



May 6, 2019

Honorable Mayor and City Council

City of Charlotte, North Carolina

I respectfully submit to you the Proposed Fiscal Year (FY) 2020 Budget for the City of Charlotte. The Proposed Budget is composed of the General Fund, Enterprise Funds, Capital Funds, Internal Service Funds, and Special Revenue Funds for a total of \$2.6 billion (net of transfers). A summary of the Proposed Budget is outlined in the following table:

Proposed FY 2020 Budget (Net of Transfers)	
General Fund	\$727,674,000
Transfer to Other Funds	-\$79,033,029
Sub-Total General Fund	\$648,640,971
Aviation	\$725,821,802
Charlotte Area Transit System (CATS)	\$191,402,077
Charlotte Water	\$443,207,762
Storm Water	\$78,288,264
Sub-Total Nongeneral Funds	\$1,438,719,905
General Community Investment Plan	\$131,780,106
General Capital Debt Service	\$102,608,926
Pay-As-You-Go Funds	\$1,790,009
Sub-Total Capital Investments	\$236,179,041
Debt Service - Nongeneral Funds	\$161,398,606
Special Revenue and Internal Service Funds	\$142,596,373
Total All Funds	\$2,627,534,896

The Proposed FY 2020 Budget continues the unification and efficiency efforts the city is undergoing. Last year's budget signaled the end of "Run Your Business." We are becoming a more collaborative, responsive organization focused on providing the highest quality services possible in a cost effective and accountable manner. To continue to move the city forward, the Proposed FY 2020 Budget focuses on four new strategic priorities: Economic Development, Neighborhood Development, Transportation and Planning, and Well-Managed Government.

The Proposed FY 2020 General Fund Budget is \$727.7 million, a 4.8 percent or \$33.3 million increase over last year. The total budget is \$2.6 billion and supports initiatives that increase our capacity to achieve great things in our communities.

Highlights of the Budget Include:

- No property tax increases
- Increases the minimum wage of full-time City of Charlotte employees to \$16 per hour
- Provides a three percent merit pool for salaried employees
- Provides a 1.5 percent market adjustment and 1.5 percent merit pool for hourly employees
- Enhances the above increases to a \$2,080 per year (or \$1 per hour) minimum for all full-time general employees earning less than \$69,333 per year
- Enhances public safety employee compensation
 - An additional five percent pay increase for all Police Sergeants
 - An additional five percent pay increase for top-step Police Officers through the Senior Police Officer program
 - A 2.5 percent pay increase for all Fire Captains and for top-step Fire Engineers
 - An additional one percent to the city 401k contribution for Firefighters (in January)
- No healthcare premium cost increase for any employee in any plan
- Promotes the creation and preservation of affordable housing by doubling the 2020 affordable housing bond allocation from \$25 million to \$50 million, and provides an additional \$12.7 million to support other affordable housing initiatives
- Helps qualifying seniors by providing an additional \$750,000 for the Aging in Place program
- Progresses the goal of becoming a national leader in the Circular Economy
- Continues support for the tree canopy
- Provides for two additional garbage collection trucks and crews to keep our city clean
- Continues support of initiatives in Historic West End with \$150,000 along with supporting the Eastside and Westside Initiatives with \$1.0 million
- Supports economic development initiatives for new business creation, innovation, and entrepreneurship with \$1.7 million
- Increases Minority Women Small Business Enterprise (MWSBE) opportunities by providing an additional \$450,000 for capacity building programs
- Establishes the Office of Equity, Mobility, and Immigrant Integration to advance upward mobility, immigrant services, diversity, equity, and inclusion within our organization and throughout the community
- Invests \$500,000 in neighborhoods by expanding the microgrants program
- Continues to optimize services through the creation of the General Services Department, aligning several related core functions
- Implements Capital Investment Plan enhancements including the creation of an Advanced Planning and Design Program, updates debt model assumptions to establish a steady state, and formalizes the project close-out process

Impact of Property Valuations

The Proposed FY 2020 Budget was developed in the wake of the 2019 Mecklenburg County real property revaluation. State law requires a real property revaluation at least once every eight years. Localities can choose the frequency of the revaluation, and Mecklenburg County has chosen to conduct it every eight years. During this process, all real property value is reassessed by the county assessor to reflect the current market value. Properties under review include buildings, permanent fixtures, structures, and land. The last time the county conducted a revaluation was in 2011.

The economy has experienced significant expansion since the last revaluation. Since July 2009, the economy has grown continuously for more than 118 months, two months shy of becoming the longest expansion in U.S. economic history. The 2019 real property revaluation reflects this economic growth, with the City of Charlotte adding \$42.8 billion in real property value for a total property tax base of \$142.7 billion; total real property (commercial and residential) values grew by 60.1 percent in the City of Charlotte. Commercial real property in the city grew by 81.8 percent and residential real property grew by 47.5 percent, implying that commercial real property grew 1.7 times faster than residential real property.

The faster growth in commercial property creates a shift in total property tax burden from residential to commercial property owners. If commercial properties had grown at the same rate as residential properties, homeowners in the City of Charlotte would have needed to pay an additional \$18.0 million in property taxes to achieve a revenue-neutral rate.

Revenue-Neutral Tax Rate Statement

During revaluation years, state law requires that I inform you of the “revenue-neutral” tax rate. The revenue-neutral tax rate for the FY 2020 Budget is 34.81 cents per \$100 assessed valuation. This represents a 28.8 percent decrease from the previous year’s tax rate. The revenue-neutral tax rates for FY 2020 are listed in the following table:

Revenue-Neutral Tax Rates per \$100 Valuation		
	FY 2019	FY 2020
	Current	Revenue-Neutral
City Property Tax Rate	48.87¢	34.81¢
Municipal Service Districts		
District 1 - Center City	2.08¢	1.36¢
District 2 - Center City	2.93¢	1.83¢
District 3 - Center City	4.18¢	2.89¢
District 4 - South End	6.68¢	3.90¢
District 5 - University City	2.79¢	2.12¢

Budget Engagement and Development



At the core of developing a budget is the engagement process. Engagement of the community, business leaders, community service organizations, and employees are vital components of the budget development process. This year, we did just that. We had six Meet and Eat sessions with the community. We engaged employee groups in several settings. We spoke with community organizations and

businesses throughout the year. Finally, we spoke with you at seven council budget meetings, and various regular city council meetings.

In October 2018, the City of Charlotte hosted its first Economic Roundtable. We sought feedback from the Charlotte Economics Club and leaders from various industries within the region on emerging and ongoing market trends. They provided us their outlook at the national, regional, and local levels. They also shared their industry-specific insights. This valuable feedback was used to develop the city's fiscal outlook and revenue forecast.

Community Surveys

To better engage and garner feedback from the community, we surveyed our residents, businesses, and employees in the fall of 2018. These surveys were tailored to each audience to capture the interests of each group. Each survey was designed to help us identify and better understand what the respondents thought was positive about the City of Charlotte and what they would like us to do better. Highlights of each of the survey results are provided below.

The residents survey results:

- 72 percent of survey respondents rated Charlotte a “great place to live”
- 77 percent or greater rated the following attributes as important
 - Job opportunities
 - Quality, affordable housing
 - Congestion free commuting

The business survey results:

- Respondents recognized the city's economic development group as competent individuals.
- Respondents assessed the city's economic development efforts as reactive, disjointed, and unfocused.

The employee survey results:

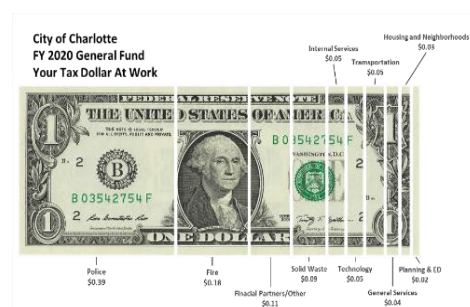
- 62 percent of employees said the City of Charlotte is a great place to work.
- Employees identified consistent management communication and lack of clear career paths as areas for improvement.



The results of the community surveys are consistent with the strategic priorities established by City Council at the Annual Strategy Meeting.

Now, with the Proposed FY 2020 Budget, we move to implementing what we have heard. We are going from theoretical to the practical. As the culture of continuous improvement takes hold organization wide, we began the process of developing the budget with a new process and a new team. These foundational changes infused analysis into all aspects of budget development. Department budgets were realigned to reflect where the greatest needs are and where the spending is occurring. Operating and capital assumptions were also reviewed and adjusted, resulting in revised revenue projections and increased debt affordability.

