



Economic Outlook and Budget Update

CITY COUNCIL BUDGET WORKSHOP
FEBRUARY 10, 2025

Discussion Topics Outline

- ▶ **Budget Overview**
- ▶ **Economic Outlook**
- ▶ **Budget Considerations**
 - Public Safety Funding Pressures
 - Compensation Considerations
 - Benefits Review
- ▶ **Funding Look Ahead**

Council Strategic Priorities



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 change of the community. Addressing change with strategic investments, building and maintaining a comprehensive transportation network, and placemaking strategies that encourage connection between neighborhoods and employment centers



Workforce 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.

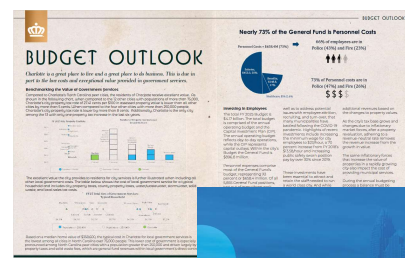


Well-Managed Government

Ensuring the city demonstrates inclusivity through commitment to and focusing 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.

Annual Strategy Meeting Recap

- ▶ Triple A credit rating bolstered by history of strong financial management practices
- ▶ City services provided at a lower cost than other North Carolina cities
- ▶ Property Tax, the largest General Fund revenue source doesn't grow with inflation
- ▶ Monitor performance to ensure quality service delivery is balanced with cost efficiency
- ▶ Public Safety costs continue to drive the budget



City Budget Overview

Strong Financial Management

- ▶ Management practices bolster the city's credit rating
- ▶ 46 years and counting of triple A credit ratings
- ▶ History of achieving budget and forecasts
- ▶ Debt and capital planning
- ▶ Debt affordability modeling

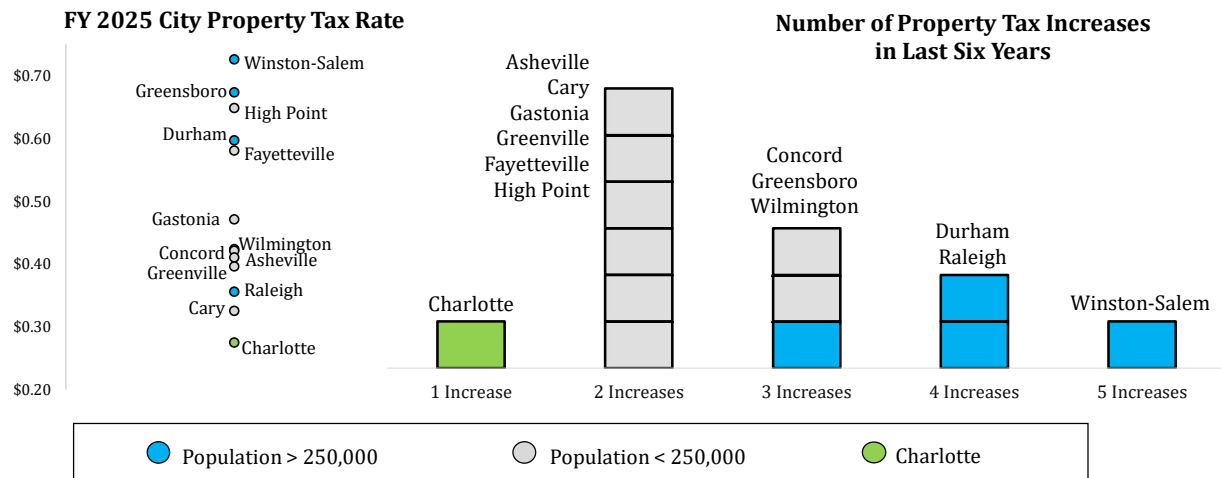


Comparing Typical Cost of Government to North Carolina Peers

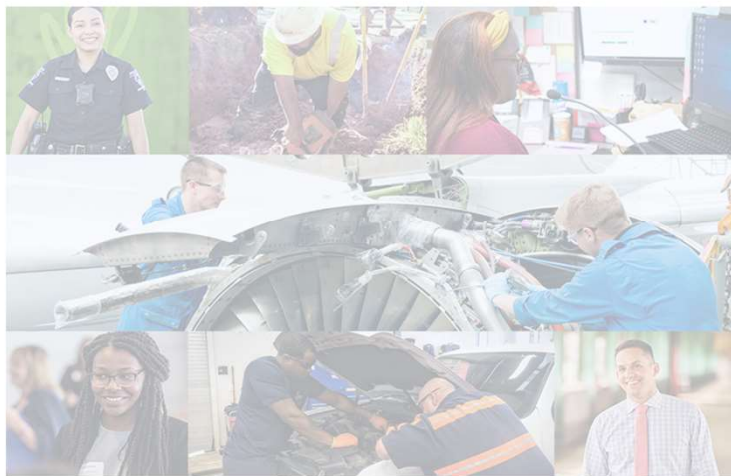


Cost of Government Includes: The graph above shows the cost of local government service for a typical household and includes city property taxes, county property taxes, water/wastewater, stormwater, solid waste, and local sales tax costs.

