonomous key business units, into an organization that moves forward with a shared vision and common goals. It is designed to inspire an action-oriented culture that is resourced to address each opportunity, while providing the best service possible at the forefront of all we do.

The Proposed FY 2019 Budget totals \$2.6 billion for all funds. The General Fund Budget is \$693.8 million. This reflects an increase of \$25.0 million or (3.7 percent) over last year's Adopted Budget. The Proposed General Fund and Capital Budget address many community needs and support our commitment to public safety. Highlights include:

- Provides funds to enhance affordable housing strategies and creates a pilot program for seniors at risk of losing their homes due to a rising tax burden
 - Completes the city's commitment for A Way Home Funding
- Doubles the funding for streets, sidewalks, and pedestrian safety
- Enhance public safety service with compensation, vehicles, additional support, and implement the Community Policing Crisis Response Team
- Completes funding for six police stations and plans funding for a new infill fire station
- Revamps the land development permitting process and implements enhanced reviews
- Provides a three percent merit-based raise for salaried employees
- Provides an overall increase of an average of three percent for hourly employees
- Provides a healthcare premium holiday in August 2018 for all employees
- Creates the retiree health investment account for sworn police officers and firefighters
- Expands take home vehicle program for police officers living in the City of Charlotte
- Establishes the community Business Cafés and concierge program
- Sets a goal of becoming a national leader in the Circular Economy
- Joins the effort to enhance workforce development in collaboration with Goodwill, Charlotte-Mecklenburg Schools (CMS), and Central Piedmont Community College (CPCC)
- Expands investment in SouthPark and South Charlotte Neighborhoods
- Enhances funding for bicycle pathways
- Provides additional resources for TreesCharlotte
- Supports initiatives in Historic West End

Changing Economic Climate

National Economic Trend

The national economy grew by 2.3 percent in the first quarter of 2018 according to initial estimates from the Bureau of Economic Analysis. With the tax cuts in effect, consensus forecasts are projecting a two to three percent growth of the economy in 2018. The current economic expansion is on track to become the second longest in U.S. history, with growth projections continuing well into the future. This expansion now runs a consecutive 106 months, a duration already on par with the second longest recorded expansion and 14 months shy of the longest economic expansion of 120 months, which occurred during the dotcom era. However, with the economy currently at full employment and rising interest rates, prices, and wage levels, many economists are forecasting a downturn or correction in late 2019 or early 2020.

The nation has continuously added jobs for 92 straight months with unemployment edging down to 3.9 percent following six months at 4.1 percent. Consumer and small business confidence are relatively high, evidenced by increased consumer spending and business investments in hiring and capital investment. With a relatively strong labor market and the passage of the recent tax cuts, personal incomes have risen, but the comparatively low housing inventory is rapidly pushing prices upwards affecting affordability in some regional markets. Home prices have continued to soar, increasing seven percent in March 2018 compared to a year ago. The Housing stock continues to fall with sustained increases in buyer demand and actual home sales without a corresponding increase in new listings.

With the strengthening of the labor market and the overall economy, the Federal Reserve may look to tighten monetary policy by continuously increasing interest rates. The rate has been lifted to a range of 1.5 percent to 1.75 percent with three to four more increases expected this year alone. An increase in the interest rate generally has the ripple effect of increasing the borrowing costs for consumers and businesses looking to access credit.

Regional Economy

As measured by the gross regional product, the Charlotte regional economy has grown at an average annual rate of about three percent since 2010. This is higher than the national and state annual average of two percent over the same period. The region's economy, which is the largest in the Carolinas, accounts for about 22 percent of the total output of the Carolinas. Between 2007 and 2017, the Charlotte region contributed 57 percent of the growth in employment and total economic output in the State of North Carolina.

Being a major economic driver of the Carolinas' economy, Charlotte has seen and continues to see increased tourism and new businesses relocating to the area every year. As a result, Charlotte's economy has seen positive gains in employment, population, tax base, revenues, and overall strength and size of its economy. Between February 2017 and February 2018, the number of people employed in the city and county increased about three percent and unemployment is at a record low of 4.4 percent.



Charlotte's strategic geographic location, sound regulatory environment, growth prospects, and relatively low business costs are some of the competitive advantages why businesses are choosing

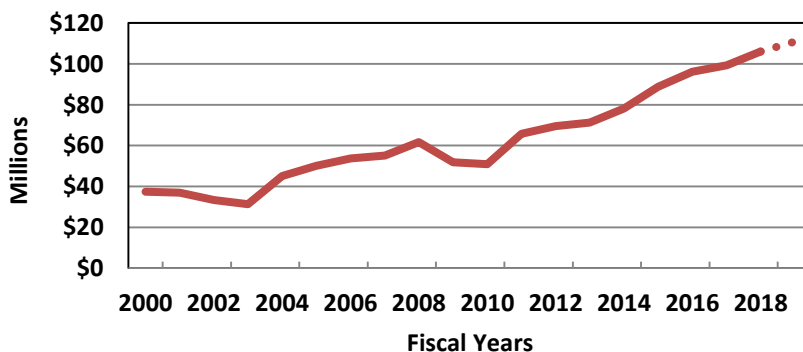
Charlotte as a prime location to do business. Professional services firms such as AvidXchange added more than 400 jobs in a major deal with Mastercard, as reported by the Charlotte Chamber in 2017. Kimpton Tryon Park Hotel opened for business announcing the addition of 250 jobs. Kitchen tabletop manufacturer Caesarstone moved its headquarters to Charlotte adding 69 employees, just to name a few relocations and expansions.

Local Economic Impact

Property tax assessments are \$98.8 billion, about \$13.3 billion greater than the last revaluation in 2011. There has been consistent growth in both residential and commercial construction. Mecklenburg County will revalue property in 2019. The city's second largest revenue source – sales tax revenue – is projected to grow by 4.5 percent next year with slower growth projected in FY 2020 with an expectation of a downturn (mild recession) anticipated at the end of 2019 or early 2020. In January 2018, we sought the engagement of the Charlotte Economics Club which led to a roundtable where insights were discussed at the national, regional, and local levels. Members of the club shared their industry-based economic outlook to help shape the city's projections.



Sales Tax Revenue



Source: North Carolina Department of Commerce, City of Charlotte

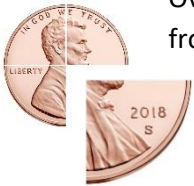
The city's population continues to grow at a fast pace, increasing by 2.4 percent in 2017 compared to the nation's less than one percent growth. In 2014, estimates showed a net of 44 people moving to the city every day. By 2040, the city's population is projected to reach 1.22 million people.

