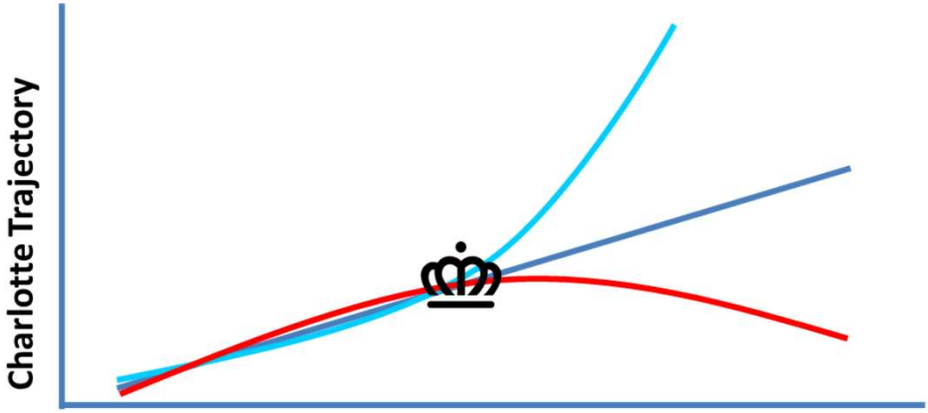


Budget Outlook and Strategy


City Council Budget Workshop
February 23, 2026

 CITY OF CHARLOTTE

We Were At an Inflection Point

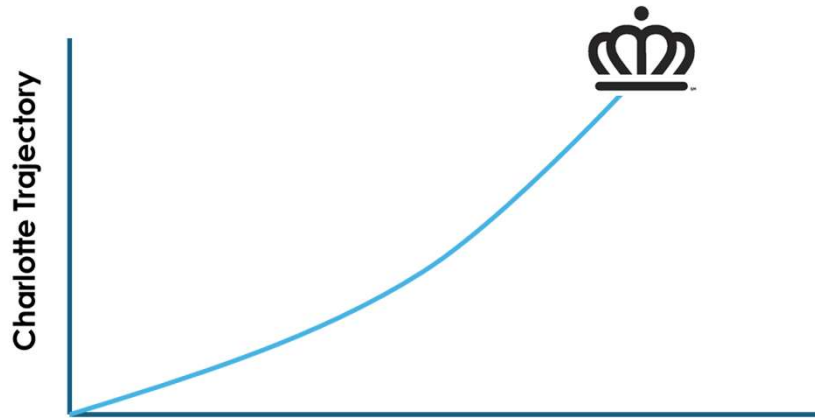


Charlotte Trajectory

 CITY OF CHARLOTTE

2

All Our Work Has Put Us on the Right Trajectory



Solid Financial Foundation Focused on Core Services

Charlotte's "Management" Triple A

- ◁ 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
- ◁ Received FY 2025 Government Finance Officers Association triple crown award for excellence:
 - Financial Reporting
 - Popular Annual Financial Reporting
 - Distinguished Budget Presentation



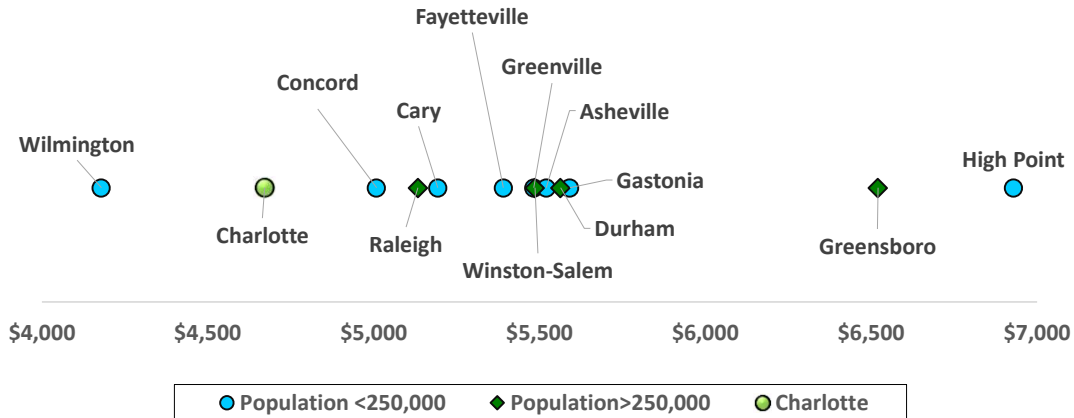
Importance of AAA Rating to our Community



- ◁ A AAA bond rating is the highest credit rating a city can receive from major credit rating agencies (Moody's, S&P, and Fitch)
- ◁ This rating level signals the lowest risk of default and exceptionally strong financial stability
- ◁ This rating acts as a "financial seal of approval" that directly reduces the cost of borrowing money, saves taxpayer dollars, and attracts economic development.

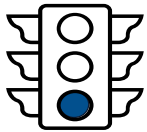
Comparing Typical Cost of Government to North Carolina Peers

FY 2026 Total Cost of Government Services: Typical Household



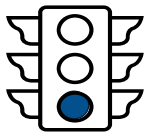
Includes city property taxes, county property taxes, water/wastewater, stormwater, solid waste, and local sales tax

Financial Resiliency Drives Budget Development Planning



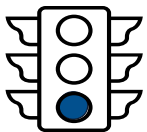
Structurally Balanced Budget

- ▶ Ongoing expenses do not exceed ongoing revenues



Fully Funded Reserves

- ▶ Approximately two months (16%) in reserve in the General Fund



Maintaining Capital Affordability

- ▶ Steady state debt affordability reserved for future city capacity

Year-End Surplus is Essential to Fund Required Reserves



Budget Principles

Using the framework set forth by North Carolina General Statute 159, the Local Government Budget and Fiscal Control Act, and the City Code of Ordinances that includes the city charter, the city will follow the principles outlined below. The development of the city's annual operating budget will be a transparent process that includes community input and involvement.

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Overall General Fund Surplus*	\$14.68	\$23.39	\$26.77	\$24.82	\$11.58
Contribution to 16% Reserve	(\$5.11)	(\$5.45)	(\$7.81)	(\$10.11)	(\$7.48)
Other Fund Balance Restrictions/Reserves	(\$2.52)	(\$4.59)	(\$3.22)	(\$0.84)	(\$4.09)
Remaining Available to be Programmed in Future PAYGO	\$7.05	\$13.35	\$15.74	\$13.87	\$0.01

1. The city will adopt a balanced budget. The budget process will begin by first evaluating available revenues. Operating and capital expenditures will then be budgeted where there is the greatest community benefit. Funding will be approved in the overall context of competing priorities across city services. Future needs will play a prominent role in the prioritization process.