Our property tax is low, too...



Council Adopted Recruitment and Retention Strategies



Increased minimum wage to \$23/hr, a 70% increase since FY 2018's \$13.58/hour

Offered shift differential and commercial drivers license premiums to help combat vacancy rates amongst city operations

Minimized employee healthcare premium increases with only two in recent years

Increased police starting pay by 32.1%, top pay by 39.1%, and made three fewer steps to top pay since FY 2019

Increased fire starting by 32.2%, top pay by 35.1%, and made four fewer steps to top pay since FY 2019

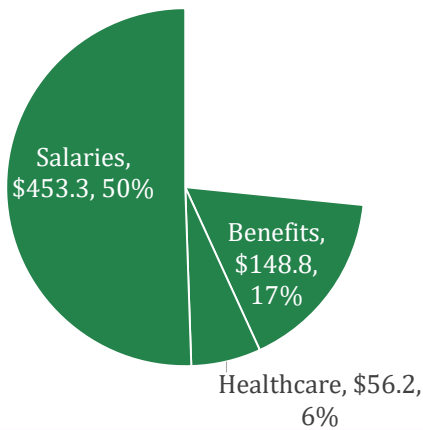
Increased average hourly pay by 36.9% since FY 2019 (with greater increases for employees closer to minimum pay)

Budgeted compensation adjustments surpassed inflation rate for employees

As of November 2024, 97% of employees made \$50,000 or more per year

Nearly 73% of the General Fund is Personnel Costs

**Personnel Costs = \$658.4M
(73%)**



66% of employees are in
Police (43%) and Fire (23%)



73% of Personnel costs are in
Police (47%) and Fire (26%)

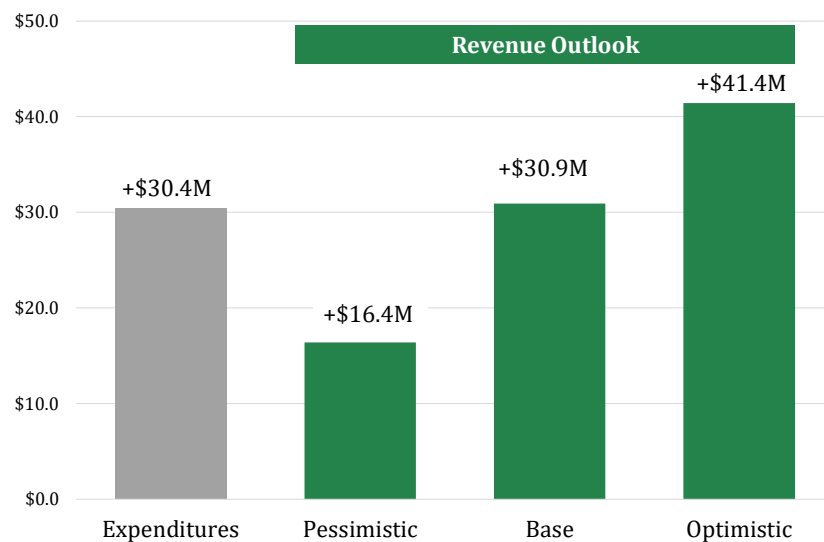


Expenditure Outlook vs. Revenue Forecast

**FY 2025 Adopted
Budget \$896.8M**



**Incremental
Expenditure Growth
before Pay Plan**

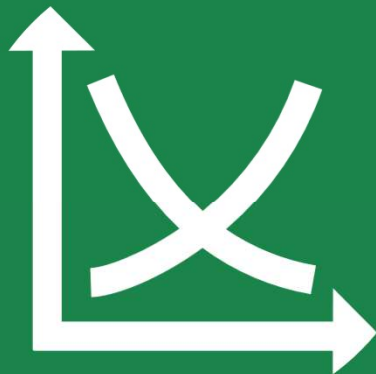


Not Dissimilar from Prior Budget Outlooks

Projected Starting Point

(without Pay Plan)

