

Preparing for the Future Capital Investment Plan

City Council Budget Workshop
March 23, 2026

Capital Investment Plan 101 Recap from Budget Workshop

Capital Investment Plan 101

- ◁ Communication tool to present the City's capital expenditure plan to the community
- ◁ Includes various kinds projects
 - Street improvements
 - Building construction and maintenance
 - Affordable housing
- ◁ Projects rooted in data, studies, plans, and community feedback
- ◁ 5-Year plan, year-one is adopted
- ◁ General Capital Investment Plan (CIP) supported by general government revenues



Traditional General CIP Structure

Cash funding primarily supported by property tax and prior-year reserves

Pay-As-You-Go (PAYGO) Fund

- ◁ Used for projects and programs that are not reoccurring or eligible for debt, such as pilot programs or certain kinds of maintenance
- ◁ Capacity largely dependent on prior-year General Fund balance and other one-time sources (±30%)
- ◁ Cash-funded projects
- ◁ Appropriated annually

Paid for by the Municipal Debt Service Fund, which is primarily supported by property and sales tax

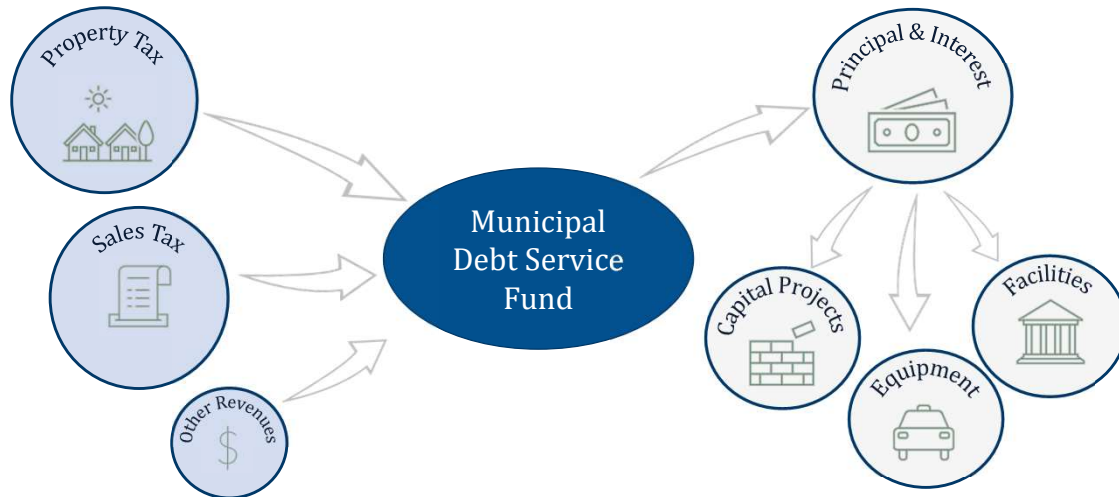
Certificates of Participation (COPs)

- ◁ Used for facility construction and improvements (pledges the asset for the debt)
- ◁ Does not require voter approval
- ◁ Appropriated annually
- ◁ Modeled to Steady State capacity

General Obligation (GO) Bonds

- ◁ Three types of bonds:
 - Affordable Housing
 - Neighborhoods
 - Transportation
- ◁ Require voter approval
- ◁ Modeled to Steady State capacity
- ◁ Presented to voters every-other-year
- ◁ 2026 (FY 2027) is a bond year

Traditional General CIP Structure



PAVE Act Eligible Uses

\$19.4B for improvements to public transportation and roadway infrastructure over 30 years

◀ Section 4.8 dedicates 40% to roadway system infrastructure

- Charlotte revenue estimated to be \$5.7B over 30 years, with ~\$100+ million in FY 2027

◀ Section 4.8 allows revenue to be used for financing roadway systems

- *"Each eligible municipality shall use the net proceeds distributed to it under this section only for costs associated with financing, constructing, operating, or maintaining roadway systems."*

◀ Section 4.2(4) defines "roadway system"

