

The City Council of the City of Charlotte, North Carolina convened for Budget Workshop #1 on Monday, February 10, 2025, at 2:20 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Vi Lyles presiding. Council members present were Dimple Ajmera, Tariq Bokhari, Ed Driggs, Malcolm Graham, Lawana Mayfield, and Marjorie Molina.

**ABSENT:** Councilmembers Danté Anderson, Tiawana Brown, and James Mitchell

**ABSENT UNTIL NOTED:** Councilmembers Renee Johnson and Victoria Watlington

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**Mayor Lyles** said for those of you that made it possible for us to have a quorum, we are really grateful for that. We are grateful for the opportunity to have a meeting and to start it in a reasonable amount of delay. So, good afternoon, I'd like to call our first Council Budget Workshop for FY (Fiscal Year) 2026 budget development into order. As you know, this is one of the most important and impactful policy items that we work with together each year in developing a plan to allocate the City resources in alignment with our strategic priorities and the needs of our community. So, I want to thank every one of you that came in on time today for joining us, and I'm going to turn the meeting over to the City Manager.

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## **ITEM NO. 1: ECONOMIC OUTLOOK AND BUDGET UPDATE**

**Marcus Jones, City Manager** said so, Mayor thank you Mayor and members of Council. So, we'll just jump right into it. We have an economic outlook and budget update. This is not dissimilar to what we've done in the previous years, which what is a bit different is we tried during the Annual Strategy Meeting to go under the hood of it more in terms of what's in the budget, in terms of all of the different funds. Today, we will be focusing on the General Fund as well as what's happening around public safety and that's a little prelude to the conversation we'll have tonight also, but with that said Mayor, if there aren't any questions, I'd like to turn it over to Marie and the budget and finance team.

**Marie Harris, Strategy and Budget** said thank you and good afternoon. As we get started, as the Manager mentioned, we're going to do a budget overview quickly, an economic outlook, and then get into some of the real considerations as we're moving forward with the development of our FY2026 budget and then looking ahead. First, of course you're all familiar with your strategic priorities, Council's strategic priorities, but we really wanted to make sure and put this front and foremost because all the funding decisions, and decisions we make, and performance metrics we'd come up with are weighed against advancing your strategic priorities. Along with that, the budget is one of your main policy documents. It touches all of your priorities and in particular, well managed. This is how we allocate your resources, the community's resources to advancing your strategic priorities and set a strong financial foundation for all we do. This is building upon what we discussed at your Annual Strategy Meeting. We talked about the AAA rating we have and how important that is and how we've built that over time and are continuing to protect that. We talked about City services are provided at a comparatively low cost than other North Carolina cities and how property tax, although it's our greatest revenue generator for the General Fund, it's also flat and not growing. It doesn't grow when we get revaluation. It only grows with new construction being added. We also talked about even though we're a good value, how we monitor performance in the trade offs between efficiencies, cost savings, and performance and that public safety costs continue to drive the budget. Each of these we're going to build on today further.

Again, strong financial management practices, this really helps the City. We shine forward with that and creditors. It allows us to do more with our money. It allows us also to be seen as a strong financial foundation for institutions giving us grants and things

like that as well. As we talked about in the Retreat, comparing the cost of government, and one thing we talked about briefly at our Committee meeting, you know some residents say, "Yes, your property taxes are flat, but other fees increased." Yes, all fees increased over time not just with our City, other Cities as their contract costs increased. This graph is not just property taxes, it's fully loaded for an average resident with property taxes for the City and the County, sales tax, our solid waste fee, and stormwater and water. So, we still are very low compared to our peers. Our property tax is low too but that's something we have to keep an eye on, how we can keep maintaining good value at the same time meeting the service expectations of our community. There's a whole lot of words on this slide, but this is, I believe at the Strategy Session, Councilmember Mitchell mentioned we don't do enough to highlight our success, and this is very much a success. Council has adopted strategies recently that really support our workforce, and this is important to note. In 2018, the minimum hourly wage was \$13.58. It is now \$23.00 an hour. That's a 70 percent increase that Council has put forward. Overtime with COVID and the health care cost going up, the City of Charlotte absorbed more of the cost burden to help relieve some of that cost. It still goes up for our employees, but we've helped to balance it with the City in some instances taking on a greater share.

Council has recently done shift differentials. So, that was new in the last couple of years and commercial driver's license premiums they've really helped our operations positions. Really this is a real highlight. I know it's a lot of words on the page, but do you realize in police, fire and our hourly, all since 2019 have increased over 30 percent in salaries? That is a really big deal. Then as of November 2024, 97 percent are making at least \$50,000. Then this is also important because of the General Fund, 73 percent is personnel cost and as we mentioned before, public safety is a big driver and 73 percent of the personnel costs are in police and fire. So, these are definitely budget considerations moving into 2026.

As you know as we discussed some at the Retreat, in general we always look at revenues and outlook of revenues and what our expenses are going to be. The incremental growth, and when we say incremental growth, that's moving this current fiscal year forward into FY2026 with no pay plan and no enhancements, just contract increases and annualizing things that we've already done in 2025. That's an increase of \$30.4 million and we're projecting revenue at \$30.9 million. So, we're at half a million to the good without a pay plan. So, that's definitely what we're working towards moving forward, but this isn't different than prior years. We've been here before and we're really working hard to analyze revenues and efficiencies. Then I'll talk some more about that, but right now I'll turn it over to Dr. Tazifor for an overall economic outlook.