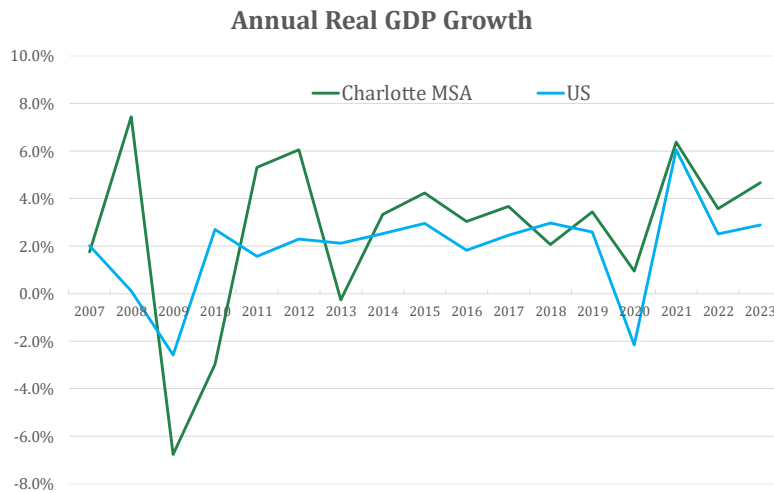
FY 2023	+\$4.5M
FY 2024	+\$0.1M
FY 2025	+\$0.2M
FY 2026	+\$0.5M



Economic Outlook

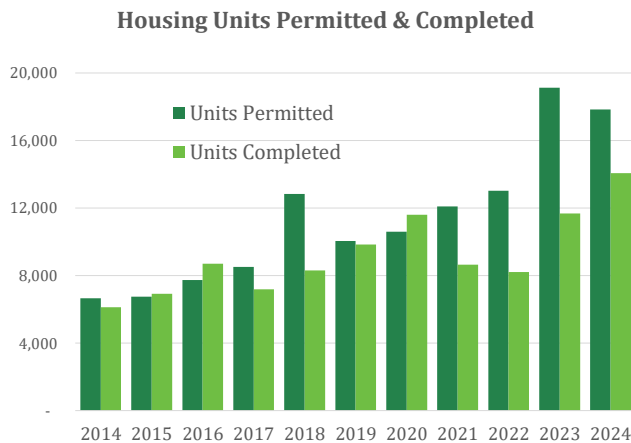
Dr. Ndem Tazoh Tazifor, City Economist

The Economy Is Growing



- Regional growth has outpaced national growth since 2019
- Major contributors to growth in 2023
 - Finance & Insurance (30%)
 - Professional & Business Services (19%)
 - Information (15%)
 - Retail Trade (12%)
- Economy expected to grow in 2026, albeit slowly (no recession anticipated)

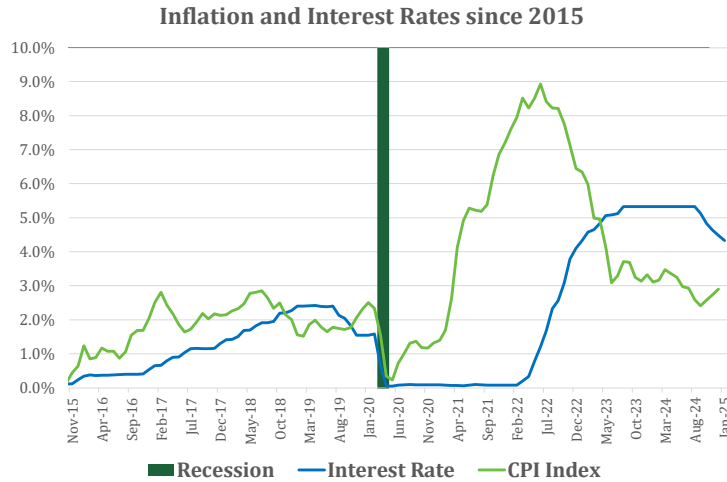
New Residential Construction



- Housing units permitted declined but remained strong
- Housing units completed has steadily risen since 2022
- About 7 to 9 months for single-family units from permits to completion
- 19 to 20 months for multi-family units
- Given average household size and vacancy rates, significant population growth expected
- Implications for property tax