- *"Roadway system. – A roadway together with appurtenances to a roadway which includes, but is not limited to, plans, designs, and related studies; rights-of-way, whether conveyed by deed or easement; construction, maintenance, and improvements to streets and highways, intersections, streetscapes and landscaping, pedestrian facilities, bicycle facilities, parking lots, curbs, gutters, storm drainage, bridges, overpasses, grade crossings, street lighting, and traffic control devices; utility relocations; publicly accessible electric vehicle charging infrastructure, hydrogen fueling infrastructure, propane fueling infrastructure, natural gas fueling infrastructure, and vehicle-to-grid infrastructure; current and emerging intelligent transportation technologies, including the ability of vehicles to communicate with infrastructure, buildings, and other road users; projects that facilitate intermodal connections between emerging transportation technologies, such as magnetic levitation and hyperloop; protective features, including natural infrastructure, to enhance the resilience of a transportation facility; and measures to protect a roadway system from cybersecurity threats."*

Maintenance of Effort

◀ Comply with local expenditure maintenance of effort requirement

Section 4.8A. "Each eligible municipality shall use the net proceeds distributed to it under Section 4.8 of this act to supplement and not to supplant or replace existing local expenditures for roadway systems. For purposes of this section, "local expenditures" means expenditures from non-State and nonfederal funds that are not derived from the proceeds of indebtedness issued by the municipality or grants received by the municipality. To comply with this section, each eligible municipality shall, at a minimum, maintain local expenditures for roadway systems at a level that meets or exceeds the average level of local expenditures for roadway systems by the municipality during the 10 fiscal years beginning with the 2014-2015 fiscal year and ending with the 2023-2024 fiscal year."

Local Expenditures for Roadway System

	Primary Revenue Source(s)	FY 2015 - FY 2024 Average	FY 2026 Budget	Variance
General Fund: Charlotte Department of Transportation (CDOT) operations	Property tax; Sales tax	\$30,639,012	\$41,175,825	\$10,536,813
General Fund: Streetlighting electric bills	Property tax; Sales tax	\$10,490,254	\$14,359,805	\$3,869,551
Pay-As-You-Go relevant projects	Property tax	\$5,639,063	\$3,700,000	(\$1,939,063)
Municipal Debt Service Fund cash-funded capital projects	Property tax; Sales tax	\$1,708,971	--	(\$1,708,971)
Capital equipment that supports road maintenance	Property tax; Sales tax	\$2,811,180	\$1,736,195	(\$1,074,985)
Total		\$51,288,480	\$60,971,825	\$9,683,345

 The FY 2026 Budget exceeded the required maintenance of effort by more than \$9M. Costs of operations for CDOT, streetlights, and capital equipment are anticipated to grow in the future.

Debt Management Principles

City of Charlotte's Debt Reputation

- ◁ Debt issued by “Credit Entities”
- ◁ Credit ratings for each entity are highest available in respective categories
- ◁ “Management” Triple A
 - Management practices bolster the City’s credit rating
 - Debt and capital planning
 - Debt affordability modeling
 - History of achieving budget and forecasts



The City's Steady State Debt Program

Long-Term Debt

Financing Method	Pledge	Repayment Source	Uses	Approvals Required
General Obligation (GO) Bonds	City's full faith and credit with no limit on ad valorem tax levy	Property tax and general revenue of the city	Affordable housing Transportation Neighborhoods	Voter referendum and City Council approvals
Installment Financing: Certificates of Participation/ Limited Obligation Bonds	Secured by collateral Subject to annual appropriation	Property tax and general revenue of the city	Public facilities Equipment	City Council approvals

The City's Steady State Debt Program

Short-Term Debt

Financing Method	Pledge	Repayment Source	Approvals Required
Bond Anticipation Notes (BANs)	Retired upon receipt of long-term bond proceeds	Property tax and general revenue of the city	City Council approvals
Commercial Paper (CP)	Retired upon receipt of long-term bond proceeds	Property tax and general revenue of the city	City Council approvals