**Ndem Tazifor, Strategy and Budget** said good afternoon, Mayor and Council. Before I start, I just wanted us to talk about where we are today with regards to the economy. So, the most recent data that we have right now is for the year 2023. So, as of 2023 the Charlotte MSA (Metropolitan Statistical Area) grew by about 4.7 percent, which was faster than that of the state and the nation. So, if you look at the chart which shows you the economic growth or we call it GDP (Gross Domestic Product) growth overtime, you realize that the Charlotte MSA which is the line in green, we've been faring way better than the nation since 2019. As of 2023, the major contributors, we're talking about industry sectors. Not surprising finance and insurance contributed much to that growth, professional and business services, information and retail trade. So, we've been doing well as a city but looking forward, what are we expecting? So, I was looking at a couple of projections from different banks and other entities and a lot of them, consensus is about 2.5 percent growth in 2026. So, there are currently no projections of a recession. We're expecting some growth, but slower.

So, we've been doing better as a city. What you're looking at right now is the number of housing units that have been permitted and completed in the City of Charlotte. So, the data you're looking at is from 2014 through 2024 and you realize that 2023 and 2024 were very, very good years for us. However, going from 2023 to 2024 you realize, I'm looking at the dark green bars, 2023 to 2024 you see a slight decrease, but it's still relatively strong. So, even though the number of housing permits declined, it has

remained relatively strong. The number of housing units completed has been going up since 2022 and growing really rapidly.

So, on average, I was looking at the data, on average it takes about seven to nine months for a single-family unit to get from when they get their permit to when the City gets occupancy, about seven to nine months. For multi-family units, it takes about 19 to 21 months. So, when I just look at that data of the number of housing units that have been permitted and completed, you can tell again, just looking at an average household size, the current vacancy rates it's looking like the City is going to grow significantly this year and the coming years. So, when we look at these numbers and we're looking at the time it takes for these units to be permitted and completed, you can tell if you're looking at 2024, we have a lot of units that have been permitted and those should be coming online. So, they'll be getting added to the property tax roles in the next seven to eight months. So, the two key indicators that's usually in the media, interest rates and inflation. So, the Federal Reserve has, in my opinion, has done a very good job in managing inflation. So, inflation has fallen from a high 9.1 percent that we saw sometime in 2022. We're currently at 2.9 percent. It's still not gotten to that two percent that the Federal Reserve likes; however, looking at that chart, you'll see that that 2.9 percent still hovers around where we were before the recession. Also, talking about the interest rates, like I said, the Federal Reserve has done a good job in managing the inflation. Right now, we're at 4.3 percent. At their last meeting they held the interest rate and we'll just wait to see what happens in the March 2025 meeting.

So, following up from that conversation about inflation, if you look at the chart, you would realize that beginning in July of 2022 looking at that inflation, inflation was like again right around nine percent. With such high inflation, of course you'd expect to see higher prices and eventually we see higher sales tax revenues. However, if you look at that trend going down, you'd realize that it's been declining. It's been declining over time. So, looking at the data, there's some evidence of a slowing in retail and food spending; however, it looks to be stabilizing to what we saw before 2020. I was just looking at the data on credit card debt. It's at an all time high now and again, [inaudible] of households need to pay more in interest rate payments. The other thing which significantly affects consumer spending or gives us a clue about where we think consumer spending is going to be, is the personal savings rate. The personal savings rate before the 2023 recession was right around six percent. Today, well as of December 2024, that savings rate is 3.8 percent which just meant a lot of households are eating into that personal savings and might not have money to spend in the coming months.

So, given all of that information, what you see here is the sales tax growth forecast. So, the latest data we have for sales tax was for the month of November 2024 and it came in at about 3.2 percent. For the remainder of these coming months, we're projecting a 3.5 percent growth and eventually for 2026 we are projecting a growth of 3.5 percent over our current 2025 projections. So, there's a lot that's currently going on right now from a national standpoint. So, these are just some key indicators to watch because this will eventually play a role in our final projections for 2026. So, some key things to watch. Tariffs, and then just for a start, there's talk in the media about a 25 percent tariff on steel and aluminum. Again, that would have significant impacts on our CIP (Capital Investment Plan) projects. So, that's just some of the things we've just got to watch for. Immigration. We'll continue to look at consumer spending. We'll continue to look at construction trends and unemployment. Thank you.

Ms. Harris said thank you Dr. Tazifor. Then we're getting back into specific budget considerations for Charlotte. As you know we have a lot of different measures we put in place, but this is an important one. If you remember, we talked about how 73 percent of the General Fund is salaries, and our employees are our most valuable resource. We definitely track retention and recruitment and as you'll see, even though we've added 723 more positions, our vacancy rate is still decreasing from where it was in 2020. So, we continue to monitor that and we're making progress and in a positive direction. This is another example of how we continue to hire more positions in the General Fund, and this is very important when we talk about recruiting and retaining people and getting

some of the best talents and skillset here. We definitely need to work on budgeting for our pay plan and that's why it's one of our predominate focuses moving forward. As we mentioned, the public safety budget is one of our core services and a lot of General Fund staff are there. Seventy-three percent of the 73 percent cost of the General Fund are for public safety personnel. Just in general too, the public safety drives the General Fund budget, 62 percent of the General Fund budget is allocated to police and fire. So, they definitely are strong drivers not only as our strong core service, but also when we're looking at budget development. Recent investments in public safety, we've made a lot of investments in facilities and staff and pay ranges and equipment needed. One thing important to notice, when we get a new fire house activated, we have to have a new company of staff to man that station, whereas typically when we build a new police station, typically we're moving from a leased facility into a City-owned facility. So, it's not as intensive as far as FTE (Full time Equivalent) increases.

