

The City Council of the City of Charlotte, North Carolina, convened for Budget Workshop #2 on Monday, March 23, 2026, at 2:10 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Vi Lyles presiding. Council members present were Danté Anderson, J.D. Mazuera Arias, Ed Driggs, Malcolm Graham, James Mitchell, Kimberly Owens, and Victoria Watlington.

ABSENT: Councilmember Renee Johnson

ABSENT UNTIL NOTED: Councilmembers Dimple Ajmera, Lawana Mayfield, and Joi Mayo

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Mayor Lyles said we're going to begin with our FY (Fiscal Year) 2027 Budget Workshop #2. So, I want to say good afternoon, everyone. I hope everyone has been having a great day, and I'm going to call our second Council Budget Workshop for the 2027 Budget Development into order this meeting today. As you all know, this is one of the most important and impactful policy items that we work on together each year in developing a plan to allocate City resources for our communities, alignment with our strategic priorities, and the need for our communities. So, thank you, everyone, for joining us today, and with that, let's start by getting our City Manager, Marcus Jones, to introduce the work that we're going to prepare to do.

Marcus Jones, City Manager said okay, so Mayor and members of Council, thank you for attending the second Budget Workshop. We have three items today, and that is the FY2027 Capital Strategy. As you do know, FY2027, calendar 2026, will be a bond year, so there's a lot more work to put into this budget than what we did for the FY2026 Budget. Then, we have a mobility investment outlook, which is really a continuation from our discussion at the Annual Strategy Meeting, and then we will have your first look at financial partners, and the process that we've gone through this year. So, Mayor, unless there's any other questions, I'll turn it over to budget and Hannah.

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ITEM NO. 1: FY2027 CAPITAL STRATEGY

Hannah Bromberger, Deputy Directory of Strategy & Budget said good afternoon, Mayor and members of Council. So, while Matt is coming up here to join me, I am going to start us off. I'm going to do a quick recap of our conversation from the February 2026 Budget Workshop, and really the goal here is just a quick recap and to level set on the CIP (Capital Investment Plan) structure as it is today, before I turn it over to Matt Hastedt, the City's Chief Financial Officer, who's going to walk you through how we propose to restructure the Municipal Debt Service Fund to account for the new PAVE (Projects for Advancing Vehicle-Infrastructure Enhancements) Act revenue, and then lastly we'll discuss financial priorities, as we head into FY2027.

So, just as a quick reminder, the Capital Investment Plan is really a communication tool.

Councilmember Ajmera arrived at 2:23 p.m.

It's how we communicate with the community what our plan is for the next five years in the capital expenditure space. So, year one is adopted, that's locked in. The four outyears are simply a plan, so you revisit them every year. The Capital Investment Plan includes various kinds of projects, and each one of those projects is born out of studies, data, plans, and community feedback. The General Capital Investment Plan is supported by general government revenues only, so primarily property tax and sales tax. So, you saw this slide last time, and it's really just a reminder that there are two funds within the General Capital Investment Plan. The one on the left is the Pay As You Go Fund, PAYGO, and this is cash funding. It's for projects and programs that aren't reoccurring or that aren't eligible for debt. It can also be pilot programs, where we test things before we put them into our ongoing annual budget. The important thing to

remember about PAYGO is that the capacity is largely dependent on prior year General Fund balance. So, remember from the February 2026 Budget Workshop, Marie and Ethan talked a little bit about our year-end closeout from FY2025, and there's only about \$11,000 that's going to roll into PAYGO, and from the last few years, the average has been about \$14 million, so that's quite a difference.

So, we're going to set PAYGO aside, and the rest of the presentation is going to be focused on the block on the right, the Municipal Debt Service Fund. So, this is how we pay principal and interest on our debt. We have different kinds of debt within the Municipal Debt Service Fund. Sometimes we take out COPs (Certificates of Participation), this is primarily used for facilities, and then this is also where our General Obligation bonds, or our GO bonds, are held. You'll remember that we have three types of bonds, affordable housing, neighborhoods, and transportation, and these do require voter approval, because they're backed by the full faith and credit of our property tax. So, in the Municipal Debt Service Fund block, regardless of the funding mechanism, regardless of whether it's COPs or General Obligation bonds, we usually talk to you about the capacity for this fund as one model. So, that's one of the differentiating factors of what Matt is going to talk about in a little bit. So, as we move on to talk exclusively about the Municipal Debt Service Fund, this graphic was in your February 2026 presentation, it just sort of sums it all up. We have our revenues on the left. They go into the Municipal Debt Service Fund. That fund is used to pay principal and interest on debt that we take out for our capital projects.

So, at our February 2026 Budget Workshop, I jumped to one specific section of the PAVE Act, and judging by some of the questions afterwards, I think I made it confusing. So, I want to just take a step back and sort of zoom out, and I want to review a few specific sections of the PAVE Act that are relevant for our conversation today. So, the first one is, we know that 40 percent of the PAVE Act revenue is going to be dedicated to roadway system infrastructure. We believe that in year one, FY2027, that that'll be about \$100 million of cash, so that's about \$100 million coming in annually specifically from this new sales tax source. There was a question last time about could that cash be put into a debt model and used to finance capital projects, and the answer is yes, that's this second bullet, Section 4.8, allows us to use it for financing, so yes, and then I've also included the definition of roadway system from the PAVE Act just for reference. So, this is the section of the legislation that we discussed in February 2026, and it is around supplementing rather than replacing existing local expenditures for roadway systems, and it should really be thought of simply as a maintenance of effort. I've included the full language for reference, if you're curious about how local expenditures are defined in the PAVE Act and how we're asked to calculate this maintenance of effort. So, from a maintenance of effort perspective, we're good. We've followed the methodology laid out in the PAVE Act, we've used the definition of local expenditures, and we've used the timeframe that the PAVE Act asks us to use to calculate this. When we look strictly at the FY2026, the current year budget numbers within each of these relevant categories, we're more than \$9.5 million above that maintenance of effort requirement, and we know that those expenditures are only going to grow as contracts increase, as costs increase. So, we can be comfortable that we've cleared this hurdle, and we can refocus on how to use the PAVE Act revenue most efficiently.

So, I'm going to invite Matt Hastedt to come up, again, Chief Financial Officer, to talk more about what the Debt Service Fund could look like with the addition of the PAVE Act revenue.

Matthew Hastedt, CFO said thank you, Hannah. Again, Matt Hastedt, CFO for the City. So, this is a slide that was also in the previous Budget Workshop, and I'll say this is a slide that, if I'm presenting there's a decent chance you're going to see this slide in some form or capacity, because it is one that I simply love. I think it's really important to always highlight the fact that whether we're talking about the neighborhood, affordable housing sort of facilities bucket, hospitality, aviation. It's always under the umbrella that is the City of Charlotte City Council, because you are setting management practices for the entire City, and it really all funnels back up to the Manager and the policies that you're setting on a global scale. Myself and some folks in finance were able to go to a

Transportation Utility Conference just this past week with a representative from Charlotte Water and Aviation, where we met with investors and were talking about the practices and policies of this Council and how important that is to them. One of the things that I remember when we were at the Strategy Session, that the Manager talked about, the debt that CATS (Charlotte Area Transit System) currently has, a department of the City, and how that has to be handled, and that it is backed by the City. I'm going to take it even a step further, that whenever you're looking at debt from the City, whether it's General Obligation debt, facilities, aviation, it is always City of Charlotte Water and Sewer Revenue bonds. It is City of Charlotte General Obligation bonds. It is City of Charlotte debt, and that is why people are interested in that debt in the market, and it's being traded. We don't necessarily think about the City as a public company, that people are buying and selling stock on a regular basis, but our bonds are being traded on a secondary market based on whatever an investor may do, and they're buying it on the strength of what this Council is doing day in and day out, by setting those practices. So, whether it's today or in the future, by maintaining those sound financial policies, that's what really helps the long-term capital programs that we have.

Just wanted to walk through a little bit. Hannah already did this a little bit, so I won't go too far into it, but always I think it's important to sort of reference that we do have a couple different types of debt when it comes to the general governmental side. We've got the General Obligation bonds, and this, as Hannah said, is used for the transportation, neighborhood, and affordable housing, and then the installment financings, which we normally or historically call Certificates of Participation; they also go by limited obligation bonds. Those are the exact same structure as far as you going to the market. General Obligation bonds are always going to be the lowest cost of capital, but they are a timely process to go and getting voter approval, because we're pledging the fact that if we ever need to raise property taxes to make a debt service payment we need the voters to support that, so that's why we typically use those for the street, neighborhood, and affordable housing. Also, for a lot of those, we don't really have an asset that we own completely by ourselves, like we do for an installment financing for a Certificate of Participation, because those are primarily our police and fire stations that are our own facilities, where we're able to pledge the actual assets that we're financing to investors as that actual collateral. So, it really helps us, and even in just looking at the General Obligation process, we're talking about that now, that'd be adopted in the FY2027 Budget, so adopted in June 2026 for effective in July 2026. It doesn't go to voters until November 2026. Then the Board of Election has to certify the results, and then we actually have to release the budget. So, it becomes a pretty long window, as opposed to the installment financings that can simply come to City Council for approval. All debt comes to the City Council for approval, and it's also approved by the Local Government Commission, which is a part of the State Treasurer's Office.

