

# City Budget Overview

Prepared by:

**CHARLOTTE DEPARTMENT** *of STRATEGY and BUDGET*

*January 2026*



### A Great Place to Live and Work

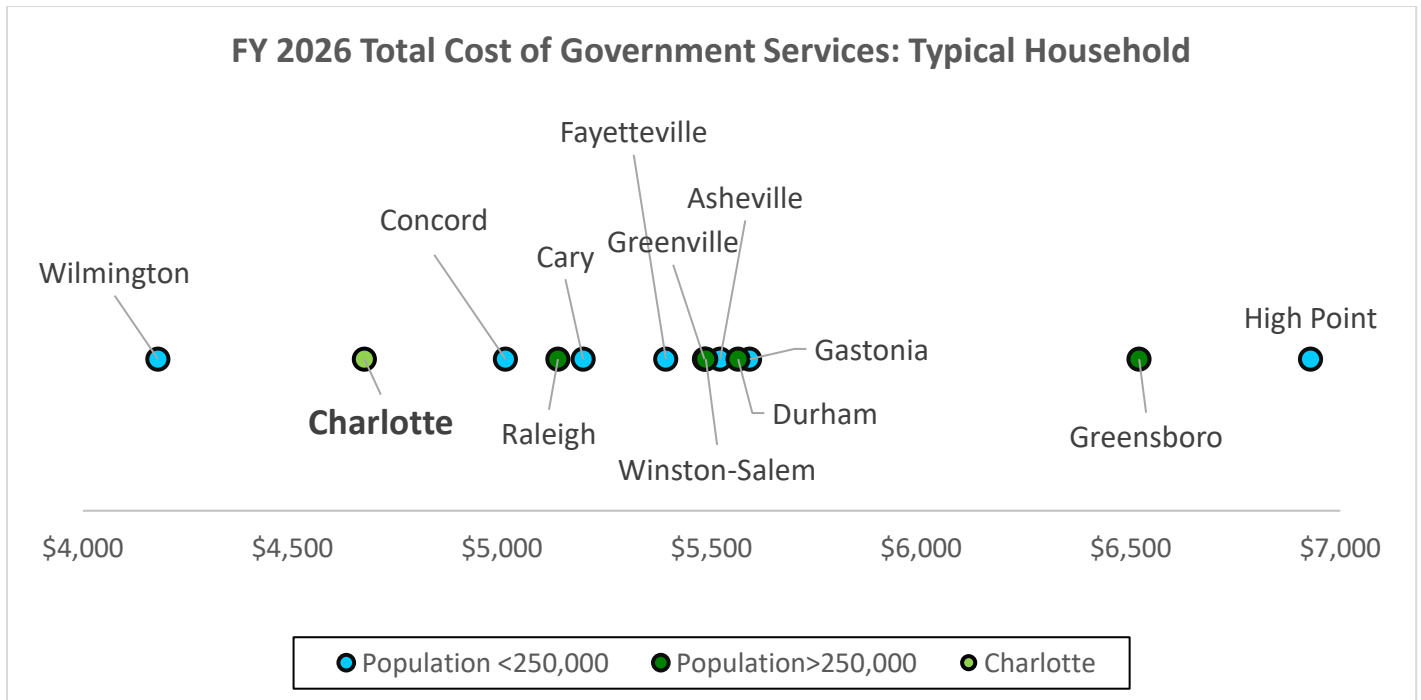
The City of Charlotte is known as a city in which residents, businesses, and employees can thrive. The city is dedicated to providing services to the public that are essential to meeting the evolving needs of the community. A snapshot of some of the city's average daily services include:

- Charlotte-Mecklenburg Police Department responding to over 1,000 calls for service
- Charlotte Fire Department responding to over 325 calls for service
- CharMeck 311 coordinating 2,700 calls for service
- Charlotte Water treating over 124.55 million gallons of drinking water
- Solid Waste collecting from over 46,500 curbside refuse bins

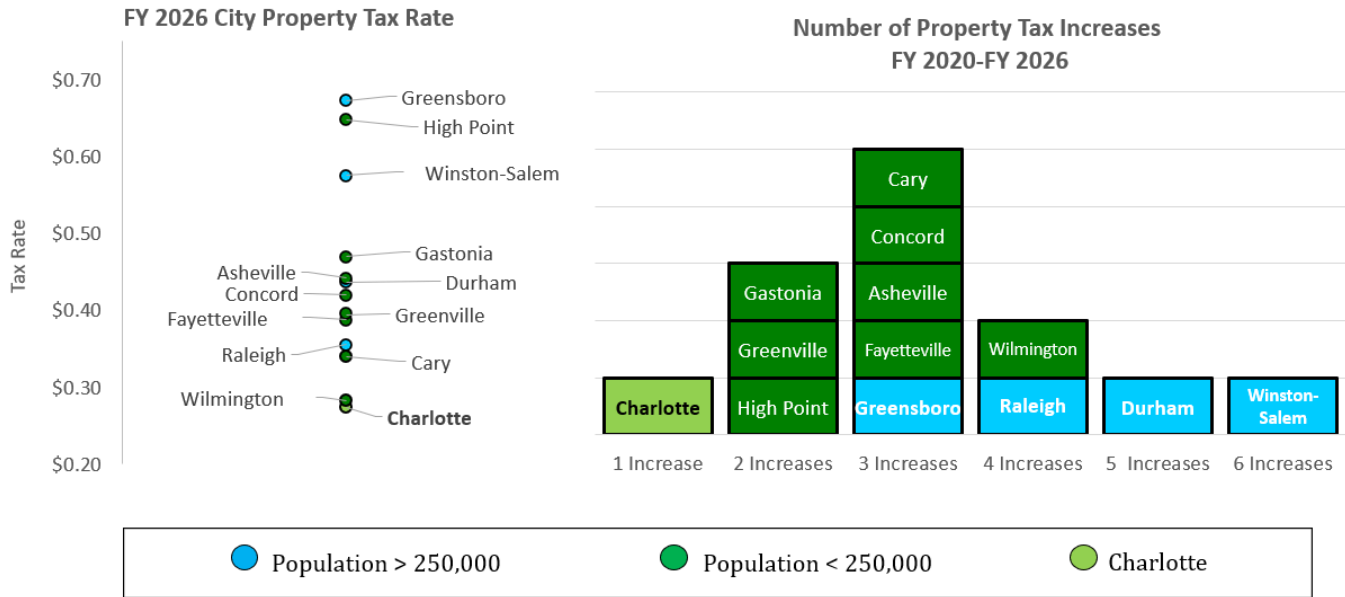
### Minimizing Cost of Service to Residents & Businesses

The City of Charlotte shines in its ability to deliver outstanding public services, while also maintaining the lowest property tax rate among the 13 largest cities in North Carolina. The graph below shows the cost of local government service for a typical household and includes city property taxes, county property taxes, water/wastewater, stormwater, solid waste, and local sales tax costs. Based on a home value of approximately \$359,500, Charlotte is the lowest among all cities in North Carolina with 250,000 or more residents.

## Comparing Typical Cost of Government to North Carolina Peers



### Our property tax is low, too...



Compared to Charlotte's peer cities in North Carolina, Charlotte residents receive an excellent value. Among the largest 13 cities in North Carolina, the City of Charlotte is the only municipality with only one property tax increase in the last seven years. The 12 comparable cities each increased property taxes on 2-6 separate occasions within the past seven-years.

#### Revaluation and Property Taxes

Although the market value of property fluctuates over time, changes in property values do not directly change city revenues from year to year. Mecklenburg County is prohibited by state law from changing the assessed value of a property based on market conditions between property revaluations. Mecklenburg County is currently on a four-year cycle for conducting a revaluation on real property, which means the next revaluation will take place in 2027 and be the basis for the FY 2028 budget adopted in June 2027. In between revaluations, a property's assessed value and its market value may diverge. In between revaluations, the city's property tax revenue only grows from new construction, physical improvements, or changes in the permissible use of existing property.

Once a property revaluation is completed, the State of North Carolina legally requires municipalities and counties to publish a "revenue-neutral" property tax rate as part of the budget adoption process. The revenue-neutral tax rate is the tax rate that, when applied to the new property values, would generate the same amount of property tax revenue as the present year using the present property values and tax rate. Although individual tax bills will go up or down, no additional revenue is generated from the increased value of existing properties unless the property tax rate is increased.

## Budget Key Components

Although a governing board is not required to adopt the revenue-neutral rate, the revenue-neutral rate was adopted in FY 2020 and FY 2024, the last two revaluation years. Inflationary forces that increase the value of properties in a rapidly growing city similarly impact the cost of providing municipal services. As the city continues to grow, and with the next property tax revaluation approaching the city will review different ways to better align property tax revenues with growth and cost of service delivery.

