

The City Council of the City of Charlotte, North Carolina convened for Budget Workshop #1 on Monday, February 23, 2026, at 2:05 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Vi Lyles presiding. Council members present were Dimple Ajmera, J.D. Mazuera Arias, Malcolm Graham, Lawana Mayfield, James Mitchell, and Kimberly Owens.

ABSENT: Councilmember Joi Mayo

ABSENT UNTIL NOTED: Councilmembers Danté Anderson, Ed Driggs, Renee Johnson, and Victoria Watlington

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Mayor Lyles said good afternoon, everyone. This is the time that I love the most. It's the budget time. So, good afternoon, and I'd like to call our first Council Budget Workshop for the 2027 Budget Development into order. As you know, this is one of the most important and impactful, and developing a plan to allocate the City's resources and our alignment with our strategic priorities and the needs of our community. So, we want to thank you everyone for joining us today, and with that let's get started by hearing from the City Manager, Marcus Jones.

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ITEM NO. 1: BUDGET DEVELOPMENT – FY2026 UPDATE AND FY2027 OUTLOOK

Marcus Jones, City Manager said thank you, Mayor and members of Council. We are kicking off the Budget Workshop. It's a little different this year. Normally we have the Annual Strategy Meeting, of which really gives us a little bit of guardrails, for lack of a better term, before we go in here, but I think we're going to be okay in the sense of, let's start with broad strokes today. We do have the Annual Strategy Meeting next Monday and Tuesday where we'll go into a deeper dive. So, if we can almost pull these two events together, by the time next Tuesday, I think we'll be back on track. With that said, Mayor, unless you have any questions, I'd like to turn it over to the Chair of Budget and Intergovernmental Relations.

Councilmember Graham said yes, I have brief remarks. On behalf of the Committee, Councilmember Owens, Ajmera, Mitchell and Mayo, we bring forward to the Manager the opportunity to kick us off with the Budget Outlook and Strategy Session. It goes without saying that our budget demonstrates the values we have as a community. A lot of work will be done between now, and I guess May 2026, in terms of a wide variety of issues. The City continues to be one of the best managed financial cities in the Country, holding our AAA bond rating, great enterprise organizations, great authorities, that do well with the citizen's resources, its money, and now our job is to allocate it in a way that best meets the needs of the community. So, the Manager will get the first crack at it, and his team. We look forward to working with them over the next couple weeks, and let's get this party started.

Mr. Jones said so, thank you, Mr. Chairman. So, what I'll do, Council members, is just do two slides today and then step away and turn it over to the CFO (Chief Financial Officer) and Marie and her great staff in the Budget Office. So, I do want to talk a little bit about the last couple of weeks in Charlotte. We did spend some time having town halls with our employees. A lot of early mornings, C-DOT (Charlotte Department of Transportation), Charlotte Water, Solid Waste Services, because what we came to understand is that while we've spent a great deal of time over the course of the last year talking about the one percent sales tax, we didn't necessarily have that same engagement with the 9,000 employees. So, not only did we have a conversation about their awareness of it, but also we talked about what's happening in terms of workforce opportunities for our employees, as well as upward mobility opportunities for employees also. So, it was kind of interesting having the conversations, and it really brought me back to this slide, which was actually in this room, May 2023, and we were talking about the FY (Fiscal Year) 2024 Proposed Budget. So, we were at this inflection point, and

there was a lot of concern that if we didn't do something different on the revenue side, a lot of the opportunities that were out there for us may be foregone. So, either it's business as usual, maybe that middle line, or maybe you would have a decline in our services, but after this past November 2025, we think that we're on the upward trajectory in terms of where we're going. Even back in May of 2024, we talked about showing this community what we could do with additional revenue. So, I believe I have this right. I think we've raised the property tax once in the last seven years, and the last time we raised it was FY2025. FY2025 was really for two purposes, public safety, nine-tenths of all that went to public safety, but 0.3 of the increase we put in our CIP (Capital Investment Plan), because we wanted to test these Strategic Investment Areas. We wanted to test if we had a bigger transportation bond, could we deliver. So, Ed McKinney and the entire team, the Strategic Investment Areas, \$55 million to test a pilot, we've understood that we can be more inclusive with businesses, we can do these projects faster, and at a cheaper price. So, again, couldn't go out to the community and ask for this one percent sales tax with a business-as-usual mindset. So, we're on the upward trajectory. I would say to the Council, just like as we were talking to our employees over the last few weeks, it wasn't lost on me that this Council has done some amazing things to get us to this point, including buying a railroad. So, the strength of the Strategic Investment Areas, as well as some bold moves by the Council, has put us in a very good position. I will tell you this before I turn it over to Marie and team, we ran as hard as we could with the limited resources that we have, and as we go through this fiscal year, I'm not suggested that anything's wrong. What I am suggesting is the previous year, spoiler alert, our surplus was razor thin. We're going to have to manage this budget to get to FY2027, where we get that boost of revenue, and we've proven that there's some things that we could do in terms of project delivery faster and cheaper, and with that said, I turn it over to Marie and team.

Marie Harris, Budget Director said thank you, City Manager, and good afternoon. Like the Manager pointed out, a solid financial foundation and focus on the core services, that's where we've been, and that's been the basis for our progress moving forward, and a big part of our financial foundation is our management AAA. We've gotten it for decades, and it's the highest we can achieve from the bond rating agencies, and it shows that we really have strong financial and budgeting policies and practices in place. So, why does our community? We talk about the AAA bond rating, and it sounds great to the people that know what that means, but what does that mean to our community? So, for our community, it's a couple things. It's a seal that we have a financial seal of approval, basically. We're exceptionally strong financial stability, so that should give our community, not just us saying we're great and we're managing your money, but the external, we're rated and sealed that we're doing well, both in our financial policies, also our practices. Also, if I was a community member beyond just saying, okay, you're good financially, this AAA also helps us to save money. So, by having a higher credit rating, we are able to pay less in debt. So, more of the taxpayer's dollars are actually going to the project versus paying debt service on the projects. So, those are two important points for our community.

Also, not only that, but we're a good value, and we show this slide, and this is just one glimpse into all the benchmarking and analysis we do behind the scenes, but as you'll notice, Charlotte is lowest among the larger cities in North Carolina, and one of the lowest altogether in terms of cost to a typical household for municipal services. So, this includes City and County property tax, wastewater, water, stormwater, Solid Waste, and local sales tax for a typical homeowner. So, not only are we strong financially, we're a good value, and how do we do this? We're structurally balanced. A lot of people see, we'll get a little bit of money, and we can do great things with it, but we have to always be mindful and make sure ongoing expenses do not exceed ongoing revenues. If we get one-time money, that's great, we can do a pilot or we can do a one-time project, but for it to add a service or an ongoing program, we need to make sure we're having ongoing revenues to support that, and also fully funded reserves. We go above and beyond, the guidance says eight percent, we do 16 percent and that's a big piece of our AAA rating, because we are really secure financially. Hannah's going to get more into maintaining capital, affordability and long-term steady state, and the next slide is more on the first two.

So, when we're closing out a fiscal year, when all the dust settles from all the expenses and the revenues coming in, hopefully we have a surplus. Then, when we have that surplus, the first thing we do though to maintain that 16 percent, as you'll recall, is really important to our AAA and just shoring up for our future, we have to take out 16 percent of the growth in the General Fund for the projected growth for the next year. Then, Matt works his magic with the external consultants, since the dust settled, but is there any other dust in the air that may come up that we haven't accounted for, and they determine another figure to set aside, so it's double security. Then, after that, anything that falls to the balance, we put to the next year. Well, it's two, by the time you close the books. So, for 2025, what we're showing is for 2027, and that goes into your PAYGO (Pay-As-You-Go). Well, there's other sources of PAYGO, but they are programmed, and then when we have this one time, again, we can use a one-time source for a one-time project, and Council has used those for a lot of innovative things in the past, and the spoiler alert the Manager mentioned, we have no unprogrammed PAYGO from fiscal year end 2025 that would go towards it, and we're really tight for the next year. This just shows the budget principles; you're not expected to see these, these are in your book as well, but this is one of the main ones. Budget will maintain a General Fund balance of 16 percent, and the remainder will go to the PAYGO.

Councilmember Driggs arrived at 2:17 p.m.

Then, of course, we do have a \$3.65 billion budget overall, but this section is mainly focused on the \$943.5 million General Fund. We'll also talk a little bit about the Internal Services Fund down there at the bottom that's more behind the scenes, but foundational. So, when we say \$3.65, right now we're focused on the General Fund, and where do we get the money? So, how do we fund the General Fund? Mostly through property tax, over half through property tax, sales tax, cost reimbursements from non-General Funds, utility franchise fees, Solid Waste fees, and then there's a slew of other smaller revenues, from cemetery fees to your pet fees for Animal Care and Control, all types of fees, that make up the balance. With that, as we said, property tax is over half of our revenues for the General Fund, but if you look at this, it's more of our benchmarking, over in the tax rate, we have the lowest tax rate among the cities surveyed. Wilmington's like right on us at like 28.25 cent, and also as the Manager mentioned, we've only had one property tax increase over these timeframes, and you can see some of our peers have capitalized on that a lot more frequently. Then, that's where the money comes from, and then what's the plan to spend the money? So, this is a picture of our current year budget, and as you'll notice, over half of it, 61 percent, is public safety. Some notable parts are streetlighting, before that wasn't as big of an item, but we get more and more streetlights, which is great, and also the cost to light those streetlights keeps going up, so that's one that's emerging and notable to call out on its own now.