Then when we're looking at building next year's budget, some of the funding we've done in 2025 are considerations for moving forward into 2026. Like when we do a new fire company, sometimes we don't have them all starting July 1, 2025. So, it's not full year's budget in 2025, but it would be a full year budget moving into FY2026. So, we've got new fire positions, and we've got needs for technology and gear moving forward into 2026 that we know of. So, that's part of the base budget moving forward and then we also have things on the horizon like a new Miranda Road Fire Station that will need to be staffed with employees and equipment. Another big consideration is delay of ordering engines and we'll get into that further in another slide, but there's a huge delay not just with fire apparatus but other big equipment that used to take a year to get that take several years to get now from the time we place the order. There's ongoing need for equipment replacement. You know, we have radios listed here. Radios to the public might mean, oh it's a radio it's nice to have in your truck. No, these are the public safety radios that police and fire use to communicate with each other and are their lifeline during crisis events. They are on a separate radio system and require specialized equipment. We'll also be, for both police and fire, looking at making sure the health and contributions to the retirement systems remain.

We're always looking at cost recovery of all our services, but for public safety, a big one that's ongoing right now as you all know is fire departments serve as first responder for Medic and that's been an agreement for years and years and years. We're looking at now more actively. Charlotte, also Davidson and Huntersville are independently working with Medic, and this isn't just cost it's also service levels, but since we're talking about budget we're going to say it does have a cost impact when we're moving forward with the budget. Current considerations include, for the towns, Medic reimburses at a rate of \$20.96 per call. For the City of Charlotte, we have a flat fee that's just under half a million dollars. So, those will be considerations moving forward, and just to give you an idea of the magnitude, last fiscal year, Charlotte Fire Department ran just under 85,000 calls for Medic as a first responder. That reimbursement rate that we currently get is less than \$6.00 per call or less than five percent of the cost. We're estimating the cost fully loaded to be \$10.3 million. Now, we're definitely not saying we need that full \$10.3 million from Medic, but that is a consideration when we're looking at service levels and reimbursement levels and that will be a big consideration moving forward when we're developing the next year's budget. The Fire Chief and Medic and others are actively working through not only cost reimbursement, but the service levels to ensure our community gets the same level of service.

Then for police, some of the ongoing investments you've made in your 2025 budget moving forward, and a big thing for police is looking at service models. You know, they've piloted and looked at best practices and now we have civilian crash investigators that are new and up and running. Those are trying to help. I think you mentioned recently at Council meeting about the lag time if it's a non-emergency fender bender. You know, you might have to wait a long time. Whereas now the City's being more responsive to be able to get somebody out there quickly and get people trained up when it's not an emergency situation to be able to help you in those type of circumstances. Also, it, even more importantly, frees up our police resources to be able to have more capacity to do the emergency calls.

Telecommunicators. So, we've got more telecommunicators to help with the burden on the 911 system and help allocate, analyze the calls, and get the service providers out as quickly as possible. Some of the potential needs on the horizon are analyzing demand for sworn positions. So, we will be looking at, and I think I'm getting ahead, but we're looking at trimming down on the vacancy rate because we're going to need to analyze the right mix of sworn positions versus operation positions versus our population versus our calls for service.

Employer contributions to the retirement system to make sure the health all of our retirement systems remain up to par, and ongoing technology replacement, the fleet, the cameras, again with the radios. Those are some essential equipment but they're also costly and has to be replaced over time.

Long term considerations for police. Again, the vacancy rates are trending down and that's great and that shows that we are doing better at recruitment and retention and that's another impetus for us being able to develop a strong pay plan moving forward for the new fiscal year. Vacancy savings though have helped to cover some staffing needs, some equipment, the overtime has helped offset some of our vacancies and that's going to be something that we're going to look at and analyze moving forward into the next budget cycle.

Future staffing allocations. You know, when we get to that point, what's a sufficient level of officers and how do we fund a sufficient compliment to meet this community's needs? Now I'd like to turn it over to our Budget Manager, Ethan Smith to talk some about compensation and benefits.

**Ethan Smith, Strategy and Budget** said good afternoon, Mayor and Council. My name's Ethan Smith. I'm your Strategy and Budget Manager. I get to talk a little bit about one of the essentials of a well-managed government, which is all the things that we do to recruit and retain the best and brightest employee talent. To start out, it's been an extraordinary time to be a City employee. The positive vacancy rates and hiring trends that Marie talked about, those did not happen automatically or overnight. They were the result of a series of historic investments. Some of the largest investments in employee pay that we've made in decades. To be sure, some of that was targeted at a specific moment in time where inflation rates were high and at an incredibly highly competitive job market. Some of these were structural improvements as well that will continue to pay dividends and drive costs in this budget and in the years to come. Some examples of that, we added shift differential and commercial driver license incentives that continue to compound on the annual increases that employees get. We made structural adjustments to the public safety pay plan and as we added some top steps, most of our public safety employees did not benefit from those top steps at the time, but many have become eligible in this budget cycle and in the next budget cycle to receive those top steps for example.

As you can see here, these investments have been proportionate to the distribution of our positions overall which means that an overwhelming majority of those investments are public safety investments. While inflation has impacted the effect of these pay increases, it's a tremendous competitive advantage for us that these have kept pace with inflation for most employees, and it is something that not all employers can say. So, prior to these three extraordinary years and pre COVID times, a typical pay plan would look something like this. Public safety would receive between four and six percent, comprised of two components, 2.5 to five percent step for most public safety pay plan employees and then a market adjustment typically around 1.5 percent which was designed to protect the purchasing power of those employees that had already reached the top step and received all the eligible step increases in the public safety pay plan. Then, general employees would receive closer to three percent. For salaried employees, that was all distributed through a merit pool whereas hourly employees, that would be split between some sort of general wage increase and a merit pool comparable to the salary pay plan. While inflation has remained stubbornly above the two percent Federal Reserve target, at present each of these plans for most employees

would keep pace with inflation across each of these plans, but certainly something we will continue to monitor going forward.