### Prioritizing Employees

The city strongly values its employees and strives to make the City of Charlotte a great place to work. Continuing to invest in city employees has helped Charlotte address potential issues with employee attrition, recruiting, and turn-over that many municipalities have battled following the COVID-19 pandemic. Along with providing consistent compensation adjustments that surpassed the impact of historical inflation, investments include:

- Increasing the minimum wage for city employees to \$24/hour, a 76.7 percent increase from FY 2018's \$13.58/hour
- Increasing average hourly pay for full-time, hourly budgeted positions by 32.3 percent since FY 2020 with greater increases for employees closer to minimum pay
- Increasing Fire Fighter starting pay by 32.2 percent and top pay by 31.8 percent while reducing the number of steps to reach Fire Fighter top pay by five since FY 2020
- Increasing Police Officer starting pay by 32.0 percent and top pay by 31.6 percent while reducing the number of steps to reach top pay by three since FY 2020
- Minimizing the effect of recent employee healthcare premium costs by expanding an income-based medical premium relief program to employees with household income of \$70,500 or less
- Offering shift differential and commercial driver's license premiums to help recruitment and retention among city operations

### Managing Growth

The City of Charlotte's commitment to providing excellent value to its residents has made Charlotte a desirable destination for workers and new businesses. The city has received several national recognitions starting with Forbes identifying Charlotte for one of the best places to retire in 2024. Additionally, Charlotte was ranked #2 by Wallet Hub among the country's 25 largest cities for the most desirable places to buy a home. Charlotte's ability to attract so many people at different milestones in their lives highlights why Charlotte is currently one of the fastest growing cities and metro areas in the United States.

With such rapid, significant growth, it is critical that the city continue to manage its resources so that the quality of city services is not compromised. The city has worked proactively to address and prevent many of the challenges associated with growth, particularly surrounding public safety. Since FY 2020, the city has programmed the following public safety enhancements:

- Fire
  - Six new infill companies, including four ladder and two engine companies
  - 131 new sworn positions

## Budget Key Components

- Police
  - Freeing up sworn officer time to focus on higher priority calls for service by deploying 16 new Civilian Crash Investigators
  - Expediting request for service response with 15 new Telecommunicators to support 911
  - Enhanced recruitments and streamlined application processes to prioritize filling existing positions

Many of these investments are funded by the 1.37% property tax increase from FY 2025, which was primarily for Public Safety. As the city continues to grow, performance metrics will be monitored in future budget cycles to ensure quality services are maintained and are not hindered by insufficient revenues.

### **Charlotte's Financial Framework**

The City of Charlotte's strong fiscal discipline is core to the city's ability to continuously provide excellent public services, invest in employees, and maintain low property tax rates. The city's history of sound fiscal policy and practices have enabled it to hold AAA credit ratings continuously since 1977. And it isn't just the ratings agencies and investors who've noticed. The Lincoln Institute of Land Policy and SmartAsset, a financial advisor website, have recognized the city government's fiscal health and the city's low property tax burden, respectively, compared to cities of all sizes across the country (and in NC).

The city's notable standards of management have been achieved consistently due to its commitment to financial efficiency and annual needs assessments. The City of Charlotte's ability to react quickly and effectively to the economic and social uncertainty created by the COVID-19 pandemic was a testament to the city's robust financial principles and management practices.

Beyond the city's AAA credit rating, Charlotte's distinction as a financially well-managed government has garnered numerous external recognitions, including the annual receipt of the Government Finance Officers Association's (GFOA) award for budget and financial statements and unmodified opinions on external audit reports. For FY 2024, the city received the GFOA Triple Crown, which recognizes governments that have received the Certificate of Achievement for Excellence in Financial Reporting, the Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award. The City of Charlotte's responsible financial management practices are the foundation for all its community-facing services.

The city's budgetary policies are based on and conform to Chapter 159 of the North Carolina General Statutes, the Local Government Budget and Fiscal Control Act; the City Charter and the city's Code of Ordinances; and generally accepted accounting principles for governmental entities. These external authorities are the general foundation for the Budget Principles and Financial Policies adopted by City Council, all of which are used to measure current budgetary performance and proposals for future programs.

These established policies and principles, some of which are detailed below, help to maintain the city's reputation for sound financial stewardship while also delivering a balanced budget guided by City Council's strategic priorities.

### Budget Principles

1. The city will adopt a balanced budget. The budget process will begin by first evaluating available revenues. Funds for operating and capital expenditures will then be budgeted where there is the greatest community need.
2. Program funding will be approved in the overall context of competing priorities across city services. Anticipated future needs will play a prominent role in the prioritization process.
3. The city will have a structurally balanced budget. Ongoing costs will be funded with recurring revenues. Onetime monies, such as certain federal grants, will be used for one-time expenses. New and significant expenses brought forward outside the budget process should be avoided, when feasible.
4. A budget will provide funding to ensure that compensation and benefits are sufficient to recruit and retain the workforce talent necessary to meet service delivery needs. Pay and compensation increases shall not exceed growth in general revenue for any given year.
5. A budget will provide adequate operating funding to maintain previous investments in assets including technology, tools, equipment, and infrastructure.
6. The city will engage in a continual evaluation of the most cost-effective means for providing city services.
7. The city will evaluate the total tax and fee burden – not just the property tax rate – residents pay in exchange for government services as part of the budget development process.
8. The budget will maintain a General Fund fund balance equal to 16 percent of the operating budget. Capital reserves in excess of the 16 percent General Fund balance will be available for transfer to the Pay-As-You-Go capital program for one-time uses unless otherwise recommended by the City Manager and approved by City Council for other purposes.
9. The budget will maintain the Municipal Debt Service Fund Balance at a ratio of debt service fund balance to actual annual debt service costs of approximately 50 percent.
10. The city will continue to promote a user fee goal of 100 percent cost recovery.
11. Enterprise funds shall set their rates and fees in a manner to recover the full cost of their operation and necessary capital investments.
12. Restricted revenue (such as Asset Forfeiture funds) will only be used for the purpose intended and in full compliance with all applicable policies, rules, regulations, or laws.
13. Reimbursement to the General Fund will occur from enterprise and internal service funds for general and administrative services provided. Reimbursement will be determined through generally accepted cost accounting principles.
14. In accordance with the North Carolina Budget and Fiscal Control Act, the budget is developed and adopted under the modified accrual basis of accounting. Under this format, revenues are recognized when measurable and available and obligations of the city are budgeted as expenditures. During the fiscal year, budgets are monitored and accounted for using the

## Budget Key Components

modified accrual basis. At fiscal year-end, the city's annual comprehensive financial report (ACFR) is prepared using Generally Accepted Accounting Principles.

The City of Charlotte is committed to the principles of fiscal responsibility, organizational wellbeing, public accountability, and adheres to each of these standards in its annual budget development process.

### **Strategic Priorities**

At the City Council Annual Strategy Meeting, Council typically reaffirms the focus on five strategic priorities. During this time Council also may highlight goals and objectives from previously approved Council plans, frameworks, and policies. The strategic priorities defined by City Council guide decision-making and align resource allocation throughout the budget development process. The city's current Strategic Priorities are listed and described below.

#### Well-Managed Government

- Ensuring the city demonstrates inclusivity through commitment to and focus on equity and safeguarding the environment; leadership in financial stewardship; reviewing best practices; and maintaining consistency in approach with an emphasis on effective and efficient services that are accountable, customer focused, and inclusive.

#### Great Neighborhoods

- Focusing on comprehensive initiatives designed to create affordable housing and provide opportunities that align with creating great neighborhoods.

#### Safe Communities

- Ensuring neighborhoods are safe, healthy, and inclusive, with a focus on policing, fire protection, and community relations.

#### Transportation and Planning

- Anticipating and planning for the growth of the community by addressing growth with strategic investments, building and maintaining a comprehensive transportation network, and implementing placemaking strategies that encourage connection between neighborhoods and employment centers.

#### Workforce and Business Development

- Building and maintaining a successful business climate and workforce talent, including the number of jobs with sustainable wages/benefits; economic opportunity and digital inclusion for all residents; and encouraging business development, innovation, and entrepreneurship.

### Overall FY 2026 Budget

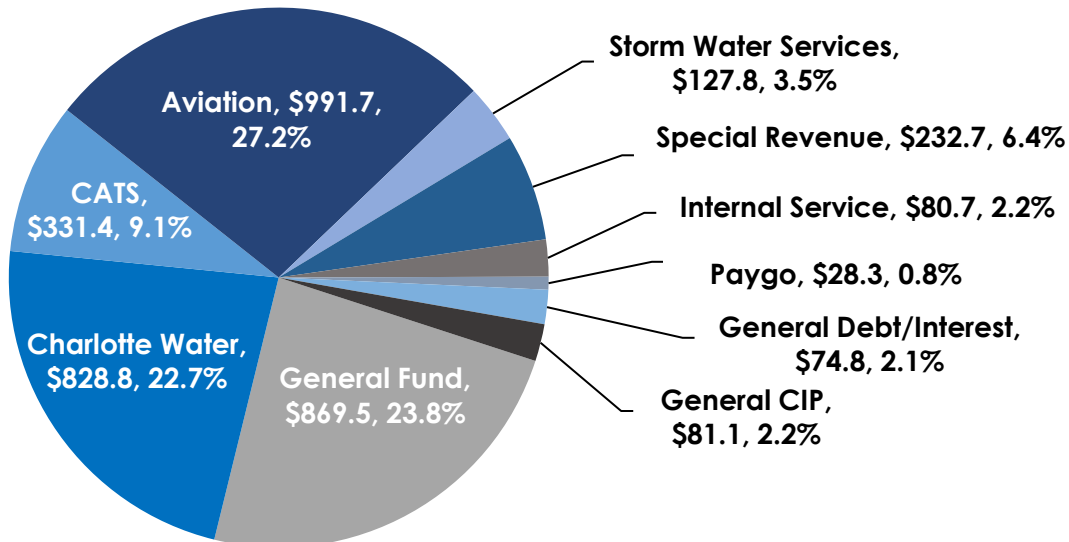
The total FY 2026 Budget is \$3.65 billion. The total budget is comprised of the annual operating budget and the Capital Investment Plan (CIP). The annual operating budget reflects day-to-day operations, while the CIP represents capital outlays. The FY 2026 Budget is presented net of transfers, which means it does not include the full appropriation of each fund. Specifically, services provided to other city funds are represented only once in the fund that is receiving the service, removing duplicate appropriations that must exist in both funds.