People are moving to Charlotte due to the strong economy, lower cost of

living, and affordable housing as compared to other larger cities. Between FY 2012 and FY 2017, Charlotte's population grew from 756,008 to 842,051, and the General Fund personnel count grew from 5,287 to 5,519. This represents a decline in employees per 10,000 residents from 70 to 66. As Charlotte's population continues to grow and place an increasing demand on city services, service models need to be adjusted to continue to provide a high quality of life for our residents.

Taking Charlotte to the Next Level

The city is a national leader in attracting a diverse and growing population. While that growth is welcome and celebrated, it requires that we adapt and innovate to remain a national leader. It also means that we must adjust how we meet the changing needs of our community. While continuous improvement remains in our core, meeting our priorities takes a multi-prong strategy of operational efficiencies, leveraging resources, and maximizing our revenue opportunities.



Over the last year we have listened to you, heard from the community, and received feedback from our employees. It is clear that neighborhoods (including affordable housing, streets, sidewalks, and pedestrian safety) and public safety have risen to the top of the priority list. While the General Fund and Big Ideas Community Investment Plan (CIP) already include funds to address these areas, it is not enough. Our collective attempts to address these priorities fall short and a slight adjustment in revenue is needed. The Proposed Budget includes a one-cent tax increase. This penny adds \$9.8 million in additional revenue to support these critical areas and costs 83 cents monthly for every \$100,000 in home value. Three fourths of a penny will help support enhancements in public safety and one fourth will help support the ongoing debt service needed for a \$50.0 million affordable housing strategy.

Ability to Pay for Community Investments

The City of Charlotte has a long history of sound fiscal policy, and has consistently held a AAA rating for over 41 years, since 1977. The Proposed FY 2019 Budget adheres to City Council's Budget and Financial Management Principles. The budget is structurally balanced, ensuring financial stability into the future.

	 Moody's	 STANDARD & POOR'S	 Fitch Ratings
GENERAL OBLIGATION	Aaa	AAA	AAA
AVIATION	Aa3	AA-	AA-
STORM WATER	Aaa	AAA	N/A
WATER SEWER	Aaa	AAA	AAA

Financing of the capital program is mainly achieved through the issuance of General Obligation Bonds (G.O.), Certificates of Participation (COPS), and or cash (PAYGO). Annually, the city ensures the amount of debt issued is affordable and cost-effective. Capital projects are considered in a five-year community investment plan

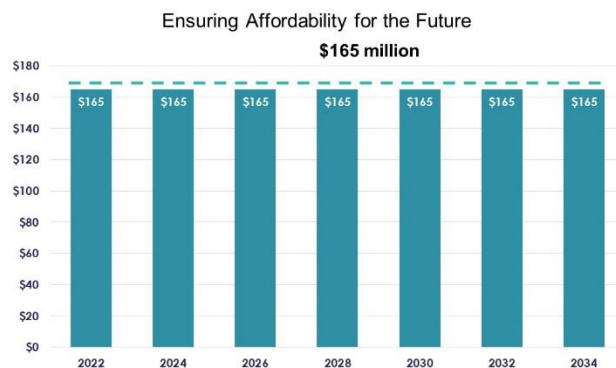
which addresses the highest needs and priorities.

Affordability for capital projects is determined annually through a comprehensive model that evaluates revenues dedicated to capital and future debt service requirements. The model specifies the additional ability to issue debt that can be fully repaid. As a result, when voters approve General Obligation Bonds, revenues are ensured to be available to repay debt service.

Completing Big Ideas Approach

In FY 2014, the city adopted the "Big Ideas" CIP, which represented a new approach to capital project planning in which projects were more idea-oriented. To support this new approach, a tax increase was approved, and four corresponding bond referenda were planned (FY 2015 – FY 2021) for a total of \$816.4 million. FY 2021 represents the completion of "Big Ideas" projects.

The rapid growth of Charlotte and the need for increased large-scale investments, such as affordable housing, were not fully contemplated by the Big Ideas initiative. In addition, because of the idea-oriented approach, the scope of a project was refined as it moved through the project cycle. This resulted in funding shortfalls for a number of projects. Moving forward, a project planning and cost estimate driven model will be utilized to form the CIP.



Building Strong Sustainable Communities

Building Great Neighborhoods Through Housing

Neighborhoods are the fabric of our community. Each neighborhood is unique in its character, residents, and vibrancy. Strong neighborhoods are ones in which residents are comfortable, engaged, and spend time with their families and friends. Creating the sense of “home” calls for partnership with residents, businesses, faith-based organizations, philanthropic organizations, and the government. No one person or organization can do it all. It takes all of us to build the neighborhoods we want to live in and claim with pride. With the creation of the Department of Housing and Neighborhood Services in FY 2018, we began to provide neighborhood services in a more holistic approach. The Proposed FY 2019 Budget continues to build on this approach by increasing our efforts in housing and neighborhoods.

Building great neighborhoods through housing is an essential element to success. Strong communities focus on critical factors of mixed-income housing, educational opportunities, youth and adult programs, and healthy commercial investment. The Proposed FY 2019 Budget provides **\$70.3 million** in support. A key component of this funding is an increase in the Housing Trust Fund bonds to **\$50.0 million** in FY 2019.

To develop and implement additional comprehensive actions, we will partner with the Foundation for the Carolinas, Bank of America, and Wells Fargo to engage the Local Initiatives Support Corporation (LISC). LISC is a national organization with a grassroots focus. It is one of the largest national organizations supporting projects to revitalize communities and bring greater economic opportunity to residents. These projects include more affordable housing, better schools, safer streets, growing businesses, and programs that improve the financial outlook of people. LISC helps to provide the capital, strategy, and know-how while working in collaboration with local communities. The



three community partners will provide \$300,000 per year for three years and the city will contribute \$200,000 per year to leverage the resources and capital available through LISC.

Piloting an Aging in Place Program

Efforts to support our residents include not only building new affordable housing units, but allowing some of our most vulnerable population to stay in their homes. To help this effort and complement the already existing Mecklenburg County homeowner assistance programs, the Proposed FY 2019 Budget provides \$500,000 for an Aging in Place pilot program. This program helps support low-income, senior homeowners who want to continue to live in their home and mitigate potential impacts of the new 2019 property valuation, which will be released by Mecklenburg County in FY 2019. Some homeowners may experience increases in their tax bills, but lack the income necessary to pay those taxes. Aging in Place will provide grant assistance to qualifying low-income homeowners who are over age of 65 to help them pay their increased city property taxes and avoid losing their homes.