We also use interim financing. So, these are what we use on a short-term or construction basis financing, and we've used these extremely effectively across a lot of our capital programs, from water, aviation and our streets and neighborhood programs. What this allows us to do is essentially have a line of credit that we're able to draw down against as we have actual expenses, so we are only paying interest on expenses. We're not borrowing money up front with the thought that we might be able to use it. We're only paying interest once it's time to actually have real shovels in the ground or design work that we're ready to pay for. The only real difference between the Bond Anticipation Notes that you have seen more frequently in commercial paper that you're starting to see a little bit more, is Bond Anticipation Notes are a privately placed and negotiated transaction, whereas a commercial paper is a publically available traded instrument, and we're starting to see commercial paper become a little bit more cost effective for us, especially for our large capital programs, but finance along with our debt issuance departments work along with our independent Registered Municipal Advisor, DEC, Jeremy Carter, many of you may know. So, we always do an analysis on what is the best form for us to access that capital, because we always want to make sure that we're maintaining the highest level of flexibility, but the lowest cost of funds.

When we look at the steady state model, and this is what the Manager brought to us in 2018, that's been a fantastic way for us to really plan out our capital program. Instead of

having to do a tax increase every time we want to maybe start a CIP program, we're able to sort of maintain a level steady state of funding for both our street, neighborhood, and affordable housing programs, and our public facilities. So, with typically probably averaged around sort of a \$220 million all in, \$170 million for our streets and neighborhoods, and about \$50 million for housing on that side, but it is always a point in time analysis. You've seen that sometimes it can go up a little bit if revenues are going up, and maybe go down a little bit, but a couple of the really big drivers on that are the revenue, the spend rate and the cost of funds. So, revenue is pretty straight forward. If property tax and sales tax are coming in above expectations, we may get added capacity. Spend rate really has to deal with how quickly we're actually able to develop and put those projects into practice. That's also something that's really helped us with the Advanced Planning Fund that the Manager also brought to us several years ago, to really do some of that advanced work, so we're able to do it, and really as the spending occurs is when debt service comes online, and that's really what's driving that part of it.

Then, cost of funds, back in 2018, 2020, cost of funds was extremely low, and we've seen a really big ramp up of rates. We are starting to see I'd say a little bit of a coming down of rates, but it's extremely volatile, as many of you have probably seen in the last two weeks. We've seen some very dramatic rising and lowering of the treasury, which has a direct relationship to our cost of capital. So, we just have to be prepared. While we think long-term the Federal Reserve may lower rates, until they do it we're not going certainly bake it into our affordability analysis. It's also important to note that while the Federal Reserve may set the overnight rate for banks, ours is really market driven. The market is taking into consideration where they think rates may go, and they're factoring that into our cost of funds every time we're in the market. So, it is not a situation where if the Federal Reserve drops an interest rate overnight, we automatically see something decrease, because it may be built into the market months in advance of that.

So, when we start looking at the future, we really wanted to try to make sure that we are identifying how we're going to best utilize the PAVE Act revenue coming into the City to really set us up to maintain those really strong management practices with this new revenue. So, a couple of the things that really drove our discussions, myself and Hannah, the Budget Office and the Manager's Office have worked pretty closely on this for probably at least a year, if not longer, really trying to figure out how we can best do this, because we wanted to make sure that we had a clear demonstration between the PAVE Act revenue and our funding on transportation-related projects. It's not necessarily even back to the, are we hitting the maintenance of effort, or those types of things. We want to make sure that our money is going where we said it was going to go to. We do have prior authorizations on transportation and neighborhood bonds that have been approved by City Council and the voters. Typically, those have a seven-year window for us to actually get through. So, we're still working through some of those previous ones, and those were done on the basis of property tax, so we're trying to figure out how we take those into consideration. We're looking at revenue volatility. Sales tax is a lot more volatile than property tax, and we've always had a bit of a mix in our Municipal Debt Service Fund between property tax and sales tax. If we only look at the new PAVE Act sales tax, that's going to have a lot more volatility in it than just sort of a mix between property tax and sales tax, so how do we factor that into it?

One of the other big parts, as we evaluated this, is the PAVE Act gives us a significant amount of new funding for transportation-related projects. It is still going to be the need for us to take these to voters for General Obligation bonds every other November to actually get capital to fund these projects. So, we are able to identify the PAVE Act as the source of payment, but from a legal structure point of view, from whether it's the local Government Commission, rating agencies or investors, there are still going to be General Obligation bonds of the City, and that's in part North Carolina statute, is that you can't pledge sales tax as a revenue bond. The PAVE Act did create a unique structure for the Transit Authority to do that, but the rest of North Carolina still operates in needing to go with General Obligation bonds to fund those types of projects. So, I think that's a really important part also, if we're going to have a property tax pledge, making sure we're considering how we sort of funnel that all together.

So, Hannah sort of stole my thunder a little bit with a preview of this, but what we're looking to actually do is keep one Municipal Debt Service Fund, but actually separate out our affordability calculations between housing and facilities, so that would be again our affordable housing and public facilities for police, fire, Animal Care and Control, all those types of projects, and then mobility being the transportation and neighborhood bonds, and that's going to really allow us, any time that Council wants to focus on an area, we can better identify the cost mechanisms thereof.

So, again, it's going to be one fund with two models, so we're keeping sort of essentially one fund balance between the two, and one sense of policies and practices, and you can kind of see here, and this is where we're going to go to for, as Hannah goes on and what we'll do about this a little bit more, but I'll say, all of the PAVE sales tax will go into the new mobility model, and then the existing revenues coming into the Municipal Debt Service Fund for the steady state. Then comes a little bit of a priority and other type of discussion of how much of it stays in the existing debt service model for the steady state, how much of it moves to the mobility program, and then are there any other priorities that City Council possibly wants to evaluate as well?

So, one of the things to look at is, obviously we're going to get a significant amount of more revenue in the FY2026 Budget. When we adopted the CIP back in 2024, we anticipated going to a transportation and mobility referendum year of \$170 million. So, we have a lot more money, so how do we want to evaluate that? On the spend rate, right now to get through our current authorized and issued projects that City Council has already committed to, we're looking at about \$100 million a year. Again, excluding the PAYGO, but just the debt funded portion of our steady state, it's about \$100 million a year. So, it's also important to sort of figure out anything we're spending is going to be net above that, so how does that sort of factor in from both an organizational capacity and then the overall construction market capacity as well?

I already hit on it a little bit, but interest rates are definitely trending down, but we have a lot of volatility right now, so we haven't really been able to update our affordability models based on that. We're pretty much holding steady where we have been, just to make sure on any day when we go to the market, because we don't play the market, we go to the market when we need to for capital financing. We always want to make sure that we always budget in a way that we can always maintain those programs.

So, if you looked at just the PAVE Act's revenue, didn't look at any other priorities, any type of new Advanced Planning Fund, any type of [inaudible], from a pure affordability perspective, if we're looking at how much we can afford and new mobility program, it'd be north of probably \$500 million every other year. So, we're going to talk a little bit about sort of affordability from like financing capacity and organizational capacity, making sure that they come together in a way that maintains those strong management practices, and that's sort of the next point there.

If you think about the 2024 referendum, that was our largest referendum, the \$300 million for transportation and neighborhood. That required a pretty big ramp up, but we anticipated that coming back down. So, if we're going to really ramp up to that type of funding or spending on a long-term basis, we need to have a significant sort of organizational investment to really be ready. When we're looking at some of our peers across the Country, Adam Phipps and that group has really talked about some of the real pitfalls that sort of can run into issues for cities or counties or authorities that sort of adopt these types of new sales tax, and I think we talked about this at the Strategy Session as well, you don't want to overpromise and underdeliver. So, this is really about making sure that we're taking a measured approach and how we go, and doesn't mean what we're thinking of as a long-term strategy, but it's where we start today and then give us that headway to move up, because based on the statute again, you have a seven-year window from the time the voters approve a referendum to spend the dollars. So, a lot of these projects that've been going on haven't gone through an advanced planning fund that we may want to go forward on next. We may need a little bit of time to sort of build up some of that capacity up front, so that way we can maybe look at some of that bigger investment going forward. We'll always evaluate sort of each time

we come back for that two-year cycle, okay, what's our financing capacity, what's our organizational capacity, and sort of how do those two come together? I think I'm going to turn it over to Hannah for a little about some of the strategy discussion on revenue policy, unless there are questions first.

Mayor Lyles said thank you so much, Matt, for doing this. I mean I know that everybody on this Council really wants to understand this deeply, and so we're going to take some time, but before we do that, let's hear from the City Manager.