So, that's the plan on how we're going to spend, but when the plan hits the road, sometimes there's some bumps, and we're working through those. We've had some pressures in this year's budget. We've had overtime needed to meet service demands. We have aging fleet and delivery delays that create increased maintenance costs. When we have ice storms, usually we have some wiggle room, but we have a little bit less wiggle room this year, and those storm-related expenses, we budget for the baseline, not peaks, like the storm times, so those have to be absorbed as well. So, we have a very tight budget right now, but we will manage it within the budget.

So, that was the current year. Now we're rolling current year into planning for the next year's budget that you'll adopt. So, for 2027, we're excited; it's going to be a transformational year. Like the Manager mentioned, we hadn't heard from all your discussions at the Strategy Session yet, but you've already clearly told us Mobility Plus is a top priority, enhanced public safety, small business development, affordable housing, and workforce development. We've heard you loud and clear. The Manager already has those on his radar, and we're looking forward to hearing more from you at the Strategy Session, as far as your top priorities. The Manager mentioned some about the town halls. He's been working with his executive team and managers and staff across the City to really instill a team-of-teams approach. So, it's not just this division's

resources. How do we share resources, money, and staff to really meet the needs of the community, expanding partnerships, and the Manager spoke some on shoring up core services. We've been running, running, running, putting gas in the car, but we need to make sure all the components and everything's got what it needs to keep us going. So, shoring up core services is going to remain a focus, capitalizing on technology advances and piloting new initiatives. We always look at best practices and new initiatives, what can we employ and do better and capitalize on anything coming down, and then exploring cost recovery options will continue to be a focus.

We mentioned the tight budget pressures. Well, those are going to be considerations when we're proposing a budget for 2027. The core operational systems and equipment. We need investments to effectively deliver City services, technology replacement and modernization. Ya'll know about technology, it's very expensive and it's outdated quickly, so that's an area that we always have to maintain and monitor, rolling stock and equipment. Staff overtime and public safety and Solid Waste. We have a focus on filling vacancies, and it also helps to reduce overtime, and next year we'll look at potential impacts that may be due to storm response, since they're not recoverable, and also increasing cost of fleet maintenance will be a focus when we're looking at 2027. Delivery time on fire engines. It used to be a year and a half, and we thought that was forever, and now we look at more like from when you order it to when you accept it, it's like four years. So, if you can imagine, you have to plan ahead, and then while you're waiting four years to get your new vehicles, it costs so much more to maintain older vehicles, and that creates higher maintenance costs.

I mentioned we'd also touch on the Internal Service Funds; those are essential. It's not the General Fund, but these are essential behind the scenes pieces that we really have to pay attention to and make sure these funds are healthy. The Employee Health and Life Fund, the Risk Management Fund and the Fleet Fund are ones that we're also going to have to review and keep an eye on, and these are very important to us in our core services, but also the rating agencies pay attention to these as well. When we're talking about paying attention to these funds, the main point of this is, yes, medical and pharmacy costs continue to rise, so that's a factor each budget cycle, but this is just to highlight that these are real numbers, how it does continue to climb, and these are total costs for the City and the employees, so it's not just impacting us, it's impacting our employees and the health of that fund. Then, Christina Fath, Sheila Simpson, they routinely listen to what employees need and want the most, and try to tailor the best benefits packages for them, and they also work across the industry standards and with consultants to see, how can we maintain that balance of being able to afford long-term, and meet the needs of our employees.

The main thing of this too is, employees are one of our top priorities and we want to keep investing in them for sure, but it does cost money, and that's a choice we think is right, but that's a choice, and it does cost money. We want to make sure and highlight some of the other things that Human Resources does for employees. Our core focus is on employees, but also not just the paycheck. We pay people, of course, and that's what people care about a lot, but we also provide health and wellness benefits that are amazing in a lot of ways and a lot of options. Like I said, even Christina and her team try to adjust those as much as possible based on hearing from employees and what's most important to them. We have financial support opportunities, financial counseling, we have education assistance and even housing resource assistance. The reason I'm bringing this up is just, it costs money to invest in employees, but it is really important and we look at all the ways that we can invest in employees, and we assume that's going to be a focus moving forward into 2027.

Before you can do anything new and different, you have to look at your baseline cost. So, if you look at this stack, it represents our current costs on these sides, and then the right you'll see the projected growth. So, contractual growth, that could be our help desk contract, our tipping fees that we have to pay the County, any contracts that we have to have in place, and we know they're growing, healthcare and retirement growth, and annualizing pay actions. So, just our baseline, keep the lights on, we're looking at 3.3 roughly growth, so that's \$31.5 million growth in our baseline. Then, when you look at

that you say, okay, what's our revenue projections, and we do conservative revenue growth, and this is based on mid year, and so we're actively analyzing and looking at things. Right now, there's roughly a \$3.8 million gap moving into next year in terms of, here's our baseline keeping our services the same, and our current revenue base, but that will be managed. It's important to note too, this does not include a pay plan. This is just keeping things going as they are. So, it's \$3.8 million, that's a little steeper than prior years. Last year, it was half a million to the good, but we always are always analyzing our services in our accounts to make sure, not only are we meeting the basis, but we're also aligning resources to what the Council sees, is the main priorities. So, we're very much looking forward to hearing from you more at the retreat, and being able to determine how to optimize the use of the City's resources. Then, I'm going to turn it over to hopefully more exciting beyond baseline services, compensation considerations, and Ethan Smith is going to walk you through those.

Ethan Smith, Assistant Director of Strategy and Budget said good afternoon, Mayor and Council. My name is Ethan Smith. I'm the Assistant Director of Strategy and Budget, and I get to talk a little bit about some of the exciting things we do to attract the best and the brightest here to team Charlotte. So, the City has had some pretty aggressive pay plans in recent years, which is a fairly expensive thing for an organization our size, between \$19.9 million and \$26.4 million, and we're able to do that with some significant growth, particularly in sales tax. In FY2022 and FY2023, we were able to reinvest in our employees in the FY2023 and FY2024 enhanced pay plan. Then, of course, in FY2025, we had a property tax increase that provided the ongoing revenue needed to have another enhanced pay plan. FY2026 required a little more creativity. For public safety, similar to how we do for general employees who reach a max or top step, we offer them a 1.5 percent lump sum, and because it was a one time, that allowed us to use one-time revenues. For general employees, the pay plan returned closer to the three percent that was typical prior to some of the severe inflation we've seen in recent years, but of course, hourly was still a point of emphasis for us. So, we added an additional percent to that, to four percent total, and then we split the pay increase between a 1.5 percent market adjustment or across the board pay increase, and then 2.5 percent in a merit pool, which allowed management and supervisors to reward really those higher performing employees, and then of course, we increased the minimum pay to \$24 an hour. It's the fifth year we've made such an increase, and that really is the best practice, kind of that slow, steady, methodical approach, to increasing minimum pay, preventing some of the compression issues that you'd see in kind of any one-time major adjustment to those minimum pay.

Even without including the one-time component of this, the pay plan costs \$17.8 million, which is a little bit more expensive than traditional pay plans before this time, when it was \$14 million, \$13 million, and that's because a lot of the enhancements that we made in these years with enhanced pay plans, adding steps, adding premiums for things like shift differential, CDL (Commercial Driver's License), expanding eligibilities for certain incentives, those continue to pay dividends with employees. Employees are earning those new steps even this year and projected for next, and those increases compound on one another. So, we're glad to see that our FY2026 pay plan is keeping pace with inflation, exceeding inflation, even keeping pace at its peak in September 2025, when inflation reached three percent. So, this is certainly something we will continue to monitor along with the job market more broadly, as we go to prepare the FY2027 proposal.

Of course, this is only part of what we do to compensate employees each year. The City contributes to, you can see, this is the three pension systems that we have, and this is what the cost of benefits are for our average employee in each of those systems, and that includes of course the employer contribution to those employee pensions, but also other benefits as well, like healthcare, 401K, our extra two percent for sworn fire and their 57b, and then of course federal insurance and medicare taxes. So, obviously, these costs have grown fairly substantially, and while it's certainly not the same as the weekly paycheck for our employees, it goes to fund benefits that are of tremendous value for our employees, both in the short term and the long term. So, you can see the cost nearly doubled for fire, 97 percent increase, and then increased by nearly 50

percent for sworn and police. Just to give you an idea of how that balances with the salary compensation, for every dollar that we provide in salary compensation, it amounts to about 38 to 48 cents in compensation on the benefits side. So, we're certainly committed to making sure these are funded, as Marie described. This is one of the first things we try and make sure is shoring up as we're building the budget.