### FY 2026 Budget: \$3.65B



FY 2026 Budget (Net of Transfers)		FTEs
General Fund	\$943,500,000	5,858.25
Reimbursements & transfers to other Funds	(\$74,044,669)	
<b>Sub-total General Fund</b>	<b>\$869,455,331</b>	
Aviation	\$991,738,515	954
Charlotte Area Transit System (CATS)	\$331,394,755	664
Charlotte Water	\$828,774,644	1,126
Storm Water	\$127,788,390	258
<b>Sub-total Enterprise Funds</b>	<b>\$2,279,696,304</b>	
General Capital Investment Plan	\$81,148,945	
General Capital Debt Service	\$74,770,993	
Pay-As-You-Go Funds	\$28,257,064	
<b>Sub-Total Capital Investments</b>	<b>\$184,177,002</b>	
Special Revenue Funds	\$232,654,324	22
Internal Service Funds	\$80,739,501	154
<b>Total All Funds</b>	<b>\$3,646,722,462</b>	<b>9,036.25</b>

### FY 2026 Adopted Budget (Net of Transfers)



### Components of the City's Budget

As a prelude to this year's budget development process, it is helpful to revisit how the city's budget is organized, the city's most important general/unrestricted revenues, and the major categories of expenditure of those revenues.

#### Major Funds

Funds are accounting groups that the city uses to keep track of specific revenue sources and expenditures. Some funds are required by state statutes, while other funds are established to control and manage resources designated for specific purposes. The city uses three types of funds:

- Governmental Funds,
- Proprietary Funds, and
- Fiduciary Funds.

Note: **Bolded funds** below are operating funds which budget for the city's 9,036.25 FTEs (see page 10).

#### Major Governmental Funds

- **General Fund** – The city's primary operating fund, which accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Debt Service – Accounts for the financial resources accumulated and payments made for principal and interest on debt of governmental activities.
- Capital Projects – Accounts for financial resources used for the acquisition, construction, and improvement of capital equipment and facilities.

#### Proprietary Funds

Services for which the city charges customers a fee are generally reported in proprietary funds. The city uses two types of Proprietary Funds:

- Enterprise Funds – Used to account for revenues and expenditures of city services that are funded primarily through user fees:
  - **Aviation**
  - **Charlotte Area Transit System**
  - **Charlotte Water**
  - **Storm Water**
- Internal Services Funds – Used to account for goods and services that predominantly benefit other city funds and departments or other governments:
  - **Risk Management Fund** – Accounts for the general insurance program of the city, as well as risk management services provided on a cost-reimbursement basis to other governmental units and agencies in Mecklenburg County.
  - Employee Health and Life Fund – Accounts for funds contributed by the city and employees for health and life benefits.
  - **Fleet Management Fund** – Accounts for maintenance, repair, commissioning, and decommissioning services for the city's fleet of vehicles.

## Budget Key Components

### Fiduciary Funds

The city is the trustee, or fiduciary, for the Charlotte Firefighters' Retirement System and the Employee Benefit Trust. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The city cannot use these assets to finance its operations.

### Non-Major Governmental Funds

#### Special Revenue Funds

Used to account for proceeds from specific revenue sources (other than funding for major capital projects) that are restricted to expenditures for specified purposes.

- Convention Center Tax Fund – Accounts for room occupancy and prepared food and beverage tax revenues to be used for convention and tourism purposes, including debt service, maintenance and operation of convention center facilities, and promotion of tourism.
- Cultural Facilities Fund – Accounts for room occupancy and other tax revenues to be used for the city's cultural facilities and events.
- Emergency Telephone System Fund – Accounts for revenues distributed by the NC 911 Board from service charges imposed on voice communications service connections to be used for the operation and enhancement of the 911 system.
- General Grants Fund – Accounts for revenue from many of the federal, state, and local grants that the city receives on an annual basis. This grant funding is typically required to be used for a specific purpose, such as public safety, transportation, planning, community relations, or other governmental activities.
- Neighborhood Development Grants Fund – Accounts for federal grants to be used for neighborhood activities which develop viable urban communities providing adequate housing and economic opportunities, principally for persons of low- and moderate-income.
- Municipal Services District Fund – Accounts for revenues from property tax on properties within designated Municipal Services Districts to be used to enhance economic vitality and quality of life within the districts.
- NASCAR Hall of Fame Tax Fund – Accounts for room occupancy tax to be used for the NASCAR Hall of Fame.
- Powell Bill Fund – Accounts for motor fuel taxes distributed by the state on the basis of local street mileage and population to be used for maintenance, repair, and construction of streets and highways.
- **Public Safety Communications Fund** – Accounts for contributions from City of Charlotte departments and regional partners to be used for the support of the regional public safety radio network.
- Tourism Operating Fund – Accounts for room occupancy and other tax revenues to be used for tourism purposes.

#### Pay-As-You-Go (PAYGO) Fund

Used to account for one-time capital expenditures that are ineligible for debt financing.

### Positions & Employee Pay Plans

The city delivers its services to the public through its exemplary workforce. The city's 9,036.25 full-time equivalent positions are budgeted across eight operating funds, and their cost is governed by three types of pay plans:

- Public Safety Pay Plan
- Salaried Pay Plan
- Hourly Pay Plan

Summary of Budgeted Full Time Equivalents (FTEs)		
Position Allocations by Fund	FY 2026 Budget Totals FTEs	Percent of Total Budgeted FTEs
<b>Enterprise Funds</b>	<b>3,002.00</b>	<b>33%</b>
Aviation	954.00	
Charlotte Area Transit System	664.00	
Storm Water	258.00	
Charlotte Water	1,126.00	
<b>Internal Service and Special Revenue Funds</b>	<b>176.00</b>	<b>2%</b>
Internal Services Funds		
Fleet Management	129.00	
Risk Management	25.00	
Special Revenue Funds		
Public Safety Communications	22.00	
<b>General Fund</b>	<b>5,858.25</b>	<b>65%</b>
<b>TOTAL ALL FUNDS</b>	<b>9,036.25</b>	<b>100%</b>

The **Public Safety Pay Plan** covers all Fire classifications below the rank of Battalion Fire Chief and all Police classifications below the rank of Police Lieutenant. There are two components to the Public Safety Pay Plan: the first is progression through the steps, and the second is market adjustments to the steps. This pay plan is programmed within the General Fund for the Fire and Police Departments.

The City of Charlotte's **Salaried Pay Plan** covers all salaried exempt employees. Jobs are placed in traditional ranges, with each range having a minimum and maximum. Unlike the Public Safety and the Hourly Pay Plans, there is no general pay (market) adjustment for employees in this pay plan. This pay plan has employees across all funds and city departments.

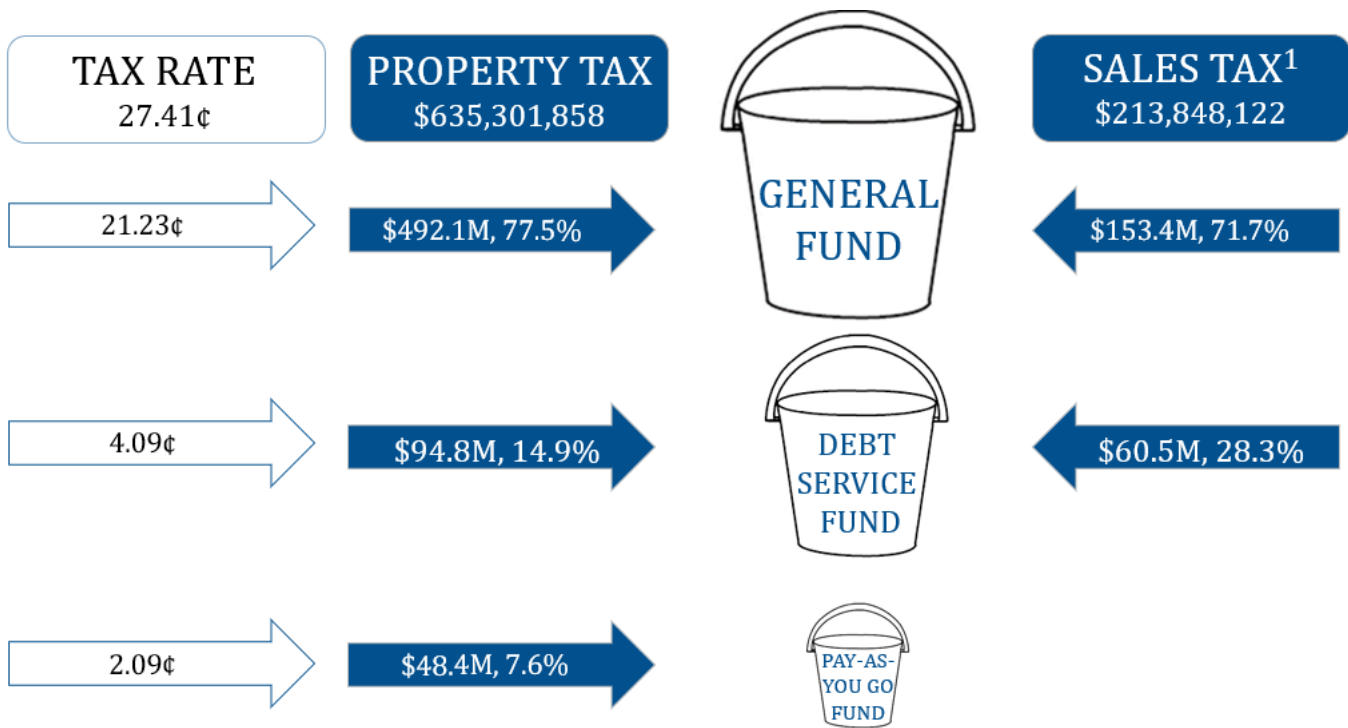
The City of Charlotte's **Hourly Pay Plan** covers hourly employees in labor, trades, and administrative positions. Jobs in the Hourly Pay Plan are placed in traditional ranges, with each range having a minimum and maximum. Typically, hourly employees receive an annual pay increase equal to the market adjustment to the Hourly Pay Plan and an annual merit increase. However, the last few years has seen certain job shortages and inflationary wage pressures in this labor market. This pay plan has employees across all funds and most city departments.