Marcus Jones, City Manager said so, thank you, Mayor, members of Council. Okay, so, a few things to kind of level set, and really good job guys doing it. Okay, just because you can, doesn't mean you should. So, Matt put a big number out there, alright, and I'm going to tell you we're not ready for that number. What we have done, so remember the seven-year clock. So, it's very important that if we're going to have something that the voters vote on, that we can actually execute it. I think it's really important, just giving kudos to the team, before there was a PAVE Act, there was a visit to New York, and we had to talk to the rating agencies, we had to talk to investors, because you could not do legally what we were trying to do. So, we had to find a way that it could be done to protect the City in terms of the debt, so that the Authority could have its own debt. So, again, years in the making. I think it's really important, before we turn it over to the questions is, Matt mentioned financing capacity and organizational capacity. So, we are really excited about SIAs (Strategic Investment Area), and we could prove that we could put \$55 million into infrastructure over a two-year period. There's a lot of bags under a lot of people's eyes, because we didn't hire any new people. We took people off of their day jobs and we moved them into this pilot proof of concept. So, as we move back, it would be not good if we thought that those same people could all of a sudden deploy \$300 million, \$500 million. So, there needs to be a ramping up of capacity from a staffing, whether staffing consultants, but just the ability for project delivery is so important, because the last thing you want to do is have people approve a bond and then we can't deliver the project. So, that's a little bit about the financing and a little bit about the staffing.

Councilmember Ajmera said great job, Mr. CFO, and appreciate Mr. Jones' implementation of steady state capacity back in 2018, which gives us some consistency in terms of the capital projects planning. Going back to slide number eight, where you've got this average of \$51 million, so that's the minimum, right, based on the PAVE Act?

Ms. Bromberger said yes. So, the way that the PAVE Act asks us to look at it is, they define local expenditures and the PAVE Act defines a ten-year period, and it asks us to calculate the average spend within that period on local expenditures within roadway systems. So, that \$51 million is the number when we calculate it according to the PAVE Act.

Ms. Ajmera said got it. So, that number is a steady number. It wouldn't change, because that's looking at the historic ten year?

Ms. Bromberger said that's correct.

Ms. Ajmera said okay. I know Matt you talked about \$500 million in borrowing capacity. You said every two years, but I know that \$100 million is coming in every year. So, could you just elaborate on that?

Mr. Hastedt said so, if you look at sort of what your sort of ability to capitalize, if you get \$100 million each and every year coming into the City, basically how much you could bond that out, and basically creating a new steady state that is only for mobility. Again, this doesn't take into consideration any of our old projects, any of our other priorities, because basically you'd be ramping up a brand new spend over that seven-year window for each new bond. So, if you look at 26, 28, 30, and sort of going out forward, you could afford on that \$100 million, because that'd be turning into debt service, so that \$100 million becomes debt service to support those projects, and that \$100 million grows over time as well, as the economy grows, as people continue to move to

Charlotte, that \$104 million continues to grow, so it's able to continue to support debt service of a new steady state program that could be that high.

Ms. Ajmera said so, to follow up on that, since the referendum was approved, does it still need bond approval? Is that because we are using it to issue a debt?

Mr. Hastedt said so, because we are going to be issuing the roadway type projects, the transportation neighborhoods using General Obligation bonds, that necessitates us going to voters for their approval each time. The requirements for us to get a bond referendum approved by the voters any time we pledge our full faith and credit, from a modeling perspective, we can identify internally the PAVE Act paying for it, but the legal pledge requires us to get voter approval.

Ms. Ajmera said that makes sense. This \$500 million includes both steady state, the mobility, transportation, as well as the housing?

Mr. Hastedt said this specifically is just on the mobility side.

Ms. Ajmera said just on mobility, oh wow, okay. So, what is our steady state number for the other \$176 million?

Mr. Hastedt said so, I think that's going to be actually part of the second half of this conversation, because a lot of this is going to be policy driven decisions, and I think that's actually what we want to get some feedback today, to figure out kind of how do we want to balance all the different, and that's another reason why we felt it was important to break it apart, so you can really have strategic decisions on all the levers to make sure that we're identifying what the priorities are in the best way.

Ms. Ajmera said okay, and one last question. I know you're recommending \$300 million. So, does this take into account some of the reimbursement that we are incurring for MPTA (Metropolitan Public Transportation Authority)?

Mr. Hastedt said so, that would be separate, that's more sort of the transition operational cost, I believe. This is really just sort of looking at just the mobility, and that \$300 million number is just the transportation and neighborhood portion that we're recommending.

Ms. Ajmera said okay, that's all I have. Thank you.

Councilmember Owens said thank you for the presentation, and I appreciate that we're only partway through, but I do appreciate very much the opportunity to ask a few questions that came to my mind and are just causing me to be a little fixated. Can you help me understand, as I look, and I'm glad we're on this slide, is the General Fund where I would find any set asides that we have made for residential or business displacement with any of these projects? I think we heard at the retreat that we're going to be doing some pretty bold things with this money, and there's going to be some consequence to that along some of those corridors. Can you speak to that?

Mr. Jones said so, I'll take the first shot, Councilmember Owens. If Rebecca was here, but I'll give it the best shot. The \$100 million bond that we had in housing in the last bond cycle, a great portion of that is related to anti-displacement. So, when you start to think about some of the things we'll do around anti-displacement, it wouldn't be.

Ms. Owens said it will come out of mobility?

Mr. Jones said exactly, yes.

Ms. Owens said that's what I thought that it was, because I know that when we were talking about the PAVE Act, and I would get that question from people, is there a portion of this that is allocable to displacement, and the PAVE Act didn't address that, and so I guess my question is, and this is probably a takeaway for the housing folks. What sorts

of assumptions are we making, because this is a lot of growth, these are a lot of projects, and that may be at a cadence that's a little bit faster than we generally go through those monies, and it feels like the displacement that is attendant to the mobility needs that we're addressing feels like it really does do a bit of a doozy on our housing abilities. There are other housing needs that are not mobility related, and I'm interested in that as a topic, so I'll just kind of put that out there for ya'll that I appreciate that it is coming out of where I feared it was.

As I think the City Manager said, these are a long time in the making, these budgets. What sort of assumptions, if you have readdressed them since we've got a war going on now, and we've got increased prices, gas prices are up, everything's going to be up I assume pretty soon if it continues to go on. Have you made any sort of calculations in light of the changed dynamics right now?

Mr. Hastedt said I'd say on a cost of funds actually that's in the capital market, it seems to relatively be up and down, so we haven't had to change any of our assumptions there. We may need maybe Ed or the General Service's folks to sort of talk about the cost of sort of inflationary pressures on the capital program, but I do know that going through COVID taught the City a lot, and the Manager certainly can jump in, but I think it taught us a lot of how to address some of those sort of big shocks on inflations and making sure that we're building in enough on the front end to make sure we can still deliver projects.

Ms. Owens said well, and I'm glad you said that. One of the things that I have heard from a couple of constituents was questioning around the amount that we keep in reserves, and how we generally have double of the number that is generally accepted to be what AAA's should have. That feels like, based on your experience with COVID, we are well prepared, would you say? I don't want to put words in your mouth.

Mr. Hastedt said yes. I would say that's really one of the hallmarks of the financial policies, whether it's us, aviation, water, maintaining strong reserves and liquidity allows us to address those short-term shocks and give us time to adapt to any long-term impacts that we may need to.

Ms. Owens said okay. Well, thank you, I appreciate that. No more questions.

Councilmember Anderson said thank you for the presentation. A couple questions around our organizational readiness. So, you talk about capacity, and I understand that we sort of stood up a team of teams to demonstrate the execution of the \$55 million for SIAs, but where are we as it relates to organizational readiness, because I think that is really the linchpin of our ability to execute on this cash windfall that we're having?

Mr. Jones said so, Councilmember Anderson, we will absolutely, positively be ready, but what we will need is some enhancements in this FY2027 Budget. So, there are two pieces to it. One is, are there any things in our processes that are not best practices? So, the first thing we have to look at is how efficient are we in moving projects through. Then, the other thing that is important is we'd have to look at just capacity in general, whether it's in procurement or whether it's in transportation, whether it's in our Mobility Office. So, it's our intention not to ask for a big CIP, and if we asked for that, we would pair that with the staffing level or the contracting level to enable us to execute.

Ms. Anderson said okay, and so when we talk about the cash windfall and our readiness organizationally, when do we anticipate, and I'm not asking for a specific date and time stamp, but when do we anticipate that we'd be ready to begin to execute on these projects? Is it Q3, Q2 next year? When can the public feel like, okay, the City is beginning to take action with these dollars?

Mr. Jones said I'll take the first shot, and hopefully Mr. McKinney I'm right with this, but you jump in. There are some projects that are shovel ready, and those are the first projects we will attack. We're already in 30 percent design, it's just that we didn't have the money. So, we feel confident with that. The other thing that's really, really important

is that we'll have a CIP that has many of the elements that we have today, sidewalks, Vision Zero, bike paths. So, what we will be doing is things that we have already done, they're in some level of design, the funding just comes in, and now it's time to implement and execute, and some of that will be ramped up.