So, remaining a competitive employer of choice is always top of mind for us. So, we look internally for areas of emphasis or opportunity or vacancy rates. One way we do this, of course, we're always looking at individual jobs, vacancy rates for police officer, equipment operator, technician, things like that, but we also zoom out a little bit here at kind of the broader category, sworn police, hourly overall, sworn fire. For the most part, vacancies are trending well, and this is driven by recruitment retention. On the recruitment side, we've had a lot of innovation, particularly in the general employee space, with things like our E2E program, Educate to Employment program, our Career Training Academy, and then I realize fire looks a little confusing here. The fire department added 99 sworn positions in FY2024 and FY2025, so what that dotted line shows is just positions that we had to include in the budget to recruit, prepare for new companies that were going to be activated, but that were not yet activated, answering calls for service yet. The Chief, to his credit, has done a great job recruiting not just enough to handle the resignations and the biggest factor, which are the retirements that we've got to keep up with and have enough graduates to fill, but also filling those new companies while maintaining a relatively low vacancy rate.

Mr. Jones said so, Mayor and members of Council, I think this is really important, because if you go back to 2022, we were all concerned about these high vacancy rates. Sheila would be asked what is a typical standard. I think Sheila came back to 10 percent or something like that, but this goes to show that all of your decisions around employees and benefits, and not just comp salary, but some of things you did like absorbing the increase in the healthcare, as opposed to spreading it to the employees, has really positively impacted where we are right now with the vacancy rate. I couldn't imagine back in 2022 that we'd be at 6.8 percent with the general hourly. So again, the things like what you have done for the employees, anything from downpayment home assistance payments to how we handle healthcare, is just employee focused, and I think that's really important. The other thing I'll say is that, as I mentioned earlier, FY2026, we did about all we could do, and even in the compensation that Ethan showed you a couple slides before, it wasn't as much as the \$26 million, it was closer to \$20 million, and that was offset by \$7 million of reductions across the departments to actually try to help pay for the compensation increase. So, just trying to connect the dots that we got to a better place today, and it has a lot to do with the policies that the Council has set out. Thank you.

Councilmember Ajmera said thank you, Mr. Manager. This graph shows that we've certainly invested and that shows how the vacancy rate has gone down, but if you look at police, we are back to almost where we were back in 2021 in terms of the vacancy rate, so 0.7 percent difference. Certainly, I think that is an area that we need to certainly consider, as the Chief said at the hearing, that we are falling behind when we compare our City to other neighboring towns and municipalities. So, that's all I have. Thank you.

Mr. Smith said thank you. We'll talk more about police specifically in the coming slides, but really the main reason for the uptick in police occurred decades ago when we added a lot of new officer positions, brought those folks on, and those folks are coming to retirement age. So, each year, between 80 or 90 officers retire, with the one exception in 2024, when we had a little reprieve, it was closer to around 60 that retired, and allowed us to catch up a little bit.

So, we talked a little bit about the recruitment side. On the retention side, retention is up in most categories, and this is a trend that we see broadly in the economy, but to the Manager's point, I think City Council and the Manager deserve some credit for some decisive pay actions in recent years to really boost that retention. So, police recruitment, of course, is top priority as we work to fill those existing positions. Here the chart illustrates the surge, which we knew was ambitious, and we knew would require some

considerable effort to sustain, but again, we need to recruit enough graduates, not just to exceed the pace of resignations, but also those retirements, and then begin to tick away at those existing positions.

So, before we talk a little bit more about the things we do to remain competitive for public safety employees, just a quick primer on our Public Safety Pay Plan and how it works. Every year where there's ongoing revenue to support compensation increases, those increases come for public safety employees mostly in the form of a step, usually just one step. There was a year we did a double step, and that was to make up for a year in the past where we had skipped a step, but for new folks that come in, this is really kind of what it looks like over time. A recruit comes in, and like in any job in the City, they come in below the market rate while they gain experience, exposure, and the step plan, in particular, is designed to really push them up to that market rate, with five percent steps early in their career. So, this is just a chart to kind of show what that looks like as they move up to market rate and then ultimately to a top step. It takes around eight years for fire, nine for police. This is just firefighter one and two. So, this chart just shows what that looks like for employees, and I think it's a great example of how we kind of offer more than just a job, but a career with growth opportunities. When you talk about a 62 percent increase for police, a 47 percent increase for fire, [INAUDIBLE] \$27,000 increase, and that's without any kind of cost-of-living adjustment, which, as most pay plans include cost of living adjustment. In 2026, it was 1.5 percent.

Then, on top of that, our education incentives have been a core compensation philosophy for us, so much so that we will pay for employees to go back and earn their degree, and for those who do, or for those who come with a degree, we'll pay a premium to do the same job, and then other things can compound onto this as well. We have, depending on the employee, maybe they speak a second language, or have access to a shift differential, or some sort of special assignment pay, or maybe they go on to get promoted, put all together, and we believe we have a variety of very attractive career opportunities.

So, how do we make sure we remain competitive for the most talented public safety employees? HR (Human Resources) conducts a compensation benchmarking study every two years since 2019; this is the fourth iteration of that. We shared these results with the Public Safety Pay Committee a couple weeks ago, and here's some takeaways. Some areas where we excel or are competitive, fire trainee, fire captain, lieutenant, police and fire command staff, and then our education incentive, again, which a point of emphasis for us, we have some of the strongest incentives there. Of course, as we've shared with the Public Safety Committee, and as I'm sure they would agree, there's always areas for us to improve, and some of those that emerged were starting pay for police officer, firefighter engineer. A lot of our peers have a real array of special assignment pays, anything from a drone unit to horse patrol to bike patrol, that for whatever reason we don't offer, so maybe there's some opportunities there for us to explore.

Then, finally the biggest takeaway for me was just that a lot of our peers have a pretty significant differential between that starting recruit pay before graduation, and then officers and firefighters after graduation. So, credit to HR working with the Public Safety Pay Committee to really kind of work on that and look at that a little bit differently. Just to illustrate kind of what I'm talking about here, here's us benchmarked for recruits and trainees against our peers, who also have a flat rate like we do, and you can see police recruit below national average, while fire is slightly above. Then, you can see Charlotte here, the same rate as recruit and training on the previous slide, which since we don't change puts us further behind the national average for police, below average for firefighter at that starting pay. Then, the top pay for both officer and firefighter pay, we are below the national average, but above the average in the southeast. I think it's important to note, these charts are all without any education pay incentives, which again, is an emphasis for us. So, we rank a little bit higher when you factor those in, but bigger picture here, this is following 34 percent increases to starting pay since 2019, similar increases at the top, even 40 percent for police. So, suffice it to say, there's been

a real nationwide escalation on competition for public safety employees, and in that environment, we're always going to consider ways in which we can enhance further.

Here is our current slate of pay incentives, and for example, a couple years ago, we implemented a shift differential, we expanded our associates degree incentive to include qualifying military service, with some input from the Public Safety Pay Committee, and so maybe there are opportunities for us to do something like that again, and you can see below are examples offered by some of our peers.

So, as we do every year, we'll evaluate ongoing revenues and what that can support, and with input from the Public Safety Pay Committee, including maybe any structural changes to the Public Safety Pay Plan, any changes in incentive pay, or anything like that that we just discussed. Then, for general employees, we're reviewing the pay structure, ensuring that jobs are competitively aligned to the market, addressing any kind of specific recruitment or retention issues that might emerge, and then as always, evaluating some considerable growth in healthcare to make sure we're striking that right balance in total compensation. So, with that, I will hand it over to Hannah to talk about next steps, unless there are questions?

Councilmember Anderson arrived at 2:45 p.m.

Mayor Lyles said alright, let's see, are there any questions? This has been a lot to do and read and understand. I appreciate that so very much. I was just recently out of town, and I was with over 15 mayors, and almost every one of them had some concern about having the ability to have, I guess, people to serve as police officers and firefighters. So, I want to really say the same thing that Ethan said, which is a lot of this is going on across the Country right now, and it is a really difficult way to deal with this. So, I know that that's something that we're going to have to look at carefully.

Councilmember Mitchell said just one follow-up question as it relates to the public safety, and our great Chief Patterson mentioned in her testimony in Raleigh, which she did an excellent job, but she mentioned vacancies. I think it would be helpful to Council, as we have this budget discussion, if we can get a list of those vacancies, because I think public safety is a top priority for all of us. So, just to see, I think 269, and so if she can share that list with us, I think it'll be helpful. Thank you, Mayor.

Ms. Ajmera said so, Mr. Jones, first let me thank the staff for continuing to help us get a AAA rating. I appreciate all the work that the budget team does, and I also want to thank the HR team. Christina does an amazing job with healthcare and helping us with trying to stay competitive. Marathon Health is probably a model, not just for the State, but for the nation, how our employees are able to get preventative care and get same day appointments almost. I think that's a model that I have talked about with other elected officials throughout the State. So, I appreciate how we are continuing to invest in that, because prevention is the key here, as we are trying to tackle our healthcare costs.

With that, I want to talk about the budget pressures, and I think a gap, that we currently have. I know first we always look at analyzing our services and finding cost savings as a first step. The \$7 million on slide number 24, in Fiscal Year 2026, could you elaborate on that \$7 million, slide 24?