Steady State Modeling

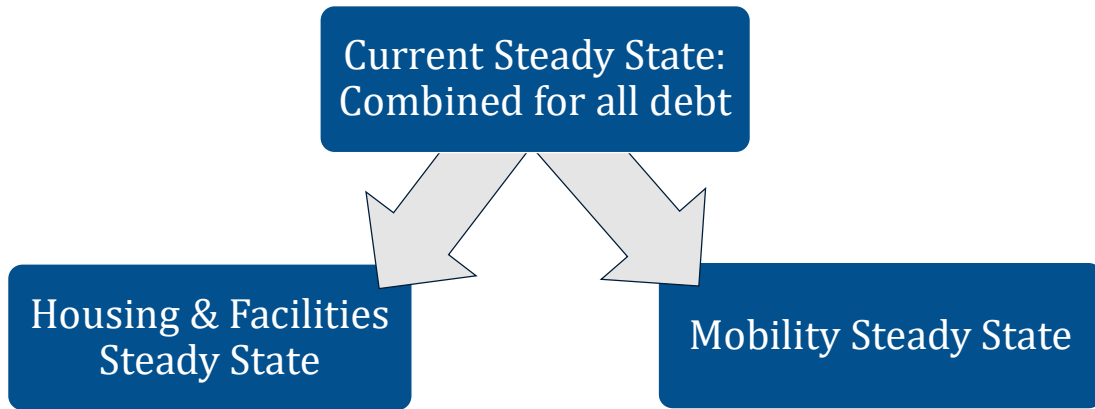
- ◁ Introduced in 2018 to support long-range capital planning
- ◁ Point-in-time analysis of affordability
- ◁ Determines the City's capacity to take on additional debt
- ◁ Ensures predictable debt capacity remains available for future allocations
- ◁ Historically all debt capacity combined into one Steady State model

	Revenue	Spend Rate	Cost of Funds
Model Input	Conservative, but reasonable, assumptions for future growth	Realistic expectations for timing and cost of project construction	Financing rates as determined by market conditions
Model Impacts	Higher than expected revenue growth = more capacity (and vice-versa)	Faster spending = lower capacity	Lower interest rates = more capacity

Future Steady State Modeling Considerations

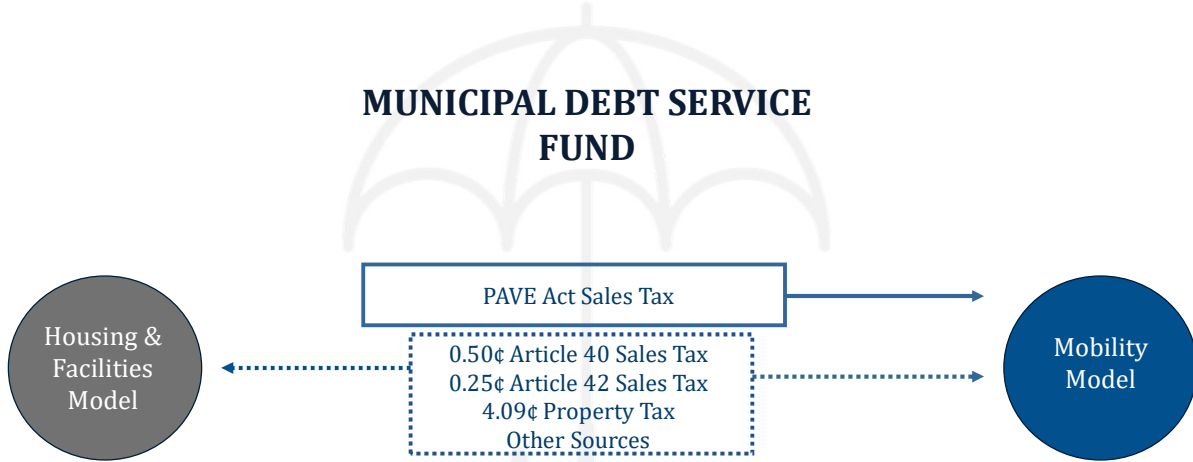
- ◁ **Demonstrate a clear link between PAVE Act revenue and transportation investments**
 - Isolate cost of debt for future transportation and neighborhood bonds
- ◁ **Consider previously approved Transportation and Neighborhood bonds**
 - Both outstanding and authorized but not issued
- ◁ **Revenue volatility of Sales Tax vs. Property Tax**
- ◁ **Future Transportation and Neighborhood bonds will still require voter referendum**
 - Will still be General Obligation bonds, meaning they are backed by the city's ability to levy property taxes
 - Referendum language will include disclosure related to property tax rate

