

# Budget Outlook

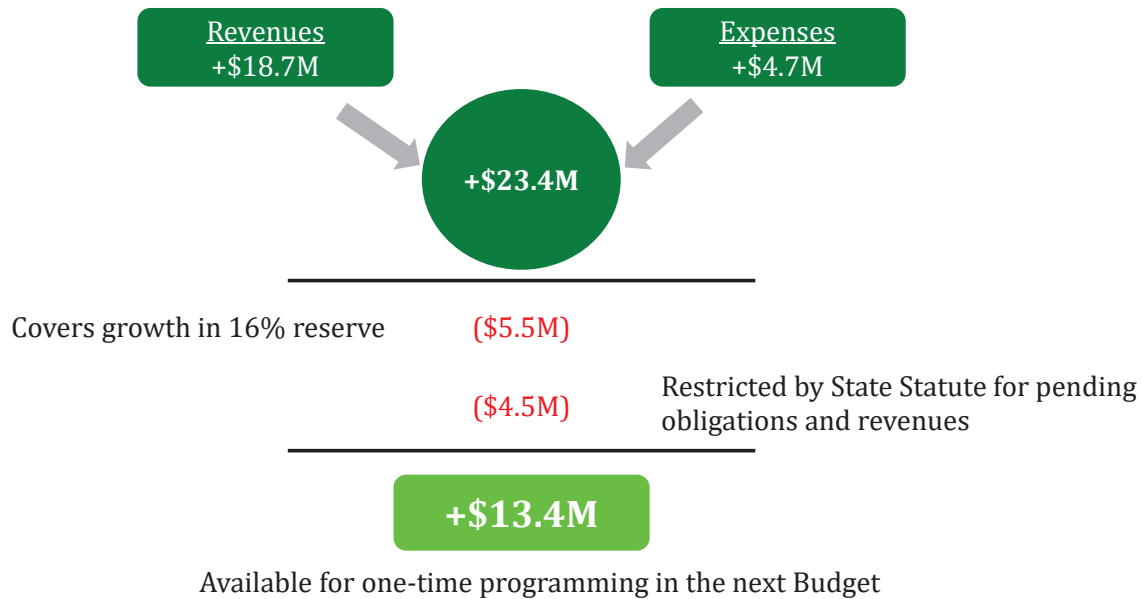
CITY COUNCIL ANNUAL STRATEGY MEETING,  
JANUARY 30, 2023

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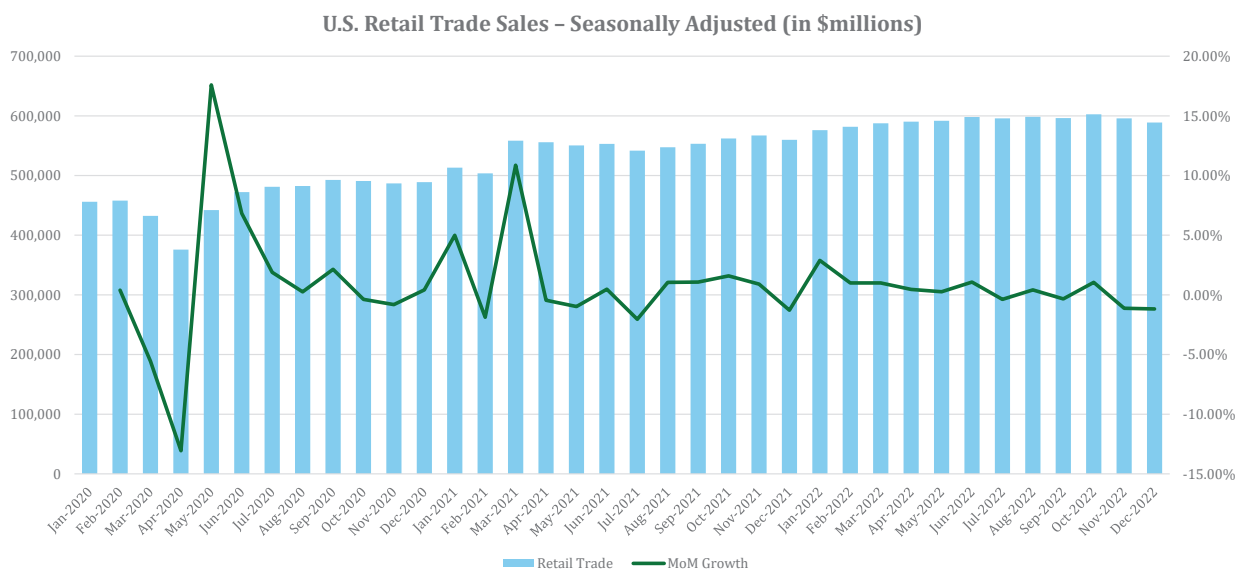
## Presentation Topics