To make sure we maximize communication of this program and existing housing assistance programs administered by Mecklenburg County, we will deploy the Senior Housing Support Team. This is a data-driven, targeted community engagement approach to match residents with the information to secure housing support through one-on-one, personal conversations with a City of Charlotte ambassador. Neighborhood canvassing will focus on identifying residents' individual needs and connecting them with available assistance programs. Outreach will begin in the Historic West End to supplement the work already being done there by Charlotte Center City Partners and the Knight Foundation.

A Way Home Rental Assistance Program

In FY 2015, the city and the Foundation for the Carolinas partnered to create the A Way Home Rental Assistance Program. This program provides rental subsidies and support services to keep residents earning 50 percent or below of the area median income in safe and secure housing. To date, the city has contributed \$7.3 million, with an additional \$2.7 million proposed for FY 2019. This contribution will fulfill our funding commitment. The city's funds equal the Foundation for the Carolinas' match of \$10.0 million.



The Proposed FY 2019 Budget also includes an additional \$19.0 million in PAYGO funds, Housing and Urban Development (HUD) funds, and other federal sources for emergency housing repair programs, housing counseling services, housing support programs for people living with HIV and AIDS, and rental assistance. HUD programs, consisting of the HOME Investment Partnership and Community Development Block Grant (CDBG), address a wide range of community needs, including increasing homeownership and affordable housing opportunities.

Making Connections in Every Community

We are a city of neighborhoods. Our neighborhoods represent the history, diversity, and everyday life of our city. Their livability and vibrancy require intentional investment. The FY 2019 – 2023 General CIP rests on the principles that every neighborhood should be safe, connected, have a sense of place, and be part of a community our residents are proud to call home. Projects promoting these efforts include:

Vision Zero: \$2.0 million

This program provides funding for projects that enhance the safety of the transportation network. A key element of this program is to implement the Vision Zero philosophy that no loss of life on our roadways is acceptable. Data driven approaches will be used to implement projects that identify the most critical locations.



➤ ***Sidewalk and Pedestrian Safety: \$30.0 million***

Funding for the Sidewalk and Pedestrian Safety program is doubled from the originally planned \$15.0 million in FY 2019 to \$30.0 million to implement Charlotte WALKS. Charlotte WALKS is the city's pedestrian plan, adopted by City Council in 2017. This program includes new sidewalk construction and pedestrian projects that provide safe crossings at intersections, midblock locations, and in school zones. An additional \$15.0 million is planned for FY 2021 bringing the total to \$45.0 million.

➤ ***Charlotte BIKES: \$4.0 million***

The City Council-adopted Charlotte BIKES Plan is proposed to receive \$4.0 million to add at least 10 miles of new bikeways.

➤ ***Bryant Farms Road Extension: \$2.0 million***

The Bryant Farms Road extension from Elm Lane and Rea Road provides a much needed east-west connection in the rapidly-growing Ballantyne area. This extension will serve as a parallel route to Ardrey Kell Road and will include pedestrian and bicycle facilities. Additionally, the intersection of Bryant Farms Road, Elm Lane, and Blakeney Heath Road will be rebuilt. Initial project funding of \$2.0 million is proposed in FY 2019, with an additional \$18.0 million in FY 2021, for a total of \$20.0 million.

Neighborhood Character Investments

➤ ***Comprehensive Neighborhood Improvement Program (CNIP): \$40.0 million***

The CNIP focuses on connecting six pre-selected neighborhoods through a network of streets, sidewalks, greenways, and bike lanes to major retail and employment areas. In FY 2019 the five initial CNIP areas are proposed to receive \$30.0 million, with another \$30.0 million in FY 2021.



The most recently approved CNIP, SouthPark, which targets the SouthPark Mall area and surrounding neighborhoods, is proposed to receive \$10.0 million in FY 2019. With the addition of this funding, the total for the SouthPark CNIP is \$15.0 million.

Total funding for all CNIP areas in the FY 2019 – 2023 General CIP is \$70.0 million. In FY 2015 and FY 2017, a total of \$65.0 million was approved for all six CNIPs for a total of \$135.0 million over all four-bond referenda.

➤ ***South Charlotte Neighborhood Reinvestment Program: \$5.0 million***

This project will enhance the livability of neighborhoods in South Charlotte with improvements to streets, sidewalks, and street lights. In FY 2019, \$5.0 million is proposed.



➤ ***Placemaking: \$300,000***

This project creates vibrancy in neighborhoods by upfitting underutilized spaces with enhanced streetscapes, creating gathering places like activity centers, plazas, and pocket parks. These projects are designed to strengthen the connection between people and the places they share.

➤ ***Neighborhood Matching Grants: \$400,000***

These grant funds are provided to neighborhood organizations undertaking physical improvements, public safety, education, cultural, recreation, and organizational projects. This program, founded in 1992, is designed to empower neighbors to strengthen neighborhoods. With \$400,000 planned every year of the Proposed FY 2019 – 2023 General CIP, funding for Neighborhood Matching Grants totals \$2.0 million.

➤ ***TreesCharlotte: \$100,000***

The city partners with TreesCharlotte to facilitate tree planting events to achieve City Council's 2011 goal of creating a 50 percent tree canopy by 2050. Currently, TreesCharlotte plants about 6,000 trees a year. An additional \$100,000 is proposed in FY 2019 for community building activities designed to plant an additional 2,500 trees. This funding is in addition to the FY 2019 and FY 2020 proposed endowment support of \$500,000.



Investing in Public Safety

➤ ***Police Stations: \$46.1 million***

The Proposed FY 2019 Budget accelerates the funding to complete all six planned police stations. An additional \$14.4 million is included for the Northwest Police Division. With this funding, a total of \$81.4 million has been provided to build six new facilities, completing the stations identified in the updated 2016 police master plan.

➤ ***Animal Care and Control: \$4.0 million***

This funding will be used to extend the life of the existing facility located on Airport property. Funding for this initiative has been reduced in FY 2019 from the originally planned \$21.0 million anticipated for a new facility. As the project scope evolved, it became apparent construction of a new facility was not immediately required.

➤ ***Technology and Equipment: \$1.0 million***

The Proposed FY 2019 Budget includes \$1.0 million to replace various capital and technology equipment needed for police operations. Funding for this program totals \$5.6 million over the FY 2019 – 2023 General CIP.

➤ ***Fire Stations: \$1.3 million***

Supplemental funding of \$1.3 million for I-77 and Clanton Road infill fire station, and \$6.0 million for a new infill fire station in FY 2021 is proposed. Previously, \$5.9 million was funded in FY 2017 to purchase land for future fire stations.



Refining Cost Estimates

➤ ***Existing Projects: \$22.5 million***

Additional funding of \$22.5 million is proposed for five existing General CIP projects in FY 2019. This funding supplements the following projects: North I-85 Bridge, Northeast Equipment Maintenance Facility, Oakdale Road Farm-to-Market, Innovation and Technology Relocation, and McKee and Providence Road Intersection. In FY 2021, an additional \$2.5 million is proposed for the Idlewild and Monroe Road Intersection project.