### Municipal Government Revenues in North Carolina

In addition to pay plans, another element of the budget that spans multiple funds is the city's property and sales taxes, which are allocated among the city's three major governmental funds: the General Fund, the Pay-As-You-Go Fund, and the Municipal Debt Service Fund. As the least restrictive revenues, these are also the revenues under the most demand.

Municipalities in North Carolina may only impose taxes and fees when the North Carolina General Assembly gives them such authority. The primary sources of revenue available are (1) locally imposed taxes (e.g., property tax), (2) taxes and charges levied by the county and/or state and shared in part with the city (e.g., sales tax; video programming services taxes), (3) locally-imposed user fees (e.g., permitting fees, solid waste fees, water/sewer fees), and (4) revenues that are tied to, and cannot exceed, specific budgeted costs.

## Property and Sales Tax Distribution



<sup>1</sup>Does not include 1/2 cent sales tax restricted to CATS

## Budget Key Components

### Property Tax

The revenue source which the city has both the most authority to adjust and the least restrictions with respect to authorized uses is the property tax. Relative to the other funding sources, property tax also generates the most revenue relative to the burden placed on each individual payer. Property taxes support the General Fund, the Debt Service Fund, and the Pay-As-You-Go (PAYGO) Fund.

The revenue the city receives from the property tax is dependent on the assessed value established by the county for real property, personal property, and registered motor vehicles (i.e., the tax base), the tax rate annually adopted by City Council, and an assumed collection rate (e.g., 99 percent of taxes levied are paid in the current year). The assessed value for real property is evaluated every four years, and the assessed values for personal property and motor vehicles are evaluated annually. The FY 2025 Budget included a 1.37-cent property tax increase, which was the first property tax increase in six years. Despite the increase, the city's property tax rate remains significantly lower than every municipality with over 75,000 residents in the state.

### Sales Tax

Local sales taxes levied by the county comprise 2.5 percent of the total 7.25 percent sales tax paid on retail sales in Mecklenburg County. The local sales tax portion consists of a one-cent tax (Article 39) that was first levied in 1967, a ½-cent tax (Article 40) levied in 1983, a second ½-cent tax (Article 42) levied in 1986, and an additional ½-cent tax (Article 43) that was levied in 1999 to support the transit system. All Article 39 sales tax revenue and half of Article 42 sales tax revenue is appropriated in the General Fund while Article 40 sales tax revenue and the other half of Article 42 is appropriated in the Municipal Debt Service Fund. Article 43 sales tax revenue is dedicated to the public transit system.

### Additional Funding Sources for City Services

#### County/State-Shared Revenues

Among the budgeted revenues in FY 2026, there are proceeds from various taxes that the state and/or county levy at a rate they set, proceeds from which are shared in part with the city based on pre-determined formulas the city does not control. Examples would include the sales tax and heavy equipment tax, the rates of which the city is not authorized to increase on its own. The city may receive the net profits from its local Alcoholic Beverage Control (ABC) board, but state law establishes the formulas ABC boards must follow in determining how much revenue, if any, they may distribute to their municipalities. The city also receives distributions from the state for solid waste disposal excise taxes, beer and wine excise taxes, and a sales tax on video programming services (e.g., direct-to-home satellite services). The rates are set by the state, and the formula the state follows in distributing these proceeds among all municipalities is set by state statute (unless amended by the General Assembly).

#### Locally Imposed User Fees

The city may generate revenue from the users that most directly benefit from the service provided rather than the public at large. Within the city's budget, the primary examples are the enterprise funds such as the monthly water/sewer bill collected by Charlotte Water. Examples within the General

## Budget Key Components

Operating Fund include cemeteries (a non-regulatory fee), on- and off-street parking, and solid waste fees. While these revenues also benefit from a greater level of local control, in some cases there may still be statutory limitations on the percentage of costs that these fees can recover and for what purposes the funds may be used. In addition, there are administrative considerations of collection as well, and in the case of many non-regulatory fees, such as cemeteries, a heavy burden would be imposed on users to raise a material amount of revenue.

### Cost Reimbursement Funding Sources

The General Fund may generate revenue through various avenues, with the revenue received directly tied to specific, budgeted line items; with these sources the General Fund cannot receive more revenue than what it budgets. There is limited flexibility to raise additional revenue from these sources because charging and collecting more than 100 percent of the costs involved would violate best practice or legal limitations. For example, the city may assess regulatory user fees for many of its permitting programs. However, legally, the city may not collect more than the direct and indirect costs of performing the regulatory activities for which the fees are assessed. Similarly, the enterprise funds reimburse the General Operating Fund for central service (e.g., Human Resources) costs, but they generally should not pay to the General Operating Fund more than 100 percent of their allocated central service costs.

The four broad categories outlined above are not the only sources of revenue for the General Fund, but merely the ones which produce the most revenue. However, the General Fund receives funds from other sources, including (1) leveraging its cash or non-cash assets, (2) fines, and (3) grants.

1. The city generates revenue through the sale, lease/rent, or investment of its cash or non-cash assets. This includes proceeds from the sale of the city's used vehicles, lease of space in city-owned facilities, and proceeds from investing the city's idle cash. These revenues also benefit from relatively more local control and few prohibitions on authorized uses. However, they are subject to market conditions that the city cannot control. In addition, for investments, the city is limited in the types of securities in which it may invest idle cash. Therefore, generating more revenue, in a material amount, is not automatic.
2. Among revenues which the city has relatively more local control are fines, forfeits, and penalties. Similar to non-regulatory fees, these revenues are calculated using different methods and may consider the burden that would be placed on "users" to raise a material amount of revenue. The state Constitution, case law, and recent statutory changes complicate the ability of the city to increase the fines and penalties it assesses. A fine-by-fine analysis from departments and the City Attorney would likely be needed to ensure any changes, and the subsequent new revenue would remain with the city or would be required to be remitted to Charlotte-Mecklenburg Schools.

## Budget Key Components

3. The city pursues recurring or non-recurring grant opportunities to provide services or projects that otherwise would be paid for with local tax- or rate-payer dollars. For example, the city annually receives funds from the U.S. Department of Justice and North Carolina Department of Public Safety that support the costs of salaries and benefits for officers, such as CMPD's DWI taskforce. In addition, the city pursues non-recurring funding such as the various grant programs authorized by the Infrastructure Investment and Jobs Act and Inflation Reduction Act to fund non-recurring projects that would benefit city residents.

Outside of the General Fund, the city has also utilized unique funding sources to provide more than general municipal services, including (1) hospitality revenues and (2) municipal service districts.

1. Local governments can receive special authorization from the General Assembly to establish other funding sources that are not generally applicable to all other municipalities. For Charlotte, this includes sources such as the occupancy tax or prepared food and beverage tax. However, in the local acts authorizing these revenues, the General Assembly typically does not authorize the revenues to be used for general governmental purposes but rather attaches specific restrictions on the purposes for which the revenue collected may be used. Changes in the authorized uses would require updates to the local act(s) by the General Assembly.
2. There are other revenue sources available to the city that are a hybrid between a user fee and a tax, which are special taxing districts and special assessments. The city already has six municipal service districts (i.e., special taxing districts) where property owners in those districts are taxed at a higher level than other city residents to receive certain additional services. North Carolina law does authorize the use of special assessments which is a special levy against specific properties for a specific time period for a specific capital project, but the City of Charlotte, and other local governments, have not frequently used it. This is likely because they have limited authorized uses, are reimbursement-based, and the process for establishing them is considered by some to be onerous.