- ▶ **Slide 3:** FY 2022 General Fund Results
- ▶ **Slides 4-7:** Economic Outlook
- ▶ **Slide 8:** Early FY 2024 General Fund revenue vs expenditure outlook
- ▶ **Slide 9:** Snapshot of employee staffing progress
- ▶ **Slide 10-11:** Operational pressures related to growth
- ▶ **Slides 12-14:** General Capital Investment Plan (CIP) outlook
- ▶ **Slides 15-16:** Benchmarking local government cost in North Carolina

# FY 2022 General Fund Produced Both a Revenue and Expenditure Surplus

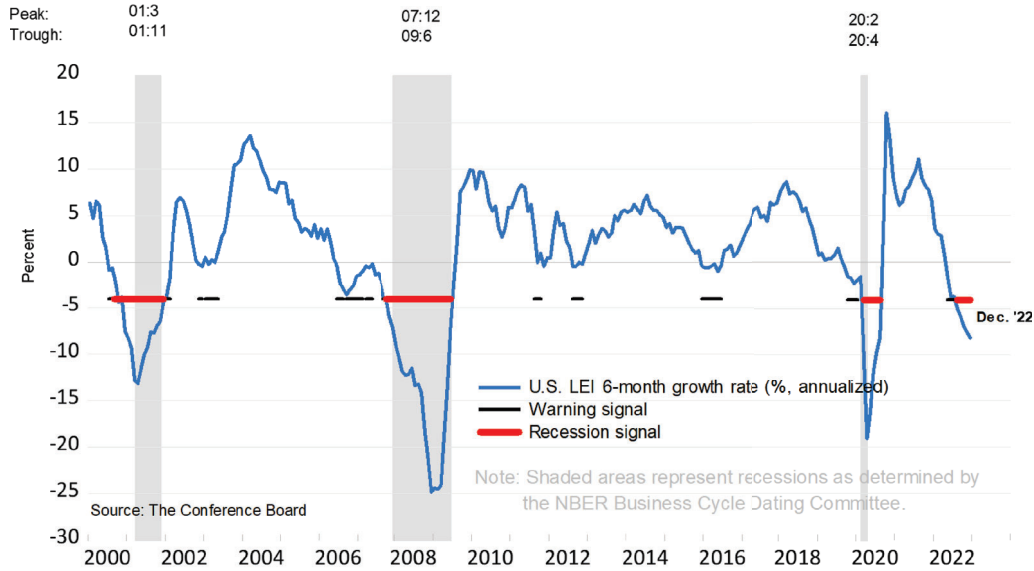


# Consumer Spending Is Slowing



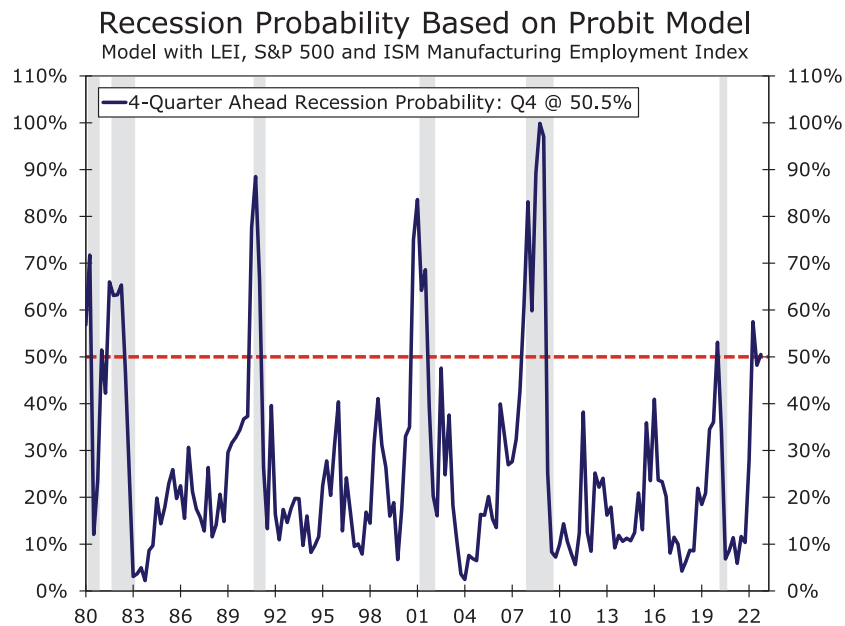
Source: Advanced Monthly Sales for Retail and Food Services, U.S. Census Bureau