Developed a Reader Friendly Budget



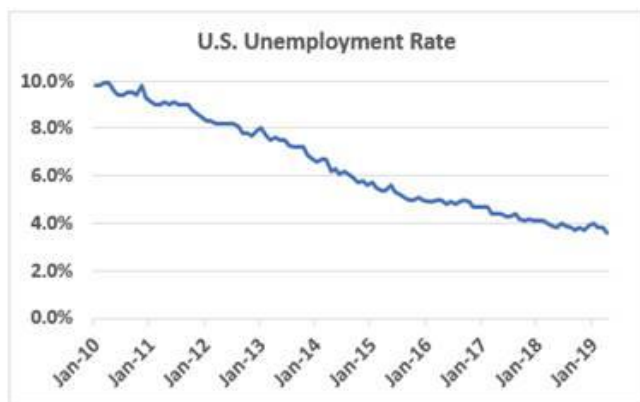
Having an engaged community is important. We rely on feedback to make us better. However, we cannot solicit feedback if our community does not understand where our money comes from or where our money goes. We have changed the look of the Budget Document, to better communicate the most important policy-setting document the city publishes. As a communication device, this new format provides readers more detail and descriptions on what is in the

budget and the changes from FY 2019 to FY 2020. While the budget can be intricate and sometimes complex, we are working to make it easier for people to read and understand.

Economic Factors Influencing Budget Development

National Economic Trend

The U.S. economic outlook is healthy based on key economic indicators which show how well the economy is doing. The Gross Domestic Product (GDP), which measures the nation's total production output, shows that the national economy grew by 3.2 percent in the first quarter of 2019 according to initial estimates from the Bureau of Economic Analysis. The current economic expansion is on track to become the longest on record, with growth projections continuing well into the future. This expansion now runs a consecutive



Source: Bureau of Labor Statistics

118 months, two months shy of the longest economic expansion of 120 months, which occurred during the dotcom era.

The labor market is strong. Consumer sentiment and business confidence remain elevated. Mortgage rates have recently fallen, which encourages home-buying and investment spending. Because of these realities, many economists are forecasting growth in the short-

term and medium-term, with low probabilities of a recession in the coming months.

Since the Great Recession ended in 2009, the national economy has created more than 20 million jobs, continuously adding jobs for 103 straight months year-over-year with the unemployment rate now at 3.6 percent (April 2019), the lowest we have seen in half a century. Consumer and small business confidence is relatively high, evidenced by increased consumer spending and business investments in hiring and capital investment. Household debt-to-disposable income ratio has fallen by more 30 percentage points since 2008, which implies household budgets are generally healthy. Home prices have continued to soar, increasing 3.8 percent in March 2019 compared to a year ago. Housing stock remains relatively low with sustained increases in buyer demand and actual home sales, without a corresponding increase in new listings.

With the strengthening of the labor market and the overall economy, the Federal Reserve in its March 2019 meeting changed its monetary policy stance from raising the federal funds rate to a more “patient” position, implying they may not raise rates in 2019, if there are no major shifts in economic conditions. An increase in the federal funds rate generally has a ripple effect of increasing borrowing costs for consumers and businesses.

Regional Economy

The Charlotte regional economy continues to grow at an exceptional pace and drive economic growth for the entire state. As measured by GDP, the Charlotte regional economy has grown at an average annual rate of about 3.4 percent since 2011. This is higher than the national and state annual average of around two percent over the same period. The region’s economy, which is the largest in the Carolinas, ranks 20th in the U.S. and accounts for about 23 percent of the total output of the Carolinas. Between 2008 and 2018, the Charlotte region contributed 53 percent of the growth in employment in the State of North Carolina.

FIRST QUARTER		SECOND QUARTER	
PROJECTS	JOB	PROJECTS	JOB
29	1,729	27	1,395
CAPITAL INVESTMENT		CAPITAL INVESTMENT	
\$171.3M		\$182.6M	
THIRD QUARTER		FOURTH QUARTER	
PROJECTS	JOB	PROJECTS	JOB
24	2,904	38	5,699
CAPITAL INVESTMENT		CAPITAL INVESTMENT	
\$561.7M		\$613.3M	
2018 TOTAL	PROJECTS	JOB	CAPITAL INVESTMENT
	118	11,727	\$1,528.9M

Source: The Growth Report, Charlotte Chamber, March 2019

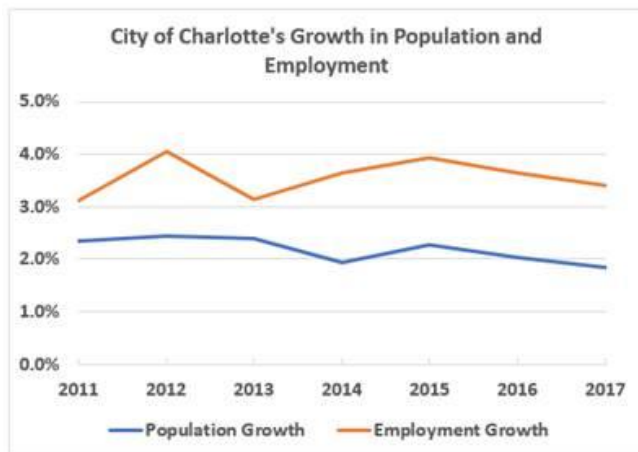
Charlotte has seen and continues to see increased tourism and new businesses relocating to the area every year because of our strategic geographic location, sound regulatory environment, growth prospects, and relatively low business costs. As a result, Charlotte’s economy has seen positive gains in employment, population, tax base, revenues, and overall strength and size of its economy. Between February 2018 and February 2019, the number of people employed in the city and county increased about 2.5 percent and unemployment is at a record low of 3.9 percent.

In 2018, the region added nearly 12,000 net new jobs in industries such as transportation and logistics, finance and insurance, and advanced manufacturing. In February 2019, regional banks, SunTrust and BB&T announced their plan to merge and will become the sixth largest bank in the U.S. with headquarters in

Charlotte. Global manufacturing firm, Porta North America, announced relocation of its headquarters from Newington, Connecticut to Charlotte, creating 25 new jobs and making a \$3.5 million capital investment. AXA is adding more than 550 new jobs, doubling its existing workforce in Charlotte and plans to invest \$18.0 million to expand its current location. Many more expansions and relocations have taken and are taking place in the city, and the region continues adding more new jobs and experiencing additional capital investments.

Local Economic Impact

The 2019 property revaluation put total property tax assessments at \$142.7 billion, about \$59.4 billion greater than the last revaluation in 2011, a growth rate of about seven percent annually. There has been consistent growth in both residential and commercial construction with commercial property values growing faster than residential. The city's second largest revenue source – sales tax revenue – is projected to grow by 4.5 percent next year with similar growth projected in FY 2021.



Source: U.S. Census Bureau, Population Division and Bureau of Labor Statistics

The city's population continues to grow at a rapid pace, increasing by 1.8 percent in 2017 compared to the nation's growth of less than one percent. In 2017, estimates showed a net of about 24 people moving to the city every day. By 2040, the city's population is projected to reach 1.24 million people. Growth in employment in the city continues to outpace population growth. As growth in employment accelerates faster than population growth, the employment-to-population ratio grows larger resulting in a strong labor market. People are moving to

Charlotte due to the strong economy, lower cost of living, and affordable housing as compared to other larger cities. Between FY 2014 and FY 2018, Charlotte's population grew from 792,874 to 859,035, but the General Fund's personnel count only grew from 5,374 to 5,681, representing a decline in employees per 10,000 residents from 68 to 66. As Charlotte's population continues to grow, service models will need to be adjusted to meet the growing demand on city services.

We Invest in our Community

We are Global

Charlotte Douglas International Airport (CLT) continues to be an industry-leading example in how strong economic investment and sound development of the capital program has a robust impact on the economy. CLT is the 6th busiest airport in the nation, offering 175 non-stop flights and options to 36 international destinations. The North Carolina Department of Transportation Division of Aviation published a report in early 2019 estimating the total impact of all airports to the state economy.



At \$23 billion, CLT provides almost half of the total economic impact of airports in the state, or approximately five percent of North Carolina's GDP. CLT also generates \$1.1 billion in state and local tax revenues. We will continue to invest in our airport, as demonstrated by my proposed five-year, \$2.0 billion Aviation capital investment plan. In addition, CLT continues to have one of the lowest cost per enplaned passenger which was \$1.26 per passenger in FY 2018.

We Connect People Regionally

Charlotte Area Transit System (CATS) operates the largest transit system between Washington, D.C. and Atlanta, and serves Mecklenburg County with service in Charlotte, Davidson, Huntersville, Cornelius, Matthews, Pineville, and Mint Hill. CATS provides public transportation through bus routes, light rail, and special services (for our elderly and disabled). In FY 2018, ridership was over 20 million passengers.



Meeting service needs of the public requires consistent engagement and extensive outreach. In 2019 CATS led an effort called Envision My Ride to redesign the current bus system. Through this initiative, CATS studied bus route structures and frequencies to identify improvement.

The Envision My Ride effort resulted in outreach at 170 events with 1,209 survey responses and over 5,000 contacts with customers. This outreach informed several route alignments. This periodic review of routes and other operational improvements helped CATS to maintain rates and fares at the same level as in FY 2019.

An integrated system of connectivity is important to a growing city like Charlotte. To advance the 2030 Transit Corridor System Plan, significant and stable funding sources are required. Future investment in transit focuses on an increase in planning for future corridors such as the Silver Line and Transit Oriented Development and the transition of the Gold Line Phase II from construction to operation.