2. The city will have a structurally balanced budget. Ongoing costs will be funded with recurring revenues. One-time expenses, such as certain federal grants, will be used for one-time expenses. New and significant expenses and outside the budget process should be avoided, when feasible.

3. The city will provide funding to ensure that compensation and benefits are sufficient to recruit and retain the best talent necessary to meet service delivery needs. Pay and compensation increases shall not exceed general revenue for any given year.

4. The city will provide adequate operating funding to maintain previous investments in assets including roads, equipment, and infrastructure.

5. The city will engage in a continual evaluation of the most cost-effective means for providing city services.

6. The city will evaluate the total tax and fee burden – not just the property tax rate – residents pay in exchange for city services as part of the budget development process.

7. **The city will maintain a General Fund fund balance equal to 16 percent of the operating budget.** Capital expenditures in excess of the 16 percent General Fund balance will be available for transfer to the Pay-As-You-Go program for one-time uses unless otherwise recommended by the City Manager and approved by City Council for other purposes.

8. 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.

9. The city will continue to promote a user fee goal of 100 percent cost recovery.

10. Enterprise funds shall set their rates and fees in a manner to recover the full cost of their operation and maintenance and available obligations of the city are budgeted as expenditures. During the fiscal year, budgets are monitored and accounted for using the modified accrual basis. At fiscal year-end, the city's annual comprehensive financial report (ACFR) is prepared using Generally Accepted Accounting Principles.

*Almost all year-end surplus comes from prudent revenue projections (nearly 85% since FY 2021)

- 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.

Rating Agencies look to see that reserves are funded each year

Current Fiscal Year



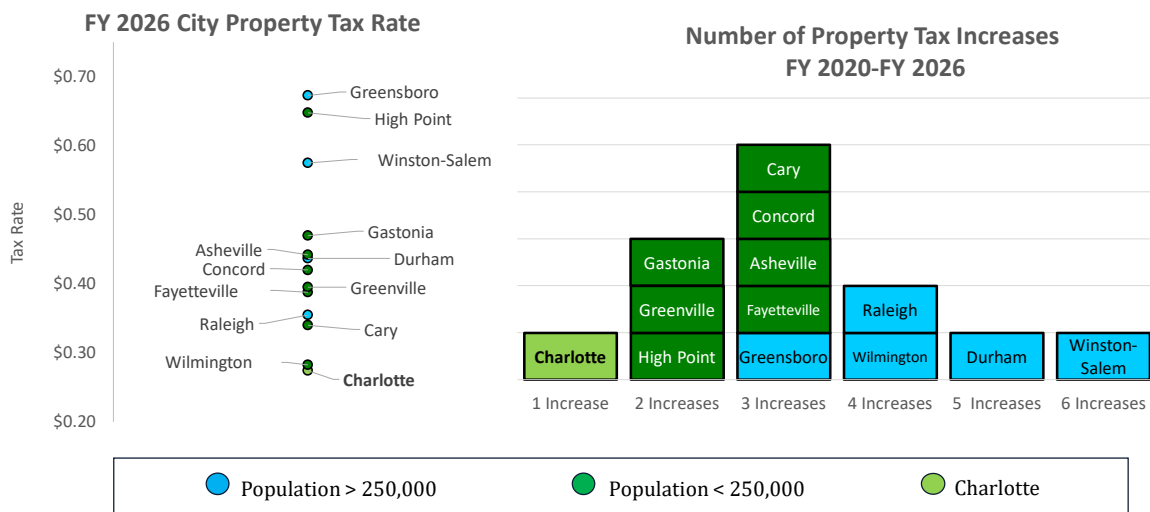
**FY 2026 Budget
\$3.65 Billion**

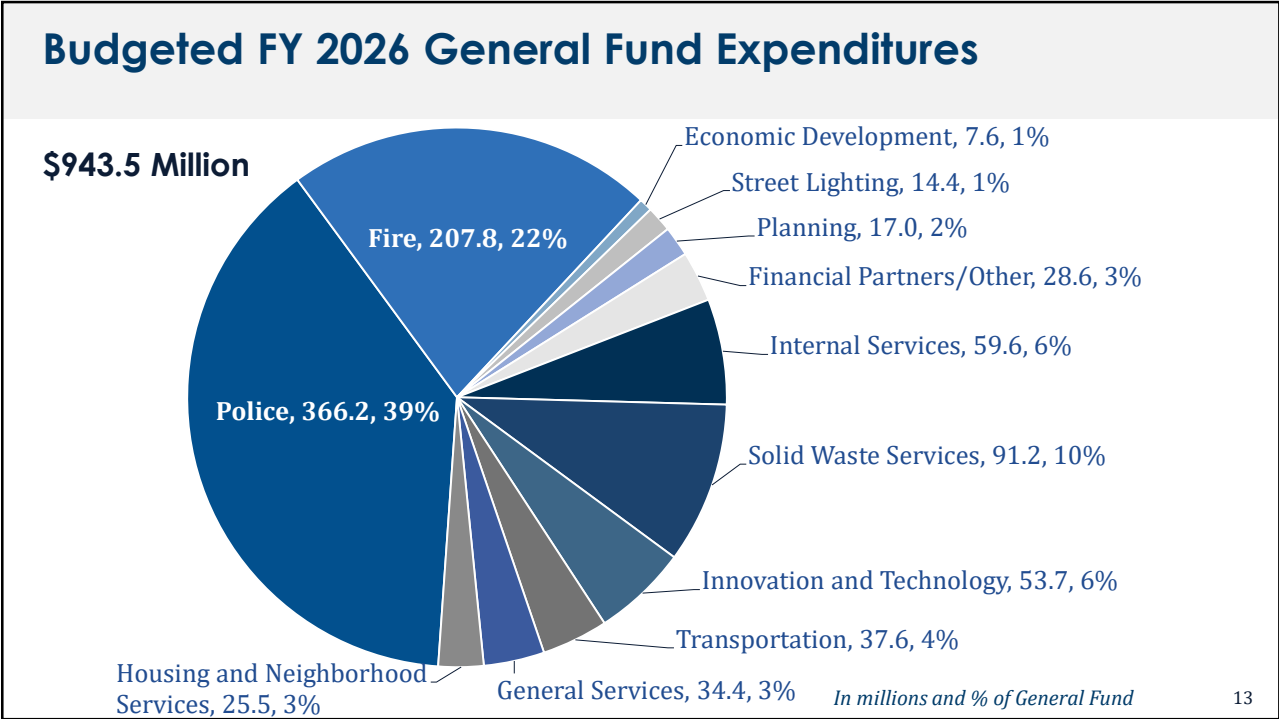
FY 2026 Budget (Net of Transfers)	
General Fund	943,500,000
Reimbursements + transfers to Other Funds	(74,044,669)
Sub-total General Fund	869,455,331
Aviation	991,738,515
Charlotte Area Transit System (CATS)	331,394,755
Charlotte Water	828,774,644
Storm Water	127,788,390
Sub-total Enterprise Funds	2,279,696,304
General Capital Investment Plan	81,148,945
General Capital Debt Service	74,770,993
Pay-As-You-Go Funds	28,257,064
Sub-Total Capital Investments	184,177,002
Special Revenue Funds	199,898,728
Debt Service - Special Revenue Funds	32,755,596
Sub-Total Special Revenue	232,654,324
Internal Service Funds	80,739,501
Total All Funds	3,646,722,462