# Economic Indicators Signal a Recession



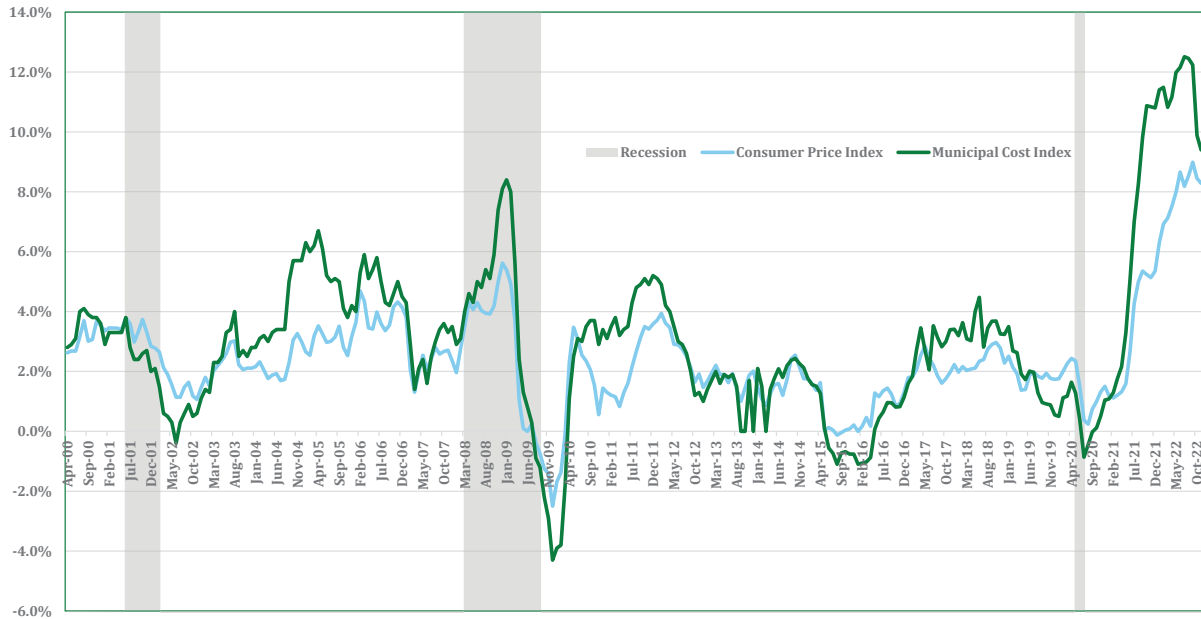
Source: The Conference Board, Leading Economic Index