Connecting Our Community to the Industries of Tomorrow

Circular Economy

In support of transformative environmental innovation in Charlotte, I am proposing \$2.0 million for facility improvements to an existing city building in the Belmont

neighborhood to begin making the Circular Economy initiative a reality. The traditional linear economy emphasizes consumption and disposal. In the Circular Economy, economic and environmental resources are kept in use for as long as possible then recovered, reused, and regenerated to marketable products and materials in a way that creates new industries, jobs, training, and income opportunities.



We will partner with Envision Charlotte, a globally recognized local public private plus collaborative, to create a living lab incubator. The incubator for this forward-thinking approach will foster public collaboration, community engagement, and in-depth utilization of data, while reusing waste products

normally headed for the landfill. The lab will be housed in a repurposed facility once used by the Charlotte Fire Department (the Old Horse Barn) to house horses. The goal is to have innovation and products to showcase during the international Cities for Cities event, which will be hosted here by Envision Charlotte in 2019.

To help propel the Circular Economy movement forward, the City of Charlotte has joined the Ellen MacArthur Foundation (EMF). This foundation was established in 2010 with the aim of accelerating the transition to the Circular Economy. Since its creation, the charity has emerged as a global thought leader, establishing the circular economy on the agenda of the decision makers across business, government, and academia. The Circular Economy 100 (CE100) program brings together leading organizations and cities, with the key objective of innovating, developing and implementing Circular Economy opportunities.

The City of Charlotte is the second U.S. city to commit to this network (Phoenix, AZ was the first). Charlotte will leverage this program and its premier network to accelerate our transition to a Circular Economy and become the leading U.S. Circular city. By joining this network, we have access to global corporations, institutions, and affiliates that can be brought in to facilitate local innovation and drive economic development advancements through multi-stakeholder collaboration. In partnership with EMF, Charlotte will attract global leaders to see how innovative partnerships and collaborative innovation can drive action and improve quality of life.

Supporting Our Entrepreneurs

Small businesses are vital to our economy. Small businesses that employ less than 100 people make up 97 percent of the employers in Mecklenburg County. Based on national data, 20 percent of small businesses fail in their first year, 34 percent in their second year, and 70 percent by their tenth year. Failures may occur due to a variety of reasons including competition by big businesses, not having the right team, or even lack of startup funds.

To help mitigate these small business failures, we are intentional about helping small businesses by providing access to capital through loans and grants, building capacity in programs, and offering advocacy and talent development programs. In 2017, the Citi Foundation and Living Cities selected Charlotte as one of five cities across the country to participate in the City Accelerator for Procurement for Inclusive Economic Opportunity. This opportunity provided a \$100,000 grant for coaching and assistance in implementing innovative approaches to further economic inclusion. The three main goals are:

- Build Minority, Women, Small Business Enterprises (MWSBE) capacity by providing educational and mentoring opportunities
- Increase the city's procurement with Minority Business Enterprises (MBEs)
- Develop a process to increase procurement opportunities for MWSBEs with Charlotte's corporations and anchor institutions

To meet these goals, \$53,500 of the funds from the Accelerator grant have been dedicated towards the AmpUp Charlotte program, in partnership with the NBA and Interise's StreetWise MBA. Twenty eligible MWSBEs will attend a 13-week accelerated business education course. The goal of this work is to prepare MWSBEs for bid opportunities associated with the NBA All-Star Game, which Charlotte will host in February 2019.



Establish a Business Concierge

Dedicated position connecting residents to business services

Begin Monthly Business Cafes

Bringing technical expertise and resources into our communities.

In addition, the Proposed FY 2019 Budget includes \$100,000 to implement Community Business Cafés and a business concierge program. Beginning September 2018, the Cafés will offer financial, marketing, management, and technical assistance to new and existing small businesses, and provide opportunities for small businesses to build partnerships and network with other locals.

Building a Trained Workforce

Good-paying jobs and the skills to compete in today's job market are key to enhancing economic opportunity for everyone. The city, as an economic leader, is committed to addressing labor market shortages in high demand occupations and assisting those with barriers to employment through training programs, apprenticeships, and mentoring. In FY 2019, we will roll out **Charlotte Choice Career Fairs**, with quarterly job fairs to showcase opportunities within all city departments, as well as some of our partner organizations. City departments have previously organized similar individual events, but this will be the first initiative of its kind to bring all available city opportunities to one location in the community four times a year.

Apprenticeship

With the adoption of the FY 2018 Budget, we implemented the first-ever apprenticeship program in the City of Charlotte. The program is now officially registered with the U.S. Department of Labor (USDOL). The apprenticeship program allows us to train and develop qualified people. Additionally, through a partnership with Charlotte Works we are able to hire the chronically unemployed and underemployed. Since the start of the program, we have registered five job titles with USDOL.

In FY 2019, we will continue building the program by identifying qualified apprenticeship positions throughout the organization that can be designated by North Carolina and the USDOL. This will increase the number of available apprenticeship positions and help with workforce planning and development.



Growing the Construction

With a booming Charlotte construction market, the industry is struggling to meet the demand for laborers. To increase the available supply of workers, we partnered with Goodwill Industries for Project P.I.E.C.E. (Partnerships for Inclusive Employment and Career Excellence). This is a three-year initiative to provide job skill training and support services to help individuals obtain and keep jobs in the construction industry. Participants receive job training in one of three career paths: broadband and fiber optic cabling, residential and commercial construction, or highway construction. In 2017, the partnership trained 154 people, graduated 135 trainees, and placed 117 graduates in jobs with over 30 organizations, including some in the city.

To further develop the trade workforce pipeline in our community, Goodwill Industries, CMS, and CPCC are working together to offer advanced certifications to high school students and young adults.

Certification areas include electrical, HVAC, carpentry, and plumbing. Program partners target different areas: Goodwill



Industries will teach and certify adults in new construction and trade skills, CMS will recruit students to the construction industry and emphasize academic achievement, and CPCC will provide adult and in-school trade skill instruction. Because we recognize the importance of this initiative and the upward mobility that steady jobs in trade industries can provide, \$100,000 is proposed to support the program in FY 2019.

Collaborating with Community Partners

Organizations embedded in neighborhoods often offer greater opportunities to improve the community around them than the government. We support these community partners making transformative change around Charlotte.