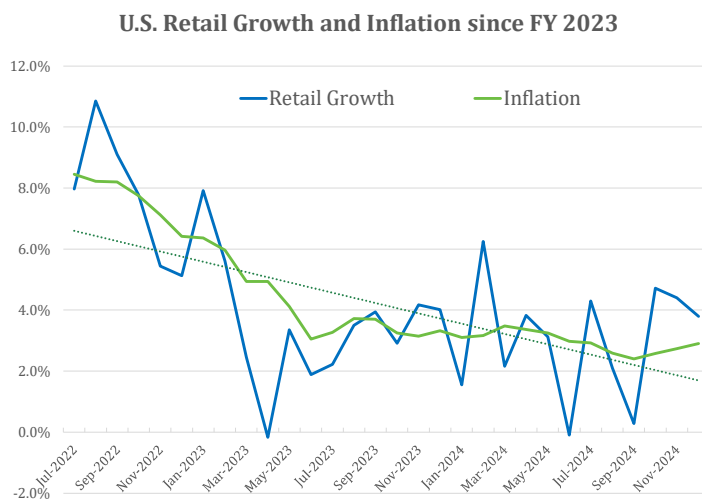
Interest Rates and Inflation Remain Elevated

- ▶ Inflation has fallen from 9.1% in 2022 to 2.9% today
- ▶ Federal Reserve target <2%
- ▶ Interest rates are still relatively high, though declining
- ▶ Interest rate is 4.3%

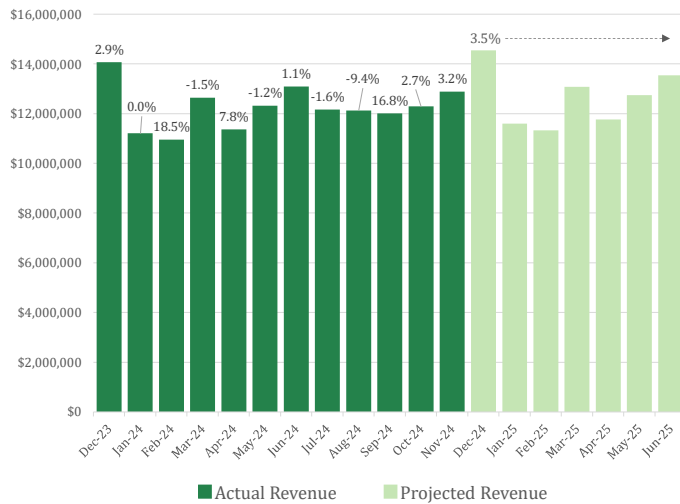


Consumer Spending

- ▶ Evidence of slowing in retail and food spending
- ▶ Looks to be stabilizing similar to the years before the 2020 recession
- ▶ However, credit card debt is at an all time high with larger interest payments
- ▶ Personal savings have fallen 25.9% in March 2021 to a low of 3.8% in December 2025, lower than before the recession



Sales Tax Growth and Forecast

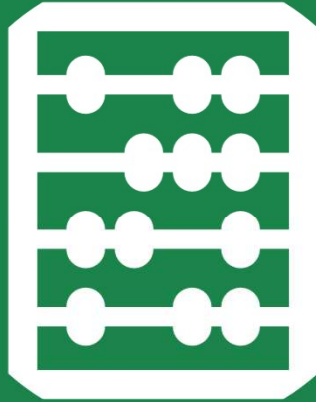


- FY 2025 year-to-date growth of 1.6%
- November 2024 growth of 3.2%
- 3.5% growth projected for remainder of FY 2025
- Consumer expenditures are currently projected to grow but slightly lower
- FY 2026 expected to grow by 3.5% over FY 2025 projection

Economic Uncertainty to Monitor

Key Indicators to Watch:

- ▶ Tariffs
- ▶ Immigration
- ▶ Consumer Spending
- ▶ Construction trends
- ▶ Employment