# Economic Indicators Signal a Recession (continued)



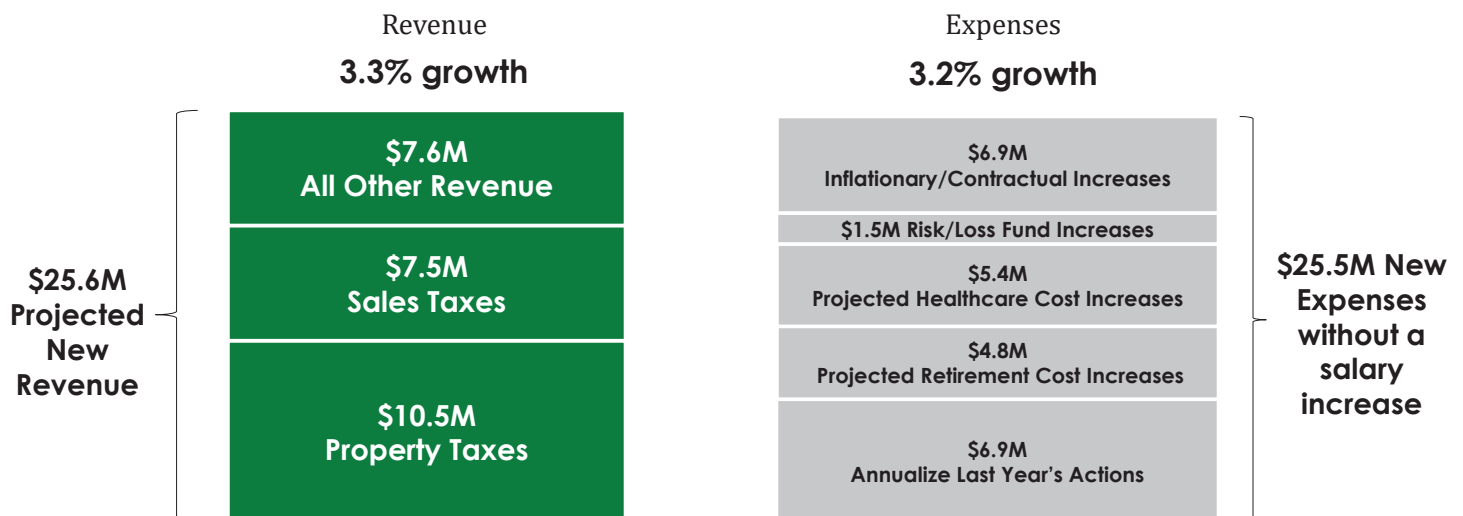
Source: Wells Fargo Economics Group, 2022 Q4 Estimate

# Municipal Costs Still Above CPI, Although Declining



Source: American City & County's Municipal Cost Index

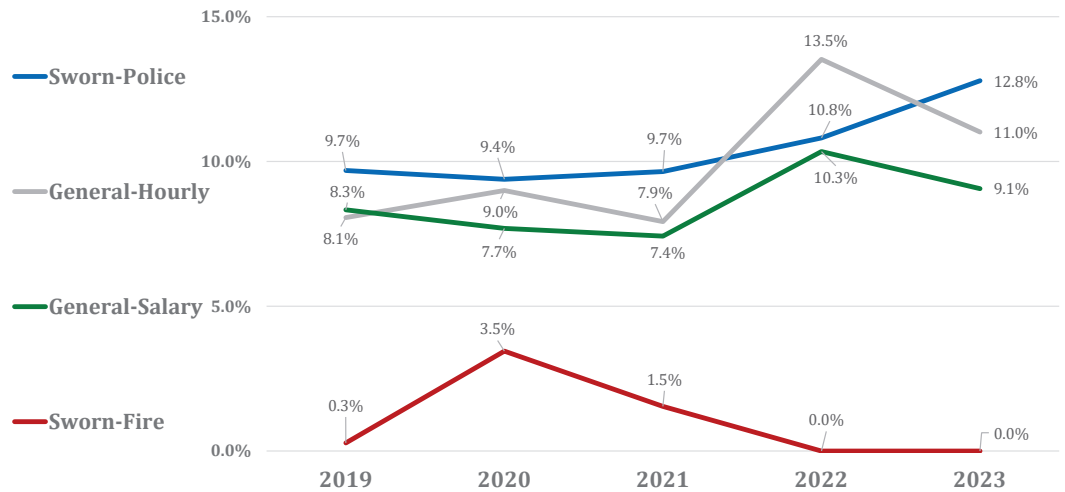
## The Current Revenue Forecast Supports Existing Services Before any Wage Increases



## FY 2023's Compensation Program Helped Reverse the Trend in General Employee Vacancy Rates





### FY 2023 Pay Actions

- 8 percent wage increase for hourly employees
- 4 percent merit pool for salaried employees
- 3% wage increase and 2.5-5% step for eligible public safety
- 2% retention bonus (ARPA)
- 2.5% commercial drivers license premium
- 2.5% shift differential
- 10.5% total increase in starting pay for sworn Police and Fire



Snapshot of vacancy rates at the start of each calendar year

## Charlotte's Main Revenue Source Does Not Grow With Inflation

	FY 2020	FY 2021	FY 2022	FY 2023
				
Median Home Assessed Value	\$209,900	\$209,900	\$209,900	\$209,900
City Property Tax <sup>1</sup>	\$730.66	\$730.66	\$730.66	\$730.66

**96 percent** of residential homeowners are paying the same property tax bill in FY 2023 as in FY 2020<sup>1</sup>

Annual property tax revenue growth is almost entirely from new construction

<sup>1</sup>Does not include fees on property tax bill that are not based on assessed value (city and county solid waste and recycling fees)