Fostering the Historic West End Initiative

In 2015, the Northwest Corridor Council of Elders and Johnson C. Smith University invited Charlotte Center City Partners to serve as the catalyst organization to help facilitate economic investment in the Historic West End of Charlotte. This work focuses on creating social and cultural connections, developing an anti-displacement strategy, and planning for development as construction of Phase II of the LYNX Gold Line is completed. I propose we join this effort and provide \$125,000 for three years. This funding will provide a portion of the match required by the Knight Foundation grant received by Charlotte Center City Partners to continue working towards a more walkable, livable, and equitable Historic West End.

International Community Members

To ensure all people within our community have equitable access to opportunities to thrive in our city, we hired the city's first International and Immigrant Integration Manager in 2018, Federico Rios, to

manage the Office of International Relations. This office serves as a liaison to our international and immigrant community. Additionally, it works to facilitate the recommendations of the Immigrant Integration Taskforce, a group convened by the city and community members.

To continue this work in the year ahead, the Proposed FY 2019 Budget includes \$50,000 to promote collaboration between the Office of the International Relations and the Charlotte Mecklenburg Library. These funds will help create a multi-media resource packet, expand our citywide language access plan, continue a partnership with refugee resettlement organizations, and further develop regularly occurring public strategy sessions.

Providing Micro Grants

It is critical we leverage resources to help amplify work already being performed by smaller community partners. The

Micro Grants

JumpStart Community Safety Micro-Grant program was born out of the Community Empowerment Initiative in FY 2018 for \$50,000. In FY 2019, the support is doubled to \$100,000. These grants provide up to \$500 to community organizations that focus on conflict resolution and mediation, crime fighting and prevention, and opportunities for youth and parents. This program also connects participating organizations with city services and partners to enhance skills around board development, grant writing, mission and vision statements creation, and attaining non-profit status.

Supporting Safe Alliance

The Proposed FY 2019 Budget also includes an additional \$49,000 for Safe Alliance, a nonprofit that works to provide hope and healing to those impacted by domestic violence and sexual assault. As a city financial partner, Safe Alliance will receive a total of \$382,552 in FY 2019. The additional funding supports the implementation of the new Domestic Violence Protective Order (DVPO) E-filing.

Strong Youth

We recognize youth engagement and participation as a critical component of creating sustainable communities. Job training and career readiness serve as a cornerstone of economic opportunity, while enrichment and education opportunities help create well-rounded youth.

In partnership with CMS and Mecklenburg County, we have doubled the number of Mayor's Youth Employment Program internships available to high school students. These internships are available in the private, public, and nonprofit sectors for youth ages 16 through 18. These opportunities provide formative career training and first-time work experience to our young adult community.

In addition, to our focus on career readiness and academic success, we also support youth enrichment programs like LEVEL UP, a partnership between the CMPD and YMCA of Greater Charlotte. The program provides safe alternatives for more than 1,000 youth ages 13 to 18 by offering Saturday night programming at the YMCA. Based on the success of the summer pilot program, originally called the Summer of Opportunity, nights of programming have expanded by 57 percent, the number of participating YMCAs



has increased from three to four, and the program is anticipated to serve an additional 500 youth, for a total of 1,500. Thanks to 15 partner organizations and nearly 400 volunteers, including police officers, LEVEL UP is able to provide athletic opportunities, creative arts programming, and positive self-image activities.

Customer Driven Focus

The Charlotte development industry made it clear last year, the city was falling short of meeting its needs. As a result, we have taken time over the past few months to engage with the industry and will implement several new policies and programmatic initiatives in FY 2019 to improve customer service and enhance collaboration, consistency, and clarity.



Enhancing Customer Service by Creating a One-Stop Shop

After reviewing the current land development permitting process and having extensive conversations, a One Stop Shop will be created in the lobby of the Government Center, where developers can access and meet with all relevant staff in a single location. The space will also be renovated to foster a more collaborative environment. Customers will be able to get timely, accurate answers that quickly move projects forward. To provide a more cohesive and streamlined approach, 22 staff positions will be transferred from the Department of Engineering and Property Management to the Department of Planning. Staff performing development reviews will be co-located in a unified space.

To improve the regular review processes and customer experiences across the board, we will also implement a new Enhanced Review pilot program for nearly all development review types, at a fee determined in consultation with the development industry. The pilot will provide increased speed, singularity of feedback, dedicated review resources, and close integration of reviewing departments for time-critical projects. Fees from this program will be used to add nine staff positions across departments involved the reviews. Reviews will be completed clearly and consistently, with decisions issued in as little as four to six weeks.

Re-engineering Planning

Vibrant, economically viable cities like Charlotte that support diverse neighborhoods do not happen by accident. We have benefited from a legacy of sound planning services as it has transitioned throughout its history. Charlotte is transitioning into a 21st century city of global significance which requires a 21st century planning department. For more than ten years, the Planning Department's primary focus has been reviewing and approving zoning petitions. Although appropriate for the time, this focus has yielded the unintended consequence of reducing the department's capacity to participate in neighborhood-level engagement. In response to the changing times and to meet the challenges ahead, innovations in planning and permitting are necessary. In FY 2019, we will restructure the Department of Planning to emphasize a customer-focused, responsive, and efficient land development permitting process, integration of sound urban design services and reengagement of neighborhoods. To

commemorate this change, the Department of Planning will be renamed, to the Department of Planning, Design, and Development.

Over the next two years, the primary focus for the department will be the creation of a comprehensive vision for the community and the development of a Unified Development Ordinance (UDO). To accomplish this work, the department must reengage the community at a neighborhood level. To support the enhancements in planning and land development permitting, 12 new positions are being added. The majority of these positions are supported through user fees or other non-general fund sources. These additional resources, combined with organizational realignment and process changes, will create innovative planning services that are fit “for a Queen City”.

Becoming an Employer of Choice

Becoming an employer of choice means taking positive steps both to attract the highest quality applicants, and to ensure we retain them. To accomplish this goal, we strive to provide competitive and equitable compensation, valuable benefits, and ongoing support for employee well-being and professional development. The Proposed FY 2019 Budget includes a number of initiatives to keep us on the path to becoming an Employer of Choice.

	FIRE	POLICE
Uniformed Employees	1,050	1,930
Vacancy Rate	1.9%	9.4%
2017 Retirements	34	63
2017 Voluntary Resignations	5	36

Focusing on Public Safety

Over the past few months we have had many conversations with Police Chief Kerr Putney, Deputy Fire Chief Pete Key, the public safety pay plan committee, the Fraternal Order of Police (FOP), and the Charlotte Fire Fighters Association. We have discussed the most pressing issues facing sworn officers. After deliberating and reviewing applicable data, a thoughtful and affordable multi-year approach has been developed.