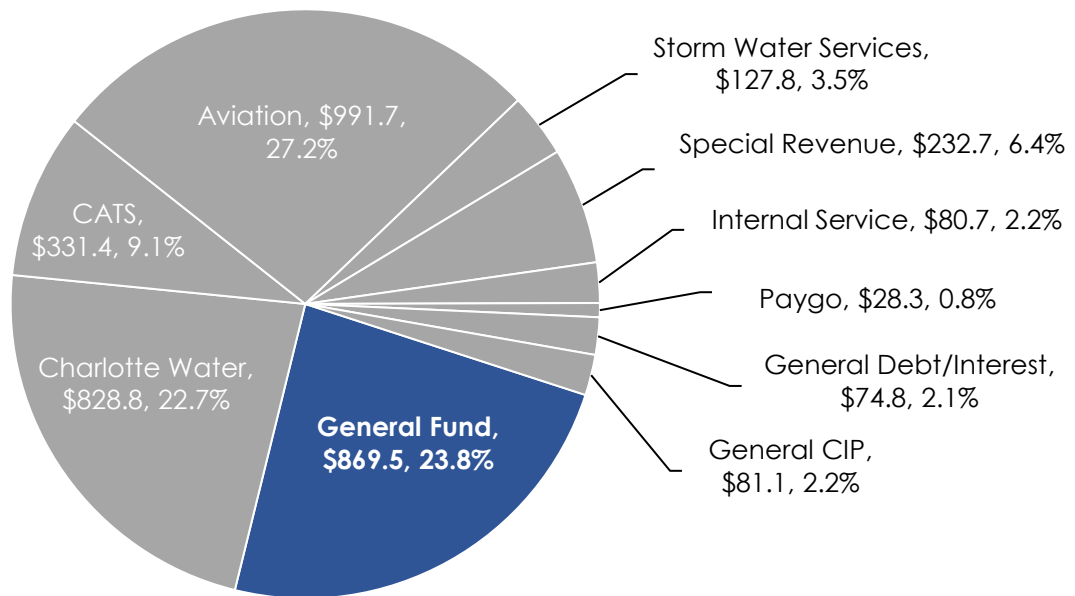
### General Fund

The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.



FY 2026 Budget (Net of Transfers)		FTEs
General Fund	\$943,500,000	5,858.25
Reimbursements & transfers to other Funds	(\$74,044,669)	
<b>Sub-total General Fund</b>	<b>\$869,455,331</b>	
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Special Revenue Funds	\$232,654,324	22
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<b>Total All Funds</b>	<b>\$3,646,722,462</b>	<b>9,036.25</b>

**FY 2026 Adopted Budget (Net of Transfers)**



### General Fund Funding Sources

A balanced budget requires anticipated revenues equal appropriated expenditures. Using best practice budgeting principles, anticipated revenue is the key driver of the budget development process. The city's revenue forecasting philosophy is focused on realistic expectations, while considering historic data and trends. For FY 2026, revenue estimates were compiled using information provided by the North Carolina League of Municipalities, statistical trends, and other local factors. The total General Fund budget for FY 2026 is \$943.5 million, a revenue increase of \$46.7 million (or an increase of 5.2 percent) from the FY 2025 Budget. The General Fund property tax rate is 21.23¢ per \$100 valuation which includes 0.27¢ transferred from the Municipal Debt Service Fund in FY 2026.

#### FLEXIBILITY TO LOCALLY ADJUST MAJOR GENERAL FUND REVENUES

Funding Source	Amount	% of Total	Flexibility to Adjust Locally
<b>Property Tax</b>	<b>\$494,861,043</b>	<b>52.4%</b>	<b>More Flexible</b>
Sales Tax	\$153,353,397	16.3%	Less Flexible
Cost Reimbursements from Non-General Funds	\$75,050,372	8.0%	Less Flexible
Utilities Franchise Sales Tax	\$63,897,043	6.8%	Less Flexible
<b>Solid Waste Fee</b>	<b>\$45,109,161</b>	<b>4.8%</b>	<b>More Flexible</b>
All Other Revenues	\$111,228,984	11.8%	
<b>TOTAL</b>	<b>\$943,500,000</b>	<b>100%</b>	

Of all the major revenue sources for the General Fund, the city has the greatest ability to adjust Property Taxes and Solid Waste Fees. These sources can be adjusted at the local government level and can impact the city's budget depending on the rates that are adopted by Council.

#### Revaluation and Property Taxes

Although the market value of property fluctuates over time, changes in property values do not directly change city revenues from year to year. Mecklenburg County is prohibited by state law from changing the assessed value of a property based on market conditions between property revaluations. Mecklenburg County is currently on a four-year cycle for conducting a revaluation on real property, which means the next revaluation will take place in 2027 and be the basis for the FY 2028 budget adopted in June 2027. In between revaluations, a property's assessed value and its market value may diverge. In between revaluations, the city's property tax revenue only grows from new construction, physical improvements, or changes in the permissible use of existing property.

Once a property revaluation is completed, the State of North Carolina legally requires municipalities and counties to publish a "revenue-neutral" property tax rate as part of the budget adoption process. The revenue-neutral tax rate is the tax rate that, when applied to the new property values, would generate the same amount of property tax revenue as the present year using the present property values and tax rate. Although individual tax bills will go up or down, no additional revenue is generated from the increased value of existing properties unless the property tax rate is increased.

Although a governing board is not required to adopt the revenue-neutral rate, the revenue-neutral rate was adopted in FY 2020 and FY 2024, the last two revaluation years. Inflationary forces that increase the value of properties in a rapidly growing city similarly impact the cost of providing municipal

## Budget Key Components

services. As the city continues to grow, and with the next property tax revaluation approaching the city will review different ways to better align property tax revenues with growth and cost of service delivery.

### Economic Outlook

While property tax revenues tend to lag behind inflation, they are incredibly stable from year to year. Other revenues are more substantially and immediately impacted by changes in economic conditions. As such, the economic outlook is another essential element to the budget development process. After slower statewide economic growth in 2025, multiple indicators forecast growth in 2026 at 3.0 percent compared to just 2.5 percent in 2025. This increased projection is with reservation as increased unemployment rates in the labor market may hinder consumer demand in the months ahead. Less consumer spending equates to slower sales tax growth for the city and could impact other market-driven revenues. It also remains unclear how any potential Federal policies in 2026 will impact inflation, consumer spending and overall economic growth, which could further impact city revenues.

### Sales Tax

A revenue source that is substantially impacted by economic conditions are sales taxes. Each budget cycle, the city analyzes current-year sales tax receipts and forecasts how those revenues are expected to perform through the end of the upcoming fiscal year. Since sales tax is collected by the state, the city receives these revenues three months after they are collected. This means that when the city is planning its budget forecast each spring it only has six to eight months of revenue in the current year. Therefore, the budgeted revenue is based on 18 to 20 months of projections of a volatile funding source, which need to be monitored throughout the year to make sure revenues come in as expected.

To date in FY 2026, sales tax receipts have exceeded initial expectations; however, several headwinds remain. A key source of volatility is sales tax refunds issued to nonprofit organizations, which are processed irregularly and can significantly impact monthly collections. FY 2025 concluded with refund levels approximately 15 percent below the historical average, a condition that is unlikely to persist in FY 2026. To account for this risk, the FY 2026 sales tax growth assumption was reduced to 3.0 percent for the remainder of the fiscal year. In the near term, slowing consumer demand and easing price pressures are expected to constrain sales tax growth, creating potential revenue risk in both FY 2026 and FY 2027.

### Solid Waste Services Fee

The city collects a single family residential solid waste annual fee and a multi-family annual fee to offset a portion of the cost of providing solid waste services. The current annual curbside and dumpster residential fees are \$120.30 and \$109.90, respectively to generate \$44.8 million in revenues. The residential dumpster fee generates enough revenue to offset the full cost of dumpster services. However, the revenue in FY 2026 from the curbside residential fee will recover just below 40 percent of the cost of curbside services with the goal to reach 50 percent cost recovery by FY 2029.

### Other Revenues

Most of the General Fund's remaining revenue sources, including sales tax, are otherwise controlled by the state or limited to recovering only the specific costs incurred.

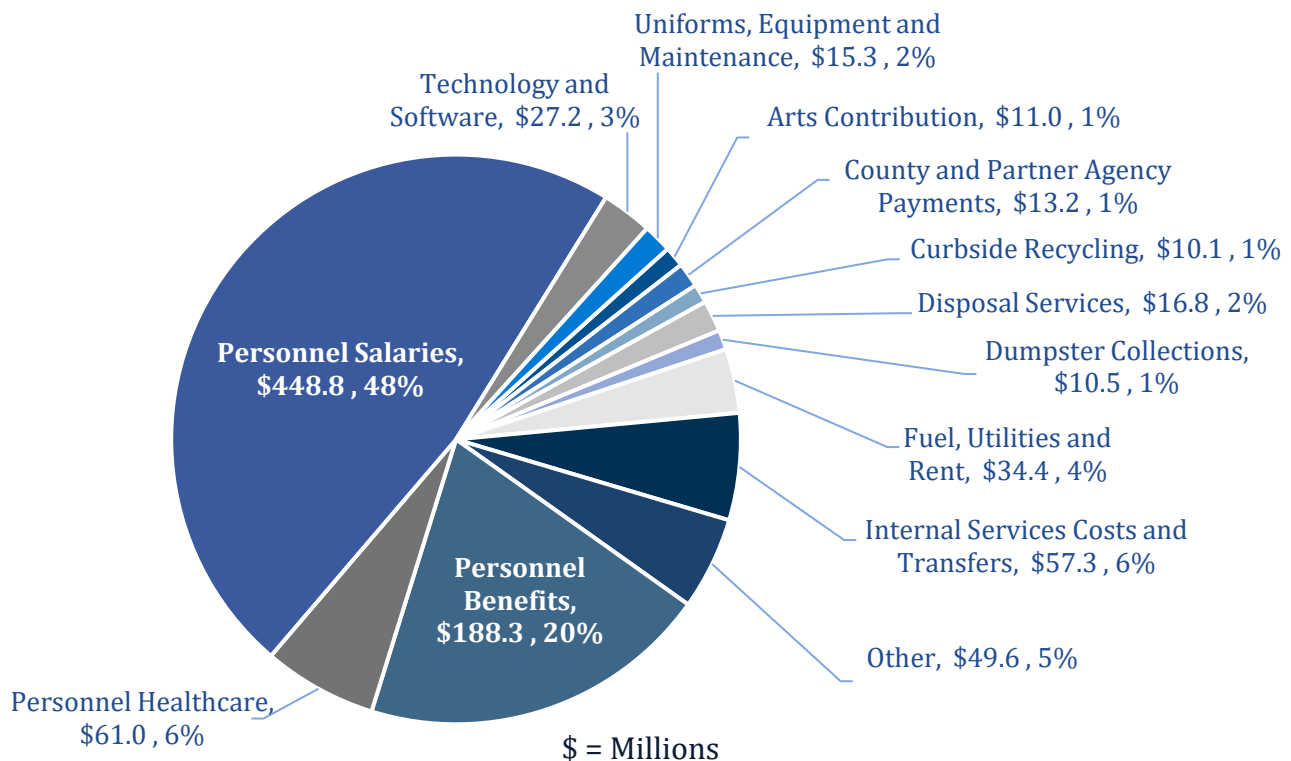
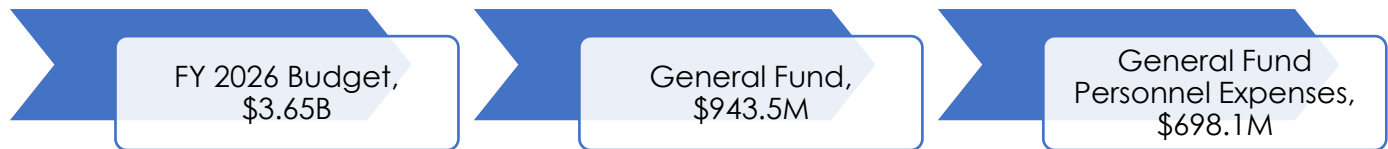
## Budget Key Components