### Revaluation FY 2024



TBD

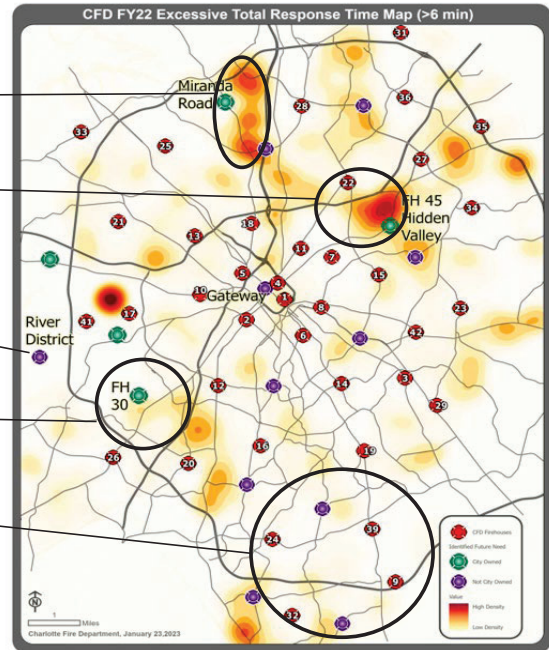
TBD

Individual bills change but there is no inflation and no financial difference to the city at a "revenue neutral" rate.

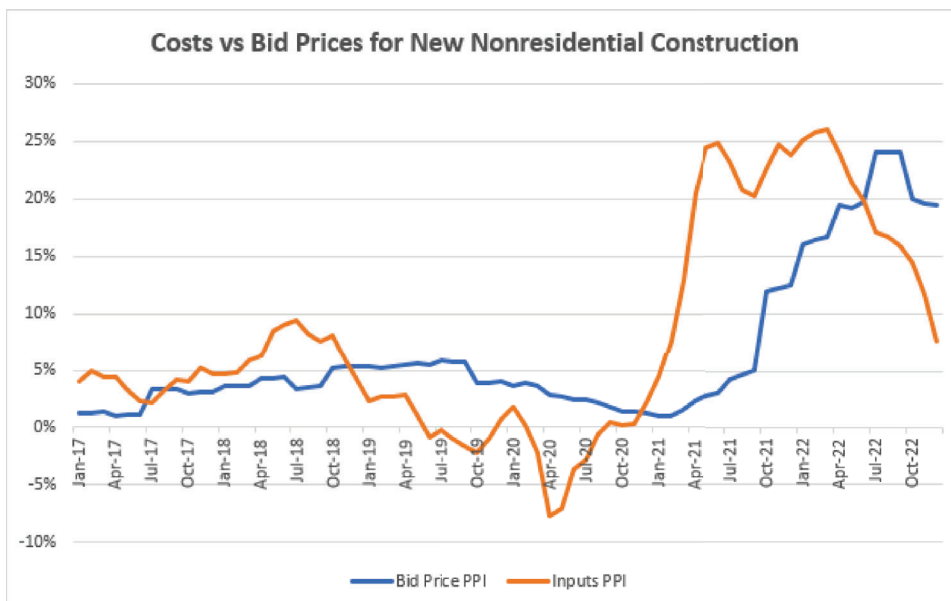
# Growth Pressures Require Additional Investment

## Charlotte Fire Example

- **Prioritized Future Need** – General CIP
- **New Hidden Valley Infill Station in General CIP FY 2023/2024**
- **Additional Infill Stations in Advanced Planning**(River District)
- **Station 30 in General CIP FY 2023/2024**
- **Additional Ladder Company Support needed**



# National Construction Bid Prices Are Up Significantly



## Typical City Process on Non-Facilities Construction Projects

1. Feasibility
2. Plan to 30%
3. **Fund or build future funding into 5-year CIP**
4. Finalize design
5. Acquire necessary easements and right-of-way
6. Bidding and contract execution
7. Begin construction