We Flow Through Pipes and Streams



Storm Water Services also plays a critical role through community investments by minimizing flooding and protecting water quality. The 5,000 miles of pipe and open drainage that Storm Water Services staff maintains is critical to our role as environmental stewards. With the development of this budget, we conducted a collaborative review of the Storm Water program, project categorization, and rate-setting model (while aiming to maintain our AAA credit rating). The review identified several areas of improvement and resulted in a new prioritization methodology that focuses on publicly-owned priority projects. In the upcoming year, we will study the Storm Water Program further to refine project categorization, identify efficiency savings, create synergy with other utility programs like Charlotte Water, and explore the potential of having a standalone Storm Water department.

The rate-setting and financial model review has also led to a recommendation of no storm water rate increase in FY 2020. In the upcoming fiscal year, we will continue to reassess project delivery, the prioritization method, and operational efficiency. We will invest almost \$500 million over the next five

years on a forecasted 1,690 high priority projects. This represents an 83 percent increase over last year's forecast.

The investments we make in our water and sewer infrastructure continue to have a direct economic and employment impact. Charlotte Water serves over 1.0 million customers and maintains over 4,300 miles of water pipes. For every \$1.0 million invested in water infrastructure, it is estimated that upwards of fifteen jobs are generated throughout the economy. Six direct jobs are generated to support the design and construction of water infrastructure, and nine additional jobs are sustained by the indirect and induced spending triggered by the original investment. A continued impact is expected as we plan to construct \$1.6 billion in projects over the next five years. Sound investment in our water and sewer system results in a \$2.21 increase in the monthly water and sewer bill (or around \$26.50 per year) for the typical household.



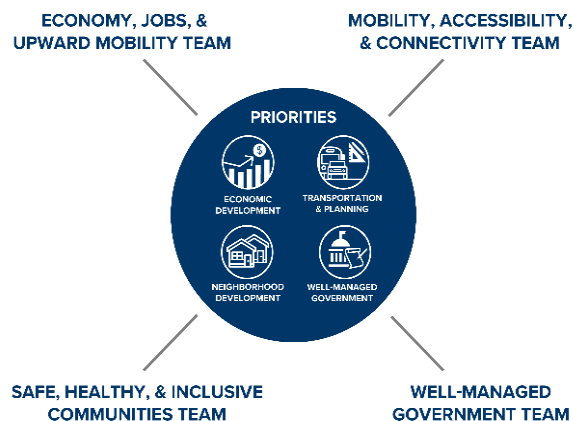
Well-Managed Government

Aligning Around Priorities

At the January 2019 Annual Strategy meeting you determined the previous five focus areas, (which had been in place since the early 1990's) had become operational in nature and the city needed a revised set of strategic priorities. Using a higher policy-setting focus and a more holistic approach, City Council determined these new priorities to be: *Economic Development, Neighborhood Development, Transportation and Planning, and Well-Managed Government.*

To meet the goals of the new strategic priorities, my leadership focus has been realigned. We are now utilizing four collaborative work teams to leverage subject-matter expertise and integrate decision-making, both within the organization and with our city partners to achieve results. These teams mirror the new strategic priority areas:

- Economy, Jobs, and Upward Mobility Team –
Priority: Economic Development
- Mobility, Accessibility, and Connectivity Team –
Priority: Transportation & Planning
- Safe, Healthy, and Inclusive Communities Team –
Priority: Neighborhood Development
- Well-Managed Government Team –
Priority: Well-Managed Government



The new collaborative workgroups advance innovative strategies and solutions, while actively sharing information and leveraging resources across departments. While the realignment is not a cure-all to removing the silos, it is part of the answer and it promotes the integration already begun at the City Council level.

Getting our House in Order

Last year, I told you we were going to begin the transition away from the “run your business,” siloed operational philosophy. I also told you it would require us to change some aspects of our current business model and change in our culture. While it is widely known culture change takes many years, we are well on the path to becoming *One City* with a shared vision and shared goals.

It is time to promote behavioral changes that revitalize our organization’s culture, while preserving and championing our strengths. The budget I am proposing continues the structural changes and begins to address the needs of leadership and management. It focuses on realignment of service delivery in key areas, addressing our neighborhood needs, and creating opportunities for employees.

*What we say is strategy –
What we do is culture*

In the coming year, I will continue to promote a leadership philosophy that can solve problems, manage complex issues, model leadership skills, and display a level of integrity that is above reproach. Having a leadership team that can establish a strong foundation is a crucial element to achieving the goals and priorities we have set. Future success depends on accelerating the shift to proactive management.

Implement Change – Internal and External Assessments

During my first year, we assessed our internal service functions such as communications, finance, human resources, information technology, and procurement. We brought in nationally recognized groups to evaluate how we do business. The underlying theme of the assessment results was the need for us to change our governance structure in these key areas, which we are implementing currently. The savings captured from the initial realignment was \$1.1 million and a reduction of 17 positions.

We have restructured how some of our internal operations function and continually identify opportunities to unify policies across the city to ensure we operate as Team Charlotte. As a continuation of this focus, the Proposed FY 2020 Budget includes additional staffing to strengthen some of the foundational functions such as internal audit and procurement.

Maintaining and evaluating policy and financial controls is a mark of a well-managed government. We



need to ensure we have resources in place to maintain appropriate financial controls. The proposed budget includes an additional Senior Auditor position and \$35,000 for contractual support to expand the capacity of Internal Audit to conduct reviews of technology and construction contracts. In addition, to centralize procurement governance and contract compliance, the Proposed FY 2020 Budget includes an additional four positions.

However, changes in our external environment, such as tremendous population growth, mean we must also examine how we deliver services externally. Organizational alignment is critical for achieving increasingly better performance results now and in the future. The demand for services increases each year, and the organization must eliminate misalignments and be nimble to respond efficiently. Similar to

the reviews conducted of the internal functions, we have begun reviewing how we deliver services externally. The next phase of organizational restructuring includes realignment of the operational departments for greater synergy and efficiency.

Moving Forward – Setting Our Foundation

With the Proposed FY 2020 Budget, we begin the journey to realign departments to their core mission. We used this budget development cycle to thoroughly examine department budgets. We began an iterative process of analyzing, estimating, revising, refining, and eventually recommending a budget to you. It is a nearly year-long process of working with our departments and partners to understand service needs, cost estimates, and revenue projections. This year we put extra emphasis in a few key areas:

- Using our city economist to refine our revenue projections
- Digging deep into each department’s base budget to ensure appropriated budget matches with actual expenditures
- Utilizing audits to identify areas for service and process improvement and to identify service gaps

These efforts have helped to strengthen the budget process and allowed for maximizing the allocation of our resources.

Taking Care of Our Most Valuable Assets

Becoming an employer of choice means offering a fantastic work culture and a workplace environment that attracts and retains superior employees. It also means that as an employer we recognize employees have a choice in where they work, and we recognize the importance of creating opportunities for all to reach their full potential.

Employee engagement and feedback is very important to us. Employee engagement is based on trust, integrity, two-way commitment, and communication between leadership and its employees. A healthy workplace culture fosters positive attitudes and behaviors leading to improved outcomes and a sense of pride in the work we do and in Team Charlotte.

Strategies to build an organization that puts employees first must be intentional. Proactive and interactive sessions between workers and leadership are being increased each year. In 2018, the CM-Connect group was formed. This group of almost 100 city leaders meet with the executive team and myself to discuss city initiatives, provide feedback, and have open dialogue once a quarter.

In 2018 we established the Employee Relations Team, the “**Queen’s Team.**” Members of this team are elected by their peers to represent their voice; for every 100 employees, a department representative is elected and only non-supervisory positions are eligible to participate. This team composition was intentionally constructed to allow frontline workers access to senior leadership. The Queen’s Team members meet with some senior leadership and myself at least once a quarter to exchange information,



get feedback, provide input on workplace initiatives, and ask questions. The Queen's Team members were integral in developing the employee survey conducted in the fall.

Implementing Feedback from the Employee Survey

Results from the employee survey released in the spring of 2019 show that while we have some areas of improvement, overall 62 percent of employees believe the City of Charlotte is a great place to work. About 72 percent of employees feel they are engaged and feel they can make a difference.

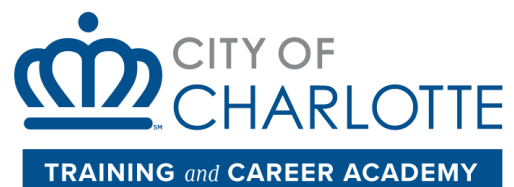
Employees also said they would like to: have City Manager Rap Sessions (which began spring of 2019); create an internal job exchange program between departments; require annual supervisor training; and develop a career ladder tool box.