Improving Officer Attraction



We rely on the police department to "protect and serve" and the police, in turn, rely on community support and cooperation. An investment in our police department is an investment in our community. Police departments all over the country are facing a recruiting shortage amid a growing anti-police sentiment. Attracting a large, dynamic, and diverse candidate pool is the first step to ensuring the long-term success of CMPD. The

Proposed FY 2019 Budget aims to improve this candidate pool in the following ways:

Increasing Starting Pay

The FY 2019 Budget includes a significant increase in the starting pay for CMPD officers. The first step of the pay plan has been eliminated, and officers will start at a step that is five percent higher than last year. With a 1.5 percent market adjustment also added, this means that a recruit will now start at a minimum salary of \$46,352. We continue to be the lead North Carolina city in recruit pay.

Accelerating Education Incentive

CMPD currently offers education incentives of five percent for an associate's degree and 10 percent for a bachelor's degree. These education incentives have traditionally only been added to an officer's salary after they graduate from the Recruit Academy. This has watered down the education incentive as a recruiting tool. Beginning in FY 2019, the education incentive will be included during a recruit's time at the academy. This means that an officer with a bachelor's degree will begin employment with a starting salary of \$50,987. Firefighters are also eligible for the incentive during the academy.

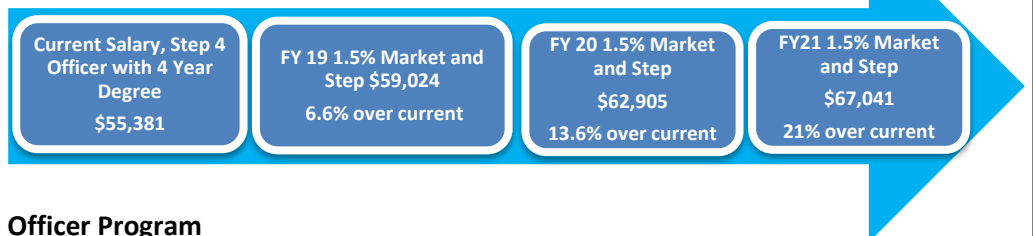


Improving Officer Retention

Retirement remains the most common reason for separation from CMPD. However, overall, CMPD lost 195 officers over the last five years due to voluntary resignation. At an average of nearly 40 officers a year, these separations represent a loss to the city of trained employees in which we have made a significant investment. Unplanned separations also put additional stress on the remaining officers to handle the workload until the next recruit class graduates. The Proposed FY 2019 Budget aims to improve retention of existing officers in the following ways:

Increasing Existing Officer Pay

The number one request from existing officers is an increase in pay. Many officers are citing pay as a reason for leaving the profession altogether. To improve retention and reward our hard-working officers, the Proposed FY 2019 Budget includes a salary increase of at least 6.5 percent. This is comprised of a 1.5 percent market adjustment for officers in July, and a step increase on a revised pay plan.



Establishing a Senior Police Officer Program

A new Senior Police Officer (SPO) Program is proposed for eligible officers at the top step. Interested officers will have to complete a set of courses to be eligible for an additional five percent incentive. Once awarded, the Senior Police Officer Program will increase the maximum salary for a police officer by \$3,500. A Senior Police Officer with a bachelor's degree will now be able to earn more than \$80,000.

Promoting Officer Residency

Officers living within city limits increase the department's visibility in the community. The Proposed FY 2019 Budget continues an officer residency program that was implemented in FY 2018. Over a period of two years, officers who live or move into Charlotte will receive a one-time \$2,500 residency incentive. The program encourages additional officers to move into the city, increases visibility, and allows for a better understanding of specific neighborhood concerns.

Establishing the Take-Home Vehicle Program

CMPD currently has a vehicle take-home policy for select types of officers such as SWAT and Bomb Technicians. The Proposed FY 2019 Budget includes a significant expansion of this program. Starting with 75 cars above the normal replacement levels in FY 2019, and continuing with additional vehicles in future years, the expanded program aims to eventually assign a vehicle to most officers who reside within the city limits.



The program is designed to improve retention, as take-home vehicles are frequently cited as a recruitment and retention tool. Not only will these vehicles boost daily efficiency for officers, they also allow for quicker response times and serve as a crime deterrent in neighborhoods. Additionally, future costs may be offset by savings achieved due to an extended vehicle life.

Encouraging a Co-Response

To augment the crisis intervention training our police officers receive, I am proposing we adopt a co-responder model. The new program is an example of law enforcement initiatives nationwide aimed at improving police response to people experiencing a mental health crisis. Six mental health professionals will join our police officers when responding to 911 calls involving suspected mental health issues. Co-responder models allow professionals to interact with individuals experiencing a mental health crisis in ways that lead to more positive outcomes than an arrest. To fund this effort, the Proposed FY 2019 Budget includes \$814,000 for implementation.

Implementing Phase II – Firefighter Pay Plan

In the FY 2018 Budget we committed to a two-year plan to adjust the Firefighter Pay Plan. The Proposed FY 2019 Budget adds the second of two new steps for the Firefighter Engineer rank. This adjustment has now added approximately \$5,000 to the maximum annual salaries of the 195 current Firefighter Engineers. The plan for Firefighter Captains will be increased as well, providing an additional 2.5 percent for 249 Firefighter Captains. Eligible firefighters will also get a 1.5 percent market adjustment in July and a 2.5 to five percent step increase.



Helping Sworn Officers Save for Retirement

Sworn police officers and firefighters hired on or after July 1, 2009 do not receive any assistance from the city on post-employment healthcare costs. Charlotte, like so many other localities, made the decision to not provide retiree healthcare to those hired after July 2009, because of the heavy financial burden that it was placing on the city. Restoring the retiree healthcare places an unsustainable Other Post Employment Benefit (OPEB) liability on the city. In fact, the city's healthcare consultant recently projected that restoring retiree healthcare for public safety employees would add more than \$230 million in accrued costs over the next 15 years.

As an alternative, the Proposed FY 2019 Budget includes \$600,000 for a Defined Contribution retiree healthcare investment account for sworn officers and firefighters. Although plan options are currently being explored, the premise is that the city will contribute \$20 per week, or \$1,040 in 2019, to an account for each eligible employee hired on or after July 1, 2009. The money in the account is then invested and becomes available after retirement to pay for medical costs, including premiums. If the city makes a \$1,040 annual contribution over an officer or firefighter's remaining career, and the funds earn a rate of return of six percent, then the officer would have \$80,000 (tax-free) to use on retiree medical costs after 25 years.

This is a significant investment equating to approximately two percent of a starting police officer's pay. It also carries no long-term OPEB liability to the city, allowing it to be an affordable, sustainable program. It provides a resilient and flexible option to address future uncertainty. Overall, it is a program designed to help reduce but not eliminate the retiree healthcare burden. This benefit provides the flexibility for employees to use this account to pay for healthcare of their choice. In addition, employees are encouraged to set aside funds on their own to help plan for medical costs in retirement.