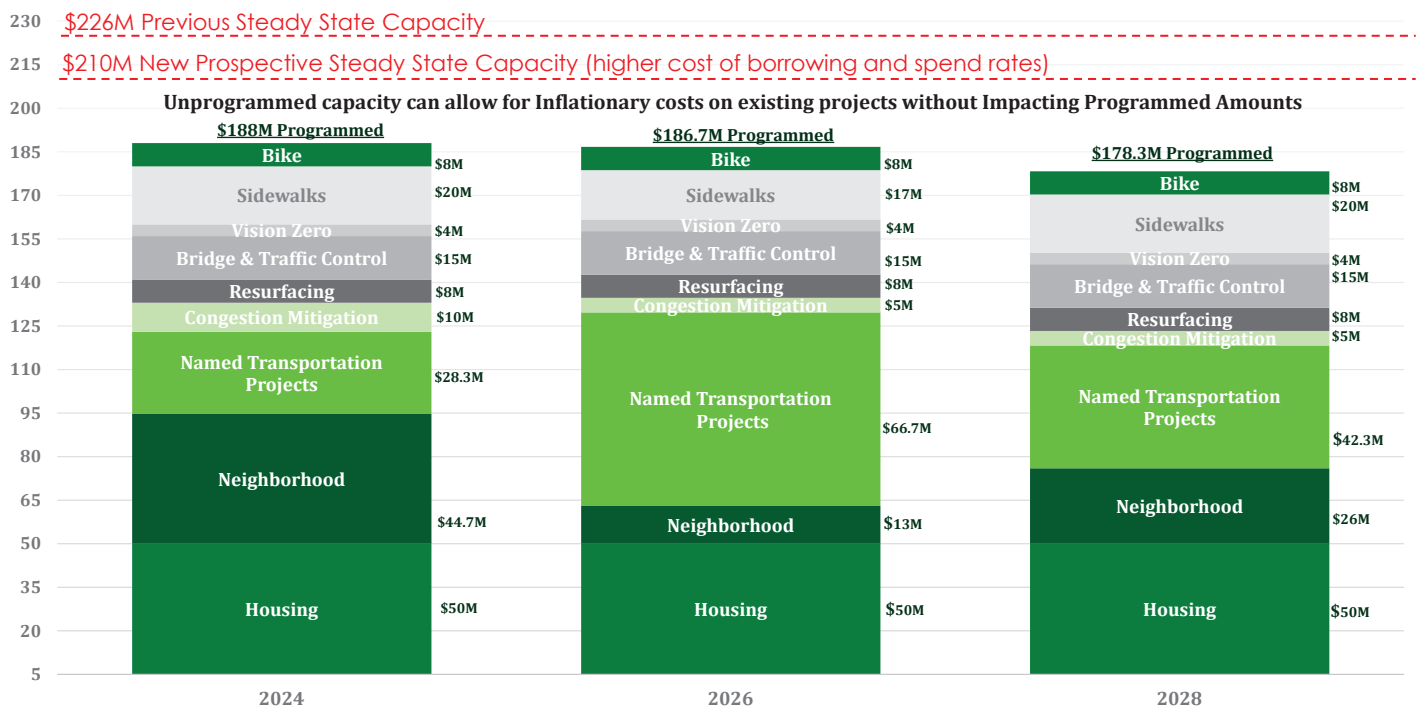
Source: Federal Reserve Economic Data

# The Current Facility Debt (COPs) Plan Left Capacity For Inflationary Pressures

	FY 2024	FY 2025	FY 2026	FY 2027
Capital Building Improvement	\$2.5M	\$2.5M	\$2.5M	\$2.5M
Building Sustainability	\$2.0M	\$2.0M	\$2.0M	\$2.0M
ADA Transition Plan	\$3.0M	\$3.0M	\$3.0M	\$3.0M
Government Center HVAC	\$6.4M	-	-	-
Construct Fire Facilities	\$28.0M	-	-	-
Capacity	-	\$20.0M	\$20.0M	\$20.0M

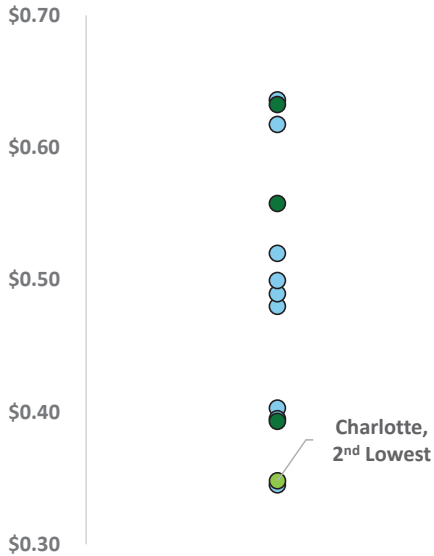
Inflationary Costs on Existing Projects  
Operational Facility Needs in Advanced Planning  
 Public Safety Facilities  
 Operational Equity  
 Vehicle Commissioning/Decommissioning