Based on feedback from the employee survey, the Queen's Team, and the CM-Connect group, we are launching new programs and initiatives in FY 2020:

- **Supervisor Training** – making sure all our supervisors have a shared understanding of what is expected of them and what they should expect from the employees they manage
- **Career Pathways** – ensuring existing employees have opportunities to advance within the organization and promoting cross-department promotion
- **Job Shadowing** – allowing our employees to get a better understanding of what their peers do, and providing exposure to new types of jobs
- **Manager in Training** – cultivating emerging leaders by helping them understand what it means to be a manager and supervise individuals before they are put in a managerial role

Creating our Pipeline

We know we must look to the future of our workforce and create career pathways. We need to invest in more than infrastructure. We also need to invest in human capital to ensure our projects are planned, designed, constructed, operated, and maintained. In FY 2020, we are expanding our career pathway offerings, by creating the City of



Charlotte Training and Career Academy. This Academy expands on the program that began in Charlotte Water (Pipeline Academy), in which basic technical and soft skills training to individuals with barriers to employment will be provided. In FY 2020, an estimated 50 participants will have the opportunity to enter the workforce through our Training and Career Academy. For this, an additional \$125,000 in FY 2020 is provided to support general fund employees, which will complement \$480,000 in non-general funds from Aviation, Charlotte Water, CATS, and Storm Water. The training will result in the participants working with the city, working with private sector partners, or entering a formal apprenticeship program.

Benchmarking Compensation and Benefits

In FY 2019, I requested a comprehensive compensation review that looked at our salary structure, leave policies, benefits, and workplace environment. The intention was to benchmark what we do for our employees against peer cities and determine what areas we can improve. When deciding the most

appropriate way to benchmark, we heard loud and clear from our employees, over the past few years, that we need to do better than benchmarking against other North Carolina cities. Charlotte is unique in the state. In FY 2019, we set up a more data-driven approach to benchmarking.

The City Economist started with the 50 biggest cities in the country and used an economic tool called clustering to align cities based on more than 15 objective measures such as: cost of living, density, poverty rate, median income, and recent GDP growth. From the data, 20 cities clustered around Charlotte, including cities such as Seattle, Portland, Denver, Austin, Nashville, Memphis, Louisville, and Columbus.

Using the objective list of cities, the departments of Strategy and Budget and Human Resources worked to gather information on the compensation and benefits of these cities. We then partnered directly with actuaries and consultants to analyze the information to determine where Charlotte currently stands in key areas such as salaries, retirement, healthcare, and leave. The information attained from the analysis is what drove several key Proposed FY 2020 Budget initiatives.

Taking Care of Our First Responders



Working collaboratively with the Public Safety Pay and Benefits Team was one of the driving forces that led to our expanded city benchmarking process. When compared to the 20 peer cities, one piece of data immediately stood out: Charlotte's top pay was between seven and 12 percent lower than the benchmark national median in four out of the five Public Safety Pay Plan positions. In response to the information, and recognizing our financial limitations, we worked collaboratively with the Public Safety Pay and Benefits Team on a multi-year strategy to begin addressing those concerns.



Police Compensation



In FY 2019, the city announced implementation of a Senior Police Officer Program to begin in FY 2020. Once this takes effect in FY 2020, the top pay for a Police Officer with a four-year degree will increase to more than \$80,000. The current plan is to increase Police Officer top pay with another five percent step in December 2020, bringing the two-year increase to more than 10 percent, and bringing the top pay of a Police Officer to more than \$85,000.

Police Sergeant is the only public safety pay plan position that did not receive a pay structure adjustment in the last few years. The Proposed FY 2020 Budget addresses this by increasing all Police Sergeant steps by five percent. When combined with the market adjustment, all Police Sergeants will earn at least a 6.5 percent increase. When combined with the planned FY 2021 increase of another five percent, all Police Sergeants will earn ten percent more than typical over two years, and Sergeant top pay will approach \$100,000.

Benchmarking against other cities isn't the only reason to address Police compensation. Another key issue is the difficulty we have retaining the Police Officers we invest in. One key issue frequently cited for the attrition rate is the amount of time it takes for a Police Officer to reach top pay. The Proposed FY 2020 Budget includes the consolidation of Police Officer steps seven with eight, and steps nine with ten. The consolidation of these four steps to two will be combined with a consolidation of an additional two steps in FY 2021. This will lead to a Police Pay Plan with five percent steps. It is my hope that when coupled with the increased high pay, this will help us retain our current police officers and to attract new ones.

Fire Compensation

The benchmarking study showed that top pay for Fire Engineers and Fire Captain is also behind. My recommended plan is to address these two positions by increasing their top pay by 10 percent beyond the typical market adjustment over the next three years. This would include 2.5 percent for all Fire Captains and top-step Fire Engineers in FY 2020. Although the benchmarking study showed that Firefighter II's are less behind than their counterparts, the three-year plan includes a five percent increase over two years beginning in FY 2021.



The Proposed FY 2020 Budget also includes additional compensation for all Firefighters in the form of an increase in the city's 401k contribution effective January 2020. Despite federal 401k rules treating Firefighters and Law Enforcement Officers similarly, the city currently contributes three and five percent to them, respectively. The three-year plan aims to match the contribution the city makes to Police by providing an additional one percentage point increase in FY 2020 and an additional one percentage point in FY 2022 for the Firefighter 401k contribution.

General Employee Compensation



Funding a Salary Increase

The Proposed FY 2020 Budget includes a three percent merit pool for salaried employees and a total of three percent for hourly employees. For hourly employees, this is split between a 1.5 percent merit pool and a 1.5 percent market adjustment. Traditionally the market adjustment for hourly employees would occur in February. In FY 2020, I am happy to report that I am recommending moving the market adjustment up to December. It is my hope that by FY 2022, we will start awarding the market adjustment to hourly employees in July, the start of our fiscal year.

Although the city's salary increases for general employees in recent years have compared favorably to other cities in our benchmarking project, I wanted to add something different in FY 2020. Although we don't have the necessary funds to provide large across the board increases to employees, the Proposed

Increasing Minimum Regular Pay to \$16/hour

Upward Mobility of our Workforce

THE CHARLOTTE-MECKLENBURG OPPORTUNITY TASK FORCE REPORT

OUR COMMUNITY
SHINE FUTURE
OUR COMMUNITIES.

The city's Hourly Pay Plan covers city employees in labor, trades, and administrative positions. This pay plan consists of 20 traditional ranges each with a minimum and maximum. In FY 2020, I am proposing that we expand the current pay range minimums from 90 percent to 80 percent and the maximums from 115 percent to 125 percent. This bigger range will allow for more flexibility to hire employees based

on their experience level and more flexibility to reward our best employees at the top of the range. This recommendation also aligns with our benchmarking project, which showed that Charlotte's narrow range was unique amongst our peer cities.

The city's current Broadbanding Pay Plan covers all salaried city employees in professional, management, and executive positions. Out of the 20 peer cities, Charlotte was the only city with this type of pay structure. In FY 2020 I am proposing a traditional range system for our salaried employees as well. This will allow for consistency across the organization and promote clearer career paths for our employees.

Retirement

In our benchmarking project, we compared our city's pension plans to the 20 peer cities. The results were positive. The general employee comparison showed that Charlotte's pension is the second best out of 11

comparable plans. Unlike six of the cities, Charlotte has not shifted any of its employees away from a pension plan. Charlotte is one of only two cities to give both a pension plan and a 401k contribution to all full-time employees.



North Carolina
Total Retirement Plans

Overall, the results show that we provide a good retirement plan to our employees. One of the reasons we can do so is the strong fiscal management of our retirement systems. Despite it costing the General Fund \$2.9 million, I am fully supportive of the state's decision to increase the employer contribution rate in our General Employee and Law Enforcement Officer retirement systems. I am also recommending an additional \$1.0 million contribution to the Charlotte Firefighter's Retirement System in FY 2020.

Healthcare



MyClinic

Delivering a comprehensive benefits package that provides value is one of the cornerstones of the Human Resources mission to help employees thrive. In 2018, there was a redesign of the health plan offerings to provide a portfolio of medical plan options to meet the needs of the city's workforce, with different premium price points, various options for medical and prescription drug coverages, and the addition of voluntary benefits. Supporting this redesign, were continued enhancements to the city near-site MyClinic which provides free physician-directed healthcare to employees and their family. The synergy between the new benefit design and the clinic success are responsible for a six percent reduction in per-employee claims costs for the city; all the more impressive considering the industry medical trend was a seven percent increase in those two years. In addition, the MyClinic saved employees over \$1.4 million dollars in 2018.

Our 2018 benchmarking project showed that the city needs to improve on some of its 2018 plan offerings. Our Basic PPO Plan (Plan D) showed up relatively close to the bottom in overall value in 2018. Fortunately, we recognized this issue in planning for 2019. Our 2019 plan changes included reducing the deductibles in this plan, including the reduction of the family deductible by \$4,000 and the family out-of-pocket maximum by \$2,000.

The benchmarking project also showed that our basic health savings account (HSA) Plan A's value was below our peer cities' HSA plans. In the 2020 plan year, we will enhance this plan by reducing the deductibles and the out-of-pocket max. Additionally, we will reduce premiums in HSA Plan B to maintain the structure of the two HSA plans. These two enhancements allow employees better choices when deciding between plan types.

I am also happy to recommend that for the second year in a row, there will be no healthcare premium increases in 2020. Two years without increases will allow the employer share of the premium to increase, as plans get more expensive overall.



Continued All-Access Transit Pass

In FY 2019, we began offering All-Access Transit Passes to employees at the significantly reduced rate of \$33 per year. Since then, over 800 employees have elected to participate in the program. In FY 2020, this program is proposed to be continued.