Increasing General Employee Compensation

Our employees are the number one reason that we are a successful city. From our front line employees to our office workers, Team Charlotte includes people who have dedicated their careers to public service. Despite financial difficulties we may face, one of the first items considered during budget development is how to reward our employees. We know that being an employer of choice includes establishing compensation policies that either maintain or increase the purchasing power of employees over time.



The Proposed FY 2019 Budget includes a merit pool of three percent for salaried employees and an average total increase of three percent for hourly employees (1.5 percent market adjustment and 1.5 percent merit pool). These actions allow us to remain consistent with the industry standards for 2019. We are also addressing salary compression issues in Solid Waste Services and Charlotte Water by increasing Utility Technician I pay by 3.3 percent, and Laborer, Senior pay by 2.5 percent. This allows for additional pay for some of our hardest working employees and solves an unintended consequence of increasing the city's minimum pay to \$15 per hour in FY 2018.

Evaluating Healthcare



Providing healthcare coverage to employees is more than providing a health plan. It's about providing as many tools as possible to ensure that employees are healthy, both physically and mentally. From employee counseling, to wellness programs, to a newly initiated healthcare liaison program, we strive to provide as much value in our benefits program as possible.

Unfortunately, financial realities often limit the healthcare discussion to how much it will cost employees. Healthcare costs have grown faster than inflation over the past 15 years. To manage these costs and maintain services, our employees have historically shared in the increased burden. The Proposed FY 2019 Budget however, includes no employee healthcare cost increase. This means that the salary increases recommended will not be offset by increased healthcare costs. This has been made possible in part by a positive impact from the city's wellness program participation and the affordability that the city's MyClinic program has offered.

Beyond no rate increases, recent claim experience will also allow the city to award employees a premium holiday for the month of August. This means that employees will not have to pay a healthcare premium for the whole month. This allows more than \$1.8 million to remain with active employees, and more than \$800,000 to remain with retirees. While some employees in the PPO Plan E Family Plan will receive as much as \$1,200 from the holiday, the average benefit will be \$278 for active employees and \$403 for retirees in 2018.

Employees also raised concerns about how new plans were introduced last year and the financial difficulties faced by employees on the city's most expensive family plan which is PPO plan E. Beyond having no rate increases and the five-week employee premium holiday, the Proposed Budget also includes a 10 percent reduction in the 2019 employee premiums for the PPO family plan E. This will save employees who elect this plan \$1,248 next plan year.

Promoting Public Transit

On July 1, the city will begin offering all access transit passes to employees for the significantly reduced rate of \$33 per year. These passes, which include both buses and light rail, will reduce the out-of-pocket costs for city employees by over \$1,400 annually compared to the existing program. The program will help reduce traffic congestion, provide parking alternatives to those working uptown, and encourage employees to consider environmentally friendly transportation alternatives.



Expanding Military Training Leave

We are proud to support our armed forces by currently offering up to one paid week annually for military training leave. As of July 1, the paid military training leave is proposed to be doubled from one

week to two. This allows our brave service members the opportunity to train without having to use other leave time.

Redesigning the Employee Incentive Program

The city has had an employee incentive program since 1994. This program was designed to provide employees with a financial incentive to achieve approved targets based on a citywide savings goal. After 23 years of evolution and a recommendation by the City Auditor, it is time to redefine the program. Over the next few months, we will redesign the existing incentive program to reward collaborative and team approaches to innovation. Using savings identified through the course of the fiscal year and \$500,000 proposed in FY 2019 we will promote efficiency and productivity throughout the organization.

Ensuring Engagement into the Future

To truly be considered an employer of choice, employees have to recognize the organization as a strong community and feel heard and valued. Through effective communication, consultation, and



collaboration, employees build trust and confidence in the organization. As such, we have initiated several opportunities to expand employee engagement across departments and with leadership.

To ensure employees have regular opportunities to share ideas, feedback, and concerns into the future, we have formed the Queen's Team: Charlotte Employee Relations Team. This team of 80 employees from all departments will discuss topics such as safety, benefits, compensation, and productivity. Team members were nominated and elected by their peers to serve as communication liaisons between leadership and employees. I will also meet quarterly with this team to hear feedback and recommendations. This group of peer elected employees will be relied on to represent employee views and serve as a strong foundation for communication with leadership.

Maintaining High Quality of Service

Creating Ambassadors of the City

The Proposed FY 2019 Budget includes a tax increase for municipal service districts (MSD) one, two, and three to support a new ambassador program in Uptown. The rate in MSD one will increase by four tenths of a penny, and the rate in MSDs two and three will increase by six tenths of a penny. This additional revenue will support the program, which is expected to cost \$700,000 to \$800,000 annually. The ambassador program will utilize uniformed, trained personnel to provide seven-day-a-week hospitality services, crime deterrence, and facilitation of social service connections for the homeless and near homeless population. With the goal of maintaining a center city district that is a safe and welcoming place for all, the creation of this program will bring Charlotte in line with other nationally recognized downtowns.



Enriching Lives Through Charlotte Water

Charlotte Water adds broad value to the Charlotte community through focused attention on **CHARLOTTE WATER** maintaining a high quality drinking water and wastewater system, guaranteeing a high level of customer satisfaction, ensuring operational efficiency and compliance, and promoting a thriving, economically sustainable community.

Charlotte Water is also active in community education. A new partnership with Discovery Place seeks to educate youth about the importance of water in our everyday lives, promoting water conservation, and understanding the journey of water from cloud to cup. This partnership will educate an estimated 8,000 fifth grade students over a five-year period.

We are also investing in programs that ensure that we have the infrastructure necessary to support growth and remain an economic engine for the region. For the coming fiscal year, we are proposing to enhance the water distribution system, ensure adequate capacity in our sanitary sewer system, design and construct a new regional wastewater treatment facility, refurbish additional water treatment facilities, and improve the reliability at our current wastewater treatment facilities. To support these improvements, the Proposed FY 2019 Budget includes a \$1.89 per month fee increase for the typical household.

Enhancing the Environment through Storm Water

The city plays a critical role in protecting environmental health by collecting stormwater and filtering pollutants to keep our streams and lakes clean. In addition to environmental preservation, Storm Water Services also performs construction repairs on drainage issues that qualify as a safety concern on public or private property. To classify stormwater requests so that the most critical needs are addressed in priority order, a tier system is utilized with the categories of AI, A, B, and C.