## Bond Program is Stable Despite Historical Inflation

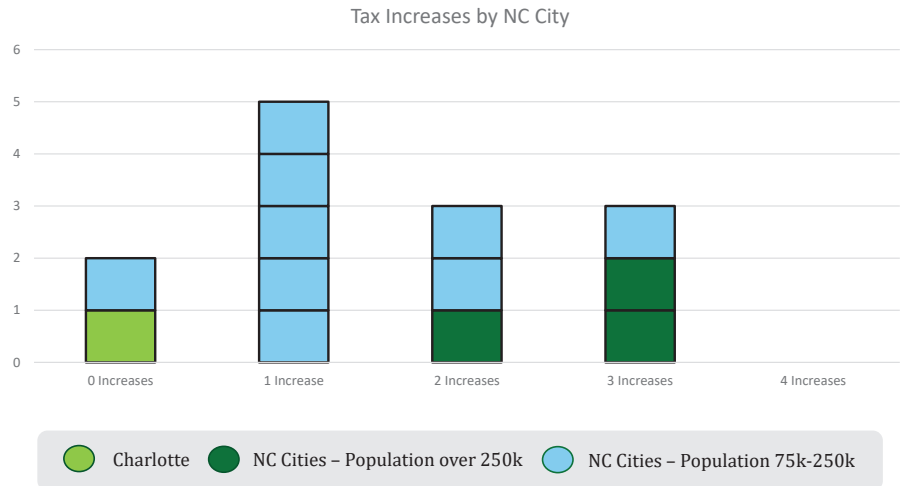


# Charlotte's City Property Tax Rate is Low Compared to North Carolina Peers

FY 2023 City Tax Rate

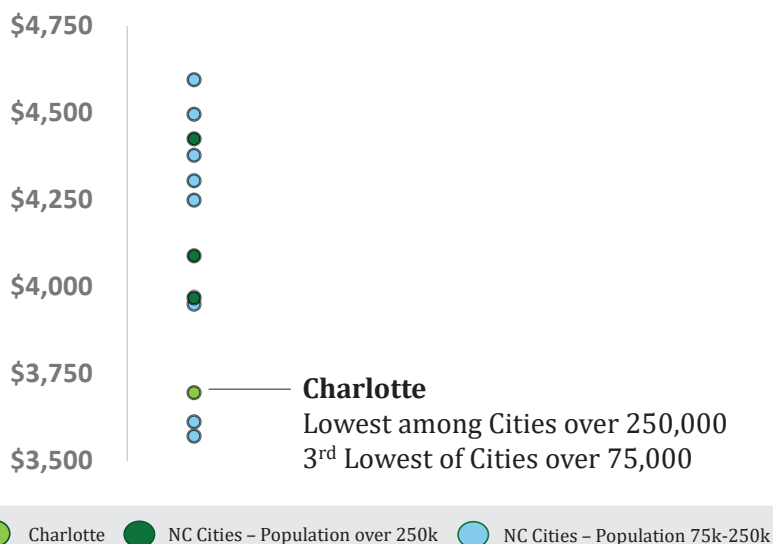


Number of Tax Increases Last Four Years



# When Compared to North Carolina Peers, Local Government Costs are Reasonable in Charlotte

Annual Local Government Costs



## Included For All Cities

- City Property Tax
- County Property Tax
- Local Sales Tax Projection
- Solid Waste and Recycling Fees
- Average Water Bill
- Average Storm Water Bill
- Local Vehicle & License Fees

## Assumptions

- Property tax is calculated on assessed value of \$209,900 (Charlotte's median)
- Households spend \$52,500 of Charlotte's MHI of \$70,000
- 30 percent of household expenditures is considered taxable purchases (\$17,750)
- Each household owns two vehicles
- Water and sewer bill is calculated at a user rate of 7ccf per month



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# Key Themes from Presentation

- ▶ FY 2022 General Fund budget results were positive
- ▶ National economic trends are signaling a recession warning, which could limit sales tax revenue growth
- ▶ National trends in the cost of municipal service are impacting Charlotte, resulting in a challenging General Fund outlook
- ▶ The city's CIP is stable despite historic growth in construction costs, however unprogrammed capacity has been reduced
- ▶ When compared to North Carolina peers, Charlotte is providing local government service at a reasonable cost
- ▶ There are three Budget Workshops to go deeper on these issues