Accelerated Multi-Disciplinary Training for First Responders

Additionally, \$2.0 million in FY 2020 and \$1.0 million in FY 2021 is proposed to provide multi-disciplinary training to police officers. A dedicated investment in training allows for the acceleration in the number of first responders trained in key areas. It is estimated that the funds will provide thousands of hours of dedicated training in FY 2020.

Neighborhood Development

Intersection of Neighborhoods/Housing/Public Safety/Environment

As Charlotte continues its fast-paced growth, it is important that we plan, design, and provide services for our neighborhoods in an equitable fashion. It is also important that we create and maintain neighborhoods where all individuals and families can thrive and have a voice, especially our most vulnerable. Great neighborhoods do not just exist by happenstance. They are created through intentional investment and initiatives. Everything we do should be done collaboratively with resident input.



Support Existing Housing Programs

Every year the city provides support for housing programs which are administered through the Department of Housing and Neighborhood Services. There are multiple sources of funds used to support down payment assistance, homeownership counseling, credit counseling, emergency relocation, crisis rental and energy assistance, home rehabilitation, and emergency repair.

Under the program umbrella called Safe Home, we provide home rehabilitation assistance and emergency repair funding. These programs serve individuals whose income is at or below 80 percent of the Area Median Income (AMI). Because of the high need in these two programs, I am recommending these two

programs receive an additional \$700,000; of this amount, \$250,000 for a total of \$500,000 is dedicated to the Emergency Repair Program and \$450,000 is dedicated to the home rehabilitation program. In addition, I propose using \$640,000 in unallocated FY 2019 Community Development Block Grant funds to bring the total to nearly \$1.0 million for the home rehabilitation program in FY 2020. These funds will complement federal funds of over \$3.0 million used for the program, which includes TLC for CLT in targeted neighborhoods.

Keeping Neighborhoods Affordable

The City of Charlotte asks the residents to vote on General Obligation Bonds (GOB) every two years. Last year, City Council and Charlotte voters took the bold step of more than tripling the traditional \$15.0 million affordable housing bond allocation to \$50.0 million. This encouraged the private sector, faith community, and non-profit partners to join us and also contribute funds.



To further the work and fundraising already underway, the Proposed FY 2020 Budget plans to double the affordable housing bond allocation from \$25.0 million to \$50.0 million for the next bond referendum in November 2020 (FY 2021). With this commitment, we are capitalizing on the incredible momentum and continuing to show our dedication to improving housing accessibility and upward mobility.

To leverage our resources, last year we announced we were partnering with the Foundation For The Carolinas, Bank of America, Wells Fargo, and the Local Initiatives Support Corporation (LISC), a national organization with a grassroots focus. Since then, LISC has established its local office and hired a local executive director, Ralphine Caldwell. The city's three-year commitment is continued in the FY 2020 budget for \$200,000.

While FY 2020 is an off-cycle year for the city's bond referendum, we are partnering with LISC to continue the energy to preserve Naturally Occurring Affordable Housing (NOAH) by adding \$6.4 million in city funds and a \$5.1 million contribution from LISC. These funds will support NOAHs and encourage individuals to build wealth through homeownership in two ways.

First, I propose creating an *Single-Family Acquisition/Rehabilitation Loan Program* to acquire, preserve, and offer for resale a minimum of 12 single-family housing units to buyers earning up to 110 percent of AMI. Vacant single-family houses will be acquired, preserved, and sold to qualified low to moderate income households through a partnership with LISC and other community partners. Each property will remain affordable for 15 years and buyers will receive homebuyers counseling and down payment assistance through our existing program.

Potential target neighborhoods are consistent with Harvard's Opportunity Insights data and include: Biddleville-Smallwood, Grier Heights, Hidden Valley, and Renaissance West. Additional neighborhoods may include: Enderly Park, Firestone Park, and Thomasboro/Hoskins. These neighborhoods are

considered based on data such as the number of minimum housing code cases, poverty rates, age of the housing stock, high crime rates, and low educational attainment.

Second, I propose creating a *Multi-Family NOAH Program*. Based on the profile of most recent NOAH approved by City Council in the spring of 2019, I am recommending \$4.2 million and LISC is dedicating \$3.8 million of Charlotte Housing Opportunity Investment Fund (CHOIF) to purchasing up to 400 units of multifamily housing in FY 2020. While this may be an aggressive goal, I believe working in partnership with affordable housing developers, LISC, and other community partners, we can achieve this goal.

Helping Seniors

Aging in Place

As a proactive measure to address the impact of increased property taxes due to the 2019 property revaluation, the city created the Aging in Place Program to help some of Charlotte's most vulnerable residents stay in their homes. The FY 2019 budget included \$750,000 to help support low-income, senior home homeowners to mitigate potential property tax impacts. For FY 2020, I am recommending an additional \$750,000, for a total of \$1.5 million available for this program.



To make sure our seniors were aware of this program, along with several other city and county programs, community outreach was necessary. Our Senior Housing Support Team developed a comprehensive engagement effort, whereby city employees knocked on nearly 200 doors in targeted neighborhoods identified by the customer service division of 311. Over 1,550 seniors expressed interest in the program.

Preserving Our Natural Environment

Implementing the Strategic Energy Action Plan (SEAP)

Charlotte is taking steps to contribute to a healthier community and world by adopting a Strategic Energy Action Plan (SEAP). The American Cities Climate Challenge (ACCC) is working with us to accelerate the goals of the SEAP.



After working with community stakeholders for more than a year, City Council adopted the SEAP in December 2018. The Sustainable and Resilient Charlotte by 2050 resolution and subsequent SEAP set ambitious goals of sourcing 100 percent of our organization's building and fleet energy from zero carbon sources and becoming a low carbon city by 2050. The SEAP focuses on 11 action areas around buildings, transportation, and energy generation that also emphasize a foundation of workforce development and equity.

The SEAP is a high-level framework, but we have begun and plan to continue important baseline work in FY 2020, and we are already making progress in identified projects. Baseline work that will be completed in FY 2020 includes: finalizing total cost of ownership models that can be used in decision-making; forming

internal and external working groups; data-gathering and analysis; exploring partnerships; and getting projects shovel-ready.

We can make progress toward our SEAP goals in several areas. For buildings, the city has goals of obtaining LEED certification and we will analyze facilities for solar potential. For fleet, as we refine total cost of ownership models, we will study transitioning the motor pool to include more electric vehicles and right-sizing the fleet.

Furthermore, Charlotte Water is adding an additional electric vehicle charging station, implementing an automatic vehicle locator system, and piloting the use of bio-gas from its wastewater plants as a fuel source for city fleet. In addition, the departments of Planning, Design and Development and Transportation will coordinate to expand bike and pedestrian infrastructure, collaborate to include a sustainability lens within the 2040 Comprehensive Plan, and incorporate e-bikes and e-scooters in first-mile/last-mile use. With respect to workforce development and equity, we continue identifying departments for environmental apprenticeship opportunities.

Shortly after adopting the SEAP, the City of Charlotte was named one of 25 U.S. cities selected by Bloomberg Philanthropies to participate in the American Cities Climate Challenge. The ACCC's goals are similarly aligned with the SEAP. The ACCC designation allows us access to resources and technical support, including two full-time Climate Advisors for two years (paid for by Bloomberg Philanthropies); these Advisors are already working with the city, focusing on transportation and building projects.

Implementing Circular Charlotte

In 2019, we are advancing the circular economy by planning the opening of the revamped Innovation Barn. From our work with Metabolic, we realized as a city that we produce 900,000 tons of waste each year – or about \$111.0 million worth of materials. This public-private partnership between the City of Charlotte and Envision Charlotte will divert trash from the landfill, create jobs, drive innovation and economic development, and will lead the city's transformation into this new economy.

Envision Charlotte will use the 36,000-square-foot facility next to Solid Waste headquarters located in the Belmont neighborhood as community space to provide programs specializing in the circular economy, co-working space for entrepreneurs focused on upcycling, 6,000 square foot event space, a beer garden, and a zero-waste restaurant. And this is not just about the circular economy, it is also about jobs. UNC Charlotte will have a classroom and their architect students are helping to design the Barn's outdoor furniture, and Johnson C. Smith students are designing the aquaponic garden.

The city will also explore how to advance circular economy concepts within our existing facilities. For example, Charlotte Water is planning to pursue a public-private partnership to harvest phosphorus from its treatment processes to be beneficially reused as fertilizer and reduce energy and chemical use at the treatment plants.



Charlotte's Tree Canopy



The city's trees are one of its most valuable assets, providing an enhanced quality of life by providing shade, character, and clean air. Through TreesCharlotte, and plantings by city staff as part of city capital projects, the city planted 19,021 trees in FY 2018. The city also uses fee-in-lieu dollars

collected from developers during permitting to acquire land to preserve trees. The city partners with TreesCharlotte to facilitate tree planting events to continue maintaining the city's tree canopy. Currently, TreesCharlotte promotes the planting of about 5,300 trees per year. The FY Proposed 2020 Budget makes the fourth \$250,000 contribution to the TreesCharlotte endowment, as well as \$100,000 to support neighborhood engagement, education about the tree canopy, and tree plantings. In addition, \$900,000 is included in the Proposed FY 2020 Budget for planting trees within city right-of-way areas, along with \$1.6 million provided annually for trimming and removing trees due to aging trees and storm damage.