Ms. Anderson said okay, good. Do we have any type of reporting requirements at the state level that we have to demonstrate that we're executing the roadway dollars in a certain way?

Ms. Bromberger said well, not reporting specifically, but of course the State Auditor could come and investigate how the funds are being used, and so that's why we have been so diligent and thorough in making sure that we have tracked everything according to the PAVE Act to a T. So, we could be audited, yes.

Ms. Anderson said okay. I just think that's really important to bake in early on, because we know effectively someone's going to come and ask us, how are we executing on, it's a new model for the state. There are other areas within the state that want to execute this type of model, so I say we bake that in early on. The last thing I'll say is that there is a lot of volatility in the market right now, but given the kinetic activity going on in the midwest and some of the signaling to the market, I think potentially some of these inflationary pressures might settle down within a six to eight month timeframe, so if we're not executing within the next one to three months, we might see the tail of these inflationary pressures begin to sort of settle, and then that way we can make a better purview, a better perspective of the real costs for these projects. Thank you. I greatly appreciate the presentation.

Councilmember Watlington said I've got a couple of questions, and I'm really just trying to tie in the big so what, if you will. The first question, just because you've already started to address it, Mr. Manager, is as it relates to like operational excellence and project execution, can you talk a little bit about the strategy to actually identify the gaps in the value streams?

Mr. Jones said yes. So, Councilmember Watlington, that's been my I guess fight with my team over the course of the last month, which is a good fight. I'm just not going to come to you and say, give me 70 people, because we are already examining, can we be more efficient in procurement? Does the City Attorney need more legal staff in order to review? So, some of this will be a combination of contractual arrangements that we already have, and some of it will be as we start to look at this capacity, it will be adding additional folks, but not just throwing 100 people in to say that we need 100 additional bodies. You're right, the first thing, and we've been doing this for a while, is to take a look at how efficient we are in delivering the projects. Bottom line is when you look under the hood, it's tough because we took a bunch of people off of sidewalk projects and bike path projects, and things like that, and we moved them over to SIAs, so we have a little deficit there, so whether the first move is moving them back and then adding capacity or backfilling. So, those are the kinds of discussions that we're having to make sure that from an organizational standpoint we can do project delivery. I'll do a spoiler alert, we'll have a Project Delivery Team or Project Delivery Office, because we have to do something differently.

Ms. Watlington said thank you. I would be very much interested in, and I'm going to make an assumption that you all are creating value stream maps to identify the types of ways. I'd be interested to see what that looks like, because there may be some efficiencies that could be gained through technology investment rather than necessarily labor, and other means. So, not sure how, I'll say sophisticated for lack of a better word, your continuous improvement and transformation work looks, but I'd be very much interested in understanding how that ties into the overall strategy as we start to think about, if we need to make adds, have we really been able to articulate and justify those net additions versus being able to replace it from another space.

Mr. Jones said we'd love to use your expertise.

Ms. Watlington said love to. Then, my second question is, I'm going to try to articulate, and help me get there. So, I think about the projects that you all identified, and we've got what hundreds of projects, when we look at the Strategy Investment Areas, etc. Can you help me understand what the future state assumptions were that were identified? Let me ask it differently. What I mean is, there were certain projections in terms of traffic based on building intensity and density and all of those things, and then we identified projects that would alleviate whatever we expected the infrastructure needs to be based on those assumptions. Have we mapped that to a particular year, say 2040, 2050, 2030, or are there projects that are not identified yet that are going to be needed to close future gaps as we continue to build? Does that make sense, and that may be an Ed McKinney question?

Mr. Hastedt said yes. I was going to say, I think that some of the discussions we've had is, because part of the figuring out what your spend rate is going to be, is what types of projects you're going to do. So, that becomes a big conversation with myself and Kathleen Cishek, the Chief City Engineer, and McKinney and Hannah is, we sort of get in a bit of a chicken and the egg sometimes of what projects draw spend rate and what spend rate draws projects. So, that's been a very big part of our discussions of making sure we're matching those up, so that way we're maximizing our flexibility to deliver the projects that the Council and the community want while maintaining a spend rate that sort of fits within our financial plan, and I'm not sure if the Manager or Ed have anything at the moment.

Councilmember Mayo arrived at 2:56 p.m.

Ed McKinney, Special Assistant to the City Manager said the answer to your question is all of the above, and like I said when I get up, I can walk through, I've got some things to talk about what that looks like moving forward. So, it might be better to hold that question, and I can circle back to it in a few minutes.

Ms. Watlington said perfect, thank you for that. I'll look forward to that, because how do we tie that back to our zoning decisions, for example? I want to be very clear, like look, I'm knocking on the door of the limits of what we know we can pay for with this particular growth, so thank you for baking that in. Then, lastly, this follows up to my, I'll say almost a decade old question now. Mr. Manager, you probably know where I'm going.

Mr. Jones said [inaudible].

Ms. Watlington said yes, exactly right, because ultimately, I want to make sure that we're not building our way into even more debt. Do you have anything for me this year, just curious?

Mr. Hastedt said I think one thing to note is, because this is a sales tax ask, as people are coming into our community, whether it's hospitality, things over the weekend, or coming in to use our stores, that it's an opportunity for us to capture a lot of that growth that's occurring that may not stay here from a property tax perspective. So, I think this is a great way to be able to capture some of that revenue and put it back without putting that burden back on property owners.

Ms. Watlington said thank you, I'll keep asking that one, I appreciate you.

Councilmember Driggs said so I'm just trying at a high level to reconcile where we were and where we're going to be. So, we had three types of bonds, I think it was a total of \$400 million in the last budget cycle, for affordable housing, neighborhoods, and transportation. Now, is that transportation money the road money? So, that's the money that's the subject of this slide eight, talking about what we're spending.

Ms. Bromberger said can I clarify and just make sure that I understand exactly what you're asking? On slide eight, this is local expenditures, and indebtedness is removed from the PAVE Act. So, there is no debt in here. This is all property and sales tax from

the General Fund, from PAYGO, or cash payments from the Debt Service Fund. So, this is no local expenditures that went to pay debt proceeds.

Mr. Driggs said but this is for roads, right?

Ms. Bromberger said yes, correct, local expenditures.

Mr. Driggs said alright. So, I'm wondering then when you have these two models, like you've got the mobility model and the housing and facilities model, are we assuming that the revenue that we will use in the mobility model is effectively \$150 million being the new money from the PAVE Act and the money from the General Fund?

Ms. Bromberger said no, sir. On slide eight, all of this is going to stay exactly where it was. So, we're going to continue using our local dollars in the General Fund to pay for transportation. We're going to continue using our local dollars in the General Fund to pay our streetlighting bills. None of this will change. So, that new revenue is net new, so it stays the same.

Mr. Driggs said right. So, then we've got a pipeline of projects, some of which will be paid for from the General Fund model, and some of it will be allocated to the mobility model, is that right?

Mr. Hastedt said so, I believe that the General Fund will maintain this list of funding for sort of operational expenses behind transportation and roadway projects, while the PAVE Act will fund for the new capital projects going forward for roadways.

Mr. Driggs said okay, that was my next question. So, you're now talking, we have from our General Fund an allocation to debt service and an allocation to operating expenses. So, are you saying you expect essentially all of the PAVE money to go into a Debt Service Fund?

Ms. Bromberger said it could, and that's part of the next part of the conversation is, it's really a policy choice.

Mr. Driggs said so, you're modeling it, though? You're modeling debt capacity based on the assumption that you have up to 100 percent of the PAVE money available for debt.

Mr. Hastedt said if we did the \$500 million, that was assuming it all went to debt and basically nothing else, and then that's where we're recommending staying at the \$300 million level as you start to figure out maybe there are some operational needs that will support the capital program that we want to carve out to identify.

Councilmember Mayfield arrived at 3:01 p.m.

Mr. Driggs said okay. So, I think we just need to understand on an apples with apples basis, the \$400 million, and where we were before with our \$220 whatever million steady state assumption, and does that assumption change? Like in that old fund, are we still within the \$220 million steady state? I believe there have been changes to it, because of the PAVE, and I want to know what those deltas are. I mean I'm just telling you that, I'm not asking you right now, but what is the impact? Because you said \$300 million on this slide for transportation and neighborhood. I assume that there is an additional amount for affordable housing.

Mr. Hastedt said yes. So, there will be some more discussion on the housing and facilities upcoming, but we'll be taking essentially the \$170 million that was planned for 2026 in the prior steady state model, moving that over to this new mobility model where we're now recommending the \$300 million. So, that's why we're actually planning to separate. So, we're recommending approximately \$300 million for the transportation and neighborhood in that mobility bucket, and then what we're going to talk about next are some of the decisions around what stays in the housing and facilities programs, so that way we can look at that affordability.

Mr. Driggs said the \$300 million includes the PAVE money, is that what you're saying?

Mr. Jones said so, Matt, I think what Councilmember Driggs, can we go to slide 15? I think what he's asking is what's in the mobility steady state and how are we paying for what's in the mobility steady state going forward?