Mr. Jones said sure, I'll take the first shot at it. Councilmember Ajmera, what we do each year is we go to the departments at the beginning of the budget process, and we know we're going to be at this point, and I wanted to talk a little bit about the gap. Normally, we would have a conversation about this in January, and typically the gap gets worse before it gets better. So, we're like a month ahead of where we typically would be in terms of the gap as a starting point for FY2027 at \$3.8 million, but the \$7 million is just an exercise that we do annually to see if each department can be more efficient in their delivery of services. Sometimes it ends up deleting positions, sometimes it ends up different departments sharing resources.

Ms. Harris said I just want to make sure everybody knows, no layoffs, of vacant positions.

Mr. Jones said vacant positions. I will tell you that 2026, I think this has really tested us. Many times the Council says, before you come back for a property tax increase, show me that you've done everything. I'm telling you we've done just about everything, and what's happening now, we're starting to see a little bit of a decline in service, and that's what we don't want. We don't want our trucks to be in fleet longer. We're also having a lot of things happen over the course of the first seven months of the fiscal year that has really had a drain on our resources, whether it's police and fire and overtime, or whether it's because of snowstorms and ice storms. So, it's almost like a perfect storm for us right now. We're not waving the flag or anything, but I do not believe that going back into the departments in FY2027, and asking for that level of savings, is really going to help us in the long run. What we are asking our departments is to consider technology. How can we better use technology to deliver services, and that's top of mind for us. I hope I answered your question. Marie, did I miss anything or leave anything out on that \$7 million?

Ms. Harris said you got it.

Ms. Ajmera said no, I think that's great, because residents, any time we are discussing property tax, they want to see what we have done to find cost savings, what we have done to streamline our processes, before we go to them. So, they certainly appreciate this number one step, just like we do in our household. We have to find a way to figure out cost savings, so that's certainly good. Does this account for \$20 million to \$30 million that we were giving to CATS (Charlotte Area Transit System) out of our General Fund?

Mr. Jones said sure. I think you're talking about the maintenance of effort, but the maintenance of effort wouldn't be a part of this.

Ms. Ajmera said no, so that would be separate?

Mr. Jones said right.

Ms. Ajmera said and one last thing. I know that State Legislatures are discussing property tax and how they are finding ways to address how municipalities increase their property tax rates. We need to certainly keep that into consideration as we plan, not just for today or for this fiscal year, but for five, 10 years down the road, if you could answer that?

Mr. Jones said thank you, Councilmember Ajmera. There's a couple of things, and I love it when Councilmember Driggs tells me, I told you so, as he grins. So, everybody knows how North Carolina works in terms of the reval. So, while we've been very diligent in keeping that tax rate revenue neutral, I think to some extent it has harmed us, because what we have is inflation, and we don't really account for the inflation when we make that rate revenue neutral. We are monitoring what's happening in both chambers now with the discussions around property taxes. As Marie showed you earlier, we've been quite diligent with one property tax adjustment in the last seven years, and it really was for public safety and for our CIP. I don't know what the outcome will be from what's happening in Raleigh. I do believe that we are trying to focus on core services in this FY2027 Budget. I do believe at some point, we've been so good with this, I would hope, which is not a strategy, that there will still be some flexibility at the local level to address property tax to deal with growth, especially when you start to talk about core services, and especially when you talk about public safety, which is 61 percent of what we do in the General Fund.

Ms. Ajmera said that's all, thank you.

Councilmember Owens said my questions are varied, just because this is my first rodeo, and so I'm really just wanting some clarity. You spoke to the fact that the rating

agencies look to see that reserves are funded each year, and that their expectation is considerably less, about half of what we're doing. Can you give me some historical context? Have we always kept that 16 percent and do we view that as being part and parcel of retaining our AAA rating, or where did we come to that number of wishing to double the amount of reserves that are suggested?

Matthew Hastedt, Chief Financial Officer said sure, so the 16 percent is sort of two months of operating reserves in a lot of ways. So, that's really making sure that when a snowstorm does come, we have reserves to be able to respond to that. So, a lot of that is sort in there, and a lot of it also has to do with looking at, there is a state sort of standard that we have to do, that's the eight percent, and that's really just about meeting a state statute for which you have to do to be able to even have things like public referendums on debt, other types of things. The rating agencies are really setting what the best practice is and what it shows that we are a management AAA by managing to that level. So, that 16 percent is sort of giving us those two months of reserves, so as things come up and down during the course of the year. Can also think about property tax primarily comes in the course of one to two months; it comes around that December to January, but we're operating for 12 months of the year. So, that 16 percent really helps us sort of manage throughout the entire year, and deal with critical things that happen. Then, I think one of the things that happens, for example today, the Manager already flagging that we're having budgetary pressures, and we're managing through those already. We're not waiting until May, we're not waiting until June to start addressing those. So, that's what sort of is really important when the rating agencies are looking at things that we're maintaining, both that we're funding as our budget grows year to year, we continue to maintain that 16 percent, and that we're managing to those pressures throughout the year by getting ahead of them. Hope that helps.

Ms. Owens said thank you. My other question is again out of ignorance of how these processes are normally set. When you go to compensation considerations, and that police and fire, I just want to be clear that I'm understanding. I've heard various schools of thought with respect to payment of officers a bit more on par with one another, police and fire, and we don't quite do that, but I'm also seeing I think from the text that you've got here, that the fire is potentially under where it would be on a market analysis. I'm sorry, police is under and fire is over, do I get that right?

Ms. Harris said in various ones. Ethan, if you'll click back to the actual data from Melissa's group, and I'm speaking out of turn. We have our compensation specialist over here, Melissa Golding, who compiled these for us. So, for the police recruits, if you're looking at recruits, yes, police is lower than both the national and the southeast, whereas the trainee for a firefighter is not.

Ms. Owens said okay, and I guess it's just more perhaps a comment than a question, but I don't see either of those numbers being at the level of being able to afford an apartment or a home or something in Charlotte. So, can you speak at all to I guess the expansion of some of our programs? I'm assuming that some of what we're doing is helping with housing security for these essential workers?

Ms. Harris said I'm not sure that any public safety, but we can follow up and get data on if public safety employees have taken advantage of those or not.

Ms. Owens said thank you, that's all I have.

Ms. Harris said yes, thanks.

Councilmember Driggs said so, on police, I wanted to just clarify, we have vacancies and the vacancies are funded positions, so we're actually paying for those, and that money is used for the most part to pay overtime to the officers that are filling in for the vacant officers, but what I've heard from the Chief is, that that gets us back to a certain complement. I think what she's talking about is we need more officers than that, and in order to study that, you need to get into the details of how that determination was made, call times and so on. So, I think we're facing a big challenge, because of the emphasis

on public safety, and then the goals of our Chief, and that's something we're going to have to contend with in this cycle. She's also talked about the fact that they need a 10 percent pay increase, which I believe is consistent with some of what we're seeing here. So, I will also mention, I've said for the last couple of budget cycles that I thought we were loading a gun for a tax increase. I had a concern being the last guy to vote for a tax increase, but if you're going to make spending commitments you have to fund them, and you have to let the community know what the kind of hard part is of being able to do all the things that we do. It's got to be paid for. Letting yourself get behind just sets up even a more difficult situation later. When is the next revaluation, Mr. Manager?

Mr. Jones said it's FY2028.

Mr. Driggs said right, Fiscal 2028, so we're one budget cycle away from being able to adjust through the inflation mechanism. In case anybody in the room isn't clear about the issue, state law requires that every time there is a revaluation, that we then look at our tax rate, and it says we have to disclose to the public what the adjustment in our tax rate would have to be in order for us to get the same amount of money we were getting or would've had before. We don't have to implement that tax rate, but we must disclose it. So, then we have a choice, as to whether to actually reset to that rate, or as a matter of discretion, to decrease the number less than what the adjustment would be. In each case, we have adjusted in nominal terms, but that meant that our property tax number was frozen in nominal terms, and we were paying more for our expenses. So, we were eroding the value of the proceeds from the property tax. The point that I've been discussing with the Manager was, we need to try and address that, and make clear that there is an objective basis for not resetting the nominal rate going all the way back to the preinflation number, but forgetting the benefit of inflation as we make that disclosure about the neutral rate. The state policy hasn't changed, so it's going to be up to us to disclose, as required, and then explain our reasons for not doing that. That is something that will occur in the next budget year. So, this year, I believe that we are going to be facing a challenge on the property tax rate just because of things that are taking shape. You've seen this. The three percent pay increase that we would normally want, adds to the shortfall that has already been identified. We've worked our way through that in the past, but I'm just concerned that we are very lean right now. I mean the Manager said that we have seen some decline in service delivery, and we need to keep up. So, I'll probably vote against the budget, but I'm telling you, I think we need a tax increase. So, there's one other thing I wanted to mention.

Mayor Lyles said can I say this Ed, I think that you've really just hit it on the head. It's that right now when we have officers that are moving into other departments, it's because we are not doing a sufficient amount of pay to get people to do this work, and it's not we did it intentionally, but the world has caught up with us, and it's time for us to start thinking about that. I think it's very, very important.