So, put in context of the General Fund outlook, if you add a typical pay plan on top of our General Fund expenditures, it leaves about a \$16.5 million gap. That number's closer to \$22 million with a more enhanced version of the pay plan and this is typical for where we are at this time of the year. In fact, we believe we solved about a third of this with a combination of revenue and expenditure strategies. We are certainly continuing to evaluate those and vet those and work through additional options going forward and we're not going to rest until we balance this thing. I will just add one kind of word of caution as Ndem kind of indicated. There is slightly more economic uncertainty at this point than in previous years. So, consistent with our kind of theme of a bridge year budget, we'll continue to be very deliberate and thoughtful as we evaluate both compensation packages and the rest of the budget going forward. With that said, any well-managed government is going to compete for employee talent.

So, there may be some areas that we can have some targeted focus where the data shows that we can be a little bit more competitive. Here's some examples of where we've done that in the past. We boosted City minimum wage; we've targeted our lowest paid employees more broadly with minimum pay increases for example giving them at least a \$3,600 per year increase that helps a broader pool of those hourly employees boost their pay. We've made changes to the public safety pay plan. For example, adding steps to the top where retention is an area of focus or boosting starting pay when recruitment is an emphasis for us, and then added certain types of incentive pay where there are areas that need the target. So, as always, we're going to continue to evaluate and consider if there are areas that require some added emphasis and where the data shows we can be a little bit more competitive.

So, the City's approach to competitive compensation does not end with wages. Also focused on total compensation, which includes competitive benefits. Sheila and Christine and their team, they do just an incredible job of prioritizing employee well-being, health, and the financial stability that comes with that. Most of this comes in the form of our three healthcare plans. Thirty percent of enrolled employees take advantage of our health savings account. It's a high deductible plan. The other 70 percent take advantage of our preferred provider organization, our PPO plans with the smallest contingent, they're taking advantage of Plan E which is our higher premium lower deductible plan and that's just slightly below 12 percent of enrolled employees. These medical and prescription benefits drive 80 percent of the health care costs for the City. Unfortunately, these health care costs are not immune to inflation. Since 2020, medical costs for the City have increased just below six percent per year while prescription costs have increased closer to 10 percent per year. Even though the City, that you can see here with the green bars, actively manages our costs below national trends here in the blue are something we can certainly take some pride in. These costs are still higher than general inflation and certainly higher than General Fund revenue growth.

Nonetheless, in the spirit of being a competitive employer, the City has prioritized employees by taking the brunt of these inflationary healthcare costs in recent years. This is consistent with what other employers are doing in a very tight labor market. While these have been intentional efforts on our part to cap the growth in employee's health care costs in recent years, it has the affect of skewing some of the cost share of these plans away from the traditional target. So, this is certainly something that we will continue to monitor going forward.

So, as always, we're going to balance being an employer of choice with what is financially feasible and sustainable for the organization. So, just a couple of budget takeaways here. We've done and will continue to do what is necessary to remain a competitive employer, but it should be clear that these investments are not without cost. Since 2018, the City's contribution in healthcare has increased 29 percent. So, in FY2025 General Fund terms, that is \$12.4 million, and these are recurring costs that we will need to budget for in 2026 and in the years to come and that is before you factor in the cost of adding new employees which we have done and will continue to need to do.

So, I'll just conclude by saying we will continue to assess our benefits and compensation packages and how best we can remain competitive while also, as always, balancing the City's financial outlook. I'll pass it back to you.

Ms. Harris said thank you, So, with all this information wrapping up into, okay what does this mean looking forward? Funding look ahead. We're always analyzing our accounts, as today we talked about some at your Annual Strategy Session again today, we're balanced but for a pay plan. We have half a million-dollar surplus in terms that could be put towards a pay plan, but that's not enough, but we're as always continuing to look for efficiencies, analyzing our accounts, looking at revenues, looking at our charge backs for services to be able to develop a solid pay plan moving for your consideration moving into 2026. Then how do we do that? Here's just a little handful of some of the things we do. We definitely look at team of teams approaches. How can we capitalize on expertise across departments and efforts across departments instead of each department trying on their own sometimes? Redirecting funds to core services. Some of our services, you know with flat revenues, we really need to make sure and hammer down and make sure our core services are fully funded before we branch out into any enhancements. So, that's something we're really taking a hard look at. Processing and reporting efficiencies through ERP (Enterprise Resource Planning). This won't be realized immediately as we're still getting our new ERP system up and running, but we should be able to have some efficiencies, more reporting capacity capabilities and hopefully streamline services that we can reap the benefits for in a future budget cycle.

Also, technology efficiency such as artificial intelligence and other kinds of automation. We're really exploring those and as that world is evolving, how can we roll that into like for 311. When you get a call that someone might can use AI (Artificial Intelligence) to get a quick answer and then save time for the actual person call taker to be able to serve the person in the community that has a more complex need. Also, as we mentioned, the cost recovery options, just even the budget cycle. If you look at team of teams, internal team of teams is your budget cycle as well. You know, you see a handful of us doing the budget season, but it's also Sheila and her whole team, some over here, some over here, Teresa and Matt and their teams and we have some of our main department customers over here. In each department, there's people that we're tapping their expertise and their knowledge of their day-to-day services, and their funding needs to be able to pull together to present to the Manager and then roll into our 2026 budget. It's really an internal team of team's approach.