Mr. Hastedt said what's going into mobility steady state going forward would be the PAVE Act, sales tax, and we believe that we should have at least an allocation of existing property tax to that fund as well.

Mr. Driggs said right, and this is the separation that I'm trying to make in my own mind, because what I'm trying to get at is, if it says transportation and neighborhood bond, \$300 million, does that align with the housing and facilities steady state calculation, or where's the \$300 million coming from?

Mr. Hastedt said that is a new mobility steady state. The old steady state will only have housing and facilities in there.

Mr. Driggs said so, this says transportation and neighborhood bond, \$300 million. Where does the \$300 million come from? Which model is that?

Ms. Bromberger said the one on the right, the mobility steady state.

Mr. Driggs said neighborhood comes from the mobility?

Mr. Hastedt said neighborhood is primarily some of the transportation roadway infrastructure, and this is getting a little outside of my scale, but typically much smaller, maybe like an intersection for a road as opposed to a longer roadway system, or a smaller sidewalk program.

Mr. Driggs said so, that's not neighborhood the way we used to describe neighborhood, like last time?

Mr. Hastedt said that is what we used.

Mr. Driggs said the last time, we had three categories. There was neighborhood and there was transportation. So, this isn't the same neighborhood definition as we were using before?

Mr. Hastedt said yes.

Mr. Driggs said it is or is not?

Mr. Hastedt said it is the same.

Mr. Driggs said okay, I'll look forward to seeing more numbers, but I think I get that. Thank you.

Mayor Lyles said I think you said that last year, Ed, you wanted to see more numbers.

Mr. Driggs said I know, I know, I'm struggling here, okay.

Mayor Lyles said we are looking forward to that.

Mr. Jones said so, just a little clarity, Councilmember Driggs. Neighborhoods previously we would say things like P3's and things of that nature. The vast, vast majority of the projects under the neighborhoods were infrastructure projects, much like all of the transportation projects. So, what we'll do is show you how we've spent the neighborhood money over the past, and you'll see much of it, almost all of it, is infrastructure.

Mr. Driggs said so, all of it would be eligible then for PAVE Act money?

Mr. Jones said exactly.

Mr. Driggs said okay, thank you.

Councilmember Mazuera Arias said thank you for the presentation, I appreciate it. I'm really interested to know if we have a criteria that we use to prioritize capital projects, particularly you said ramp up. Well, what dictates us to say we're going to ramp up these projects? So, I really want to know if there's a set standard that we have as a city to say, well, we're going to work on this project and expedite it first, and not this one, what's the why behind that? The other thing is, how are we measuring that success? Are we getting an ROI (Return on Investment) for all these projects that we're funding? Are we seeing the impact really happen in the communities? The other thing I was interested to know, and these are just more questions for offline discussion, because I want to be respectful of time. What are we not funding in this capital investment project strategy that we have really said we prioritized? For example, I'm just being crazy here, but if we had a 10 percent revenue shortfall tomorrow, what projects would we just delay or eliminate completely, and not follow through on?

Also, Councilmember Watlington really brought up a good point on like pause for growth. You said, Manager Jones, about the staffing decisions from some sidewalk and bike lane projects to staff are \$55 million, two-year commitment, for SIAs. I have a concern about equity there, because how are we making sure we're not taking capacity away from projects that we promised voters decades ago? For example, I mean it's a real life example in my district. This Council voted last month or a few weeks ago on a 12-year-old project on Central Avenue and Kilborne for a shared-use path lane that folks voted on in 2014 and 2017 in a bond, and we did not vote on this until 2026. So, I think we might be chewing more than we can take sometimes, and I can appreciate this Council and this city's approach on keeping up with the pace of growth, but I'm always concerned about the inequities of moving too fast. So, pausing and thinking about smart development and smart growth is essential for me, because I don't want us to overcommit and overpromise on these infrastructure projects, and then have voters wait 12 years, when we promised them, let's say, this was supposed to be two shared-use path lanes on both sides of the street, and now it's only one, because we incurred inflation costs, rising costs of construction materials, etc., and then they were given just a smaller scale project. So, I just want us to keep those things in mind. Thank you.

Mr. Jones said thank you. I would just add, 12 years ago, pre-advanced planning, pre-steady state, so we feel comfortable now that we're in a much better place than we were 12 years ago.

Ms. Ajmera said you are absolutely right. I remember the Cross Charlotte Trail, and I think we learned some critical lessons there in terms of not choosing winners and losers and really delivering on what we had promised. I remember Councilmember Mayfield and Mitchell and Mr. Driggs, we were part of that where we had to make some tough decisions, because a lot of these projects didn't go through some of the vetting that it goes through now. So, I certainly appreciate, and I have a lot more comfort now when I tell constituents this project is in our advanced planning design that we are going to deliver, because we can now put some certainty around numbers and how accurate that number might be with the variance that's there.

A couple of questions in terms of the mobility steady state. I just want to make sure I get this. So, we get \$500 million capacity based on that \$100 million sales tax revenue every year, but you also mentioned that we will also include what is minimally required based on the PAVE Act, which is \$51 million, that's minimum. So, the mobility steady state would include that \$500 million steady state capacity every two years, plus \$51 million from the General Fund, or would that be different?

Ms. Bromberger said no, ma'am, that would be separate.

Ms. Ajmera said okay, so the \$51 million, it's not like capital, it's operating?

Ms. Bromberger said correct.

Ms. Ajmera said okay, but it will still fall under the mobility bucket?

Ms. Bromberger said it's still spending on transportation and roadway.

Ms. Ajmera said mobility, yes. I mean at the end of the day, see, when you're talking to a resident, it doesn't matter whether it's coming out of operating or capital, they want to just see that they approved sales tax for transportation and infrastructure, that it gets spent on the transportation and infrastructure, so that we keep up with the infrastructure as well as make new investments.

Mr. Jones said so, thank you, Councilmember Ajmera. I kind of look at it as two things. One, that \$50 million in the PAVE Act, it was designed so that you couldn't take the new money and all of a sudden pay for stuff that you've been paying for all along. So, you're exactly right. We're going to pay for stuff that we've been paying for all along, and then on top of that we have [inaudible], yes.

Ms. Ajmera said we are going to add more, I get that. So, I guess, when you look at the mobility steady state, it's a comprehensive number, because we are still putting our general tax money towards that, that just shows our commitment to the infrastructure and just trying to keep up with the growth. So, the definition that is in the PAVE Act for roadway system, is that the same definition we used previously for neighborhood bonds?

Mr. Jones said I would say, and you guys can step in, we are going to make sure that we use the definition that's in the PAVE Act when it comes to using PAVE Act dollars for these projects.

Ms. Ajmera said I know that roadway system does include some of the SEAP (Strategic Energy Action Plan) goals that we have, especially our infrastructure, when it comes to some of our SEAP goals, and I know that we haven't always had funding for that. So, I'm sure that we will consider that moving forward to ensure that we are meeting our SEAP goals aggressively using the dollars to meet the infrastructure needs. That's all I have. Thank you.

Mayor Lyles said back to Hannah. Now we get to Revenue Policy.

Ms. Bromberger said that's right.

Mayor Lyles said I love policy decisions.

Ms. Bromberger said okay, Hannah Bromberger again, Deputy Budget Director. This is the last section, and then Professor McKinney is next, so I will try and be quick so that you can get to him. I do think this last section is going to answer some of the questions that we just had, so hang with me for another minute. So, this last section, it draws some connections to how all of the general revenues are ultimately connected, and how resource allocation should be directly linked to your policy priorities.

So, Matt showed you a very similar slide illustrating how the PAVE Act revenue within the Municipal Debt Service Fund will only go into the mobility model, and that other general revenues on the bottom will flow into both models, and that's for rating agency considerations and for some other reasons. There's two differences in this graphic that I'm trying to illustrate. First is sort of this arrow up on cash-funded mobility projects, and so I want you to know that you can choose to cash fund mobility projects, so you don't have to put it all into the debt service model. So, think of this like choosing to increase the allocations to relevant PAYGO projects, or think of it like increased advanced planning pool for more mobility projects. The second difference is that there remains a policy choice to be made around how much general revenue is allocated to housing and

facilities. So, Mr. Driggs, I think this sort of gets to your question of apples to apples. We haven't talked about the housing and facilities part yet, and so that's why it wasn't quite apples to apples yet. Then, related to those two choices is then how much is available for other priorities that support the greatest community need?

Just as a reminder, the allocation of revenue is what we do annually. So, every year when you adopt the budget, you adopt the property tax allocation between the General Fund, PAYGO and the Debt Service Fund, and so this is just like that. In fact, it's the first budget principle that tells us to do this, and so I've listed a few allocation adjustments from the past three fiscal years as examples.