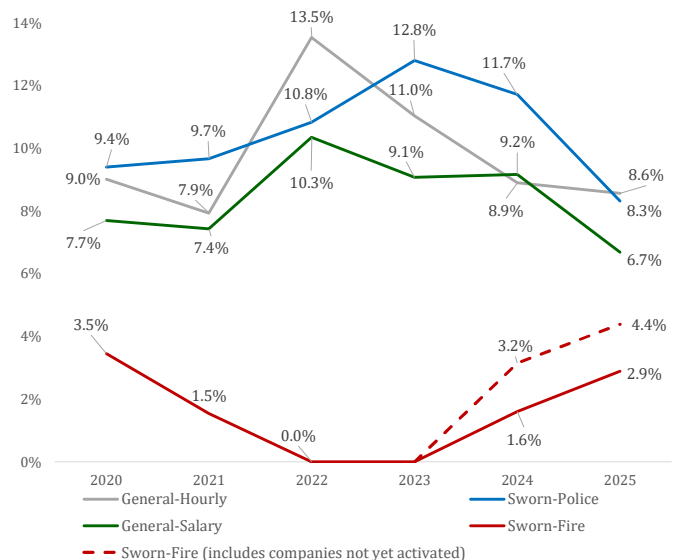


Budget Considerations

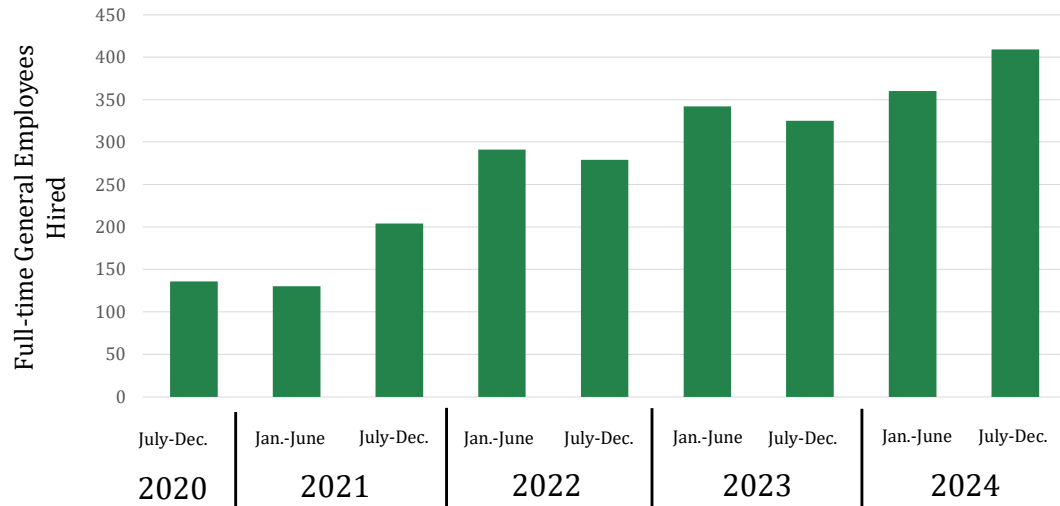
Recruitment and Retention is Strong

The city employs 723 more people in FY 2025 than in FY 2020 (+9.0%) and vacancy rates are still lower overall by pay plan than in FY 2020.

Fiscal Year	Total Positions	Year Over Year Change
FY 2020	8,232.75	-
FY 2021	8,216.75	(16.0)
FY 2022	8,281.75	+65.0
FY 2023	8,424.25	+142.5
FY 2024	8,709.25	+285.0
FY 2025	8,955.75	+246.5



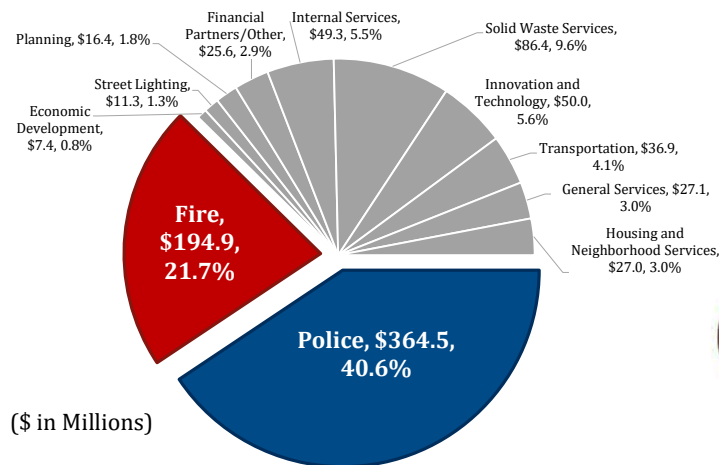
Employee Hiring Remains High



Public Safety Funding Pressures

Public Safety Drives the General Fund Budget

Public Safety departments represent 62.3% of the General Fund



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Recent Investments in Public Safety



Fire

- ▶ Supported the Fire Facilities Master Plan
 - Programmed construction for 5 permanent Firehouses and 1 temporary Firehouse
- ▶ Completed Fire Equity at Firehouse 22, including construction for restrooms, exercise rooms
- ▶ Increased fire starting by 32.2% (since FY 2019)
- ▶ Increase fire top pay by 35.1%, and made four fewer steps to top pay (since FY 2019)
- ▶ Provided nearly 2.5x the planned increase in funding for the Firefighters' Retirement System (\$4.8m) in FY 2025
- ▶ Added 131 new sworn Fire positions since 2020, including 6 companies
- ▶ Upgraded Self-Contained Breathing Equipment for Fire