Creating a Second Steady State Model



Supporting Revenues

Still one Municipal Debt Service Fund that would now include two debt models



Mobility Steady State

	Revenue	Spend Rate	Cost of Funds
Model Input	Conservative, but reasonable, assumptions for future growth	Realistic expectations for timing and cost of project construction	Financing rates as determined by market conditions
FY 2027 Updates	Addition of PAVE Act Sales Tax	Internal investments required to scale with bond size	Interest rates trending down, but market volatility remains

- ◁ **Planned capacity in FY 2026 Budget ~\$170 million based on existing revenues**
- ◁ **Addition of new sales tax increases capacity**
- ◁ **Predictability of sales tax (more volatile) vs. property tax (more stable)**
 - Rating agency and investor considerations

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Mobility Steady State

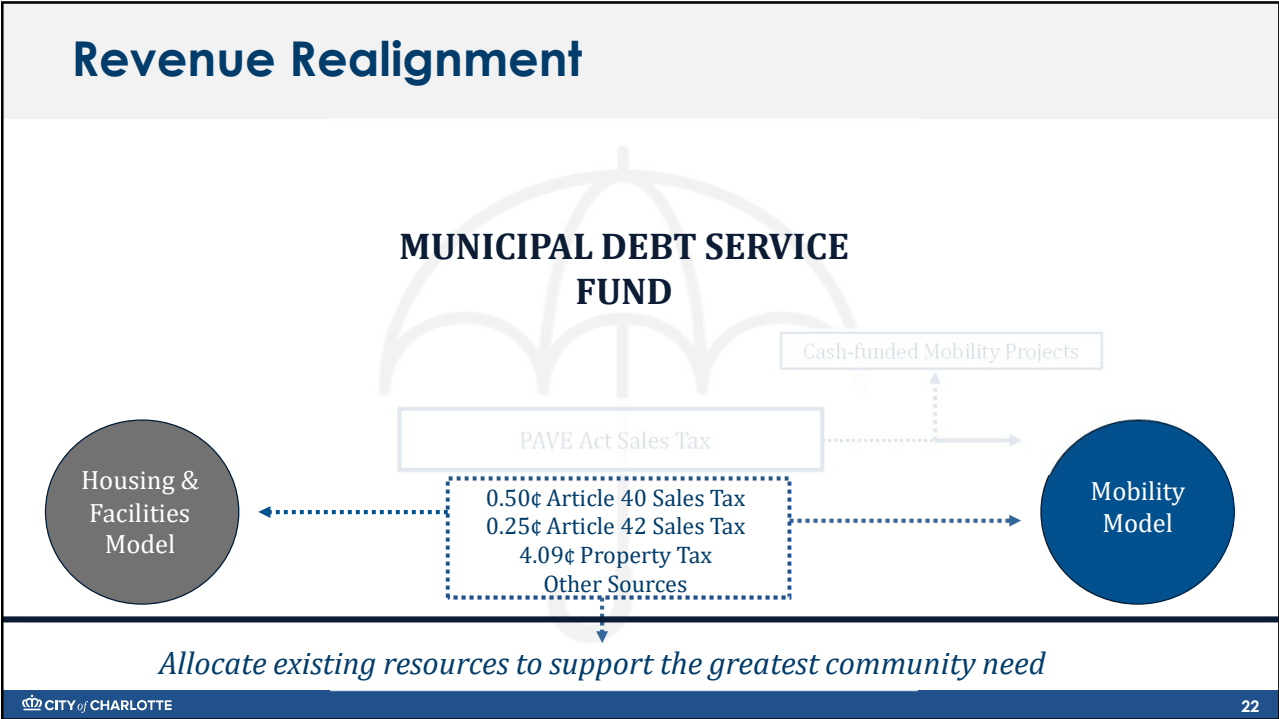
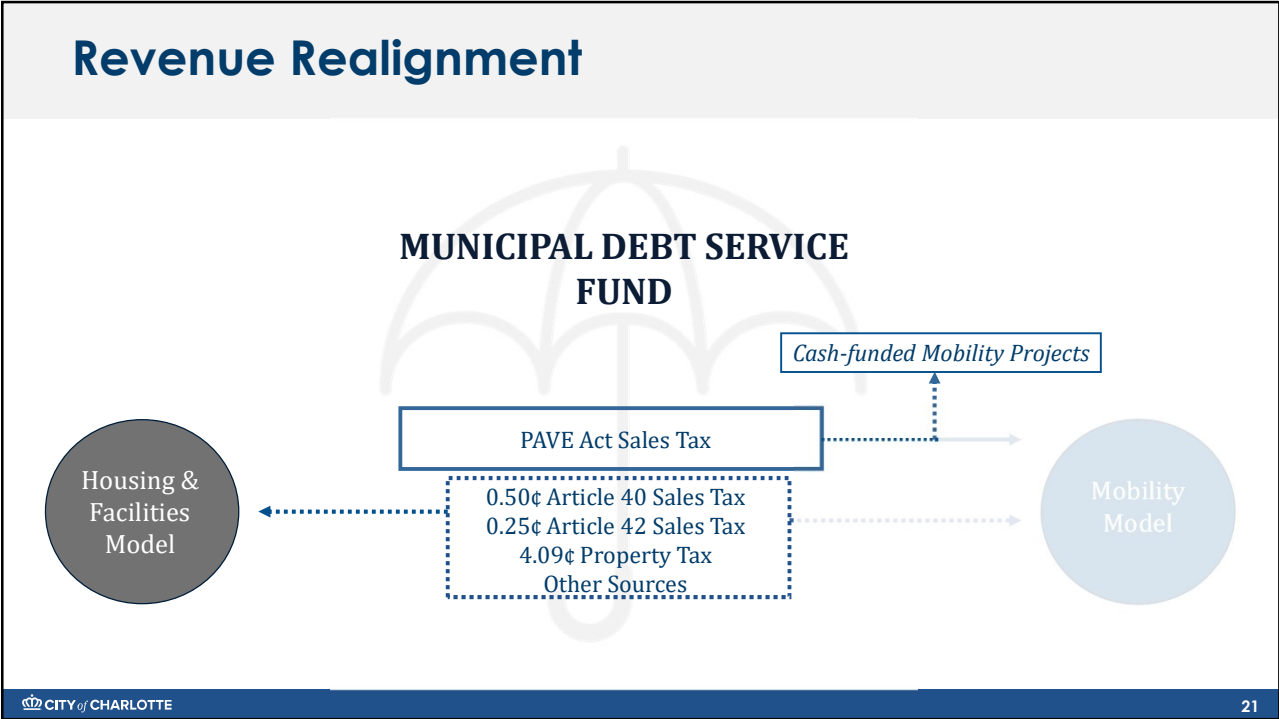
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- ◁ **Spend rate driven by:**
 - Internal capacity to plan, design, procure, and monitor projects
 - External capacity to build and deliver projects
- ◁ **Typical spend rate of about \$100M per year on transportation and neighborhood projects**

Mobility Steady State Capacity

- ◀ Updated borrowing capacity could be as high as \pm \$500 million
- ◀ Difference between borrowing capacity and capacity to spend
 - Internal factors – Organizational capacity and capacity needed to deliver projects
 - External factors – Workforce and small business capacity
- ◀ Recommend total 2026 Transportation and Neighborhood bond amounts closer to 2024 total of \$300M
- ◀ Avoid pitfalls that erode public trust
 - Large fund balances and unissued debt
 - Annual spend goal of about half of total bond
 - Per State Statute, bond authorizations need to be spent within 7 years
- ◀ Will continue to review capacity annually as debt model drivers are updated

Revenue Policy Decisions



Revenue Use Reviewed Annually

City of Charlotte 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.