Keeping Our City Clean

Providing a healthy community includes keeping our neighborhoods clean. The Proposed FY 2020 Budget includes an investment of \$4.6 million to enable us to maintain our high level of service to the city's 346,000 existing customers, as well as address the increasing demand created by a growing population and corresponding increase in the number of collection points around Charlotte.

First, the Proposed FY 2020 Budget provides \$150,000 for two new automated garbage collection crews, as well as \$600,000 to purchase two new trucks, to address the growing demand faced by our Solid Waste Services (SWS) department. Second, the Proposed Budget supports all additional operating expenditures needed for SWS to maintain current service levels, including \$1.4 million for personnel cost increases and other updates, including vehicle and equipment maintenance. Additionally, \$2.4 million is included to address contractual increases for the tipping fee. A \$1.00 a month increase is proposed to support service and contractual cost increases and the needed expansion of the Solid Waste fleet of vehicles.

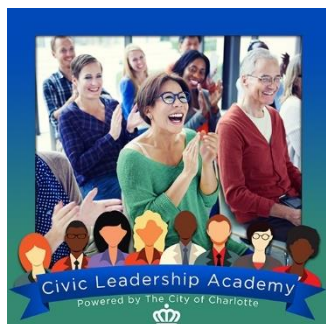


While we make investments to continue the level of service expected by our residents, and prepare for future growth, we also need to prepare for the future of waste collection and disposal, including evaluating the sustainability of this service's financial model.

Continuing to Connect with Our Residents

We promote efforts to build safe and inclusive communities by engaging with our residents whether it is in a city building or in their neighborhood. True community engagement is not about holding sessions to check a box, it is about getting the feedback to design programs and services that best fit the needs of our community. We are partnering with the New York City Public Engagement Unit to improve how we can do things differently and become more intentional when engaging with our community. Towards this goal,

we intend to leverage our 311 services even more in the coming year. If you call 311 with a question or issue about solid waste services, rather than just solving that issue, we intend to provide you with some information about city programs you might be interested in.



We also continue to utilize our Civic Leadership Academy to more broadly inform residents about the City of Charlotte government and civic leadership. Participants in the Academy are provided the opportunity to grow in their leadership style, learn to analyze issues using data, connect with decision makers and other Charlotte leaders, and gain useful tools to make a difference in their communities. There are two rounds of classes each year (11 sessions per class) and in the most recent application cycle, the city received over 250 applications for 35 slots (five from each council district), demonstrating the popularity of this program.

We also continue to engage the community around public safety issues. In FY 2019, we began the Bridging the Difference program with the aim of bringing our community together for community conversations across Charlotte around policing, including immigration and opioid use. In addition, CMPD's Citizen's Academy helps build relationships between CMPD and the community, and creates residents who are better-informed about police work and community services. Through a series of lectures, simulated activities, practical sessions, and tours residents are given the opportunity to learn firsthand about police operations.

We also meet our residents in their neighborhoods. The city offers free placemaking tours, which include workshops, to highlight neighborhood-led placemaking in neighborhoods such as Country Club Heights, Plaza Midwood, NoDa, Southend, and Uptown. In addition, we host half-day neighborhood board retreats, two times per year, to help any neighborhood and business organization within the city assess the current state of their community, identify and prioritize strategic goals, create action plans, and improve resident quality of life. Since 2012, over 130 neighborhoods and businesses have participated.

Safe Alliance

Building a safe and healthy community also includes working through organizations outside of city government to ensure our neighbors receive the services they need. We continue to work with community partners to provide specific services that support key areas of focus for the city, contribute to community enrichment, and complement services offered by city departments.

One complementary service offered in the community is targeted support for victims of domestic violence and sexual assault. One of Safe Alliance's three core programs is Victim Assistance and Legal Representation. The FY 2020 Proposed Budget includes an additional \$63,061 (this includes \$49,000 in one-time funding provided in FY 2019) to help support an additional attorney position at Safe Alliance to provide legal assistance in obtaining domestic violence protective orders and filing for custody and divorce. The Proposed FY 2020 total city contribution to Safe Alliance is \$397,038.

Economic Development

Implementing Our Strategy

With the creation of the Charlotte Regional Business Alliance, in FY 2019, we realigned the city's economic development focus to become a more active partner in growing and developing the business and workforce ecosystems. To align with other regional efforts, we created a four-pillar strategy to guide our work and to serve as our foundation:

- Create great places that attract great talent
- Business innovation
- Talent development
- Grow targeted industry clusters



Upward Mobility Starts in Our Organization



Back in the fall of 2018 you charged us with assessing our internal processes and ensuring our practices foster diversity, equity and inclusion (DE&I). A steering team of key individuals was formed, department liaisons were established, data was analyzed, peer cities were compared, best practices were examined, literature was researched, and interviews were conducted. The analysis identified over 120 DE&I activities and initiatives we are engaged in. This 90-day assessment resulted in a report that you received last year. The report provides 13 recommendations.

While that report contains various solutions, we can use to improve our internal operations as it relates to DE&I, a key recommendation was to identify a lead to coordinate the work. To fulfill that recommendation, I am proposing to create the Office of Equity, Mobility, and Integration within our Housing and Neighborhood Services Department to be led by Federico Rios.

Federico Rios, currently serves as the International and Immigrant Integration Manager. In his new role, he will link DE&I efforts both internal and externally. He is charged with implementing the recommendations of the report and to immediately look at our external facing policies and practices that cause inequitable investment and development in our community. For this, I am recommending one new position which will work with the Office of International Relations in the Department of Housing and Neighborhood Services. This office will also work with community partners to create opportunities for our residents and promote upward mobility by aligning with the recommendations of the Leading on Opportunity Council and the Immigrant Integration Task Force Report.



Putting Resources Directly into Our Community

We cannot create safe and engaged communities on our own – we need help from our grassroots organizations who are solving problems every day. As a city, we recognize we aren't always equipped to handle every problem – with the microgrants program we are reaching those grassroots organizations doing amazing work to make our city safer every day.

Since its launch in 2018, the city's microgrants program has made over 60 grants to community and non-profit organizations. For FY 2020, I am proposing \$500,000 in funding, five times more than what was approved for FY 2019. The additional funds will provide small grants to community-based organizations that promote conflict resolution, crime-fighting and prevention, youth and parent opportunities, and family stability, and work to overcome racial segregation.



Our community investment continues with a recommended funding level of \$400,000 for the Neighborhood Matching Grants Program. These funds will be matched by neighborhood volunteer dollars, and will enable eligible neighborhood organizations and associations to implement projects that make their neighborhoods better places to live work and play. These projects give neighbors an opportunity to get to know one another as they improve their neighborhood by building community gardens or neighborhood sign toppers, hosting neighborhood festivals or special events, or improving curb appeal by painting or installing shutters or house numbers.

Last year, we made a three-year commitment to the Historic West End Initiative. This is a partnership that began with the Knight Foundation, Charlotte Center City Partners, and community leaders in the Historic West End to spur economic development based on a community-driven framework focused on three themes: Engage, Prosper, and Enjoy. Going forward, LISC will take the seat of Center City Partners and provide \$150,000. LISC has already begun working with the Historic West End Partners (HWEP) using a comprehensive, development community approach to build capacity and strengthen neighborhood identity through resident action leadership development. LISC is also helping HWEP attract more resources to the community and become more of a significant player in redevelopment activity.

LISC will also provide small business loans and bridge financing for selected projects. To complement the partner effort, I am recommending \$150,000 for FY 2020.

Upward Mobility Continues in Our Neighborhoods

Eastside and Westside Collaborative Initiative

While our city continues to grow and prosper, there are areas of our city I'd like to concentrate additional effort. The eastside and westside of our city include communities prime for opportunity. To catalyze the change, I am recommending \$1.0 million to support the Eastside Collaborative Initiative and the Westside Collaborative Initiative. Each collaborative will receive \$500,000 and a total of \$500,000 additional support from LISC.

These funds will help these communities transform themselves into areas of opportunity. They will leverage other city funding such as the micro grants, neighborhood matching grants, and the Historic West End Initiative to increase opportunities. LISC will support these initiatives by establishing a Charlotte Financial Opportunity Center using family income and wealth building staff to provide workforce skills and financial education services. LISC will also provide micro loans for entrepreneurs, small business façade loans, and help with community capacity building.

These programs will be developed using robust community engagement techniques. Potential target areas for these initiatives may include the Eastway, Central, Albemarle corridor on the eastside, and on the westside, the Beatties Ford Road corridor from West Trade/Rozzelles Ferry to I-85.