Police

- ▶ Invested in construction of 5 police stations, including first net zero carbon police station
- ▶ Increased police starting pay by 32.1% (Since FY 2019)
- ▶ Increased top pay by 39.1%, and made three fewer steps to top pay (since FY 2019)
- ▶ Added 16 civilian crash investigators
- ▶ Added 15 telecommunicators, and \$9M to support 911 call center renovations
- ▶ Added 25 additional take home cars for veteran police officers in FY 2024

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Public Safety Investments: Fire

Ongoing Funding for FY 2025 Investments

- 72 new Fire positions:
 - 54 staff for three new ladder companies
 - 12 additional Fire Inspectors
 - 3 Battalion Chiefs (establish Battalion 9)
 - 3 Administrative/technical staff
- \$1M for replacement gear and equipment
- \$1M for technology supporting operations

Potential Needs on the Horizon

- Staffing for new infill Miranda Road Firehouse 46
- Delayed delivery of new engines and ladder trucks, and increased maintenance costs
- Ongoing asset and equipment replacement (e.g. fleet and radios)
- Employer contribution increases to the Charlotte Firefighters' Retirement System

Considerations for FY 2026 Cost Recovery: First Responder Services

- ▶ Charlotte Fire Department serves as first responder for medical calls for MEDIC
- ▶ Currently Charlotte, Davidson, and Huntersville are working independently to develop revised service agreements with MEDIC to include service levels and costs
- ▶ Current reimbursement considerations:
 - MEDIC reimburses local towns at a rate of \$20.96 per call
 - Charlotte's first responder subsidy included \$499,035 per year for Fire to provide first responder services
- ▶ In FY 2024, the Charlotte Fire Department responded to 84,765 calls for MEDIC
 - The payment from MEDIC equated to <\$6 per call, or an estimated cost recovery rate of <5% of the estimated services costs of \$10.3 million.
- ▶ While Charlotte is not seeking full cost recovery, increasing the cost recovery above current levels will be important for FY 2026 Budgeting considerations
- ▶ The Charlotte Fire Chief and MEDIC have several meetings planned to continue discussions on options for service levels and reimbursement level options.

Public Safety Investments: Police

Ongoing Funding for FY 2025 Investments

- 15 new telecommunications positions:
 - 13 *Police Telecommunicators*
 - 1 *Telecommunications Supervisor*
 - 1 *Quality Assurance Analyst*
- 16 Civilian Crash Investigator positions

Potential Needs on the Horizon

- Analyzing demand for sworn positions
- Employer contribution increases to the Law Enforcement Officers' Retirement and Separation Allowance
- Ongoing asset and technology replacement (e.g. fleet, cameras, and radios)

Long-term Police Staffing Considerations

► Current vacancy rates

Vacancies are trending down; prior investments in compensation and plan structure have improved recruitment and retention

► Vacancy savings have helped cover:

- Overtime and temp staffing to alleviate pressure from staffing shortage
- Operational needs (e.g. radios and equipment)

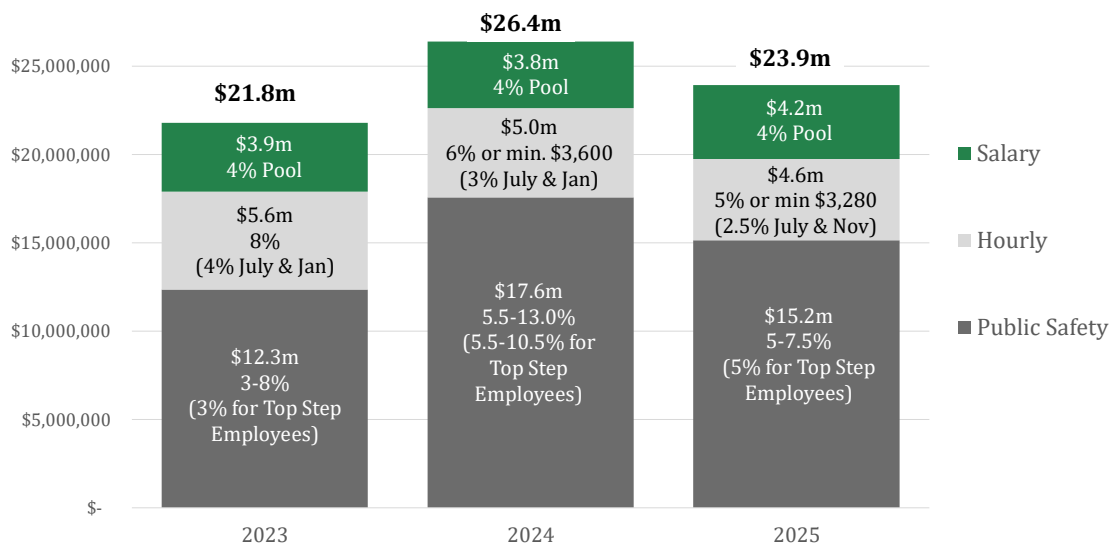
► Future staffing allocation

As vacancies approach zero, the city will assess whether the current budgeted level of officers is sufficient