FY 2026 General Fund Funding Sources

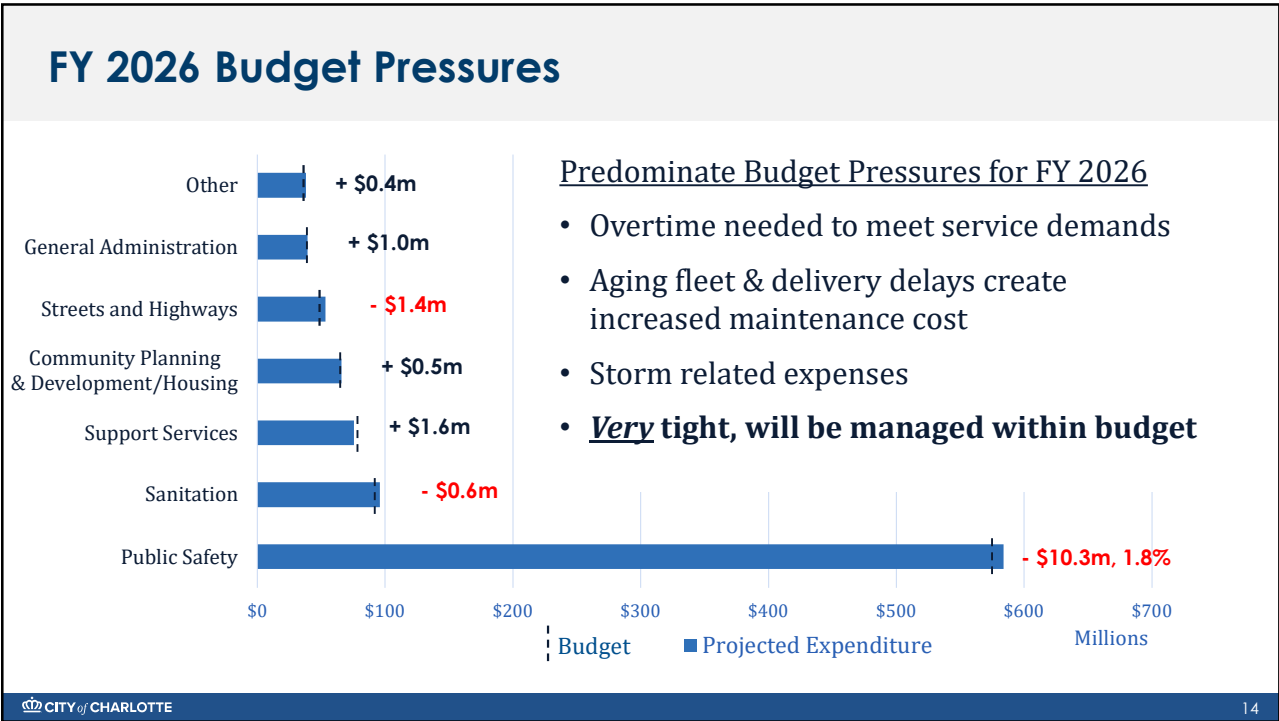
Funding Source	Amount	% of Total	Flexibility to Adjust Locally
Property Tax	\$494,861,043	52.4%	More Flexible
Sales Tax	\$153,353,397	16.3%	Less Flexible
Cost Reimbursements from Non-General Funds	\$75,050,372	8.0%	Less Flexible
Utilities Franchise Sales Tax	\$63,897,043	6.8%	Less Flexible
Solid Waste Fees	\$45,109,161	4.8%	More Flexible
All Other Revenues (multiple all under \$40m each)	\$111,228,984	11.8%	
TOTAL	\$943,500,000		

City of Charlotte Property Tax is Low in Comparison





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Funding Look Ahead

CITY of CHARLOTTE

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FY 2027 *Transformational Year*





Mobility+

Enhanced Public Safety

Small Business Development

Affordable Housing

Workforce Development

-  **Team of Teams approach to resources**
-  **Expanding partnerships**
-  **Shoring up core services**
-  **Capitalizing on technology advances and piloting new initiatives**
-  **Exploring cost recovery options**

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FY 2026 Considerations Moving into FY 2027

- ◁ **Core operational systems and equipment**
 - Investments needed to effectively deliver the city's services
 - Technology replacement and modernization
 - Rolling stock and equipment
- ◁ **Staff overtime in public safety and solid waste**
 - Focus on filling vacancies also helps to reduce overtime
 - Snowstorm response not recoverable
- ◁ **Increasing costs of fleet maintenance**
 - Delivery time on fire engines was previously around 1.5 years and is now at 4 years from ordering to receive the vehicles
 - Creates higher maintenance costs of older vehicles