**Councilmember Watlington arrived at 3:02 p.m.**

Some of the considerations for 2025 that we're definitely keeping our eye on moving into 2026, we have some overtime and public safety and solid waste that's affecting us right now in 2025 that we're looking at and monitoring closely. Some of it we'll get reimbursement for, but when we have like a snowstorm we won't. So, there's things that we're looking for and accounting for and increased demands from growth. We're also looking at, and I briefly touched on it before, fleet maintenance cost. Before if we ordered a fire engine, we'd get it in roughly a year and a half. Now it's taking four years. So, four years from the time we place that. So, we're already at projecting a piece of equipment that's end of useful life and now we're having to pay a lot higher cost in maintenance and creating downtime for our staff by having to maintain older equipment that's past its useful life. So, we're working into upsize our ordering and understand the impact of that and getting ahead of that four-year cycle moving forward, but right now we're having to deal with impacts of higher maintenance costs around that. So, those are just a couple of things that are happening now in 2025 that we're going to be addressing when we're developing the 2026 budget.

Then that pretty much wraps it up, but just again here's the highlights we're planning. I believe you got this all at the Council Committee Discussion session earlier this month, but the Enterprise Funds are going to the Committee and I'm sure the Chair will reiterate you're all welcome to attend any of those committees you have interest in. They're presenting at the committee level and then our next time together in this room will be March 24, 2025. For that Budget Workshop we'll be giving a capital projects

update looking at our solid waste services and financial partners. I think we mentioned briefly, Cherie's got her hands full with 51 financial partners and we're going to be analyzing that and get you that packet as soon as possible, but definitely well ahead of your March 24, 2025, meeting. Thank you, and that's all we had. We'll definitely take questions.

**Mayor Lyles** said thank you. You have really introduced this in a very easy to read and lots of diagrams. Thank you for the work that you all are doing to get this accomplished, but now I think we have to remember it's now the Council's turn to do some work and think about what they would want to do and how they see it.

Mr. Jones said thank you Mayor and members of Council. Marie, can you just go back to the vacancy slide? So, a couple of things that I want to highlight before we go into the round robin. We ended the FY2024 with about a half million dollars to the good on the expenditure side. The reason why we had a sizeable surplus is because of the revenue side. So, if you start to think about many of the discussions, it is pretty tight on the expenditure side. Marie more or less said today that the current fiscal year will be tight also. There're some things that are going on that we expect some reimbursements but may not get them, but we're not sounding any alarm. We will figure out the current fiscal year. One thing that's also super important, year over year we scrub accounts and Marie is not really liked right now folks. So, she could get some encouragement because she's making sure that every department is really going into their accounts and not having any fluff or things of that nature and that's what the Budget Office is doing.

I will say this. Some of the stress that we will have, and the reason I'm here is that in 2021, 2022 in the same room, people were concerned about the ability to retain folks and to be able to provide minimal services. Cities across the country weren't collecting solid waste. So, all of your strategies around retention have really paid off. I know the question comes up to Sheila every year. I'll try my best Sheila to answer it. People will say, "What is a good vacancy rate" or, "What is a standard?" I think we've been saying 10 percent if I have that right. So, by every measure, we're doing much, much better than we were in 2022. What occurs, I'll end with this Mayor, is that we find problems like fire inspections. That wasn't working. So, what we had to do was change the way we paid people. We had to ask some people to, you know, work overtime or maybe even get folks out of retirement. The same thing with 311 call takers. We're having some stress around 911 now and some of the response times. What we do is we try to lock into those areas where we're having a dip in some level of service and try to address it. So, there have been some good compensation packages over the last few years and they were needed. So, we shouldn't walk away from that because it put us in a position so that we have the number of staff that we need to provide great services, but we will have our challenges in the current fiscal year as well as FY2026.

**Councilmember Mayfield** thank you Marie and the entire budget team that's here. Thank y'all for a very comprehensive breakdown of where we are. So, Manager, thinking about what you just shared, since this focus is really around compensation, and the bulk of our compensation is around the support we need in police and fire as the City. We're anticipating by 2030 almost another 100,000 plus individuals moving to the region. The question I have for you Mr. Manager is where in that conversation, which you and I have discussed previously, our training facility at fire and as we have experienced a number of fires that are unusual as well as when we look at how we build today versus years ago. You may have a building that's on an acre plus of land, we're doing a lot of infield building. Unfortunately, a lot of these buildings, the fire is moving much quicker. Unfortunately, we just had over the weekend another fire that moved pretty quickly. Are we in a place, even though there may be some shortfalls coming, for us to have real conversations around Council where we can at least get some proposals, or at least get an idea of the numbers to do some of the upgrades that may be needed in order to make sure that our class, shout out to our Chief who is here. I was able to attend Friday. We graduated Fire Class 124. Thirteen started, 13 graduated, but wanting to make sure that they have the proper training resources.



Mr. Jones said great question Councilmember Mayfield. What we do during this budget workshop period, we also give you an update on our facilities in the facility needs assessment. So, that will be later in the workshop, but we'll take note of that and have not just what we're doing in terms of fire, but also all of our City facilities and what kind of needs are there, yes.