Mr. Driggs said I believe, especially with the focus on public safety that we're experiencing, we need to make meaningful steps, steps that involve money, and not just shuffling or brave words.

Mayor Lyles said I wanted to tell you that this place that I went to, it was the most important policing place for everything that they wanted to have. Every toy was in there. Everything was making it possible, and they knew Stella very well. So, that's how I see I think this is where it's going to land.

Mr. Driggs said I guess the only other thing I was going to say was there is a history of comparing the rates for police and fire, your question, and the difficulty there is they are all first responders, they are all prepared to risk their lives for public safety, but the truth is, and especially in recent years, the life of a police officer has been tougher, recruiting officers has been tougher, so the market for those things has been different. I talk to firefighters, and they're very happy to work for CFD (Charlotte Fire Department). They have the equipment they need, it's a good life for them, good place to be a firefighter. Police everywhere, because of public sentiment I think it has improved compared to a few years ago when we were right in the aftermath of George Floyd and Keith Lamont

Scott, but still, I don't think there's a presumption that those numbers are the same. So, we always need to be mindful of the comparison, but not start from a point of they should be the same number. Thank you.

Councilmember Mayfield said sometimes it is really not advantageous to go behind Councilmember Driggs. So, staff, thank you for a wonderful presentation. Manager Jones, you know I've also said now since I've been back on Council that we have to have a real conversation regarding a tax increase based on the limitations that we have, even when we think of the corporate tax rate, and the impact that that could have if it was a higher rate that was coming back, and looking at our first responders that are not able to live in our City. So, that means we may be paying you, but we're also having to adjust for travel time, transportation costs, and those taxes are going to our partners in the region. So, I do appreciate that through concentrated effort with our Housing Trust Fund, and the fact that we have to have a real conversation of coming back to the community, because there's not a feasible way to go back to \$15 million, much less \$50 million, we need to be bold enough to continue this \$100 million conversation, but every time we come to budget season, I am going to be the one to ask questions, specifically for fire.

So, I appreciate the fact that we identified funding to start to look at the design of our training facility, because our training facility was extremely outdated, meaning, and specifically for our new colleagues. Fires are very different today, the level, the intensity of a fire, because we've gone horizontal and we've gone higher and we've gone in much smaller spaces, five feet to less than 10 feet apart, that fire happens in seconds. So, what we initially had was not really giving proper training for our firefighters for the realities of what they were walking into. Yet, going back to one of the questions my colleague asked earlier, when we look at that seven percent, one of the other things that we also know is, around this time of year our Manager has to send out to all the departments, hey, how can we look at cost reduction without layoffs. One of the ways it also plays out is with our fire with out-of-pocket costs. So, I correlate it to the teacher that has to buy the school supplies. The basic things that are needed in the firehouse, when we look at utensils, we look at whether or not the dishwasher works, the washing machine works, the different things. I had the chance, of which I'm going to be kicking back up after we get through the retreat, but I was touring, I think I managed to hit eight of our firehouses previously, just to visit and to have conversation. That's concerning that when we're looking at the cuts, how that impacts the employees, because we're not at the place where we can pay what we identify as a living wage for Charlotte, yet we do pay well. In a dream world, would we love to pay more? Yes, but I also don't want us to be the cause of more out of pocket. The cost of healthcare has gone up considerably. The City has stepped in and taken over a large part of that cost, yet those costs, specifically for our first responder families, are causing challenges.

What I'm also happy about is that staff took it upon themselves, and that previous Council supported the recommendation when we had the extra funds for us to have money set aside to help our workers and families well if they ran into financial challenges, whether it was housing and/or medical related. I hope as we continue to have the discussions, even though we were able to use one-time funds, try to figure out if there is a way, whether it's through grants or something, to continue that to help lower the costs. Also, I want us to take into consideration, when the ask goes out to the departments to look at cutting back, that we take into serious consideration what that impact can be, especially for me, when we think of those out-of-pocket costs that our first responders and fire have to absorb, and is that something that they can really absorb versus something that really should be our responsibility, because that's all part of them having a quality of life and safety in their job capacity, to the best of our ability. Thank you, Manager.

Mr. Jones said so, thank you, Mayor and members of Council. For both Councilmember Driggs and Councilmember Mayfield, a couple things. First of all, thank you so much for focusing on the employees. I think that's really, really important. Matt, our CFO, talked earlier that we're in good shape as a city, because Matt, I'm sure, doesn't want the rating agencies to think that right now we're in a crisis, we are not. What I think is super

important, just a few things, and these came out of the town hall, so I think it's really important. So, Christina, how many folks were unhoused that were City employees that we've been able to help them get housing?

Christina Fath, Human Resources said 27.

Mr. Jones said 27. So, what you're doing is changing people's lives, so that's really important. About the reductions, I mean I have to do this for all of the departments, we typically take police and fire out of that pool when we start doing reductions. So, think about it, 39 percent of what's left from the departments is bearing a bunch of this, but Marie's giving me a look, so sometimes [INAUDIBLE].

Ms. Harris said I think Ms. Mayfield may be speaking to this current year, tightening up to close that gap.

Mr. Jones said okay. I think the other thing with police that's important is that Chief Patterson and her predecessor believe that we can get these positions filled within the next two years, but to Mr. Driggs point, even if we were at 1,900, we're not sure 1,900 is the correct number for a city of our size. So, I think as we continue to have conversations about compensation, it's also how do we go about going beyond this 1,900 to get to another 400 potentially, and is there anything similar to what happened 32 years ago, where the federal government gave more money for COPS (Community Oriented Policing Services) grants, so that you can attract more people to the profession. What I would suggest is that it's not 100 percent when you get those COPS grants, but could there be something different in a legislative package, both state and federal, that gives more compensation or more money to the localities that are out there trying to recruit more police officers?

Councilmember Watlington arrived at 3:16 p.m.

Councilmember Johnson arrived at 3:16 p.m.

Councilmember Mazuera Arias said thank you, Manager Jones. Thank you, staff for such a great presentation. I had some clarifying questions, and perhaps there's some answers that might not be responded to today, but I'm very curious to know the decrease from 2024 to 2025 on police recruitment. I would like to know what are the factors that went into that. I know public safety has been huge for us. I would love to look into more about the factors that went into that decrease, and there was a mention about cost-of-living adjustments not included in these numbers. Could I ask why they weren't included in this?

Mr. Smith said yes, this presentation is just the existing pay plan, so it's the current steps as they exist. Each year a pay increase would adjust those steps and provide a market adjustment or cost-of-living adjustment, which would shift those steps. In FY2026, that was 1.5 percent we shifted those up.

Mr. Mazuera Arias said got it, thank you. I mean, my thoughts are that we are the largest city in the State, and we're the 14th, going on 13th largest city in the Country, and yes, we are at an inflection point where we really need to look at these pay discrepancies between our police, our fire departments, as well as the vacancies, what can we do better to be better recruiters? How can we adjust to the cost of living? The reality is, is that we're living in a very unique time in our Country, where federal funding is being cut, the State Legislature is having different conversations about our jurisdiction with property taxes, healthcare premiums are rising, and we are welcoming 157 people each day to our region. I think this is a moment where I get excited that I agree with a republican colleague that, yes, I think we need to have a conversation about a tax increase, and how we sustain the growth in our City, because we have done incredible work with our Housing Trust Fund dollars. We have done incredible work at finding housing for our employees. We've been able to sustain this growth, but I think, to the Mayor's point earlier, that growth is outpacing us a little bit, and we are now having some real conversations about how do we continue to be a competitive city and to

continue to showcase our ability being the drivers in the market, whether it's housing, whether it's police retention, whether it's firefighters, whether it's our services. It is a bit concerning that there has been a slight decline in service delivery. We are fine to be a footprint across the Country. Not only are we trying to learn from our peer cities, we're trying to be the peer city that our peer cities learn from. So, I definitely think we need to start having more conversations about how can we get creative and how can we have serious dialogue about a potential tax increase to sustain the growth that this incredible city is seeing.

Councilmember Anderson said well, first and foremost, inflation has not been our friend over the last several years, and it won't continue to be. In addition, we are facing headwinds as it relates to State and Federal policies that are upon us, and this particular topic is center of plate for all of us, as it should be, and we should be leaning into public safety rather than leaning out. So, I just want to say that first and foremost. That's the tone. Now, as we have heard from our wonderful new Chief, as it relates to the opportunities to fulfill vacancies and other things, we can't forget our sworn fire officers as well. It's not a difficult task for us to look at the numbers as it relates to our growth rate for a city, and correlate that to the growth rate, as it relates to the number of fire stations, the number of sworn fire officers, and yes, CMPD (Charlotte-Mecklenburg Police Department) officers, that we need to be bringing on board. So, I don't want to leave one behind. I want both to grow instead, and be in tandem, because as we talk about so often, the group of first responders, the very first responder is our fire department, they are there first and foremost, and so we need to make sure that every pocket, every corner of our city, has the opportunity to have our wonderful sworn officers be there immediately.