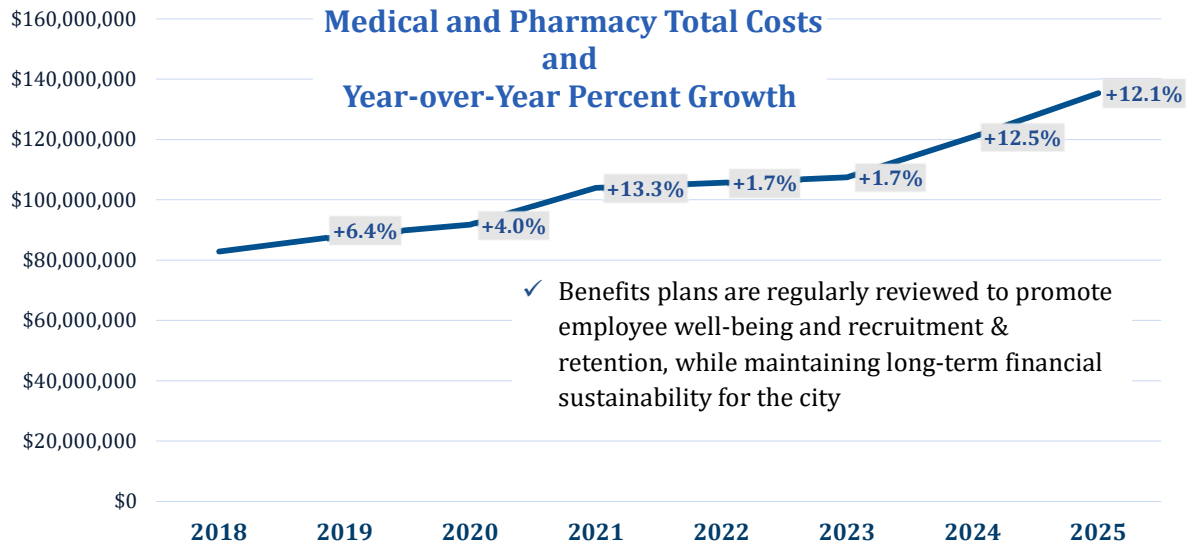


Shoring Up Health of Internal Service Funds

- ◁ **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

Costs for Wellness Benefits Continue to Increase



Charlotte Maintains a Focus on Our Employees: Employee Resource Highlights

Health and Wellness

- **Marathon Health Clinics**
 - 6 locations citywide
 - Primary Care
 - Physical Therapy
 - Mental Health Resources
- Wellness Works
- Wellbeats: On-demand fitness, mindfulness and nutrition support
- **NEW! Progyny:** Fertility and family forming support

Financial Support

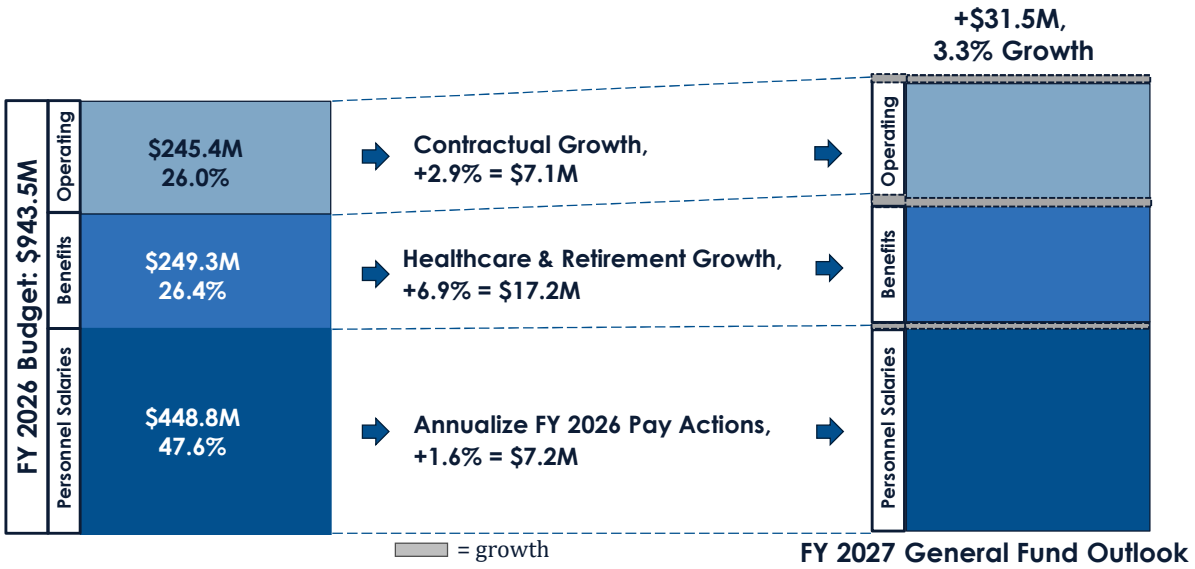
- **Kashable:** Financial counseling, personalized guidance, and loan assistance
- **401(k), 457, and Pension:** Financial foundation for the future
- **Educational Assistance**
 - Tuition Prepayment
 - Tuition Reimbursement
 - LinkedIn Learning

Housing Resources

- **House Charlotte – Down Payment Assistance** for first time homebuyers
- **Employee Rental Assistance – Support** for housing stability

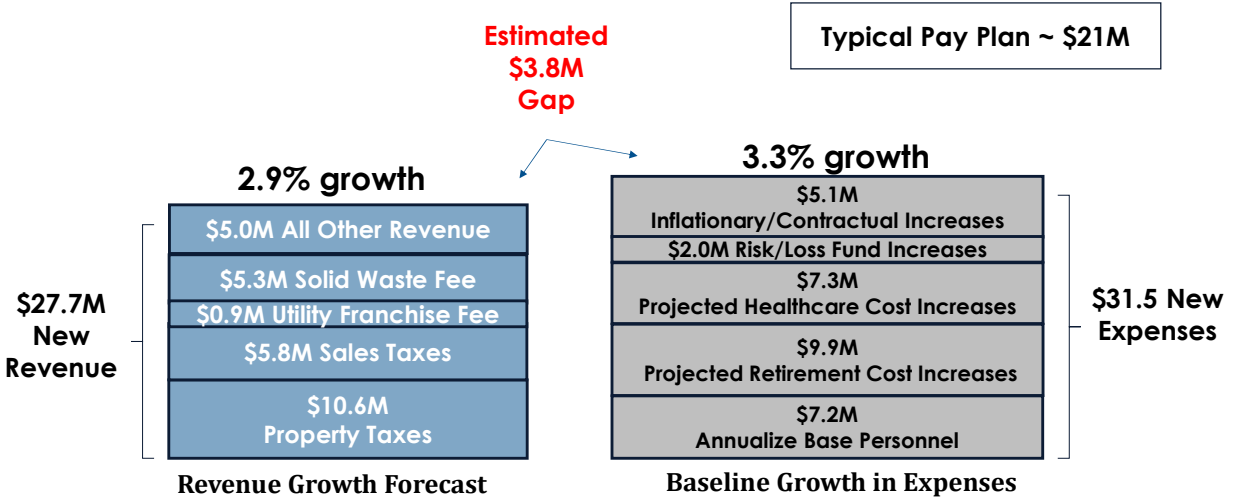
Expenditure Planning for FY 2027 General Fund