### General Fund Expenses

The General Fund, being funded by the city's general tax revenue and other resources with the least restrictions, has higher demands for those resources spanning across 21 departments and a number of outside agencies. Despite the wide range of demands most of the spending is concentrated in the Police (38.8 percent) and Fire (22.0 percent) Departments because those department are highly dependent on personnel. Non-personnel expenses fund a wide variety of needs, including internal service costs, partner contributions, contracted services, utilities, technology, and other essential operating expenses that help General Fund departments deliver exceptional service.

Personnel Costs - \$698.1M

Personnel expenses comprise most of the General Fund's budget, representing 74 percent of the budget. General Fund employees account for 65 percent of the city's total full-time equivalents (FTE), which are the city's budgeted positions. The FY 2026 Budget for personnel in the Police and Fire Departments is \$503.1 million which equates to 72 percent of all General Fund personnel costs, and 53 percent of the entire General Fund. The remaining 28 percent of non-personnel costs are programmed for various operations and service delivery for both internal city services and public-facing services provided to the community.



## Budget Key Components

### Specified Non-Personnel Services - \$138.5M

The General Fund pays for several essential non-personnel costs that support service delivery. One predictable example is the cost of fuel, utilities, and rent (\$34.4M). The city also prioritizes investments in technology that support effective service delivery (\$27.2M). Additionally, the city pays the county and partner agencies for the city's share of elections, country stormwater, and tax increment grants (\$12.7M) as well as the city's \$11 million annual allocation for Arts and Culture. The city pays outside vendors for residential dumpster collections (\$10.5M) and curbside recycling services (\$10.1M) and is charged a tipping fee (\$16.8M) for the disposal of waste into the county landfill. Other non-personnel expenses directly support city staff in effective service delivery, such as uniforms, equipment, and essential maintenance expenses (\$15.2M).

### Internal Service Costs - \$57.3M

The internal service costs and transfers portion of the General Fund budget primarily represents services provided by city departments to one another. More specifically, these services are focused on protecting the city and maintaining the city's assets. For example, over \$25 million represents maintenance costs paid to the Fleet Management Fund for the upkeep of the General Fund's Police, Fire, Solid Waste, and other vehicles, while over \$19 million represents the General Fund's portion of claims and operating costs to the Risk Management Fund. Other expenses in this category include operations of the Government Center, landscaping of General Fund facilities, building maintenance operations, and annual computer replacement.

These costs are essentially fixed and unavoidable as basic responsibilities of a well-managed city government. Reducing the budget for some of these line items would lead to a degradation in the city's assets, impacting the city's ability to provide services, and, in the case of Risk Management, impact the city's ability to protect itself and taxpayers from avoidable risk and liabilities.

### Other Costs - \$49.6

While there are many individual non-personnel expenses that by themselves are a small part of the General Fund, many are essential for effective service delivery. For example, public safety services rely on essential operating dollars to support operations and personnel with essential supplies, technology, and which typically equates to over \$14.7 million. The remaining amount includes:

- Grounds Maintenance and Custodial Services (\$3.5M),
- Reimbursement for travel, training and tuition (\$2.8M); and dues, subscriptions and licenses(\$1.3M),
- Management of on-street parking (\$2.5M),
- Security services (\$1.6M) and other contracted personnel services (\$2.1M),
- Printing and postage (\$2.2M); and billing/revenue collections services (\$1.1M)ta,
- Rollout carts for waste collection (\$1.9M) and other operating supplies (\$1.2M)
- Technology help desk (\$1.9M),

## Budget Key Components

- Services to be offset by revenue (\$1.9M) that rely on estimated revenues to be received before spending,
- Professional and technical services (\$1.5M), and
- Tax increment grants (\$1.1m)

### Managing Costs

Together, these personnel and non-personnel expenditures are monitored and regularly adjusted through the annual budget process to minimize costs without hindering quality service delivery. Over the past five budget cycles, the city has identified and reallocated \$32 million in savings from the General Fund budget. Results of FY 2026's assessment yielded over \$7 million in new efficiencies, predominantly due to technology advances, updated cost recovery allocations, and optimizing the delivery of services.

Although this is an important part of the budget process to ensure cost efficiency and quality value to the taxpayers, there are limits to how much existing resources can be stretched before services are impacted. As the city plans for future costs, it is critical to balance the quality of services and low costs of government that are both essential to support a growing city.

### Fund Balance in the General Fund

One Budget Principle is that the city's General Fund maintains an amount in Fund Balance equal to 16 percent of the General Fund budget. Fund Balance in the General Fund represents the difference between assets and liabilities, or the Fund's net position. Fund Balance is used to manage cash flow, respond to unexpected events, and address unanticipated budgetary issues, among other purposes.

At the end of each fiscal year, the city calculates a final surplus or deficit for that year based on whether the General Fund expended more or less than budgeted and whether the General Fund received more or less revenue than budgeted. Revenues are conservatively estimated during budget development and expenditures are managed throughout the year with the goal of ending each year with a surplus. To ensure compliance with the city's Budget Principles and Financial Policies, a portion of each year's surplus is used to ensure the General Fund maintains an unassigned fund balance equal to 16 percent of the following year's budget. If the required reserves are met and additional funds still remain, by Policy, the remainder is transferred to the Pay-As-You-Go capital program for one-time uses unless otherwise recommended by the City Manager and approved by City Council for other purposes.

For example, in FY 2025, the General Fund ended the year with a \$11.58 million surplus, \$4.09 million of which was used to meet other accounting or reserve requirements and \$7.48 million of which was used to maintain the 16 percent Fund Balance Policy. This left only slightly more than \$10,000 to be used for the Pay-As-You-Go capital program in the FY 2027 Budget proposed to City Council in May 2026.

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Surplus/Deficit</b>	<b>\$14.68M</b>	<b>\$23.39M</b>	<b>\$26.77M</b>	<b>\$24.82M</b>	<b>\$11.58M</b>
Other Restrictions/Reserves	(\$2.52M)	(\$4.59M)	(\$3.22M)	(\$0.84M)	(\$4.09M)
Contribution to 16% Reserve	(\$5.11M)	(\$5.45M)	(\$7.81M)	(\$10.11M)	(\$7.48M)
<b>Balance Available for Future PAYGO</b>	<b>\$7.05M</b>	<b>\$13.35M</b>	<b>\$15.74M</b>	<b>\$13.87M</b>	<b>\$0.01M</b>

### Funding the Capital Investment Plan (CIP)

Projects included in the CIP are funded with various sources, including debt instruments, grants, and/or cash. The use of long-term debt financing for CIP projects indicates that the anticipated life of the asset is greater than the life of the debt. Descriptions of the various funding sources are listed below.

#### General Capital Projects

- **General Obligation (GO) Bond:** A long-term financing tool that is paid by a portion of property and sales tax revenue in exchange for borrowed debt. This type of bond requires voter approval and occurs in November of even-numbered calendar years. Residents do not vote on specific projects or programs but rather descriptions of the types of projects that may be funded within the bond categories: Housing, Neighborhood Improvement, and Transportation.
- **Other Debt:** This debt may include Limited Obligation Bonds (LOBs)/Certificates of Participation (COPs) and Special Obligation Bonds. These are long-term financing tools that pledge an asset in exchange for borrowed debt (similar to a home mortgage). This type of funding is traditionally used for facility construction or renovation. This debt does not require voter approval and does not follow the same biennial schedule as GO Bonds.
- **Reappropriation of Prior Authorization:** Funds available from projects identified through the formal project close-out process.
- **Grants:** Funds received from outside parties including non-profits, private entities, and state agencies such as the North Carolina Department of Transportation (NCDOT).
- **Cash:** Cash may be used, as available, to support completion of capital projects or pay-off existing debt funding. Cash may be available from Pay-As-You-Go funds or may come from other sources such as fund balance in the Municipal Debt Service Fund.