So, as I prepare to wrap up and turn it over to you for discussion on your funding priorities, I have just a couple of reminders of where we are today in the CIP. So, first one is on the housing bond side. Remember that we had \$50 million bonds between 2018 and 2022. In the 2024 bond, we increased that to \$100 million, but not without taking some action. So, we had both the property tax increase and we pulled forward outyear capacity in order to facilitate that \$100 million bond, and if you look at the schedule today, as it is in the current fiscal year budget book, those housing bonds return to \$50 million in the outyears, including in 2026. On the facility side, we have almost \$85 million of capacity for facilities projects, but only about \$11 million of that is currently unprogrammed. So, it's already programmed in the outyears for ongoing projects or programs. So, only about \$11 million unprogrammed, and we have quite a few projects in the advanced planning program, including the helicopter hanger and the CFD (Charlotte Fire Department) commercial burn building.

Remember we've been talking about the state of our facilities funding for a while now. This is a slide from two years ago, where we were trying to acknowledge that we had facility needs, and so we needed to include some projects in the advanced planning program in order to keep the pipeline of projects moving, but we also knew that we were going to need more capacity to construct those projects in 2026 and beyond.

Then, lastly, all of this information is just repeated from our February 2026 Workshop from the presentation that Marie and Ethan gave that was focused on our General Fund. We know that our growth in expenses is outpacing our growth in revenues, and so this is also something to think about as you think about your priorities and how you want to allocate revenue.

So, Matt and I are happy to answer any questions that you may have, and we would just like to hear a little bit about your funding priorities as we head into FY2027 and resource allocation.

Ms. Ajmera said so go back to the slide number 24, where you've got the housing and facilities side by side. So, we are looking at \$84 million plus \$50 million in capacity for housing and facilities for steady state capacity?

Mr. Hastedt said the only thing I will say is that that \$84 million is over a period of time, that's not a single year, where the \$50 million is identifying a specific year.

Ms. Bromberger said and to get to a capacity number, we need to hear a little bit more about your priorities, because capacity is all based on the amount of revenue that you put into it, and so it sort of depends on how we want to reallocate.

Ms. Ajmera said okay. So, in the past years, how much did we allocate towards capital? We had a steady state capacity, I think it was \$170 million in the previous cycles, correct?

Mr. Hastedt said for the transportation and neighborhood portion.

Ms. Ajmera said yes, that was everything, right.

Mr. Hastedt said that did not include the housing.

Ms. Ajmera said oh, that did not include the housing, okay. So, housing capacity, last bond was for \$100 million.

Mr. Hastedt said what is budgeted right now is \$50 million, but based on the discussion today, if we hear that \$100 million or whatever number Council deems is the appropriate amount, we would then go back and start looking at the revenue split to what we will need to be able to achieve a number different than \$50 million, but that is what was in the budget when you previously adopted it.

Ms. Ajmera said right.

Mayor Lyles said I think we're looking for guidance, right?

Ms. Ajmera said yes. So, obviously I would like us to continue with \$100 million, but what I would like to see is, for housing and facilities let's remove that mobility steady state number, because that can't be touched for this, and let's remove that \$51 million minimum operating that we had to allocate towards the infrastructure, transportation. So, what is the max capacity we would get, a steady state capacity for housing and facilities both? Because I'm looking for steady state numbers to really help with recommendations on how much should be the housing bond capacity. Obviously, I would like us to continue to fund housing bond at \$100 million to really address the critical need.

Mr. Jones said yes. So, thank you, Councilmember Ajmera, and hopefully we can get off of the slide. So, what the team is basically saying, think about this as three buckets. There's a bucket that's related to the General Fund, and the General Fund we pay police officers, firefighters. Then there's this PAYGO bucket that is really kind of sort of things that are one time in nature, and we take a piece of money for that, and then there's our Debt Service Fund. What the team is saying is, depending on how much you want to go in our CIP, it is going to have an impact on how much we go in the General Fund. So, the way to alleviate some of that is you need more revenue. So, whether there's a property tax increase that gets you more money coming in to divide between PAYGO, the Debt Service Fund, and the General Fund. So, there is no recommendation on slide 24. It's just facts, what's in the budget, and that's the beauty of having the Budget Workshop, because we will leave today with some direction about what you would like to do in the CIP, much like we had some direction at the retreat about what you would like to do with pay in the operating budget.

Ms. Ajmera said so, let me follow up on that, Mr. Jones. Previously, without the property tax increase, we had a number that would give us the capital, because a lot of our General Fund is fixed, because 60 percent of it goes towards public safety. There is very little wiggle room there. So, what I'm trying to get to is, what's that wiggle room without the property tax increase currently, like we had in previous years? That would mean that number would be both for housing and facilities combined, but at least that will give us an idea.

Mr. Jones said yes, I'm sorry. So, I think I'm going to be close, but you can land the plane. So, we have the steady state. Within the steady state, it was \$220 million. In 2024, it was an anomaly, and each time I say it I think I irritate Councilmember Driggs, because we've pulled forward capacity to prove that we can deliver projects. So, that \$400 million, \$238 million I think was transportation, and I think this is what you're asking. How much was transportation, how much was neighborhoods, and how much was housing?

Ms. Ajmera said that's right.

Mr. Jones said and then with the COPs, not police officers, the Certificates of Participation, we do those over a two-year period, did I get that right? So, she wants to know that number, the housing, as well as the transportation. That'll be your level set. I'd ask you to compare the 2022 bond with the 2026 bond.

Ms. Ajmera said so, to follow up on that. I know that 2024 was unique, because we did front load, but then also now we don't have the pressure we did in 2024, because we didn't have the sales tax, \$100 million, all the \$300 million came from General Fund from our property tax dollars. So, I think having that number would help us, but at the same time I also don't want to discount the facilities, because I know that helps with the response times. Thanks to you all and Ms. Harris for providing some of the response time numbers. Certainly, we've done an excellent job with 911 calls being answered and meeting the benchmark, but when we look at the response times for arriving on site, arriving on scene, priority two, three, four are lacking. I think the facilities, we cannot discount that, because that helps. At our town hall last week, both Chiefs focused on the facilities as well as recruitment and retention to help with our response times. So, I also want to be mindful of that. So, obviously I think there needs to be more data given to us in order for us to come up with recommendations, at least for me. I think we use COPs to also fund some of our fleet, like fire trucks, or do we not?

Mr. Hastedt said you can. So, I'd say when we build new fire stations, that's included in the cost of building out a brand new fire station. We also utilize basically an internal loan within ourselves to help finance a lot of our rolling stock right now, but you absolutely can use COPs or installment financings to finance police vehicles, fire vehicles, general services vehicles, and that historically in the last several years has not been a part of that, because we've been able to find a different funding source so we can maximize our facilities.

Ms. Ajmera said I think that's fair, because we want to maximize our facilities dollars, but I will put in a plug. Some of the recent media reports have reported on fire trucks and long delays that we have experienced after the pandemic. I know that here, men in red, have advocated for fire trucks, because I think a lot of them are having to deal with a lot more repairs. So, how do we do all of that within the resources that we have? I can't give you an answer today that let's put \$100 million here and \$30 million here. I think I just need to see more, because I'm also being very mindful and thoughtful about how property tax could impact the very people we are trying to protect. So, that's all I have. Thank you.

Councilmember Mayfield said thank you for the presentation. So, what we recognize, based on the growth that we're seeing, and the multiple financial requests that we have received from community, although, Dr. Watlington and myself and Councilmember Driggs worked over our summer to come up with the allocation of the \$100 million, that was not an easy task, when we were trying to identify what buckets the money should go into. Today, what we're looking at is, two weeks ago we approved the final \$3.5 million that was just in the NOAH (Naturally Occurring Affordable Housing) bucket alone. Well, we've got multiple NOAH requests that are still going to be coming, and we have to have a conversation about are we going to look to reallocate? Full transparency, I am not supporting anything that's going to take that \$25 million from homeownership to try to put it somewhere else when we said, this is the bucket, the bucket has been exhausted, but we're afraid to have the conversation with our development community. I would like to get an update on exactly what has been the tax revenue impact of our TIGs (Tax Increment Grant), since we keep talking about the fact that we're not generating enough revenue, but we give beautiful subsidies to corporate interests, while our community is looking at tax increase.

Also, I would like to see the numbers regarding how do we justify to the community these multiple tax increases that they've either voted for or we are going to implement, but then tell them that we are considering a reduction on our Housing Trust Fund? It would also be helpful, since we love to do comparisons of other cities, I believe all of us received information from OneMECK and their recommendation, but what I appreciate in their recommendation is that they looked at Austin, Texas, Columbus, Ohio, as well as one other community, I believe, and we take it to the voters. Our voters have overwhelmingly supported the Housing Trust Fund dollar request as long as we can prove to them that we have been good stewards.