Year	Revenue Source(s)	Action
FY 2024	Property Tax	Moved 0.18 cents of property tax from PAYGO to the General Fund to account for increasing costs in operations
FY 2025	Property Tax	Moved 0.78 cents of property tax from the General Fund to PAYGO to offset expenses moved from the General Fund to PAYGO
	Property Tax	Moved 0.15 cents of property tax from PAYGO to the Municipal Debt Service Fund to offset borrowing for equipment and technology needs
FY 2026	Property Tax; Sales Tax	Swapped Article 42 sales tax in PAYGO for equivalent property tax in Municipal Debt Service Fund
	Property Tax; Motor Vehicle License Tax	Moved 0.27 cents of property tax from Municipal Debt Service Fund to General Fund, which was offset by move of \$1.50 of \$30 Motor Vehicle License Tax to Municipal Debt Service Fund

Housing and Facilities Look Ahead



Housing Bond Capacity

- < \$50M per bond 2018 - 2022
- < Increased to \$100M in 2024 Bond
 - 0.24¢ property tax increase to support housing and mobility
 - Pulled forward out-year capacity
- < **Planned 2026 Bond = \$50M**



Facilities Capacity

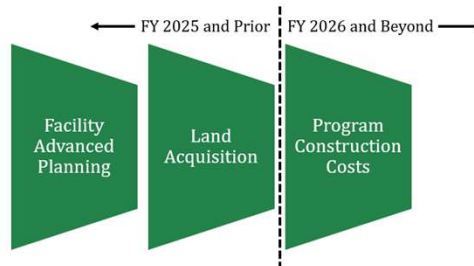
- < **Planned FY 2027 – FY 2031 = \$84.2M**
- < **Advanced Planning Projects:**
 - ✓ Relocate Asset Recovery & Disposal (ARD)/ Commissioning & Decommissioning (CDC)
 - ✓ Animal Care and Control Adoption Facility
 - \$22.5M reserved (+\$7.5M budgeted in FY 2026)
 - CMPD Helicopter Hangar
 - Commercial Burn Building
 - Gateway Station
 - Solid Waste Services Transfer Station

Facilities Steady State

From FY 2025 Budget Workshop, March 25, 2024

Facilities Capacity

Beyond FY 2025, facilities requires additional capacity to construct projects in Advanced Planning Program



- ◁ \$50M per b
- ◁ Increased f
- ◁ Bond
- 0.24¢ proper housing and
- Pulled forward
- ◁ Planned 20

84.2M

RD)/ (DC) ility =

General Fund and Internal Service Funds Look Ahead

FY 2027 General Fund Forecast (With No Compensation Increase Included)

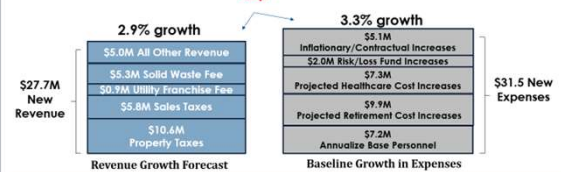
From FY 2027 Budget Workshop, February 23, 2026

Estimated \$3.8M Gap

Typical Pay Plan ~ \$21M

FY 2027 General Fund

- ◁ Base expenses projected to grow 3.3%
 - 2.9% growth in contractual costs
 - 6.9% growth in healthcare and retirement costs
- ◁ Revenues projected to grow 2.9%
- ◁ Estimated gap of \$3.8M with no compensation increase included
 - Typical pay plan ~ \$21M
- ◁ Organizational investments to support delivery of consistently larger capital program
- ◁ Ensuring the health of all funds



Shoring Up Health of Internal Service Funds

3 Essential Functions of a Well-Managed Government

1. Support the Health and Well-Being of Our People
 - Employee Health and Life Fund
2. Management of Our Risk
 - Risk Management Funds
3. Maintenance and Replacement of Our Assets
 - Fleet Management Fund

While far from the most public facing activities, the functions of these funds are an important focus of rating agencies for a Management AAA

City Council Priority Discussion

- ◁ **Capital funding priorities**
 - Transportation and neighborhoods
 - Affordable housing
 - Facilities
 - Cash-funded programs



- ◁ **Other funding priorities beyond capital**