Handling Unavoidable Costs First



FY 2027 General Fund Forecast

(With No Compensation Increase Included)



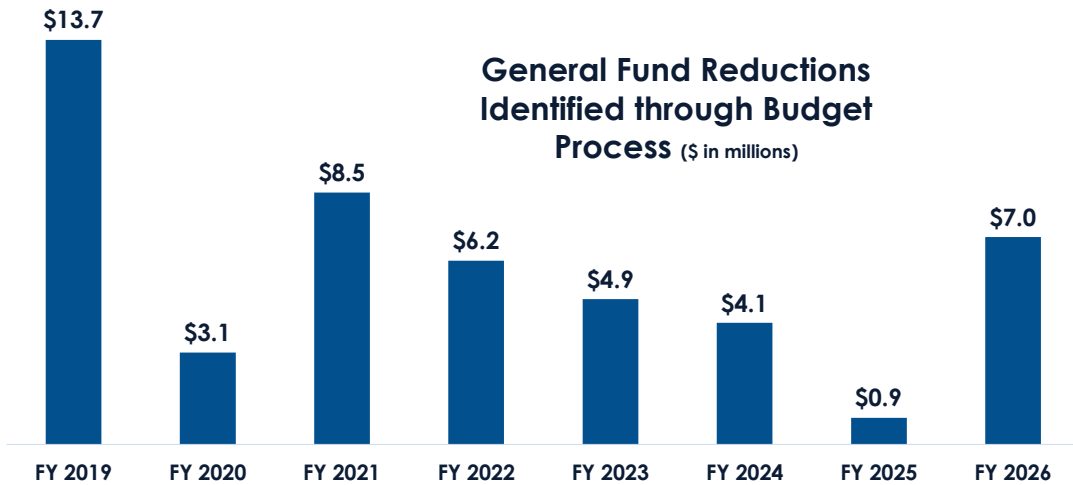
Prior Budget Outlooks

Projected Starting Point

(without Pay Plan)