I think we have a strong case where we have shown that we have been good stewards. We have about \$43 and some change, and Rebecca can correct me, million left out of the \$100 million, that's not taking into consideration the multiple asks that we have out there. Opposed to having on the board this initial \$50 million, as a Council we need to have a real conversation of increasing. I'm not saying that I'm going to support the \$500 million that Columbus did in 2025, but we have to have a real conversation based on the needs that are in our community today, and try to project that out, 10, 15-plus years versus five years, and look at is \$200 million a realistic ask for our constituents? I can say personally, \$50 million is not even a consideration for me, based on what we have seen and what we have been able to do, as well as what the needs are as our standing community, and this is really for you, Manager Jones. We are seeing a number of the developments that we have invested in. They are going to be rolling into private ownership within less than a decade, based on previous approvals that we have done at 15, 20 years. Others, our residents, are being priced out of those units based on the individual unit's model of increase, and the impact that that is having locally. So, I would hope to get the responses back on, again, what is the impact on our revenue for these TIGs, exactly how much have we discounted, and how much revenue is coming in to help offset these costs? Because those are taxes that are not necessarily being paid at the level that we need. How do we justify to the community even a consideration when we're increasing taxes, but saying that it's planned for only \$50 million? What would our debt capacity look like if we were to look at \$200 million to \$300 million? Let's just get the range. So, that's \$200 million, \$225 million, \$250 million, what would that look like in capacity for us to go to the community with a realistic ask that's going to help us achieve the goals that we've already committed to. We have some projects out there that there may be commitments on that haven't necessarily come to full fruition. As we're moving through and we look at the totality of the housing bond, and the five categories, at some point the Mayor is going to help identify the Ad-Hoc Committee for us to go back in and look at the numbers again the way the three of us once did, to see if the allocations are still appropriate. Thank you.

Mayor Lyles said so, Ms. Mayfield, I say this because I remember when we did the first \$100 million, and I remember when people were in awe that we would do that, but we did it, and we did it in a way that everybody had an opportunity to have more opportunities for housing. It was amazing what we could do. I guess what I'm saying is that at some point we're going to have to figure this out. We cannot have people sleeping in our streets. We cannot have kids not be able to go to school, and all of these other things that make a big difference. So, I hope that Ms. Mayfield will stand up for this. I think it's very important for that to happen.

Mr. Jones said so, thank you, Mayor and members of Council, and thank you Councilmember Mayfield. One of the things we didn't want to come here baking a cake, so we get your input. We have modeled a \$400 million bond, \$300 million with the transportation and neighborhoods, \$100 million with housing in perpetuity, and there's affordability with that, is that fair Matt?

Mr. Hastedt said that's correct.

Mr. Jones said we've done some other things like what I wouldn't recommend, like modeling \$500 million for transportation in the first year. I would not recommend that, but even with doing \$300 million transportation and \$100 million housing, there's still some capacity in the outyears to potentially take the transportation higher. So, that is kind of our baseline, is that fair, to look at to try to replicate exactly what you took to the voters at the last cycle.

Ms. Mayfield said so, Mayor, just let me follow up just for clarification. I appreciate that we have modeled out \$400 million, with the \$300 million and the \$100 million. What I'm asking is for that new model of what would it look like, separate from transportation, for our housing bond to have that window of \$200 million to \$300 million, so that we can have a more realistic conversation around this dais, and when we go to the community we are able to share this is what we've learned. I want us to be conservative, because these are tax dollars, which is why I want to know where those other taxes are coming

in. We also need to be realistic about the needs that we're seeing in our community. When we have cities that potentially are comparable, which is why I also would love to have that information, and they are able to have \$300 million to \$500 million supported just for housing that cannot be utilized in other places, but that goes into the buckets that we've identified. I think we owe it to ourselves as representatives of multiple constituents in this community to do that work, so that we can have a conversation that's going to take us into the next generation.

Ms. Watlington said I think Councilmember Mayfield hits on something that's important to me, and it's just really that operational discipline as a prereq to revenue requests. We've had this conversation for several years now, zero-based budgeting, and really understanding what are we already spending, and how is that tied to our metrics, taking us back to our Council retreat, when we talked about what are the things that are important to us that we're really trying to move the needle? How did we perform versus last year? Because for me, the number is going to follow the purpose of the dollar. So, I'm not interested at all in spending \$100 million on additional rentals, for example. I would be very inclined to spend more money on homeownership. So, for me it's two things, it's how are we, to your earlier point, being good stewards of the dollars that we're spending? I think we owe that to our constituents. Every time we ask for an increase, let's show our work that we're spending our dollars as wisely as we can, and that our metrics are delivering the outcomes we said are important. I think we have to understand that there will never be enough money to deliver everything we want to do, but that's the importance of prioritization. I think that that's the piece for me every time we get to this part of the year, it feels like we're kind of trying to catch up, because it seems like there's some foundational things that we need to do that would really steer the discussion at this point.

Mayor Lyles said actually, I wish that we would have some kind of way to do a design program to say to people, we want people to have housing, and we want everyone to be able to participate in it. I think sometimes we jump out with the money without having the idea of what we have to do and who's going to do it. I had the wonderful opportunity to go to California, which if you go through their places that you just have ownership of something small, and I remember the tour guide said, "One of the most important things you have to do for housing is to be able to get a TV station, because everybody wants to choose their own TV show," and it's true. It's the little things like that, \$79 for a TV inside of a building, and we're spending how much more? So, I hope that this is an opportunity for the committee to really run with this.

Ms. Anderson said I think this topic could be a challenge to some of our affordable housing developers here to have a reimagining challenge to put forward where they can come with concepts around the art of possible. Because there will be some capacity opportunities as well, but they have a list of places and locations that they would like to put up housing. Let's have sort of a [inaudible] approach to some of our best minds within this space who understand it most, and then I think that could inform our conversation even further. The housing conversation has to be had also with our mobility conversation, because on a monthly basis we talk about infrastructure, the lack thereof, the choking of certain intersections and thoroughfares that really cannot sustain the growth, and certainly with an injection of two to three X of what we're putting out there, our infrastructure will feel it. So, I think that conversation has to happen in tandem with some level of prioritization around locations throughout the City that might have a level of readiness before others without increased infrastructure costs. Love this conversation about housing, but are we only talking about housing here?

Mayor Lyles said no, I think we have another couple of people that want to talk about something else as well.

Ms. Anderson said okay, great. Well, I wanted to talk about on the right-hand side here of this slide, it seems like we're never going to leave this slide, but certainly advocating for some of the things that are on this slide, the CMPD (Charlotte-Mecklenburg Police Department), helicopter hanger, the commercial burn building for fire, and of course, as was mentioned earlier, public safety is the lion's share of certain aspects of our budget,

but leaning into public safety in a meaningful way is going to be critically important to sustain this year of momentum that Chief Patterson has called this. So, there's some really good things on this list. Our community advocated for the Animal Care and Control Adoption Facility and so seeing that being able to execute. We keep Gateway Station top of mind all the time, but would love to see some update on any level of movement around that topic, because we talk about it quite a bit, but I don't really see advancement, not to say that that's not happening, but would love to just have an update on what that really means for an investment and how far it would go in this upcoming budget? At a certain point, we're going to begin to talk about our support as a Council, I'd hope and so I don't know if this is the time to talk about that, but I definitely have some perspectives on individual Council support, both from constituent relations and communication support. I'll leave it at that, Mayor. Thank you.

Councilmember Graham said thanks Matt and Hannah for the presentation. The staff has really kind of kept me in the loop as the Chairman of the Budget Committee. We had a small conversation on Friday as well in reference to the presentation, and Ms. Mayfield, I told them for sure that \$50 million was a nonstarter for this group for sure, that there's a lot of momentum in reference to the housing space in our community. I think you and Councilmember Watlington are really spot on in terms of just not a number, but how do we back our way into a number that makes sense for the community. So, I will leave that into the Committee's hand to kind of lead us in the right direction as it relates to that.

I am really concerned and I put a circle around the Gateway Station for sure. It's in Uptown. We've been talking about it for years, decades maybe. I think it's really time for us to dribble or shoot on this, understanding the complexities, Mr. Manager, that it has attached to it. Certainly, it is part of what we're trying to do from a transit mobility perspective, and there are other agencies that may be involved with it, as we move forward, but I think it's something that I'm very, very interested in. Thank you for the information. They sent me, Councilmember Anderson, an update on that as well, because I asked the same question, where are we with it, and how can we kind of get some momentum behind it, understanding the complexities that's attached to it now, and certainly moving forward? As a side note, Mr. Manager, while not up here, I do have a passing interest also in the transit station Uptown across from the arena in reference to just kind of having a vision for how those two entities work together, if they work together at all. Certainly, the announcement that the EpiCentre is now back on the market again, creates an opportunity I think to really kind of program two or three city blocks, that from my perspective is kind of underutilized based on what's happening there. I think the transit station itself has outlived its useful purpose at that location, and again, I understand there's some complexity with that as well, but certainly when I talk about Gateway Station and transportation hub in Uptown, I kind of link those two things along parallel tracks. Thank you.