I agree with Mr. Driggs as well, although, I will be raising my hand if it comes to that, because we have been a wonderful steward of taxpayer dollars, and our City Manager has done that, as well as staff, but at this point we're at a point of inflection. Due to compounded inflation over a series of years, as well as the outlook, we might be facing a situation that we have to increase taxes to double down on public safety, as it relates to CMPD as well as our sworn fire officers. So, I want to say that we need to lean into this more. I don't want to leave our sworn fire officers behind; I want them to be in lockstep. Even if it's at a percentage of rate, rather than just regular dollars, they need to be in lockstep, because as we grow and continue to advance to be a top 10 city in the United States of America, we want to make sure that our fire officers are there with us, and we don't have the same vacancy trepidation that we do today.

Ms. Ajmera said I wanted to follow up on Councilmember Mayfield's point about healthcare, because this is a concern that we have heard from our employees, as we are looking at our healthcare insurance premiums that are rising, our out-of-pocket costs are rising, and that's not because of the City. I mean, this is an issue that municipalities across the nation are increasingly concerned about. So, I'm glad that we are doing sort of comparison in terms of the pay, but can we also look at some sort of health insurance comparative study, and how are we aligning with peer cities? I'm not sure if that is also a contributing factor to our recruitment and retention, but I would like to think it is. So, if we can have that as part of the overall study, I think that would help us understand the gaps. I certainly appreciate the work that HR has done to figure out where we are in terms of the pay, but I think having benefits as part of the overall study would certainly help us.

Also, I just saw Councilmember Johnson, and it reminded me about response times. So, Mr. Driggs brought this up earlier about Chief Patterson's point that, even if we were to fill all the vacancies at CMPD, are we really where we should be? We know the answer to that, but I think one data point that can help us answer that question is emergency response time. I know we had done that a couple of years ago, because we were getting calls and emails about how it was taking longer time for our CMPD specifically to respond. I think contributing factor was high vacancy rate among dispatchers, and it looks like based on the graph that you had presented earlier, we have been able to address that with the pay increases, but having that dataset would certainly help us, how far have we come along in terms of emergency response time?

We had that benchmark that cities across the nation tried to get to that benchmark, and we were just a little bit behind. I would like to see, from all the actions that Council has taken, have we really made a meaningful difference in that response time? Because at the end of the day, if someone calls 911, we've got to make sure we are not meeting that benchmark, we are exceeding that benchmark. If someone is having a heart attack, or if someone's house got broken into, we've got to make sure that CMPD is there in no time. So, if we can get that data point, that would be appreciated, as well as how are we doing on dispatcher vacancies?

Last, I agree with you, Mr. Jones. We have law enforcement retention and recruitment as part of our State and Federal Legislative agenda, and I think any help from Federal and State will certainly relieve pressure, because we can't create more money like the federal government does. So, certainly, I think any outreach and intentional lobbying effort could certainly help us there as well. That's all I have. Thank you.

Mr. Graham said I intentionally wanted to kind of, let's do a lot more listening than talking, my first time kind of chairing the committee. I think there's some consensus around the room on some issues in reference to public safety for sure, and treating our firefighters in the same vein as our police officers, which I think is extremely important that we do. I think we all acknowledge the growth that the City is experiencing, and how do we pay for it through a wide variety of City services that we're providing to the constituents. I guess my question was, in terms of as we begin to transfer employees out of the City via transportation, the impact that will have on the benefits, if any at all, Mr. Manager?

Mr. Jones said so, thank you, Councilmember Graham. Can I try to do two things? So, Councilmember Ajmera, you asked about response times. We have done some things with 911 callers from CMPD. We have a data point, which is January 2026, which is not a trend, but we did some things in December 2025 and January 2026, which really, really, we met our goals first time in a while, so let's see how those things happen. Also, with response times, we're building, that's why it's so important to continue to build the fire stations, it's very different than policing. So as we do that, that helps with the response times. We hadn't talked about this in a while, but there's a study going on with Medic, and how we go about dispatching, has a big impact on fire and police.

So, Councilmember Graham, I actually had a conversation with Councilmember Owens this morning, and with this transfer of employees from the City to the MPTA (Metropolitan Public Transportation Authority), our number one priority is to take care of our employees, and if we do this the right way, it should be seamless. Their last day at the City should be no different than their first day at the Authority. Healthcare is something that right now I can't tell you if that will be the same, because we have such volume with 9,000 employees and their families, but as we go through this, we will try to limit the impact of those employees. The other thing I would say to you is, those employees, typically of authorities, are compensated more than somebody who works for a city government. So, there's going to be a lot of I guess pluses and minuses. I shouldn't say it that way, but I think that as we move forward, we're going to make sure that we take care of our employees, but their benefits will be a part of the Authority providing benefits, and not the City of Charlotte providing benefits, whatever those are, compensation, healthcare, but they will stay in the retirement system.

Mr. Graham said and impact on our budget, once they leave, in terms of the costs to those employees that remain?

Mr. Jones said yes, we're looking at that. Sheila's in the room, and I'm not going to put her on the spot right now, but those are the kinds of things that are a part of this transfer. It's our assets, our debt, it's all of those things, and how the impact would be to the City's budget. If there's something that's an outright cost for the City to provide something for the Authority, our intent is to recoup that cost.

Mr. Graham said well, again, I think we've got a long way to go for sure, but I like what I'm hearing around the room, in terms of a meeting of the minds on some very broad issues, in terms of how we move forward.

Ms. Anderson said so, City Manager, I think these opportunities, when we look at it from a budgetary perspective, vacancies are a challenge and we're always looking to fulfill them; however, they do create fiscal opportunities to invest in other spaces and other programs. It would behoove us to think about some of the things that the vacancies have allowed us to invest in over the last couple of years, that as we populate those vacancies, that might decrease the opportunity to invest in certain areas, and the level of import for those spaces as well. We were talking about police and fire here, but as we think about the transition of employees to the new Transit Authority, I think that would create a whole new pocket of opportunity from a City perspective to look at how we can reinvest, double down, and align in other spaces. So, as we're looking at a forward-focused budget, I'd be interested in seeing and talking about those opportunities. Thank you, Madam Mayor.

Ms. Mayfield said I just wanted to ask the Manager, because my colleague Councilmember Ajmera did mention 911, which I look at as separate from the police and fire conversation, and since we had the budget discussions in parts, are we going to have time for that conversation?

Mr. Jones said yes.

Ms. Mayfield said because I do have a resident that reached out Sunday. We do really need to look at those numbers, because just recently, unfortunately, some of us may have seen on the news a pretty bad motorcycle accident that happened like within the last two weeks, but they actually, unfortunately, witnessed the accident and saw the impact of the individual and the actual motorcycle, and the experience with calling for assistance, first being put on hold, then finally getting through, and the questions that they were being asked were not helpful considering you just witnessed. So, it will be helpful if, when that time comes for us to have that discussion, we get the most up-to-date numbers and call times. Thank you.

Mr. Driggs said it's interesting, I remember a few years ago, our Deputy Chief of CMPD explained to our committee what the basis was for determining the target manpower levels, and that Deputy Chief was so impressive. I thought that lady is going places, and she did. It was Chief Patterson, now Chief Patterson, but what she explained then was that there's a pretty complicated process through which calls are prioritized in order of immediacy and urgency, and then the responses to those calls are tracked according to target times for response. Then, the question is, what does it take to stay within those target response times in each category with the manpower that's on duty, because then you've got to gross up from there to the total manpower you need, and that led to this number. Mr. Manager, just a question. I don't know if you know off hand, do you know when the last time that calculation was updated?

Mr. Jones said yes. So, again, one data point is not a trend. We did some big changes in December 2025. In the January 2026 data point, we were within 90 percent of calls being answered within 10 seconds.

Mr. Driggs said so, that's a high percentage. It leaves still a lot of room for unsatisfactory experiences, and so really if that's the way we're going to determine our manpower requirement then we should be at 100 percent. So, I'm just saying, these conversations are related. The response time question, the manpower question, it all ties in, because response time is how we determine the target level of manpower. Thank you.

Councilmember Johnson said I just want to piggyback off the whole 911 hold time. I know that Mr. Jones, you and I had a meeting, I want to say it was before COVID, about hold times for 911 callers. So, I know there's new technology that's available for 911, there's texts to 911, and I've had a consultant reach out to me. So, if we're looking at

new technology or upgrading the technology we have, I think we've talked about it, there might be a way to optimize that, but yes, I definitely support not just getting up to a current staffing level, but really taking a look at where we should be for staffing in our emergency services, CMPD, Charlotte Fire. Again, as a large city, and I've said this before, it is time for change; we're a big city. So, small-town charm is nice, but we want to have big city policies. So, if we could stop looking at peer cities and seeing what they're doing, and seek to be a leader, so that organizations and cities are following us. I'm also happy to see that we're looking at Charlotte Fire. We've heard from Charlotte Fire and the Firefighters Union for years. So, I'm happy that we're seeking equity there, and I look forward to reviewing the budget. Thank you.