Compensation Considerations

Recent Employee Investments



A Typical Pay Plan Keeps Pace With Inflation

Typical Pre-COVID Pay Plan

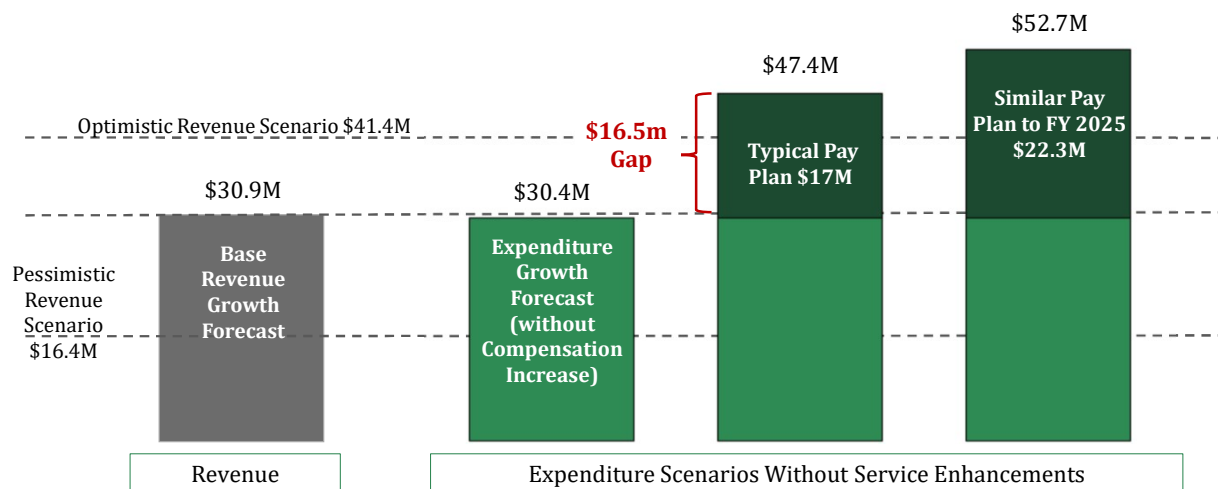
Hourly Employees	3.0%
Salaried Employees	3.0%
Sworn Public Safety (below Top Step)	4.0 – 6.5%
Top Step Public Safety	1.5%

September 2.4%
October 2.6%
November 2.7%
December 2.9%

Consumer Price Index, U.S. Bureau of Labor Statistics, 2024

Continued Operations Incentives	
2.5% Shift Differential	→
2.5% CDL Incentive	→

General Fund Forecast with Compensation



Additional Pay Considerations

- ▶ **Citywide Minimum Wage**
- ▶ **Minimum Pay Increase Amounts**
- ▶ **Changes to Public Safety Step Plan**
- ▶ **Changes to Incentive Pay (e.g. CDL, Shift Differential, etc.)**