#### General Pay-As-You-Go (PAYGO)

- **Property Tax:** Of the total 27.41¢ property tax rate, 2.09¢ is dedicated to the PAYGO program.
- **Capital Reserve:** Surplus revenue collected in the General Fund two years prior (e.g., the FY 2026 PAYGO program included the FY 2024 General Fund surplus). In recent years 25 to 30 percent of the PAYGO program has been supported by capital reserves.
- **Other Revenue:** Funds collected from other sources including the sale of city-owned property, interest earnings, etc.

#### Transit PAYGO

- **Vehicle Rental Tax (U-Drive-It):** Mecklenburg County levies a five percent rental tax that applies to passenger cars, trucks, SUVs, motorcycles, and small property-hauling vehicles; the city does not have statutory authority to assess a similar tax. As outlined in state statute and a 2006 Interlocal Agreement, the county passes the full amount of the U-Drive-It Rental Tax revenue to the city, which then distributes proportionate revenue to the towns in Mecklenburg County in which the rental originated.
- **Motor Vehicle License:** Dollars represent a flat fee. \$23.50 of the total \$30 per vehicle fee goes toward the Transit PAYGO program. This fee is included on residents' annual property tax bills. The other \$6.50 of the \$30 fee goes to the General Fund (\$5.00) and Municipal Debt Service Fund (\$1.50).

### General Capital Investment Plan

The General Capital Investment Plan (CIP) is a multi-year plan that makes investments to support the growth and vitality of the community and improve quality of life. The CIP plans for long-term capital infrastructure, which is broadly defined as the construction or acquisition of fixed assets such as roads, sidewalks, buildings, capital building maintenance, real estate, equipment, culverts, or pipes.



FY 2026 Budget (Net of Transfers)	FTEs
General Fund	\$943,500,000 5,858.25
Reimbursements & transfers to other Funds	(\$74,044,669)
<b>Sub-total General Fund</b>	<b>\$869,455,331</b>
Aviation	\$991,738,515 954
Charlotte Area Transit System (CATS)	\$331,394,755 664
Charlotte Water	\$828,774,644 1,126
Storm Water	\$127,788,390 258
<b>Sub-total Enterprise Funds</b>	<b>\$2,279,696,304</b>
General Capital Investment Plan	\$81,148,945
General Capital Debt Service	\$74,770,993
Pay-As-You-Go Funds	\$28,257,064
<b>Sub-Total Capital Investments</b>	<b>\$184,177,002</b>
Special Revenue Funds	\$232,654,324 22
Internal Service Funds	\$80,739,501 154
<b>Total All Funds</b>	<b>\$3,646,722,462 9,036.25</b>

The CIP provides residents with an outline of how the city anticipates investing capital funds for the next five years. The first year of the five-year plan is adopted by City Council, while the remaining four years are provided as a plan. The inclusion of a project in the four out-years does not guarantee future funding as the needs and priorities of future City Councils may change.

The current five-year CIP presents a plan for FY 2026 through FY 2030. A General Obligation Bond Referendum occurred in FY 2025, and the next bond referendum is being planned for FY 2027. Since there is not a referendum in FY 2026 the budget is much smaller due to the absence of bond funding.

#### General FY 2026-2030 CIP

The adopted FY 2025 CIP included historic investments through the city's General Obligation (GO) Bond program. The 2024 Housing Bond increased from \$50 million in the FY 2023 CIP to \$100 million, and the 2024 Neighborhood and Transportation Bonds increased from \$176 million to \$300 million. This was made possible by a 0.25 cent property tax increase dedicated to the city's GO Bond capacity, and a pull forward of capacity that had previously been scheduled for future years. The Adopted FY 2026 CIP plans for a return to a combined \$220 million "steady state" bond capacity in FY 2027, FY 2029, and beyond.

## Budget Key Components

The FY 2026 CIP also included a realignment of revenue resources between the General Fund, Pay-As-You-Go Fund (PAYGO), and the Municipal Debt Service Fund to meet the growing demands of the General Fund, maintain the \$220 million steady state debt capacity for GO Bonds, and preserve planned capacity in the PAYGO Fund. This included:

- An exchange of sales tax revenue from the PAYGO Fund to the Municipal Debt Service Fund for an equivalent amount of property tax, which maintained the same amount of planned revenue in each fund but provided higher out-year growth (and therefor debt capacity) in the Municipal Debt Service Fund.
- The movement of five percent of the city's Motor Vehicle License revenue from the PAYGO Fund (specifically Transit PAYGO) to the Municipal Debt Service Fund, which is equivalent to ~\$1 million in revenue.
- The movement of 0.27 cents of property tax, which is equivalent to \$5.3 million, from the Municipal Debt Service Fund to the General Fund to support growing operating expenses.

While FY 2026 was not a bond year, the city planned for investments in construction of new facilities, renovation of facilities, vehicle purchases, and other targeted areas through Certificates of Participation and PAYGO funding. Highlights of projects and programs in the FY 2026 CIP include:

- Continuation of the multi-year \$107 million program to construct and renovate Fire facilities with a \$25.6 million allocation in FY 2026.
- Fully funding the expansion of the 911 call centers at CMPD Headquarters and the Police and Fire Training academy. \$2 million was added in FY 2026, bringing the total project to \$9 million.
- Advancing the Strategic Energy Action Plan with \$2.5 million of Certificates of Participation and additional PAYGO funding or the installation of sustainable infrastructure at city-owned facilities.
- Improving existing Fire facilities with \$700,000 for gender equity renovations in women's restrooms and exercise rooms.
- Providing more than \$6 million to ensure well-maintained and efficient city-owned facilities.
- Reserving \$7.5 million for a satellite Animal Care and Control adoption facility that remains in the Advanced Planning and Design Program.

The Adopted FY 2026-2030 CIP includes two planned bonds in FY 2027 and FY 2029 that will be reviewed as part of the FY 2027 budget development process.

### Enterprise Funds

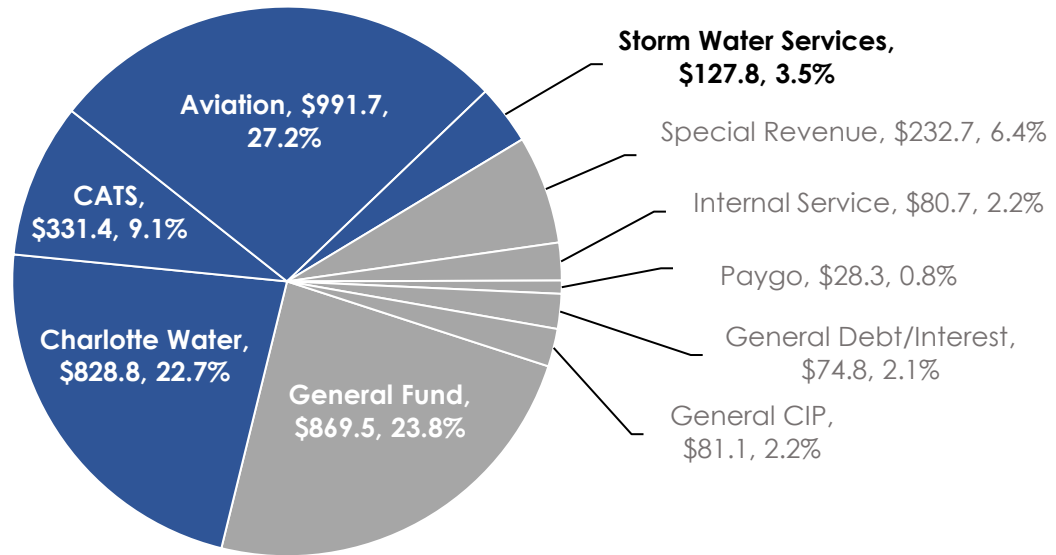
The city's Enterprise Funds are used to account for revenues and expenditures of city services that are funded primarily through user fees. Revenue generated in these enterprise funds are restricted and any revenue growth is needed to keep pace with inflation and growth pressures within each enterprise. City services that use enterprise funds include:

- **Aviation** - Accounts for the operation of the Charlotte Douglas International Airport (CLT), owner/operator of the city's commercial service airport.
- **Public Transit** - Accounts for the operation of the **Charlotte Area Transit System (CATS)**, provider of public mass transportation.
- **Storm Water** - Accounts for the operation of Charlotte Storm Water Services, administrator of stormwater programs and policies.
- **Water and Sewer** - Accounts for the operation of the Charlotte Water Department, provider of water and wastewater services.



	FY 2026 Budget (Net of Transfers)	FTEs
General Fund	\$943,500,000	5,858.25
Reimbursements & transfers to other Funds	(\$74,044,669)	
<b>Sub-total General Fund</b>	<b>\$869,455,331</b>	
Aviation	\$991,738,515	954
Charlotte Area Transit System (CATS)	\$331,394,755	664
Charlotte Water	\$828,774,644	1,126
Storm Water	\$127,788,390	258
<b>Sub-total Enterprise Funds</b>	<b>\$2,279,696,304</b>	
General Capital Investment Plan	\$81,148,945	
General Capital Debt Service	\$74,770,993	
Pay-As-You-Go Funds	\$28,257,064	
<b>Sub-Total Capital Investments</b>	<b>\$184,177,002</b>	
Special Revenue Funds	\$232,654,324	22
Internal Service Funds	\$80,739,501	154
<b>Total All Funds</b>	<b>\$3,646,722,462</b>	<b>9,036.25</b>

### FY 2026 Adopted Budget (Net of Transfers)



#### Aviation

CLT is projected to serve 26.5 million enplaned passengers in FY 2026. It is the third busiest single airline hub in the country and is one of two airports in the geographically optimal Southeastern region of the United States. CLT also scores well with the following airport metrics:

- Cost per Enplanement – Cost of airline rates and charges per passenger
  - Remains the lowest of any large-hub airport in the United States (~\$3.55/passenger)
- Passenger Facility Charges – Charged per passenger per flight segment
  - Remained at \$4.50, equal to other large-hub U.S. airports
- Contract Facility Charges – Charged per rental car per day
  - Remained at \$6.00

#### Charlotte Area Transit System (CATS)

CATS moves over 12 million people annually, serves a five-county area, runs the state's only light rail system, and is the largest transportation system between Atlanta and DC.