Mr. Jones said can I do one thing to clarify? A standard for police departments across the Country is to answer 90 percent of your 911 calls within 10 seconds, and we made that in January 2026. So, I just want to make sure that I'm saying this the right way, and so again, one data point doesn't make a trend. We believe some of the changes, including technology back in December 2025, is helping, and the way we've changed the whole pay structure to make sure that people have career ladders and things of that nature. Part of our problem has been we can't retain them. So, we train folks and then they leave, and then you're at the deficit again of trying to train folks. So, we've listened to the Council. You're right, we started talking about this well before COVID, and we're trying to make sure, just like we've been able to tackle some other problems, that with staffing and retaining folks, we are trying to do the same thing with 911.

Ms. Johnson said so, when you talk about retention, I know CMPD has always had a high turnover rate. Are we looking at that from an HR perspective? A retention rates and organizational culture survey might answer some of the questions of why we're not retaining such essential employees. Thank you.

Ms. Ajmera said so, I know you're looking at the data in 10 seconds or less where we are responding to a call. I would like to see data of how fast they're at the location. I think both data points are equally important. That's all.

Mr. Jones said okay.

Mayor Lyles said alright. I think that if everyone has had an opportunity, Marie, let's go to the Capital Investment Plan.

Hannah Bromberger, Deputy Director of Strategy and Budget said good afternoon, Mayor and members of Council. My name is Hannah Bromberger. I'm the Deputy Director of Strategy and Budget, and it's good to be back with you today. It's been a while since we've gotten a chance to talk about the capital program. So, I have just a few slides today, and really the intent is just to sort of refresh and do a little bit of a level set on the way that our capital program is currently structured, and then I'm going to be back with you a week from today with Matt Hastedt, our Finance Officer, and we'll be going a little bit deeper on the capital program, and how we incorporate the new Article 34 revenue into the capital model.

So, just to start us off, an overview of the Capital Investment Plan. It is really a public communication tool, so it presents the City's plan to the community. We fund different kinds of projects out of the Capital Investment Plan, including street improvements. We build facilities. We maintain facilities. All of the projects that are in the Capital Investment Plan come from data-driven exercises or from studies, plans, community engagement, so they all originate from the work that our staff does. These funds are life to date. So, unlike our operating which goes away at the end of the fiscal year, these funds do not, so they roll forward. The idea is that a capital project extends longer than one year, so the funding rolls forward, and if debt is utilized, the life of the asset needs to extend longer than the financing itself.

We put together a five-year plan every year that's part of the budget book. Year one of that plan is adopted by City Council and appropriated. The four outyears of that plan are simply a plan. So, we revisit them every year with Council, and there's an opportunity to

adjust them annually. The General Capital Investment Plan is supported by general government revenues, primarily property and sales tax, while the Enterprise Capital Investment Plans are supported by enterprise revenues, so by the user fees themselves. So, if I'm in front of you, we're generally talking about the General Capital Investment Plan, and not the enterprises.

So, there are two main components of the Capital Investment Plan. The first one is PAYGO. So, PAYGO, or Pay-As-You-Go funding, is used for projects and programs that aren't reoccurring or that aren't eligible for debt. So, this is where we test a lot of things. This is where we put pilot programs. In recent years, you've seen things like pilots to reduce juvenile crime, some of our affordable housing programs like our NOAH (Naturally Occurring Affordable Housing) subsidies, all of those are in PAYGO, and about 30 percent of PAYGO funding relies on the closeout from the last full fiscal year. So, Marie was in front of you about an hour ago talking about how tight FY2025 closed. I think if you look at the three prior fiscal years, on average it was about \$14 million that rolled into PAYGO. Because of how tight FY2025 closed, we've got about \$10,000 rolling into PAYGO, so essentially nothing for that 30 percent of revenue. These are cash-funded projects, and the PAYGO program is appropriated annually, but again, it's a five-year plan. So, you appropriate year one, and the four outyears are a plan.

So, the second main component of the Capital Investment Plan is our Municipal Debt Service Fund, and so the Municipal Debt Service Fund is how we pay principal and interest on debt, and we have a couple main types of debt. The first one is Certificates of Participation, or COPs, and COPs are used for facility construction and improvements. So, think of this like your mortgage, and this pledges the asset for the debt, and because it does that it does not require voter approval. We appropriate COPs annually, again, it's a five-year plan, you appropriate year one, and the four outyears are a plan, so you revisit them annually, and we model this debt on a steady state capacity. So, basically, we look long term at the revenues that we anticipate and the expenditures that we anticipate, and we have a steady amount every year available to budget. The other kind of debt in the Municipal Debt Service Fund is General Obligation bonds. We have three types of bonds, affordable housing bonds, neighborhood bonds, and transportation bonds, and these bonds do require voter approval. So, they leverage the full faith and credit of the City of Charlotte, which means that they pledge to raise property tax if it's needed to pay for our debt service obligations. Again, that steady state modeling is really important here. We consider decades at a time in our model. We anticipate revenues, we anticipate expenditures, and so we can plan for our bonds, so that we don't have to raise taxes. Our bonds are typically presented to the voters every other year, and they're in even calendar years. So, 2026, or this upcoming budget, FY2027, is a bond year. So, if Council approves the bonds as part of the budget, then they'll be presented to the voters in November 2026.

So, we talked about a lot of pieces. We've talked about the Capital Investment Plan, Municipal Debt Service Fund, projects, funding sources. This graphic puts it altogether into a nice little story. So, we have revenues on the left. For the Municipal Debt Service Fund, it's primarily property tax and sales tax, and then there's a few other revenues that make up a lesser percentage. Those revenues go into the Municipal Debt Service Fund, which then pays principal and interest on our various types of capital projects.

So, I want to talk a little bit more about steady state modeling, because this is really important. We introduced it in 2018, and it supports our long-range capital planning. So, we model those anticipated revenues versus the anticipated principal and interest of our expenditures, and we use that to determine our capacity. What we have done by making it steady state, is we have modeled it so that we have the same amount of capacity every year, and really what this does is it helps us stay really rooted in this policy-driven sustainable level of borrowing. Then, the other thing is when Council is elected on two-year terms, what it does is, one Council's decision on how much capacity to borrow for the CIP, doesn't tie the hands of a future Council to have to raise property taxes in order to fund a CIP, so it ensures the predictability into future years.

If you'll remember, the last steady state discussions that we had, which were a long time ago, but the last ones that we had were \$220 million for our bonds in the planned outyears. So, if you looked in the budget book right now, this is a prettier, more colorful version of what you would see on the bond schedule, but when you look at the planned 2026 and the planned 2028 bonds, this is where you see that steady state of \$220 million. So, this is from originally FY2025, also it's in the FY2026 book, and what's hard to miss is the \$400 million bond that was approved in 2024. So, we had \$100 million for housing, we had \$300 million for transportation and neighborhood bonds, we were able to increase every program within the bond, and this was really unprecedented. This was a historic level of investment for us, and we couldn't accomplish it without taking some action. Some of those we've already talked about today. We did 0.24 cents of a property tax increase, and we also pulled forward some of that outyear capacity, and all of this was to enable the \$400 million bond.

We included a new program in that bond, called the Strategic Investment Areas, for \$55 million, and this was really important to deliver projects to the community quickly. We made a commitment that we would deliver on these within two years, and we're on track to do so. Also, this was really important for us to test our own organizational capacity and find where we might have weaknesses, because remember at this time, the PAVE (Projects for Advancing Vehicle-Infrastructure Enhancements) Act hadn't been approved. So, we wanted to make sure that if it were approved, that we were prepared for a consistently higher bond amount.

So, what we know now is that the PAVE Act was of course enacted July 1, 2025, last summer. Voters authorized it in November 2025, and so FY2027 will be the first fiscal year that we have to contemplate Article 34, this new sales tax revenue, as part of our budget. So, we know that 40 percent of that revenue is dedicated to roadway system, per the legislation, and for Charlotte we anticipate that that is a little over \$100 million in the early days. When I say \$100 million, I mean cash revenue coming in, and so to turn that \$100 million of cash into even more capacity, we can put it into a debt model, but what's really important here is that the PAVE Act has some language around using this revenue to supplement, and not supplant or replace local expenditures on roadway systems. So, the PAVE Act tells us how to calculate it. It tells us, it defines it. So, we will of course follow the law, but the PAVE Act is also explicit that the local expenditure calculation does not apply to the proceeds of indebtedness, so meaning the expenses in our Municipal Debt Service Fund. So, as we begin to explore how we incorporate this revenue into the Debt Service Fund, we're going to talk more about that next week at the retreat. We're going to review some proposed updates to the Debt Service Fund to make sure we're in alignment with the PAVE Act, we're going to discuss debt capacity, and we're going to highlight some of our debt management principles that we need to keep in mind, that really help support us being a triple AAA city. Then, we're going to draw connections to how it relates to PAYGO and operating funds as well.