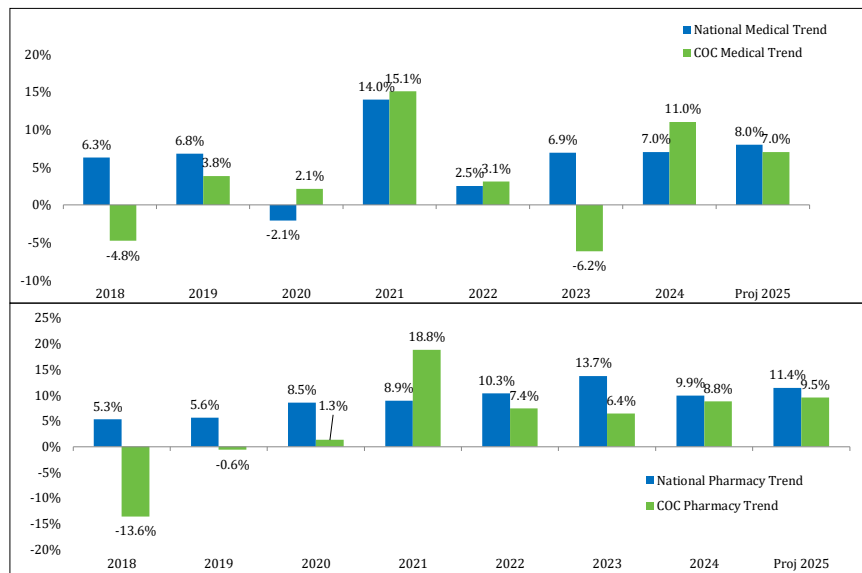
Benefits Review

Employee Benefits Overview

- ▶ Provide a comprehensive strategy to support employee wellbeing by providing benefits that foster overall health and financial security
- ▶ Medical and prescription benefits comprise ~80% of benefits costs and are provided through three plans
 - One Account-Based, High Deductible Health Plan
 - Plan A with 2,301 employees enrolled
 - Two Preferred Provider Organization (PPO) Plans
 - Plan D with 4,466 employees enrolled
 - Plan E with 903 employees enrolled

Healthcare Trends

- Proactive management helped to mitigate the effects of inflation
- Healthcare Inflation has outpaced CPI and General Fund revenue growth in recent years



Cost Share Strategy

- City absorbed inflation rather than pass on to employees through premiums and changes to the plans (e.g., deductibles)

Employee Share of Costs:			2018	2023	Change
	Plan A	Premium	30%	17%	-13%
		Out-of-Pocket	11%	10%	-1%
		Total	41%	27%	-14%
	Plan D	Premium	27%	19%	-8%
		Out-of-Pocket	20%	14%	-6%
		Total	47%	33%	-14%
	Plan E	Premium	25%	19%	-6%
		Out-of-Pocket	11%	8%	-3%
		Total	36%	27%	-9%
TOTAL		41%	32%	-9%	

NOTE: 2024 data is not yet available

Budget Takeaways

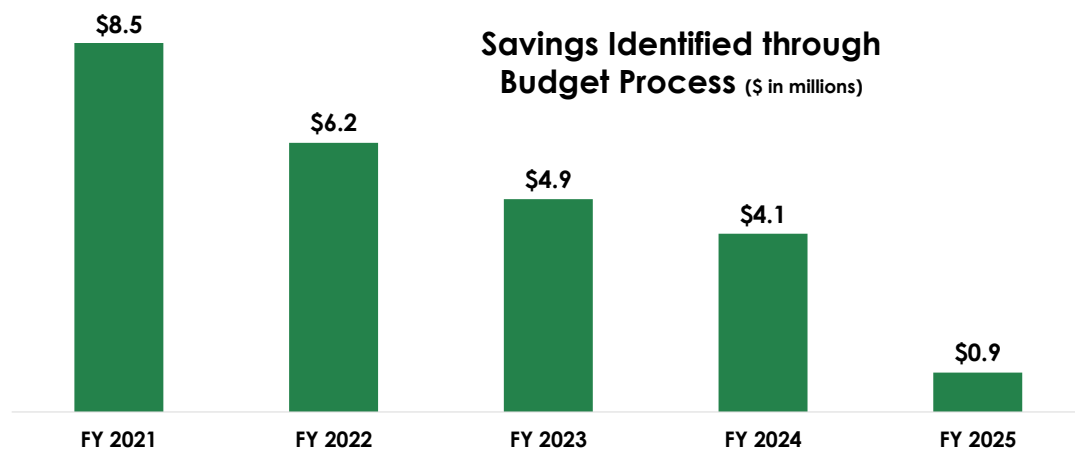
- The city continually reviews its benefit plans to promote employee well-being, and consequently recruitment & retention, while maintaining long-term financial sustainability for the city
- The city has protected employees and kept benefits plans competitive by absorbing increases in benefits costs for several years
- The result is that the city has increased its contribution by 29% from FY18 to FY25 even after accounting for growth in the city's workforce
 - This translates to an additional \$12.4 million annual cost in the General Fund alone
- Benefits packages will be assessed in alignment with industry trend and financial outlook



Funding Look Ahead

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As Always, Analyzing Our Accounts



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FY 2026 Areas of Efficiency Focuses *The Bridge Year*

- ▶ **Team of Teams approach to resources**
- ▶ **Redirecting funds to core services**
- ▶ **Processing and reporting efficiencies through ERP**
- ▶ **Efficient technologies such as Artificial Intelligence (AI) and automation**
- ▶ **Exploring Cost Recovery Options**

FY 2025 Considerations Moving into FY 2026

- ▶ **Staff overtime in public safety and solid waste**
 - Some cost recovery options for Helene
 - Snowstorm response not recoverable
 - Increased demands from growth
- ▶ **Increasing costs of fleet maintenance**
 - Delivery time on fire engines used to be roughly 1.5 years and is now at 4 years from ordering to receive the vehicles
 - Creates higher maintenance costs of older vehicles