- Provides core transportation services via:
  - Bus, vanpool, light rail, streetcar, and Americans with Disabilities Act (ADA) paratransit services

#### One Water

The City of Charlotte operates the largest public water and wastewater utility in the Carolinas.

- Serves more than 1 million customers per day in five counties
- Storm Water maintains “very affordable rates” based on Standard and Poors (S&P) storm water assessment
- Charlotte Water manages over \$536 million in funding invested within Corridors of Opportunity
- Storm Water manages \$144 million in projects within Corridors of Opportunity

## Budget Key Components

### **Enterprise Capital Investment Plans**

Each Enterprise department develops and implements its own Capital Investment Plan (CIP). Projects within each Enterprise CIP address the long-term needs of the department and the city as a whole. Highlights of the Enterprise CIPs include:

#### Aviation

- Airport Terminal Renovations
- Airfield Capacity Enhancements
- Ground Transportation Expansion

#### CATS

- Transit System Development
- Transit Facilities Maintenance
- Transit Safety and Security Enhancements

#### Charlotte Water

- New Water and Sewer Service Installation and Expansion
- Wastewater Infrastructure Rehabilitation and Improvements
- Water Treatment Plants Upgrades

#### Stormwater

- Storm Water Drainage Improvements
- Surface Water Quality Improvements
- Streams and Wetlands Impact Mitigation

### Special Revenue and Internal Service Funds



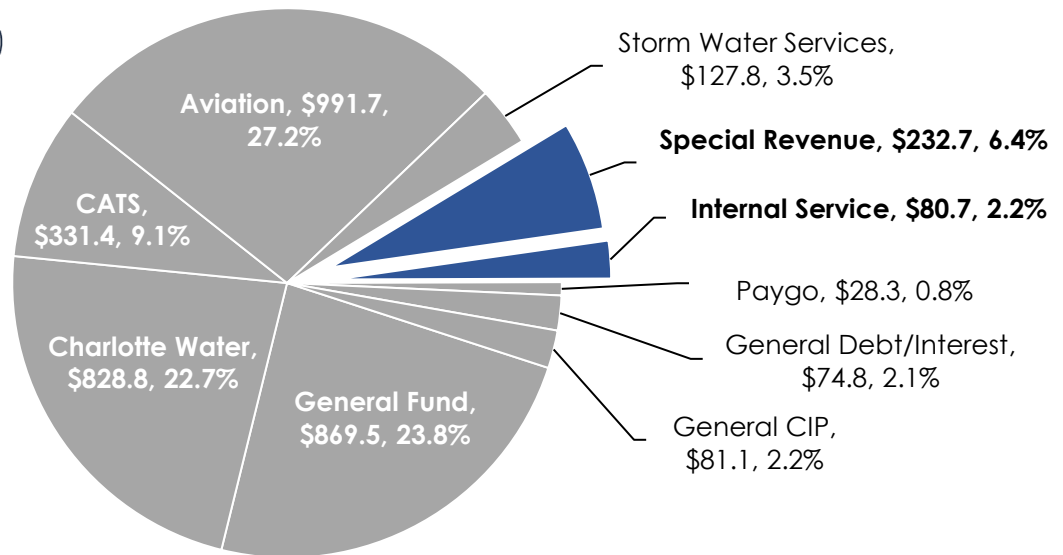
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<b>Total All Funds</b>	<b>\$3,646,722,462</b>	<b>9,036.25</b>

#### Special Revenue Fund

A fund used to account for the proceeds of specific revenue sources that are restricted for the specific purposes

#### Internal Service Fund

A fund used to account for activities or services where the customers are internal (e.g. employees, other city departments) rather than external (e.g. city residents)



### Special Revenue Funds

The city maintains multiple special revenue funds, each of which is used to account for various funding sources that have restrictions on the purpose for which they may be used. These funding sources can be grouped into four general categories:

- Tourism and Hospitality Funds
  - Revenues include the prepared food and beverage tax and occupancy taxes
  - Funds can be used to support tourism events, marketing, and maintaining facilities such as Bank of America Stadium, the Convention Center, and the Spectrum Center
  - Uses of these funds are governed by the local acts enacted by the North Carolina General Assembly
- Federal and State Grants
  - Revenues include federal and state grants that the city typically receives each year
  - General Fund departments such as Police, Fire, Transportation, and Housing & Neighborhood Services receive various grants that supplement General Fund resources
  - Enterprise Funds, particularly Aviation and CATS, also regularly receive federal and state funding and that funding is accounted for in those enterprise funds
- Municipal Service Districts
  - Revenues come from a supplemental property tax annually authorized by City Council for specific geographic areas around the city
  - Funds must be used for specific purposes that are established by state statute
- Developer and other Private Contributions
  - Revenues come from contributions from the community such as donations to the Police Foundation and Animal Care & Control
  - Revenues also include contributions from developers to preserve the city's tree canopy, advance affordable housing, or construct traffic mitigation infrastructure

### Internal Service Funds

Revenues and expenditures for internal-facing city services are managed using Internal Service Funds. The City of Charlotte uses three Internal Service Funds:

- Employee Health & Life Fund
- Risk Management Fund
- Fleet Management Fund

#### Employee Health and Life Fund: \$71.8M

The Employee Health and Life Fund accounts for the medical, prescription, dental, and other benefits provided by the city to employees. Each operating fund contributes the city's employer contribution to this fund, and this fund receives the premiums paid by each employee for the various coverages in which they enroll. The city is primarily self-insured and purchases excess insurance to help mitigate the financial impact to the city of unexpected, high costs from claims. Due to the volatility in costs for these types of expenditures, the city needs to maintain a reserve in this fund of \$17-26 million to cover outstanding, unpaid claims and unexpected costs. In FY 2026, the city's operating funds are budgeted to contribute \$94 million (General Fund: \$61 million), 40 percent more on a per-employee basis than FY 2021.

## Budget Key Components

### Risk Management Fund: \$5.1M

The Risk Management Fund accounts for claims paid by the city for workers' compensation, automobile accidents, and other claims against the city. The Risk Management Fund receives funds from each of the city's operating funds as well as Mecklenburg County, Charlotte-Mecklenburg Schools, and Medic. The city is primarily self-insured and purchases excess insurance to help mitigate the financial impact to the city of unexpected, high costs from claims. However, there is greater volatility in expenditures year-to-year given the nature of the services, so the city must maintain a reserve in this fund. Historically, the city has maintained a reserve for outstanding, unpaid claims. In addition to the reserve to cover outstanding, unpaid claims, the city has a historical goal of maintaining \$20 million in a "rainy-day" reserve. In FY 2026, the city's operating funds are budgeted to contribute \$42 million (General Fund: \$19.9 million), 84 percent (General Fund: 67%) more than FY 2021 representing nearly \$8 million in recurring costs to the General Fund.

### Fleet Management Fund: \$3.8M

The Fleet Management Fund was created in FY 2025 and accounts for the activities and services provided by the city's Fleet Management division to other city and county departments. Similar to the General Fund, its primary expenditures consist of salaries and benefits of employees and parts and supplies for vehicle repairs and maintenance. In FY 2026 the city's operating funds are budgeted to contribute \$32.6 million (General Fund: \$25.7m), 42 percent more than FY 2021. For the General Fund, the increase is slightly less at 38 percent since FY 2021 and amounts to an increase of more than \$7 million in recurring costs each year.

### FY 2027 Budget Development

#### Phase I – Budget Policy Development

*Community Engagement: Community Input Survey, Listening Sessions, and Community Budget Simulations*

- **October 2025** – FY 2027 Operating and FY 2027-2031 Capital Budget Kick-off
- **December 2025** – City Council Business Meeting; Approve FY 2027 Budget Meeting Schedule
- **January 25-28, 2026** – Annual Council Strategy Meeting
- **February 2, 2026** – Council Budget, Governance, and Intergovernmental Relations Committee Meeting, Review FY 2027 Budget Meeting Topics Schedule
- **February 23, 2026** – Council FY 2027 Budget Workshop #1
- **March 2, 2026** – Council Budget, Governance, and Intergovernmental Relations Committee Meeting
- **March 23, 2026** – Council FY 2027 Budget Workshop #2
- **April 6, 2026** – Council Budget, Governance, and Intergovernmental Relations Committee Meeting

#### Phase II – Budget Deliberations and Adoption

- **May 4, 2026** – City Manager's FY 2027 Proposed Budget Presentation
- **May 11, 2026** – FY 2027 Budget Public Hearing
- **May 20, 2026** – Council FY 2027 Budget Adjustments Meeting
- **June 1, 2026** – Council FY 2027 Budget Straw Votes Meeting
- **June 8, 2026** – Vote on FY 2027 Budget Adoption