Ms. Mayfield said that does help, but I definitely appreciate our budget team working the numbers and Manager Jones, your leadership with the increases that we have seen. Because as we want to be a City of choice, we definitely want the City of Charlotte to be an employer of choice. We know with the rising costs of everything that increasing our salary has helped some of our employees to stay within the City limits. Because there's also that conversation where a large number of our staff, police and fire, do not live within City limits. So, that also means as we're trying to attract you to the area where you're paying property tax may be in the County, some may be even a little further than the County, but how does that help our City continue to grow? Those were really the only questions I had Madam Mayor. Mainly just wanted to tell staff thank you for all the work that you're doing. I know it's difficult because I know I wouldn't want you telling me that I have to cut my budget five percent, 10 percent. So, for all the department leads that are out there, know that you have a staff and a team that's really trying to make sure that you have the resources you need but also make sure that we are a growing City and not a City in deficit. Thank you.

**Councilmember Bokhari** said thank you. I'd just say one theme of which I'd like us to focus and prepare for proactively through this budget process that we're now embarking. It takes from what we did at the end of last budget, and we had a group of us that were interested in seeing where we could, you know, make some cuts potentially lower taxes, put our fingerprint in a little more meaningful way to the budget process than normal. I think the flaw last time was one, timing. We kind of all got behind it at the very end and the big punch line was, "Man, we should've started this three months ago, we would've actually had a shot." So, I think we're in a good spot now to take that on. Then the second piece is, line of sight and visibility into the underlying pieces where we could have that exercise, and I think that boils down to like three major buckets that hopefully this will be a helpful guide as we figure out it's not all one way presentations. We have some offline work we need to do and we have to be armed for that, but the first bucket is while everything that we do is awesome in some way, we don't always have to do everything and we can prioritize by stop doing some things and reprioritizing those efforts in capital behind other things that we want to do at even higher levels. I think a good example of that one, I'll just throw this out there because it's one take away I'd like to have, but in general that EMS (Emergency Medical Service) and the slides that were on fire's relation to emergency calls.

Ms. Mayfield said Medic.

Mr. Bokhari said yes, the Medic stuff. The only punch line I take away from all that is we do this stuff, it costs us \$20 a call, we get reimbursed \$6. So, I know there's a lot more underneath the surface of the iceberg going on there and I don't want to step in the way of that, but I just want to say, I think that's something either we should continue doing at \$20 or not do. I think that the bigger theme in all this is not just us, but our touchpoint with the County and other bodies as it relates to maybe this is the process with enough lead time where we can start saying, "Okay, you take these things because that makes sense. We'll take these things," but our budget should be fully contained in a way that we don't have these huge outliers where we're spending a lot of money on things that started as some kind of favor along the way and turn into a large thing. So, I think that's one example.

The second bucket are things that we should continue to do but we should do more efficiently. I think this requires us to have the insights and ask the questions. I just recently asked your staff for some data points to help me in one specific thing which is permitting. You know, post UDO (Unified Development Ordinance) and the world we're in, is there not just like, here's how many people it takes to run the permitting process, but how many things are passing on the first pass versus not? What are the buckets?

Why are they taking so long, and can we adjust some processes that we find deficiencies as well and not just throw money at what's necessary?

Then the third bucket is things we should continue to do, but really prioritize the impact we're trying to make and figure out what policy items need to go along with what budget investments are being made and too many examples there are CMPD (Charlotte Mecklenburg Police Department) is by and large our largest FTE expenditure, but I really want to be able to see things like employee satisfaction reporting. How they view what's going on. Because it isn't just about percentages of, "Okay, here's what you get." It's how are we're aligning our policy to go along with that investment to make sure that we are moving the needle and we're looking at how that improves over time. The second one is also I've just been getting a ton of calls and messages and things lately from former CMPD officers and other first responders who are injured in the line of duty, who are medically retired. They're required to be and they are struggling. These are terrible stories as it relates to the system is not set up to help them. Now there are going to be some State aspects to that which could go to our legislative agenda, but you know, it's been more than one. It's been a lot more than one and I think people are really struggling to figure out what to do. So, looking at those kind of things to prioritize in those buckets would be what I would hope we could get out of it. The big punch line message here is we will fail, and we will probably be in a frustrated point if we're in the last two weeks of this budget process and we start to get vocal about this. I think we learned last year we have to start early, but if we could have a meaningful impact in a way that I haven't had in eight or nine budget cycles here now that we learned that lesson last year. We saw what it like when we got behind it. I've already have conversation with some of my colleagues that have already expressed interest in doing that again. So, I think we can do it in a productive and collaborative way with staff if we can just get organized and make sure that we have offline work that's armed and loaded and loaded for us to figure out where we want to focus.

Mr. Jones said thank you Councilmember Bokhari. Marie I just want to make sure, a little bit of level setting. The Medic piece is that the towns are getting like \$20 a call. The City's getting like \$6, but the real cost is a lot more than the \$20, I think.

Ms. Harris said correct. I didn't want to interrupt Mr. Bokhari, but yes. Right. We're getting half a million [INAUDIBLE] approximately \$85,000 but it would vary by year because we have a flat amount, but it's closer to \$120 per call is our actual fully loaded cost.

Mr. Bokhari said so, it's worst than the shocking example I used? Got it. So, to me, I get why in the bureaucracy of multi government agencies and things it's difficult. It's a negotiation, but this is a great one for us policy makers on both bodies to sit back and say like, "What are we doing?" To me, that should be solved. We shouldn't negotiate to a slightly less worst deal.

Mayor Lyles said so, I just want to say that this is not just us. It's everyone in the northern towns and the southern towns are thinking about this. So, it's actually a regional concern with that. So, we'll see with that how that can play.