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

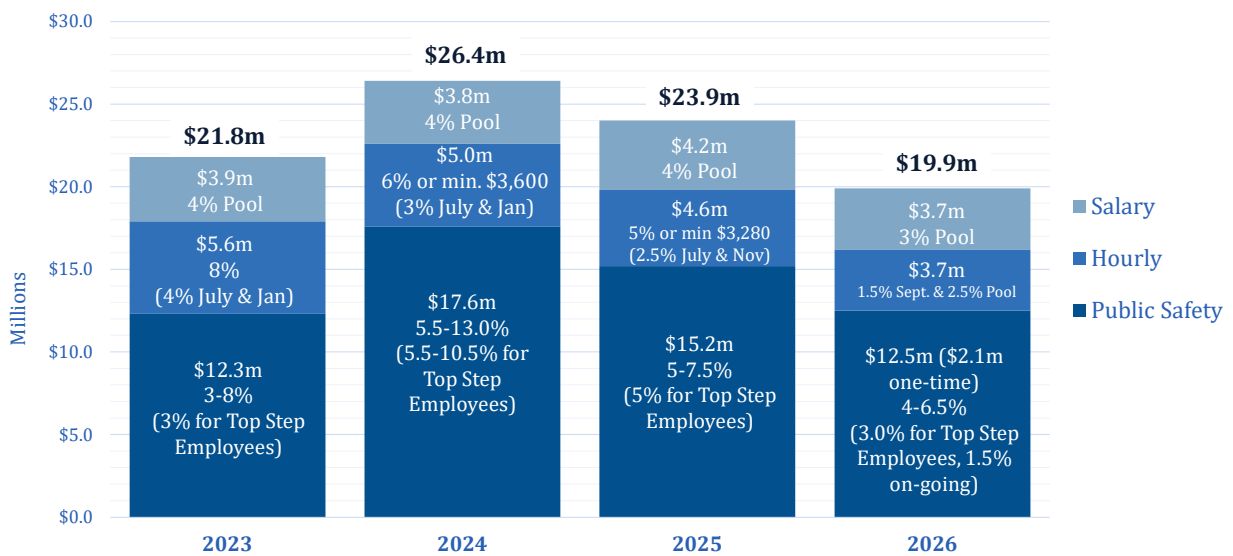
As Always, Analyzing Our Services





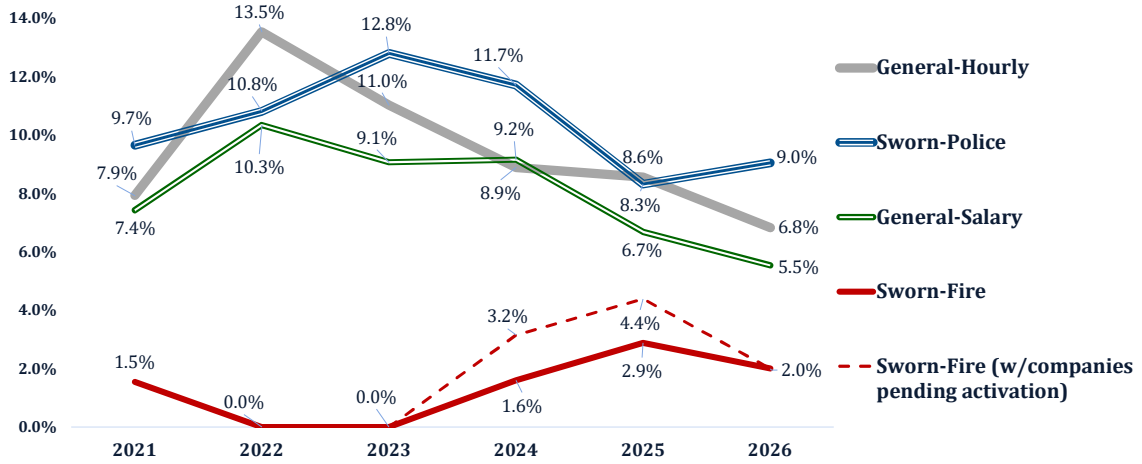
Compensation Considerations

Recent Investments in Employee Pay

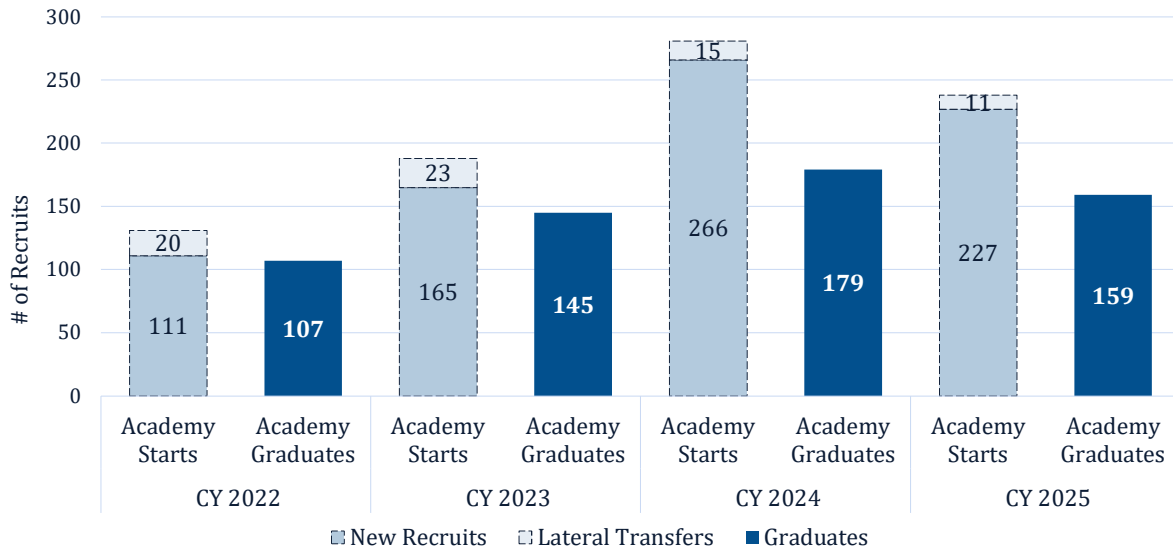


Most Vacancy Rates Are Trending Well

Vacancies as of 1st Quarter of the Calendar Year 2021-2026



Police Recruitment Remains a Top Focus



Career Progression within Public Safety Step Plan

Police Officer		4 years Later	≥ 9 years later		
	Starting Pay (w/o degree)	Step 5	Topped Out Salary	Topped Out w/ Associates	Topped Out w/ 4-Year Degree
Police Officer	\$59,502	\$75,769	\$96,703	\$101,538	\$106,373
\$ increase	-	\$16,267	\$37,201	\$42,036	\$46,871
% increase	-	27.3%	62.5%	70.6%	78.8%
Annual Increase	-	6.3%	5.6%	6.1%	6.7%

Fire Fighter I/II		4 years Later	≥ 8 years later		
	Starting Pay (w/o degree)	Step 5	Topped Out Salary	Topped Out w/ Associates	Topped Out w/ 4-Year Degree
Base Salary	\$56,710	\$68,931	\$83,786	\$87,975	\$92,165
\$ increase	-	\$12,221	\$27,076	\$31,265	\$35,455
% increase	-	21.5%	47.7%	55.1%	62.5%
Annual Increase	-	5.0%	5.0%	5.6%	6.3%

Amounts do not include annual market or cost of living adjustments

Public Safety Pay Plan Benchmarking (conducted by HR every other year)

◀ Areas of Strength

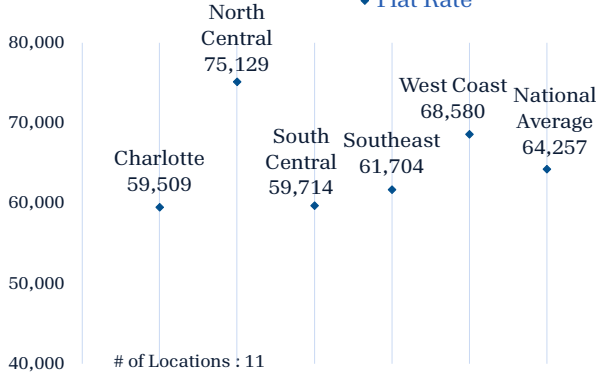
- CFD Trainee pay is above national average.
- Fire Captain & Police Lieutenant pay remains competitive.
- Police and Fire Command staff pay continues to be competitive.
- City of Charlotte continues to offer one of the strongest education incentives.

◀ Areas for Review

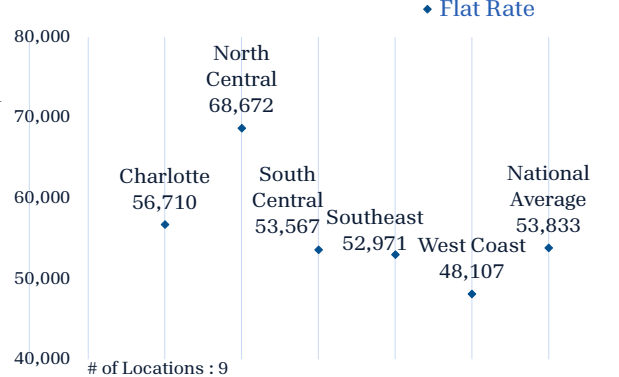
- Current starting pay for CMPD trainees is below both the National and Southeast regional averages.
- Data from the Southeast region and National benchmarks indicate starting salaries are lower for Charlotte Police Officers, Firefighters, and starting FF Engineer.
- Opportunities to enhance compensation through supplemental pay for Police and Fire.