So, as we look ahead, of course next Monday, Tuesday, we have the retreat. Then, next Thursday, we'll have our Budget Committee meeting, where we'll have some of our Enterprises come and begin to discuss their budget. We'll be back in front of you a month from today, on March 23, 2026, for another workshop. Then, in April 2026 we have another Budget Committee where some more Enterprises will begin discussing their budget. Then, ultimately, the City Manager will propose the budget to you on May 4, 2026, and turn it over to you for budget adjustments.

Mr. Jones said so, thank you, Mayor and members of Council. Hannah, can you go back to slide 43, the planned bond schedule? There you go, awesome. Okay, so we appreciate the Council's willingness to go to \$400 million the last bond. What's important about that is that it gave us a two-year lead time to test how we will be able to implement projects. I will tell you in this budget, that won't be a business as usual. We'll need to have some level of additional resources, whether you call them staffing, to make sure we're implementing these projects. The other thing that's really important is that what we will present to you at the retreat or subsequent budget meetings is a planned steady state that's going to be higher than \$220 million, is that fair? It'll be higher than \$220 million, but it will have all the principles that we've always had with a

steady state to begin with, and that's what's exciting for all the planners and all the engineers and everybody, and Phil Reiger, and everybody who's been waiting to have an opportunity to make great infrastructure investments in our community.

Mayor Lyles said I do think that what you've said is really important, because we went out for that bond, and to make it possible for the opportunity to have the mobility money come in. I think a lot of us said, here's what we will do and how we will accomplish it, and I think that is a real requirement for all of us.

Ms. Johnson said I have just have a question on slide, I guess it's 41. Other revenues is mentioned. Can you give us an idea of what revenues those are?

Ms. Bromberger said sure, that's like interest earned, and there's some other small revenues, but they don't amount to much.

Ms. Johnson said okay, so this is just for the CIP structure, okay, because I wanted to ask about the hospitality taxes. Where are those listed in the budget?

Ms. Bromberger said that is not part of the General CIP.

Ms. Johnson said okay, so when will we receive information about that?

Mr. Hastedt said thank you, Councilmember Johnson. So, I think the hospitality funds are within the hospitality funds themselves, so I'm not sure if that is a planned presentation to Council as opposed to the Manager's budget presentation. I do believe that next week at the Strategy Session, there will be a detailed discussion about the hospitality program, and some of their horizon projects that are upcoming.

Ms. Johnson said okay, thank you.

Ms. Owens said I had a question about Vision Zero. I've had a couple of inquiries from the community around the transparency around the expenditures that we've made, if you'd go back to the budget on that. I don't know that I see the dashboard as necessarily capturing that degree of transparency. Is there some intention to upgrade our reporting with regard to those expenditures and furtherances of Vision Zero?

Ms. Bromberger said sure, yes, and when we're back with you a month from today, on March 23, 2026, we're going to talk about active projects, and so Council will get a full report out of all of the subprojects within that program and the state of them. So, we can talk more about that there, but we do plan to talk more about everything that is currently active next month.

Ms. Owens said thank you.

Ms. Harris said and sorry, just so I can add. I know Hannah has taught me this in the past too. When people look at that pot of money, that's upfitting current infrastructure. It's important for the community to also understand, any new investments already include those Vision Zero considerations. So, this is more enhancing current infrastructure. Am I saying that right?

Ms. Bromberger said yes.

Ms. Harris said okay. So, when the community looks at this amount of money, that's not all it is, that's helping current infrastructure, but anything new already has that embedded.

Ms. Owens said and understood and I appreciate that. I think the inquiry that I've received has been around the bounds of what things that we've done and how we've categorized and prioritized the expenditures of those monies with respect to either some of the lighter touch things that can be done immediately in the aftermath of an accident,

such as restriping, or just some of the things that are perhaps lesser dollar amounts, and how that budget's being expended. Thank you.

Mr. Jones said Councilmember Owens, we will have a set aside discussion at the Annual Strategy Meeting next week that includes Vision Zero and how we can prioritize some projects.

Mr. Mazuera Arias said thanks for the presentation, and I have two questions. The first one is very similar, if not the exact same request, from Councilmember Owens for Corridors of Opportunity to see how we've used that money, how we've disbursed it in the community. So, that's something I would be very interested in learning next week in the Annual Strategy Session.

I had a question of clarification, back to the one cent sales tax slide. You had mentioned that we wouldn't use those funds for the proceeds of indebtedness, but that we will find ways to apply it to the Debt Service Fund?

Ms. Bromberger said yes. So, the PAVE Act is specific that this revenue is to supplement, and not supplant, local expenditures on roadway systems, except when derived from indebtedness, so it excludes the Municipal Debt Service Fund. So, really when it goes on to define it, it's really like our General Fund or our PAYGO expenditures on roadway systems, and they asked us to average our spending over the last 10 years.

Mr. Mazuera Arias said got it, okay, thank you so much.

Ms. Ajmera said so, to follow up on that, you talked about the average over the last 10 years, to Councilmember Mazuera Arias' question. From what I understood, that's not capital, that's the operating number, is that correct?

Ms. Bromberger said yes, ma'am.

Ms. Ajmera said okay. So, that's what you will provide us at the retreat, what that number is, the average over the last 10 years in the operating?

Ms. Harris said I think they're talking about the actual projects that are being delivered, but just to give example of supplanting. You know when we had that pie chart up that showed the General Fund budget, and like \$14 million for streetlighting. Streetlighting is considered roadway systems as defined within the Act. We couldn't take part of that penny and pay for that \$14 million, because it is part of the General Fund.

Ms. Ajmera said yes, I get that. I guess what my question is, in the PAVE Act money where we have to spend average of last 10 years on transportation related projects. I'm trying to find out what that average 10-year number is that we have to continue to spend on transportation?

Ms. Harris said thank you, and we can look at that, but to us that's not as applicable, because we're not reducing our spend. So, just as long as you don't reduce your spend, you're not [INAUDIBLE].

Ms. Ajmera said right, I understand, yes, we are not reducing. I just want to know what that number is. Certainly, I'm sure at the retreat we are going to get the new steady state, which will be much higher than where we are currently, \$220 million, that was based on previous year. So, the request that was made by some of my colleagues about Vision Zero, I think that's what I'm thinking about, is more independent from the budget cycle. Cycle is just the dashboard, so regardless of what happens during the annual allocation time for the budget, I guess just more friendly dashboard of where the projects are. So, remember how at every budget cycle we get this long spreadsheet that has like all the projects, but that's not what's showing on the dashboard, but the one we get it's more master list, it's not just Vision Zero, it's everything including facilities. So, I guess in order for the Vision Zero dashboard to be more user friendly, I think what I would like to see, aside from the budget, is what projects have been completed, what

projects are underway, what phase of the project is underway, and what's the timeline. I think that's what I'm looking at in terms of Vision Zero and high-injury network dashboard, aside from budget. Lastly, can you help me understand what updates would be needed to the Municipal Debt Service Fund as a result of a new sales tax revenue?

Ms. Bromberger said sure, we'll go pretty deep on this next week, but the PAVE Act can only be used for roadway systems, and right now, the model in the Municipal Debt Service Fund builds our facilities, it's our affordable housing bonds, it's our transportation and neighborhood. So, we need to be real intentional about carving out space for that revenue to ensure that we are complying with the PAVE Act.

Ms. Ajmera said that's fair. So, any of this \$100 million that we will get every year, can it be used to issue a bond to increase our capacity?

Ms. Bromberger said yes.

Ms. Ajmera said okay, alright. That's all I have. I'll have more once I see the steady state, but that's all for now. Thank you.

Mr. Jones said I just appreciate the input that we're getting from the Council. I think this has been one of the most productive sessions we've had early on with the Budget Workshop, and so I think it actually will help us when we get back together next week to talk more budget.

Mayor Lyles said so, our next meeting is coming up at 5:00 p.m., and it's now 4:00 p.m., so let's get ready for that information. So, okay, alright, we have an hour for lunch or going and doing anything that you want to do.

Ms. Ajmera said you're not doing this?

Ms. Harris said oh, thank you. Thank ya'll for bringing that up, that's my fault. I did want to mention that we need a consensus to allow the Municipal Service District to move forward with the community engagement. Thank you so much for reminding me on that.

Mr. Mitchell said that's for City Partners.

Mayor Lyles said would it be all of them?

Mr. Mitchell said that's what I wanted to clarify.

Ms. Harris said just the University City, and this is just the first phase. No, ma'am, Ms. Ajmera, we weren't talking about discussing it. They're going to go away and do community engagement and then come back.

Mayor Lyles said so, does that meet your request?

Ms. Ajmera said oh, I thought there was a presentation.

Ms. Harris said and just to clarify, so I have consensus to move forward with the community engagement for University City Partners.

Motion was made by Councilmember Johnson, seconded by Councilmember Mitchell and carried unanimously to allow the MSD (University City Partners) to move forward with community engagement.

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ITEM NO. 2: CLOSED SESSION (AS NECESSARY)

February 23, 2026
Budget Workshop #1
Minute Book 161, Page 834

No closed session occurred.

ADJOURNMENT

The meeting adjourned at 4:07 p.m.



Ariel Smith, Lead Clerk

Length of Meeting: 2 Hours, 2 Minutes
Minutes completed: March 3, 2026