**Councilmember Driggs** said so, I appreciate the presentation. Frankly there's not enough here yet for me to kind of get into a detailed critique. I did want to ask. When I look at the expenditure growth forecast, there's actually a lot that goes into that. So, I'd like more detail about how we arrive at that. What kind of growth assumptions are we building in? I assume we've got the whole year adjustments in there for people that join during the year. Kind of interested to know what the basis is for that. CMPD staffing, I think we are intending to step up staffing at CMPD if I understand. I think we need to, frankly, and I'm hearing again complaints about unsafe conditions Uptown, lack of visibility of CMPD. So, I mean, the Chief can advise us about that, but that's kind of the noise I'm hearing, and I want to be sure that we adequately resource. Anecdotally I mentioned in an earlier meeting that some of the officers down in South Division said they couldn't get those display screens for speed. You know, the robot speed measurements, and they were told there's no money for that and I don't understand

that. This is like a \$40,000 item that they feel is quite effective. They were talking about how Matthews and Pineville have these great things, these displays and they are told we can't afford them. So, that's just an anecdote, but I want to make sure we're adequately resourced there, and I guess that gets me to my most general comment which is there's a lot of talk about inflation in here and how a lot of these costs have gone up. The revaluation process does not include inflation and there's some slides in here. I don't know if we talked about them. So, in essence if property values go up by 40 percent and inflation was say, 10 percent, then our costs have gone up by 10 percent because of inflation, but then when we do a reval based on 40 percent and reset our rate, that gets taken away from us. So, in real terms, the revaluation process is eroding our ability to pay for services because those service costs are going up and the property tax component is not.

So, I said last year what concerns me about that is we may be setting ourselves up. Like, if we're not careful we may be setting ourselves up for difficult decisions in the future. I don't want to be kicking cans down the road and during this budget process, if we have some kind of alchemy that says we can do it without a tax increase, you know, count me in, yes, but the question is how? Are we eroding any kind of fundamental services of the City in order not to have a tax increase while still maintaining a lot of our investment in Corridors and other things that we're doing. I want to make sure that we are properly attending to the basic responsibilities of government and that we are anticipating what it's going to take in the future to continue to do that. If it's too easy for us to absorb an erosion of purchasing power because of the way our rate is reset, I have to ask myself, "What were we doing before? What was it that we were able to do that let us absorb an erosion of those dollars with no pain?" I'm just careful in terms of talking to the community about a kind of alchemy where look at the wonderful things we can do and there's no pain involved. So, I don't want pain. I certainly don't want a tax increase, but I am just concerned that somehow, it's being made to look as if we're able to digest all of that inflation without a commensurate increase in revenues and there's no cost associated with that.

So, as I say, this is just something as we go into the greater detail in the budget process that I'm going to be looking at, particularly public safety, in this expenditure growth forecast. Have we built in an increase in sworn officers? Is there an assumption about that?

Mr. Jones said no, there's not an assumption about that Councilmember Driggs, but I will tell you this. The way that we are planning the FY2026 budget, we would not put ourselves in the position that if either Chief wanted to have a recruit class that they couldn't do it because the lack of positions. So, there's a concept called over hires which allows you to have the people come in with the assumption that by the end of the year, you may be at the same level that you were in terms of personnel because you have some retirements.

**Councilmember Johnson arrived at 3:24 p.m.**

So, there is nothing in this upcoming budget that wouldn't allow for recruit classes. There's a little bit of a difference of opinion about when we will be fully staffed, but either way you look at it, we would not put ourselves in the position to not be able to have recruit classes. To the point that you made which is very, very good Councilmember Driggs about this budget and moving forward and I guess that's why I said what I said at the beginning. We'll have some pain. They'll be some decisions that we have to make because we are at the point we're on the expenditure side. \$900 million, you can't do it.

Mr. Driggs said it's significant.

Mr. Jones said right. So, we have been very fortunate because the revenue side has come in so much that we can one, support our 16 percent reserve that we have to do and then have almost \$14 million onetime that's left over. So, Ndem talked a lot about sales tax. So, when you think about the property tax and the sales tax together, I think it's almost 70 percent of the revenue that we have and as you've said, part of that

revenue stream, the property tax, we just don't get the growth when you get to a reval and when you have sales tax coming in at 1.6 percent, we have to be careful. We have to be careful about the revenue source which has bailed us out each year moving forward.

Mr. Driggs said so, sales tax is roughly a half of the property tax if I remember, something like that, and it does go up with inflation. It also goes up with the economy. Property tax doesn't do any of that, right? You get reset back to the break-even number in nominal terms and then that's what you get when you have some organic growth because of new construction which reflects the growth in our population, but that's my point though. I just don't think these revenue sources track the rise in our expenses to which inflation applies to all of it, right? We have inflationary growth and sales. We have [inaudible] but all of what we spend. So, in that sense, I just see in a big picture a kind of organic tension.

Mr. Jones said sure.

Mr. Driggs said I want to make sure we don't resolve that with shortcuts. I think we're cutting near the bone frankly. There are always opportunities to achieve greater efficiencies, to look critically at the lowest priority programs that we have in spending that we do, but by now the disconnect between the historical property tax rate and our reliance on it to pay our bills is getting pretty large. Okay. Thank you.

**Councilmember Graham** said I really don't have a lot. I wanted to thank staff for again, the work that they're doing in a foundation setting for us. I think that's the exercise that we're going through today. So, I look forward to being a lot more vocal as we get into the more specifics, the details of the budget moving forward. I will say something because Mr. Bokhari brought it up. I hope that as a Council that we operate in an environment where there's no surprises, right? Because last year was not our finest hour from my perspective and we ended up going right back where we started from because there wasn't a meeting of the minds of all the members. So, hopefully we can do better. Thank you.