Public Safety Starting Pay Benchmarks

POLICE RECRUIT



FIREFIGHTER TRAINEE

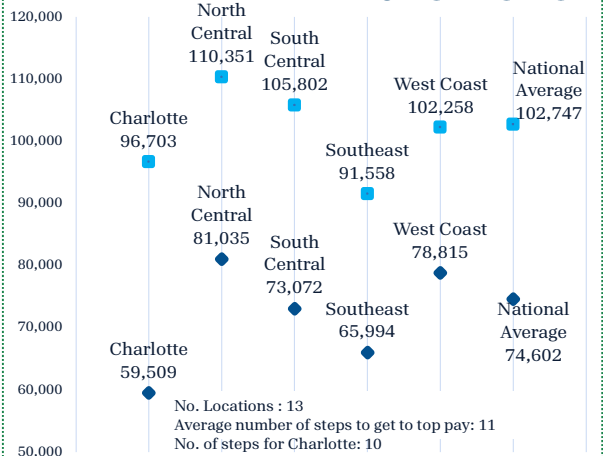


Key Take-A-Ways

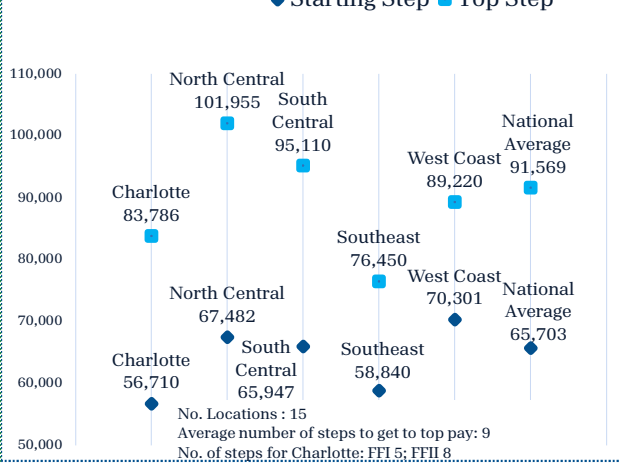
- CMPD Trainees rate of pay is below National average and the Southeast Region
- CFD Trainees rate of pay is above the National average and the Southeast Region
- Most respondents differentiate pay between Trainees and Officers/Firefighters upon graduation

Police Officer and Firefighter Starting Pay (after graduating from training)

POLICE OFFICER



FIREFIGHTER



Key Take-A-Ways

- Police Officer: Southeast and National higher starting pay than Charlotte
- Firefighters: Southeast and National higher starting pay than Charlotte

Public Safety Allowances

Current Allowances:

- Education - Associates 5%, Bachelors 10%
- Military 5% (*in lieu of Associates*)
- Bilingual 5%
- Special Duty pay
 - Fire – 5% Airport Fire, Dive, Fire Special Assignment, Haz Mat, Search & Rescue
 - Police – 5% Trainer
- Shift Differential - 2.5% (2nd & 3rd Shift)

Potential Allowances used by some other cities:

- Special Duty pay for Police (SWAT, horse patrol, drone unit, bomb squad, motorcycle duty, negotiator, rescue)
- Differential between 2nd and 3rd Shifts

Additional Pay Considerations

- ◁ Changes to Public Safety Step Plan
- ◁ Changes to Incentive Pay/Allowances (e.g. Shift Differentials)
- ◁ Reviewing pay structure for General employees (Hourly and Salaried into pay ranges)
 - Equitable alignment between jobs with similar market value
 - Streamline career progression within job families
 - Increase operational efficiency
- ◁ Healthcare benefit cost increases

Capital Investment Plan 101

Capital Investment Plan 101

◀ Characteristics:

- Funds various kinds projects such as street improvements, building construction, facility maintenance
- Rooted in data, studies, plans and community feedback
- Life-to-date funds
- If debt is utilized, the life of the asset extends longer than debt financing

◀ 5-Year Plan

- Only year-one is adopted
- Remaining four years are simply a plan that City Council revisits annually

◀ General Capital Investment Plan (CIP) supported by general government revenues

◀ Enterprise CIPs supported by user fee 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 ($\pm 30\%$)
- ◁ Cash-funded projects
- ◁ Appropriated annually

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- ◁ Cash-funded projects
- ◁ Appropriated annually

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

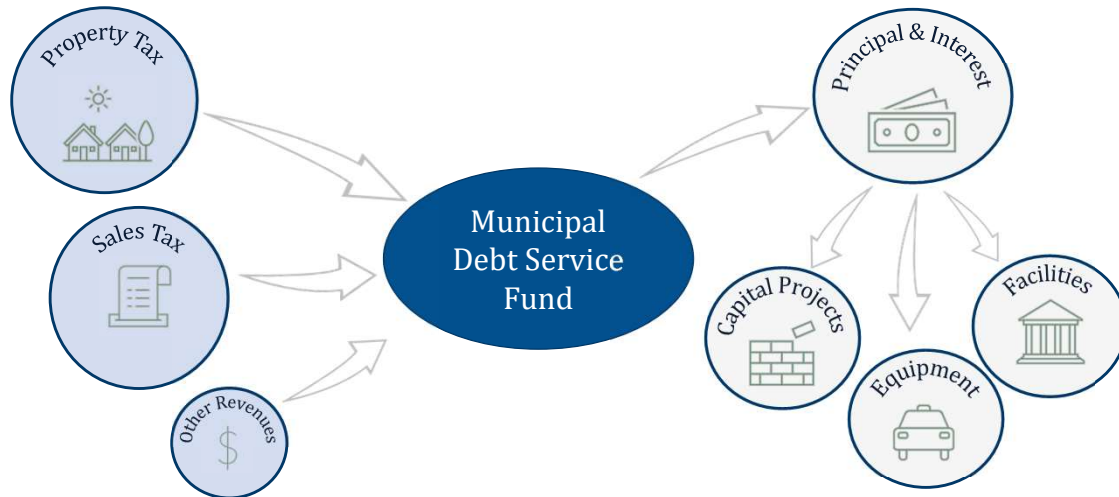
Certificates of Participation (COPs)

- ◁ Used for facility construction and improvements (pledges the asset for the debt)
- ◁ Appropriated annually
- ◁ Modeled to Steady State capacity