Ms. Owens said most of what I wanted to hit on has already been expressed by my colleagues, but I just wanted to amplify, OneMECK's speaking points were also very persuasive to me, seeing what other cities are doing, and then also our time in D.C., and talking to other cities around the bounds, as Councilmember Anderson said, what is the art of the possible here, and what sort of challenges can we or should we be giving to our developer community? Looking at fee-in-lieu structures and being appreciative of ways that you can subtly, and I'm speaking subtly because I'm not certain what the legalities are and where we have to go, request permission from Raleigh for some of this, and so this is born of my own ignorance, but what are the possibilities to get more creative? I've talked at length about when we look at the AMI percentages, and really looking at that 20 percent to 80 percent, and getting very creative around each gradient that is in between those areas, can we do some soft encouragement in some of the things? For me that all comes down to a number that is not \$50 million. Years ago, when I talked to OneMECK, and the folks who were really in this housing space and some of our faith communities even, they're like, "We think \$200 million sounds like a good number." So, I'm not comfortable with a number that would have that, particularly at a time where we've already identified that we are expecting some displacement attendant to building out the Silver Line. So, if that money is also going to be addressing

those future needs as we look at mobility, I don't see how we can get there with a smaller budget number, so my priority would be on that.

I also, though, want to be very thoughtful about some of the ways that we share our plans with the community. I think if we've learned anything from what's going on with I-77, and I'm not going to go there right now, but simply to say, if we are anticipating growth causing displacement around where the Silver Line's going, let's have a community center out there. Who's paying for that? Is that money that's coming out of the Housing Trust Fund? These things that do bring along communities with the growth of our City, we've got to tell better stories. I think we've got good stories to tell, I just don't know where you find that budget to tell those, but I think that getting out in front of anticipated pain points helps both our housing and our mobility story. So, let's get it right. So, that's it from me. Thank you.

Mr. Driggs said so, we've been talking in generalities here, and we have some data points up there. In the past, we had spreadsheets and bar graphs and stuff. Are we going to get those?

Mr. Jones said yes.

Mr. Driggs said so, when are we going to be able to talk about them? Do we have another workshop? So, we're going to do that at that workshop, because I think a lot of what has been said here needs to be considered in the context of tradeoffs and so on. There's a certain increment in property tax that would be needed to service an extra \$100 million of debt every time. So, if you embark on a schedule where you're incurring \$100 million of debt with each bond cycle for housing, then each of those requires another increment to the property tax. So, I know we don't want to talk about tax increases, but I'm just saying we're constrained here, and the sooner we get to a point where a lot of what's being discussed can be laid out in terms of the context of our needs and the costs and the revenue requirements associated with it the better, because I think what we're talking about now is principles. Thank you.

Mr. Jones said so, thank you, Mayor, Council members, and Councilman Driggs, if we go back to slide 26, I think it's very important and I'll own this. While we said what we talked about last time, we need to build on all of these things. So, just as a little refresher as to your point, we already have a gap in the General Fund starting FY2027. There's been a lot of requests for police and compensation, for fire and compensation, firehouses, response times, things of that nature, and I guess that's where I'm not doing a good job. Again, those three buckets, so you have the General Fund, you have the PAYGO Fund, and you have the Debt Service Fund, and as we've explained, each year there's certain things you can do, how you allocate some of the revenue to those. If we oversubscribe revenue to the CIP it takes away from capacity from the operating fund. So, we'll figure out a better way of doing some of these tradeoffs, because it's easy to say I want this, I want this, I want this, I want this, I want this, but it's difficult to prioritize it.

Mr. Mazuera Arias said again, thank you for the presentation. So, I kind of want us to ground ourselves in the reality that a lot of our constituents and residents are facing to make sure that we are set up for success when it comes to affordability and making sure, not only people afford to live in the City, but also are able to afford their rent or their mortgage. So, I just want to go over some quick numbers to help us make sense as we continue to have conversations about potential property tax hike. The FY2026 County budget, approved June 3, 2025, included a 0.96 cent property tax increase, which amounted to an annual increase of around \$37 a year. The City's budget last year, approved June 9, 2025, increased water, sewer, stormwater, solid waste fee and rates, which was an annual increase of about \$87 a year for the typical household. In 2023, property reappraisals cost 85 percent of homeowners to see an increase in their home valuation, the next revaluation being next year. Statewide homeowner insurance hike of 7.5 percent, that went into effect last June 2025, which caused an increase of \$243 annually. Then you have auto insurance hikes of five percent statewide that became effective October 1, 2025, and now the sales tax that was passed last year is

having a \$240 impact a year to the average household. All on top of that with the North Carolina corporate tax rate being [inaudible] set to zero percent. So, for me, to my other colleague's point, and answering the calling and finding creative ways to challenge our developer community, I fear that we have oftentimes gone into a corporate welfare state, rather than one that takes care of our residents. So, we really need to think clearly about, not only our Housing Trust Fund dollars, but also making sense when we consider a property tax rate, which I'm all for, but in order to be all for that, we need to make sure that the growth that we're going at, the burden that we are giving residents, not only us, but the County, the State, etc., make sense with our investments, and that our investments, our budget as we all know, that document is a reflection of our values as a city and as a county. I want to make sure that this Council knows that with the Housing Trust Fund dollars, that it is reflective of those values to make sure that people continue to live here, not just the 157 that are moving to region each and every day, but the folks that have been calling this city their home for generations.

If you guys will allow me to, the second bullet point, other funding priorities beyond capital. I'll pass this to my colleagues, a memo that was created by some folks in the Mayor's International Cabinet about the need of bringing back our International Affairs, which I think would put us at a competitive rate across other cities in the region. Atlanta, smaller than us, has an International Affairs. Manager Jones you have seen that. We had an immigration task force led by Federico Rios as well. Whether it lives in economic development or community relations or what have you, we need to give support to that staff, because again we are at a crossroads where we have great services. Whether we deliver on those services exceptionally is another question. As we all know, everything costs money.

The other thing is, making sure we're taking care of public safety. A lot of the reasons why we might consider a property tax increase is because we want to make sure that we are solidifying and improving our public safety. That means I'm all in support of the burn building as well as modified duty positions to support injured firefighters and improve operational efficiency, and also giving them competitive salaries that match the rest of the salaries that we see in the southeast, and with our police force as well. We are a growing city, and we come with growing pains, meaning natural disruptions here and there. Then, as well as economic development, funding our business district organizations. We have seen the fruit of their labor with Historic West End partners and Five Points, as well as Charlotte East with the Eastland Yards Sports Complex. So, as we continue these conversations, I want us to keep those things top of mind. Thank you.

Ms. Ajmera said Councilmember Mazuera Arias already started budget adjustments. You're ahead of the curve there, but great job. I think some of what Councilmember Mazuera Arias is asking in terms of the International Affairs, I know that we already had two staff members that helped us with a welcome compass, and I think some of our existing staff is already doing that, but how do we actually brand to ensure that the communities are being supported, especially during the unrest, during the border patrol, where I felt like we needed to fill a void there in terms of the messaging.

I do agree with Councilmember Mazuera Arias in terms of affordability, because when you talk to residents, they are looking at overall property tax. They're looking at, can we afford to live here? They are looking at tax. They are looking at insurance, which has gone up significantly, and the cost to live in the City continues to rise. So, I love when Councilmember Watlington always brings up the zero-based budgeting. I think that should be part of our policy, because we need people to show that we tighten our belts just like you do every single year, year after year. That we are doing everything in our power to ensure that we are not just passing the buck. We are trying to figure out how are we being more efficient and effective with your tax dollars before we come to you and ask for more. I think times are tough right now. We are facing stagflation. We are seeing inflation, but at the same time, economy is slowing down.

So, we need to be very mindful about the burden of taxes. Sales tax will go in effect in July 2026. That's going to add to the burden. So, I just think when we look at property

tax increase, this is not the right time, and we have revaluation coming up. Dr. Watlington just reminded me of that, and that is going to hurt the very people we are trying to protect. So, I think we need to be very creative about our budgeting to ensure that it reflects our values, meets the community needs, but at the same time we are being good stewards of our taxpayers' dollars, as Councilwoman Mayfield mentioned earlier. So, Mr. Jones, you've got a tough task here, but I think you can do this. That's all I have.

Mayor Lyles said oh my gosh, it's 4:00 p.m. I tell you, this has been a great conversation and a lot of good information, but we have a meeting that starts at 4:00 p.m., and I think this is a closed session meeting. So, let's see where we are.

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ITEM NO. 2: MOBILITY INVESTMENT OUTLOOK

There was no Mobility Investment Outlook presented.

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ITEM NO. 3: FINANCIAL PARTNERS

There were no Financial Partners presented.

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ITEM NO. 4: CLOSED SESSION

Motion was made by Councilmember Watlington, seconded by Councilmember Mayfield, and carried unanimously to go into closed session pursuant to N.C.G.S. 143-318.11(a)(3) to consult with the City Attorney regarding the legal implications of a proposed action and to preserve the attorney/client privilege.

The meeting was recessed at 4:00 p.m. for a closed session in Room 267.

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ADJOURNMENT

The meeting adjourned following the closed session at 5:10 p.m.


Ariel Smith, Lead Clerk

Length of Meeting: 1 Hour, 50 Minutes
Minutes completed: May 11, 2026