**Councilmember Ajmera** said great job Marie and the team. I have four items. Some of the things that I wanted to say have already been said. So, first, cost recovery. So, you brought up Medic example. Are there other cost recovery agreements that we need to look into other than the one you had mentioned earlier?

Ms. Harris said not so substantial as that. That's an emergent more sharp example, but every year we look at cost recovery. So, be it user fees, solid waste fees, you know, like we mentioned solid waste fees go up because the tipping fees at the landfill goes up. So, you know we're always analyzing that to make sure and update those costs, but not an example like that.

Ms. Ajmera said got it. So, I know that parking was one of the cost recoveries and we had raised that. I was looking at it from the budget, and it looks like we are at the recovery point, at least from the parking fees and how much expense it accrues for us to maintain that or how much we are paying a vendor. I would like to see if you can provide a list of cost recovery models in terms of the contracts that we have and where there is a significant variance.

Second, in terms of the healthcare cost. It's great that we are using that. That certainly helps with retention because we have seen healthcare cost continue to rise. Sheila, your team does a great job with walking us through year over year our healthcare plan and the health care options. I know we have this very innovative model that is probably one of the first in the State and that is our clinic, now it's called Marathon Health. When it was first implemented or at least around 2017, 2018 timeframe, we were one of the first in the region to have implemented that. As a result, we were able to get same day appointments. Now they have partnered with other organizations including the County and certainly I have seen where walk in appointments are no longer available or same day or even two days. I wanted to see in terms of the service levels and appointments,

access, has that gone down as a result and how about our cost? So, if you can just sort of look at that in depth, that would be helpful.

Number three, I appreciate Marie, you and your team going through efficiencies every year. That's where all the departments start looking at. It's sort of level setting, right? If you can see in the past five years, there has certainly been a lot that we have been able to successfully identify in our efficiencies list. We have been given numbers, but I would like to see what contributed to that.

Ms. Harris said yes ma'am.

Ms. Ajmera said if you could help us get that list. The last, certainly not the least, you mentioned a couple of things when it comes to fire, CFD (Charlotte Fire Department) and how our leading time has gone up with up with apparatus and other equipment. I've heard this from firefighters, that currently apparatus or equipment that we have in reserve are significantly less than what it used to be. I would like to see from the Chief, if we can get a list of you know, how many do we have in reserve and what it used to be so that we can really get sort of a more relationship as to whether we need to be ahead of it. Just because the lead time has gone up. Do we need to start planning a year or two in advance? One example that I've been also given from firefighters is commercial burn buildings. Do we have a need for that? From my conversations with some firefighters, they said that we need to build that as part of our fire training academy. I would be interested in learning more about it. I'm not an expert, but if we can get Chief Johnson to respond to that. That's all I have for now. I'm sure there will be more coming, and I know we're going to take a deeper dive into our enterprise funds. So, I have some questions about Charlotte Water and others, but I certainly appreciate the work that staff has done and Mr. Jones, for your leadership. It's great to see what the team has done.

Ms. Harris said thank you.

**Councilmember Johnson** said thank you for the presentation. I look forward to the details. We spoke about courageous leadership during our retreat. The budget is where the rubber hits the road. So, I hope that Council's ready to really look at the budget from an equitable perspective and make those tough decisions while considering that people are hurting. People are hurting in our City. So, I hope that we continue to remember that as we're looking at any increases, property, sales tax, or anything. So, I want to continue to lift up things from an equitable lens and just hope that we keep that in mind. Thank you.

Ms. Harris said thank you.

**Councilmember Watlington** said a couple of things. I will say that in addition to many of the comments that my colleagues already made, I do think that we need to take a strategic look at how we approach this. We have been having this conversation since last year. So, thank you for the work that you've done to date here in analyzing our accounts. I see the notes around efficiency. I do agree that we need to take a look at our budget as a team in working sessions. I still fundamentally believe that we need to start at the very, very beginning and really analyze what we're doing, but beyond that, I ask the same question every year. I'm still waiting on an answer that I already have and it's associated with our revenue and the real cost of growth. We talk about how growth is saving our lives because if it weren't for the growth, we wouldn't be able to offset these dollars, but if it weren't for the growth, we wouldn't need as much expense. So, until we are really to really deal with that conversation and what it means to be strategic about how we grow and when we grow, I think that we're spinning our wheels in some cases around this budget. So, that is what I would like us to be spending our energy on is really truly understanding, getting with policy economists and understand for cities that have this dense urban core and have these surrounding regions that are benefitting from property taxes that we never see while folks may be coming in and working, we really are not seeing that offsetting much of our cost in terms of infrastructure. So, that to me is the elephant in the room and that's the piece that we need to really address in

a serious way as we look to not just this year's budget, but our outer years' budgets as well. Thank you.

Ms. Harris said thank you.

Mayor Lyles said okay. Thank you.

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**ITEM NO. 2: CLOSED SESSION (AS NECESSARY)**

Motion was made by Councilmember Graham, seconded by Councilmember Driggs, and carried unanimously to go into closed session pursuant to North Carolina General Statute 143-318.11(a)(3) to consult with the City Attorney to preserve the attorney and client privilege in the matters of Michael Clumpner versus City of Charlotte, 23-CVS-4394 and the matter of Robert Sheridan, III versus City of Charlotte, 24 CV 034330-590.

The meeting was recessed at 3:39 p.m. to go into closed session.

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**ADJOURNMENT**

The meeting adjourned at 4:19 p.m. at the conclusion of the closed session.

  
Billie Tynes, Deputy City Clerk

Length of Meeting: 1 Hour, 19 Minutes  
Minutes completed: March 24, 2025