General Obligation (GO) Bonds

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

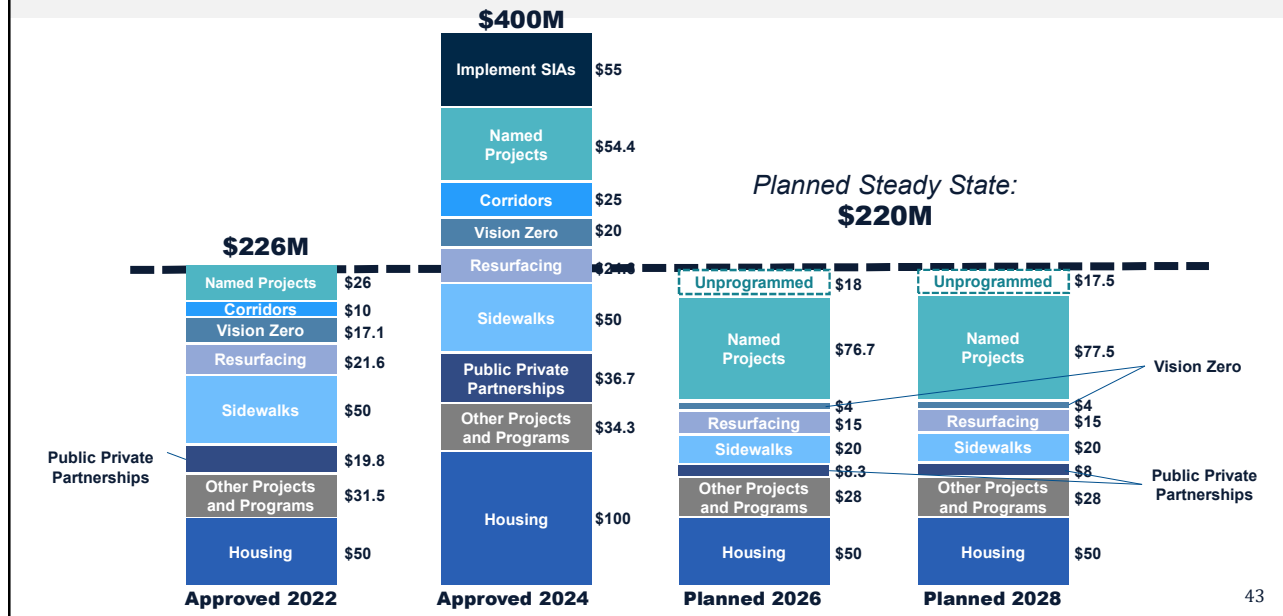
Traditional General CIP Structure



Steady State Modeling

- ◁ Supports long-range capital planning
- ◁ Determines the city's capacity to take on additional general debt
- ◁ Results in policy-driven, sustainable level of borrowing
- ◁ Point-in-time analysis of affordability based on:
 - Revenue growth assumptions
 - Rate of spending on projects
 - Financing rates
- ◁ Ensures predictable debt capacity remains available for future allocations
- ◁ FY 2026 Budget Development Steady State = \$220 million

FY 2026 Planned Bond Schedule

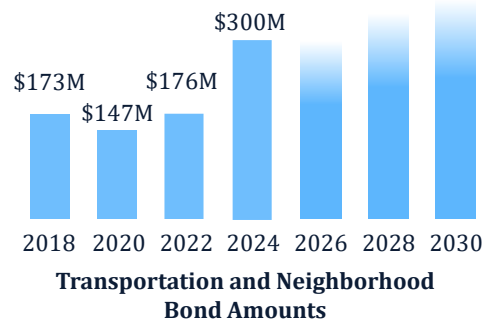


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Historic Investment in 2024 Bond

◁ 0.24¢ property tax increase and pulled forward capacity allowed for \$400M 2024 Bond:

- \$100 million for Housing Trust Fund
- \$300 million for Transportation and Neighborhoods
 - Strategic Investment Areas (\$55M)
 - Sidewalk Improvements (\$50M)
 - Vision Zero Safety (\$20M)



◁ Test new project delivery models and limits of organizational capacity

1¢ Sales Tax in FY 2027

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

BLUEPRINT FOR CHARLOTTE MOBILITY INVESTMENT

- ◁ **40% Dedicated to roadway system infrastructure**
 - Charlotte revenue estimated to be \$5.7B over 30 years, with ~\$100+ million in FY 2027
- ◁ **Ensure compliance with PAVE Act requirements**

“Each municipality shall use the net proceeds...to supplement and not supplant or replace existing local expenditures...not derived from the proceeds of indebtedness”
- ◁ **Exploring structural changes to debt model to align with PAVE Act**

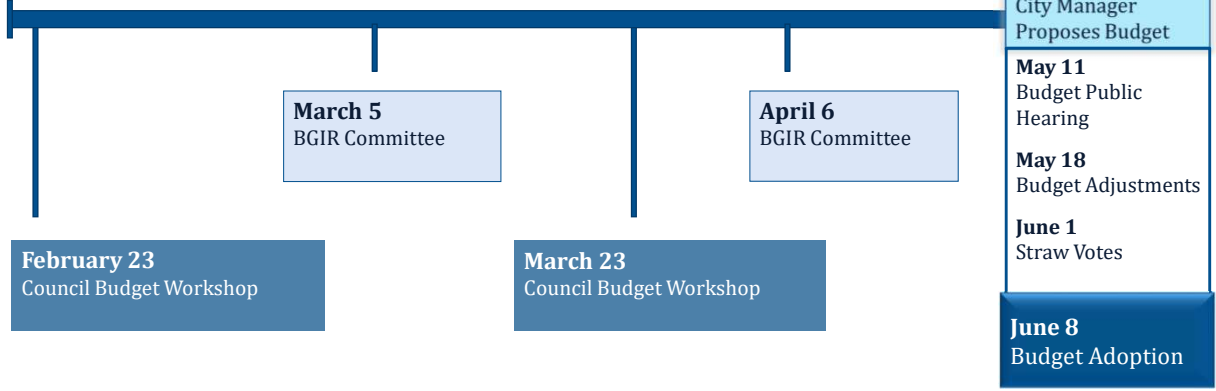
CIP 201 at Annual Strategy Meeting

- ◁ **Review proposed updates to the Municipal Debt Service Fund to account for new sales tax revenue**
- ◁ **Discuss debt capacity**
- ◁ **Highlight debt management principles that support being a well-managed government**
- ◁ **Draw connections to PAYGO and operating funds**

Looking Ahead...

Council Annual Strategy Meeting - March 2026

Budget Development Timeline



Feedback & Questions from Mayor and Council