Fostering Innovation

The Proposed FY 2020 Budget advances our strategy by recommending \$1.7 million for new initiatives and creating five new positions which will help build and maintain a successful business climate that promotes workforce development, increases the number of jobs with sustainable wages and benefits, provides economic opportunity, and encourages innovation and entrepreneurship. Included in this funding is the creation of CLT Labs, which will serve as a “P3 Disruptor.” It will be a year-round living laboratory where entrepreneurs can test and produce innovative ideas and products to change how the city operates. In addition, “Innovate Charlotte” will connect entrepreneurs with resources and mentorship opportunities that can help them further develop their career.

Charlotte Business Inclusion



Engaging Minority-Owned, Women-Owned, and Small Businesses (MWSBEs) in the city’s business and capacity-building initiatives remain a priority of the city. The city’s Charlotte Business INCLUSION program continues to successfully partner with Charlotte’s business community. The city’s spending with MWSBEs continues to grow, with a new record of \$110.4 million in FY 2018. This is \$28.6 million

more (or 35 percent) than in FY 2017. In FY 2019, the functions of Charlotte Business INCLUSION were transferred to the city’s Procurement office. This move allowed for more collaboration in purchasing and contracting services. This realignment has led to a more efficient and targeted approach to creating new pathways for MWSBEs to do business with the city. Furthering this success, a new software, Charlotte INCLUSION, was launched in FY 2019. This integrated platform will make it easier to coordinate MWSBE contract compliance, enable prime contractors to search for potential MWSBE subcontractors, and streamline small business enterprise online certification.

With the help of a City Accelerator grant from the Citi Foundation, we created the AmpUp Charlotte program, a 13-week intensive business development program for local minority business owners. The inaugural AmpUp Charlotte cohort was developed in partnership with the National Basketball Association (NBA) to prepare minority-owned businesses for contracting opportunities during NBA All-Star Week. We had 15 graduates in the first class. The second cohort began in April 2019 with 16



businesses, and is specifically tailored to help minority businesses participate in contracting opportunities at the Airport.

The Proposed FY 2020 Budget builds on this progress by proposing an additional \$450,000 for MWSBE capacity building. Investments include \$64,000 to continue the AmpUp program and an additional \$250,000 to create a pipeline from AmpUp to “Graduate School,” and \$125,000 to provide MWSBE-specific resources on CharlotteBusinessResources.com.

Targeting Industries

In support of the fourth pillar of the city’s economic development strategy, this budget also makes investments that will enhance marketing, as well as help us better understand the economic ecosystem we already have. This Proposed Budget invests over \$800,000 in the following enhancements: improvements to CharlotteBusinessResources.com, including a chatbot that will provide on-demand support; communication and marketing materials; site visits and travel to trade shows to better market Charlotte globally; and other branding improvements. The budget also contains \$75,000 for mapping the talent development “ecosystem” which will help inventory and fully leverage talent resources, economic impact analysis software to understand our local economy and the value of the city’s investments in our community, and peer group meetings with stakeholders to understand industry-specific trends affecting businesses who are already a part of our local community and economy.

Breaking Down Barriers and Increasing Upward Mobility



Upward mobility is a key focus for the city and Project P.I.E.C.E. (Partnership for Inclusive Employment and Career Excellence) is a program that addresses economic mobility, labor market shortages, and employment opportunities in the city. It provides training and employment opportunities for individuals with multiple barriers to employment, including homelessness, a criminal record, health issues, and/or lack of transportation.

With help from our partners at Goodwill, Charlotte Works, Urban League, TWIN, and Central Piedmont Community College, we have met or exceeded every goal we set out to achieve with Project P.I.E.C.E. We enrolled 332 job seekers in training – nearly double the goal of 180 we set when we started over three years ago. Of this number, we graduated 282 participants, or 88 percent, surpassing our goal of 80 percent. Furthermore, we met our goal of 70 percent of graduates who are employed.

Because of the proven success of this program, I am recommending an additional \$300,000 in FY 2020 to continue Project P.I.E.C.E. Phase 2. This will expand Project P.I.E.C.E. 2.0 in the areas of transportation and logistics.

No Tax Increase in FY 2020

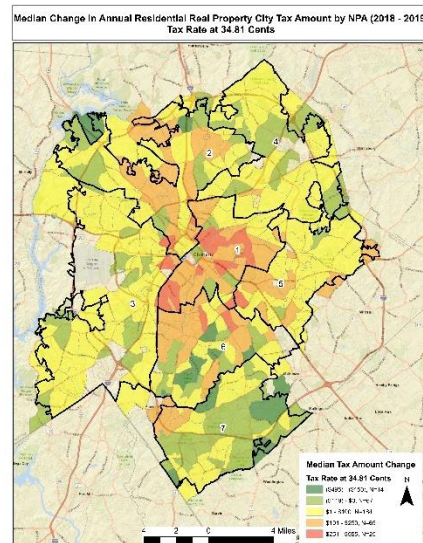
The Proposed FY 2020 Budget does not include a tax increase. It will include a proposed revenue-neutral rate of 34.81 cents. Adopting this revenue-neutral rate will give Charlotte the lowest city tax rate among the ten biggest cities in North Carolina and the lowest city tax rate in at least 50 years. At this revenue-

neutral rate, homes which experienced less than 40 percent will receive a lower city tax bill, and homes which experienced more than 40 percent growth will receive a higher city tax bill. All vehicle owners should receive a reduction in their city vehicle personal property tax bill as well.

Revaluation Impacts Some of our Most Challenged Neighborhoods

While the city does not collect any more revenue than a typical year, 69 percent of homeowners will still pay more in city taxes because of the increased value of their home. As part of evaluating the county's new property value data and developing the budget, we did an in-depth analysis to understand the revaluation's impacts on our residents. The analysis was shared with you during our Budget workshops and committee meetings.

The analysis revealed the greatest impacts occurred in neighborhoods where people are at a significant risk of displacement. One statistic that demonstrates some of the concerns resulting from the revaluation is that homes originally worth less than \$200,000 experienced an increase in value, on average, of 67 percent, while homes originally worth more than \$400,000 increased, on average, 34 percent. While I am proposing a \$750,000 investment in the Aging in Place Program to help some of our most vulnerable residents, there is no question there will be others who are also impacted.



Transportation and Planning

Planning for the Next Generation

Designing Charlotte's First Comprehensive Plan in 45 years

The Charlotte Future 2040 Comprehensive Plan is a plan that will guide how our city grows, how we invest in our city over the next 20 years, what projects the city approves, and will show where development can occur, and what neighborhoods will look like at the end of the next stage of the city's growth.



It is Charlotte's first Comprehensive Plan since the 1975 Comprehensive Plan was prepared. Once completed, it will be a living document that takes community input and ideas and turns them into the actions that guide our decision-making in both the near- and long-term.

This Plan relies on connections – with other plans, with budgets, and with what's going on in the day-to-day life of Charlotte. The Plan's major driving theme is equity. Equitable development means being fair about what's added in different parts of the city and why it's added.

We are well on our way to wrapping up our first phase of the project, which focused on collecting information and listening to the community to understand existing needs and future goals. We are beginning to look at different growth scenarios to determine the best option to make our city's vision become a reality. The FY 2020 Proposed Budget includes \$550,000 for the development of the Comprehensive Plan and the Knight Foundation for equitable community engagement.

Completing the 2014-2020 Capital Investment Plan

In FY 2014, City Council adopted the Big Ideas CIP, which included projects planned across the 2014, 2016, 2018, and 2020 bonds. The Proposed FY 2020 – 2024 CIP contains the final “Big Ideas” General Obligation bond referendum in November 2020 (FY 2021). The initial plan supported \$816.4 million which grew to \$1.0 billion in General Obligation Bonds (GOB) and Certificates of Participation (COPs).

This amount is proposed to increase by \$306.1 million to \$1.1 billion in FY 2021 to include additional money for existing and new projects funded with bond or cash sources.

Previous Steady State Debt Affordability

Last year, we determined a sustainable “Steady State” capital plan which included \$165.0 million in GOB and \$25.0 million in COPs. This was based on estimated future needs with a focus on providing stability in our capital planning. Establishing a steady state model allows us to avoid increasing taxes to support this CIP. By changing the model assumptions and no longer pulling all the debt capacity forward, we were able to reserve affordability for the future years without tax increases.

Redefining Capital Development and Putting the Pieces Together

This budget development cycle we looked at how the capital plan was developed. We established a multi-disciplinary team approach, with my office and the departments of Engineering and Property Management, Finance, Strategy and Budget, and our financial advisors collaborating to improve capital outcomes and efficiencies. We looked at the overall project management process, how capital projects were requested, and how project scopes were defined and costs estimated. We also examined our existing projects, our expenditure rates, and our debt model assumptions.



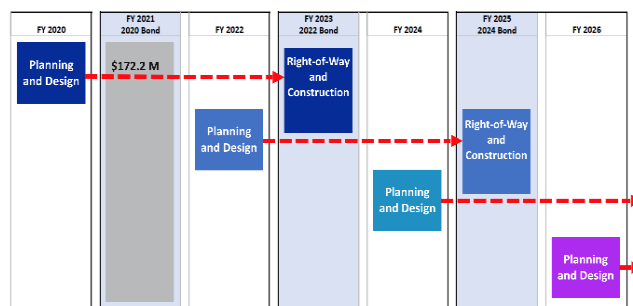
The conclusion of our analysis indicates we can increase the previous steady state amount of \$190.0 million (\$165 million GOB and \$25 million COPs) to \$223.0 million (\$190.0 million for

GOB and \$33.0 million for COPs). This means we can afford an additional \$25.0 million in GOB and \$8.0 million COPs for a total of \$33.0 million every bond cycle (every two years).