Substantial efforts will be made in the coming year to address the tiers AI, A, and B repair requests, storm drainage improvements, and surface water quality enhancement projects. A total of 17 additional positions in FY 2019 will help address the higher-level repair requests and ensure we have the critical infrastructure in place to protect Charlotte's environment into the future.

To supplement this effort, \$5.0 million is proposed to be set aside to fund a two-year pilot program to address resident-initiated repair requests classified as tier C. The 2015 City Council policy required us to no longer qualify new tier C repairs, which are the lowest severity of the four tiers. Many of the requests that pre-dated the 2015 policy change have since been mitigated through improvements to higher-tier repairs, but some tier C repair requests remain unaddressed. To advance the tier C backlog, a fee increase resulting in less than \$0.75 per month for almost all single-family parcels will be leveraged to fund the pilot program. This program will be cost-shared with the residents.

Efficient and Effective Solid Waste Services



Partnering with the county to provide the highly effective solid waste services expected by the city's residents is a core function of our government. The county has increased the disposal and contractual service costs for private haulers and rollout containers have increased. To support these contractual needs, the Solid Waste fee is proposed to increase by \$0.59 per month for most households in FY 2019.

Based on the proposed property tax increase and all proposed service fee increases, a homeowner in Charlotte will experience an estimated monthly increase of \$3.64 for every \$100,000 in home value.

Becoming a Well-Managed Government

Operational Efficiencies - End of "Run Your Business"



As we move away from a silo "run your business" model, we strive to become a more collaborative, responsive organization focused on providing the highest quality services possible in a cost effective and publically accountable manner. Furthering our

efforts in FY 2019, we will begin moving away from the decentralized approach of performing core government functions of Communications, Finance, Human Resources, and Innovation and Technology, to a more standardized, less redundant, and more efficient model.

Last year, when we completed developing the current budget, I stated we would begin to review our internal service functions. While more work needs to be done, I am happy to say we have completed an initial review in each of those areas. Several initiatives identified through these reviews are reflected within the Proposed FY 2019 Budget.

Uniting Under the Crown - Communications

Several reviews of how we communicate internally and externally have been conducted since 2010. The common recommendation from these reviews is to standardize and realign communication processes across the organization. The Police Foundation Report, commissioned by City Council in 2016, also indicated that a more coordinated approach to communications is needed to prevent mixed messaging. Reviews also recommended one branding strategy by which we are identified. The assorted logos and individualized branding serve to portray us as a group of separate units, rather than one Team Charlotte.

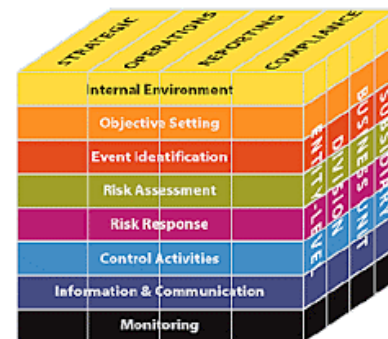


Realignment efforts began in FY 2018 when the Office of Constituent Services was created to provide more targeted services for City Council members and our constituents. In FY 2019, we will restructure the Department of Communications to be more proactive, responsive, and coordinated.

Communications skills currently in place throughout the organization will be leveraged to reduce duplicative or uncoordinated messaging. Utilizing existing personnel to form a coordinated communications team instead of hiring additional personnel, is the more prudent, cost effective approach. For the initial restructuring of communications, a reduction of three positions and savings of \$300,000 is identified.

Refocusing Financial Services

The city engaged Grant Thornton, LLP to conduct a review of the city's internal controls. The consultant used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework. This nationally accepted framework provides guidance for enterprise risk management, internal controls, and fraud deterrence designed to improve organizational performance and governance. The review identified several areas where we can improve.



Returning the Department of Management and Financial Services to core financial functions began in FY 2018 with the detachment and creation of Strategy and Budget and Internal Audit as independent departments. This work continues in FY 2019 as the Division of Fleet Management (with 124 staff positions) transitions to the Department of Engineering and Property Management for more operational synergy. Duplicative services within the administrative division will also be eliminated or redeployed to other areas of need, such as human resources and communications. A reduction of seven positions and savings of over \$542,000 was identified from these efforts.

Standardizing Human Resource Functions

The “run your business” model resulted in extended consequences for Human Resources and our employees. Several core functions of the Department of Human Resources have been spread out among departments. This has led to differing operational approaches. A recent review conducted by AON Hewitt, a global human capital solutions consultant, identified key areas of improvement across the organization.

Recommendations include a centralization of how Human Resource decisions are made. Currently, decisions are made at the department level, leading to various interpretations of policy, variations in hiring standards, duplicative processes, and conflicting messaging to employees. In the upcoming year, the governance structure will be revised for consistency across departments. Policies will be updated and created where necessary, and redundancy will be eliminated. These initial organizational changes result in a reduction of seven positions and savings of over \$500,000.

Mitigating Risk

A study recently performed by RSM US LLP, a member of the RSM International global network of independent consulting firms, explored our business continuity planning and disaster recovery and indicated we could strengthen disaster recovery, further harden our cyber security, and develop an

asset replacement model for technology infrastructure and equipment. To begin implementation of these recommendations, \$500,000 is proposed in FY 2019.

The Year Ahead

As I completed my first year in Charlotte, I realized that it is greater than I ever imagined. I am honored to be part of a city that cares for its communities and the people it serves. I am humbled by the passion you have to take on challenges and your willingness to address monumental issues like affordable housing, all while considering what it will take to catapult Charlotte to the next level.

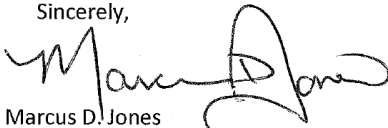
I am proud to be a part of a team of employees who take pride in public service and believe in what they do. It is because of them, that we will begin a comprehensive compensation review that will look at our salary structure, leave policies, benefits, and workplace environment. Our current compensation philosophy was last approved in 1993. It is past time we looked at it.

I also am committed to a well-managed government and creating an action oriented culture of innovation and improvement. In FY 2019, we will carry on our reengineering efforts and augment them with an examination of our processes to identify improvements and eliminate problems before they occur. Some areas we will focus on include:

- Developing a new economic development strategy
- Continuing the review of Communication, Finance, Human Resources, and Innovation and Technology functions across the organization
- Refining project management and delivery of capital projects



As we head into the next fiscal year, our community has a monumental occasion to celebrate; the City of Charlotte turns 250 years old! While the 250th anniversary of our incorporation does not occur until November 2018, we will commemorate the occasion all year through CLT250. I hope you will get involved and help define what Charlotte means to you and what we could look like in the next 250 years. Together, we can shape our future. The time is now!

Sincerely,

Marcus D. Jones
City Manager