The culmination of this review also leads me to recommend we establish a Revolving Advanced Planning and Design Program. For this program, I recommend we dedicate \$20.0 million from the Debt Service Fund as a revolving account. This money will be used to plan and design projects, approved by you, to develop more accurate cost estimates. If the projects are deemed ready to go forward to the construction phase, this project will then be approved by you in a subsequent CIP for either

GOB or COPs funding. The total amount appropriated and voted on will be the full cost of the project. The planning and design amount included for a specific, approved project will be reimbursed when permanent financing is available. This advanced planning and design approach will create a “project pipeline” and a pool of potential projects for future funding. To begin planning projects, the Proposed FY 2020 CIP includes seven, high-priority projects:

Planning and Design Timeline



Transportation and Planning Priority Area:

- Cross Charlotte Trail Segments 10 and 11
- Ashley Road/Tuckaseegee Road/Freedom Drive Intersection
- Eastway Drive/Shamrock Drive Intersection
- Bryant Farms Road Extension
- Robinson Church Road

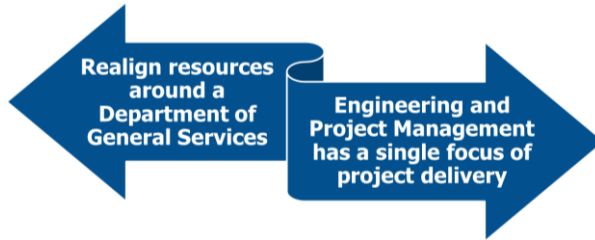
Neighborhood Development

- Construct and Renovate Fire Stations
- Complete Police Division Stations
- Upgrade Existing Animal Care and Control Facility

Over the next year, we will review and discuss high-priority projects that align with the new strategic priorities. Projects for consideration may be identified in master plans or City Council-adopted action plans, presented based on operational need, or proposed because of technical analysis like safety, congestion, or connectivity impacts. This process will be collaborative and will result in a Proposed FY 2021 CIP that we have built together. While we build the coming CIP together, I am also recommending an additional \$25.0 million for a total of \$50.0 million for Affordable Housing in FY 2021.

Implementing the Change

Through the review of our capital development process and financial models, it became evident that some departments' core functions may have broadened over time and may need to return to their original mission. For example, returning the city engineer function to the core mission of focusing on capital project management and delivery is essential to the future success of the city.



To ensure a higher level of attention is provided to the capital process, I am proposing the creation of the Department of General Services in FY 2020. This department will have several core functions under its purview. Services such as procurement, cemeteries, environmental solutions, real estate management, fleet, property maintenance, special events coordination, and engineering are included. The city engineer function remains a part of this department. Correspondingly, transferring procurement from the Department of Finance allows Finance to return its core mission of ensuring financial functions and internal controls are working effectively.

Across the nation, public service organizations have established successful Departments of General Services to focus on providing cost-effective solutions and services. These types of departments provide a variety of services. The creation of this type of department in the City of Charlotte will provide a level of administrative coordination between core functions of the organization that did not exist previously. To lead this department, I recommend the transfer of a vacant Special Assistant to the City Manager to create a new director position.

Preserving Our Capital Assets

For the first time in 12 years, we completed a Capital Needs Inventory (CNI). The CNI, which was a cross-department, collaborative effort, identified anticipated public infrastructure needs over the next 10 years (FY 2020 through FY 2029). Projects originated from many sources including master plans, studies, and City Council-adopted action plans. The CNI will be used as a long-term planning tool for future CIPs. The Proposed FY 2020 CIP directly reflects the CNI output, evidenced by the doubling of building



maintenance funding over the next five years. COPs are proposed to address needs such as roofs, mechanical systems, facility expansions, and capital renovations. Included with this are two major upgrades to the Charlotte-Mecklenburg Government Center: the replacement of two generators for \$2.2 million in FY 2020 and the installation of new heating, ventilation, and air conditioning (HVAC) equipment for a total of \$25.7 million over five years. The Proposed FY 2020 CIP also advances the repaving of a city-owned heavy equipment facility parking lot, and it plans for the implementation of the Americans with Disabilities Act (ADA) transition plan starting in FY 2021.

Scrubbing Our Accounts

This past year, we created a formalized project close-out process. While refinement is still needed in process, we began the review of active projects. As part of this process, departments were to provide a plan for each project, which included a remaining draw schedule, estimated completion date, and determination of whether the project still needed its full funding. Through this process, \$11.7 million in savings was captured and is now proposed for reappropriation to support other projects in the Proposed FY 2020-2024 CIP.

In addition, after detailed analysis it was determined that \$19.9 million in balances are available from the Pay-As-You-Go Fund for re-appropriation. I propose using the majority of these funds for the Cross Charlotte Trail.

Addressing High Priority Projects and Initiatives

Improving the city's bicycle infrastructure has long been a priority. Since 2000 the city has connected over 200 miles of bicycle network across the city. The Uptown Cycle Track is an important component of the city's bicycle network. This project provides connections to greenways and bike routes to provide greater north/south and east/west bicycle mobility. I am proposing an additional \$4.5 million in FY 2020 to complete the cycle track from the Little Sugar Creek Greenway to the Irwin Creek Greenway.

The analysis of each active project has also led to identifying additional costs. The potential of needing additional funds was discussed at our City Council Budget workshops. To fulfill the commitment to the community, these three projects need to be addressed, therefore, I have included funding for them in them in Proposed FY 2020-2024 CIP. These projects are:



- Cross Charlotte Trail: \$54.4 million to complete planned and designed segments
- Central Division Police Station: \$1.8 million to complete
- Infill Fire Station: \$3.4 million to complete a new 3-bay station (location still to be determined)

Funding Planned Segments of the Cross Charlotte Trail

The City of Charlotte is partnering with Mecklenburg County to create a multi-use trail that will stretch from the City of Pineville through Center City, on to the UNC Charlotte campus, and to the Cabarrus County line. Once completed, the trail will be approximately 30 miles in length and will allow residents to travel seamlessly from one end of Charlotte to the other. Approximately 140,000 residents and 130,000 jobs will be located within walking distance of the proposed trail and the adjacent connecting greenways. This project was initially approved by City Council in FY 2014 as part of the Big Ideas for \$35.0 million and then an



CROSS CHARLOTTE TRAIL

Segment	Phase
1	Planned/Designed
2	Planned/Designed
3	Planned/Designed
4	Complete
5	Planned/Designed
6	Planned/Designed
7	Planned/Designed
8	Planned/Designed
9	Planned/Designed
10	Not Planned
11	Not Planned

additional \$3.0 million added for the South Charlotte Connector in FY 2016 bringing the total cost of the trail to \$38.0 million.

In February, we came to Council with an identified need of an additional \$54.4 million to complete the planned and designed segments of the Cross Charlotte Trail. In total, there are 11 segments of the Cross Charlotte Trail, one is complete, eight are in planning or design, and the remaining two have not been planned or designed. The cost estimate for the eight segments in planning and design is \$54.4 million. This amount is in addition to the \$38 million previously authorized. The following sources of funds are recommended to address the additional \$54.4 million need:

- \$11.7 million in savings identified in other projects
- \$13.5 million in Pay-Go
- \$14.0 million in savings from debt refinancing
- \$15.2 million cash-in-lieu-of debt
- Sections 10 and 11 recommended for planning in the Advanced Planning and Design Program

The Year Ahead

Every day, Team Charlotte provides exceptional service to our residents—this past year, we had some days where that was put to the test. We worked together as one to demonstrate commitment and caring for our community through tropical storms Florence and Michael. The collaboration across and within the team during preparation, response, and recovery was extraordinary. We again demonstrated hard work, enthusiasm, and commitment when we hosted the NBA All-Star game. I am proud that this year's proposed budget delivers on the promise in last year's transmittal letter to undertake a comprehensive compensation review and recognize our team's extraordinary level of service.





Last year's transmittal letter committed to delivering a well-managed government, including developing a new economic development strategy and refining project management and delivery of capital projects, both of which were accomplished during FY 2019. It also committed to reviewing and refining internal service departments such as Finance and Innovation and Technology. In FY 2020, we will continue to evaluate and refine the services provided by the city's internal service departments.

During FY 2020, we will also tackle new opportunities to improve our organization and ensure efficient, effective service delivery for our residents. We will:

- Develop the next five-year capital investment plan with City Council
- Examine the core mission and functions of operational departments, and
- Review the city's storm water services, including project categorization, identifying efficiency savings, creating synergy with other utility programs like Charlotte Water, and exploring the potential of having a standalone Storm Water department.

I look forward to all we will accomplish as a community in the coming year.

Sincerely,

Marcus D. Jones

City Manager