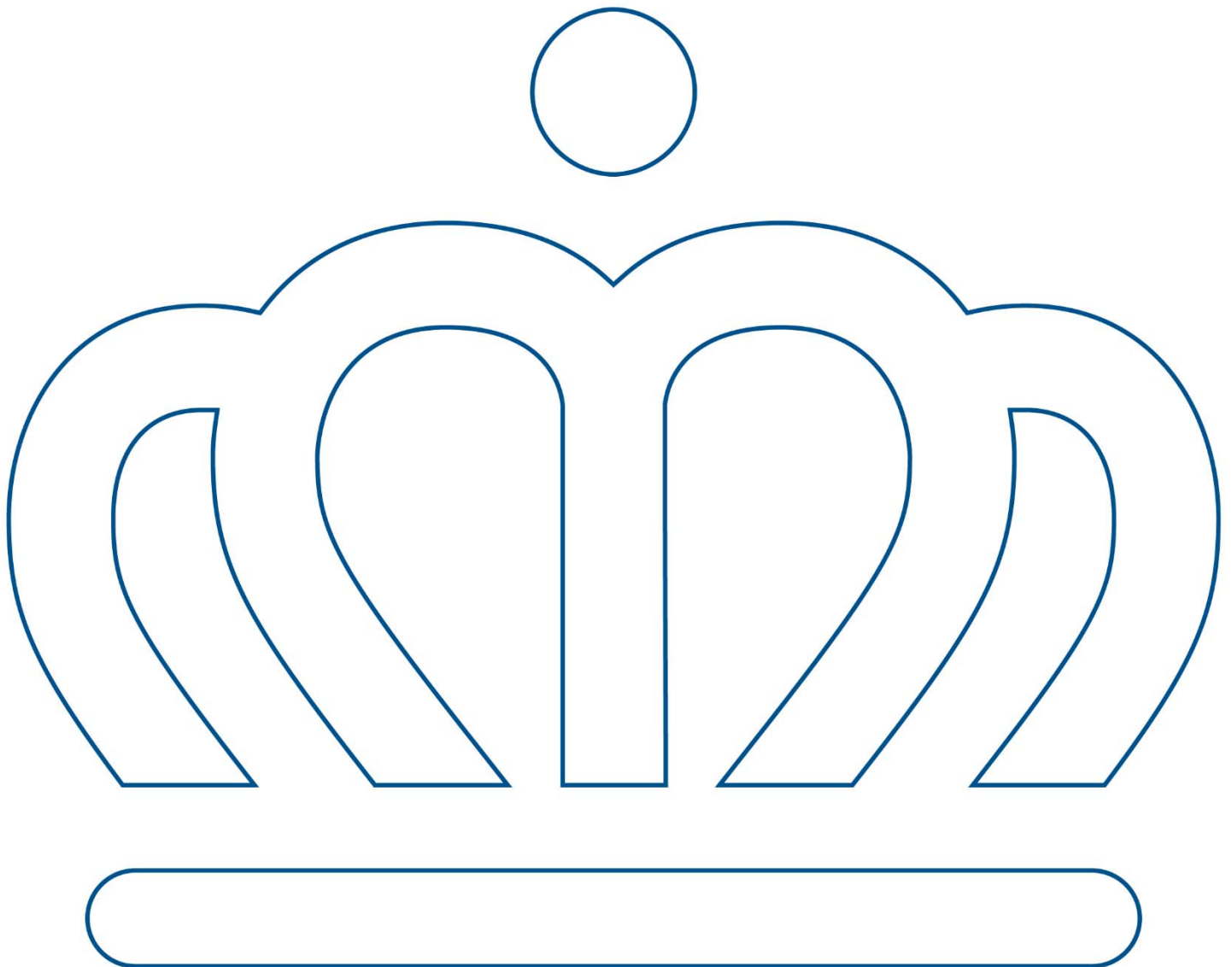


CITY MANAGER'S MESSAGE





This page intentionally left blank.



May 4, 2020

Honorable Mayor and City Council
City of Charlotte, North Carolina

I respectfully submit to you the Proposed Fiscal Year (FY) 2021 Budget and FY 2021 – 2025 Capital Investment Plan (CIP) for the City of Charlotte. The Proposed Budget is comprised of the General Fund, Enterprise Funds, Capital Funds, Internal Service Funds, and Special Revenue Funds for a total of \$2.55 billion (net of transfers). The extraordinary work adapting to unprecedented circumstances over the last few months has resulted in a strong budget that rewards the hard work of all City of Charlotte employees and strives to best meet the needs of the community.

Over the past four years, we have been working on building a resilient, adaptable, and well-managed government. We have focused on maintaining strong reserves, being structurally balanced, having a long-term strategy for infrastructure, and protecting core services from volatile revenue. Aligned with this focus is a disciplined strategy of investing in the priorities set forth by you, our elected officials. This approach has resulted in a AAA credit rating and recently being named by Moody's as being one of just six of the largest 25 cities in the US in a strong position to weather another recession.

By continuing to follow our long-term strategies and being disciplined in our process, we have been able to create a Proposed FY 2021 Budget with the ability to sustain through the current economic shock, maintain our capital program, avoid deferring costs that will only increase later, and continue to invest in our community priorities. A summary of the proposed budget to meet this challenge of maintaining our financial resilience is outlined in the following table:

Proposed FY 2021 Budget (Net of Transfers)	
General Fund	\$718,809,225
Transfer to Other Funds	\$-56,740,993
Sub-Total General Fund	\$662,068,232
Aviation	\$467,912,126
Charlotte Area Transit System (CATS)	\$192,927,081
Charlotte Water	\$504,378,767
Storm Water	\$71,799,658
Sub-Total Nongeneral Funds	\$1,237,017,632
General Capital Investment Plan	\$258,890,245
General Capital Debt Service	\$73,947,075
Pay-As-You-Go Funds	\$642,133
Sub-Total Capital Investments	\$333,479,453
Debt Service - Nongeneral Funds	\$159,505,621
Special Revenue and Internal Service Funds	\$158,109,927
Total All Funds	\$2,550,180,867

Important factors to our successes in Fiscal Year 2021 will also include the continuation of heightened collaboration and efficiency efforts across the city as we navigate the COVID-19 crisis. We are becoming a more collaborative and, responsive organization focused on providing the highest quality services possible in a cost effective and accountable manner.

The Proposed FY 2021 General Fund Budget is \$718.8 million, a 1.22 percent or \$8.8 million decrease from last year. The total budget is \$2.55 billion and supports initiatives that will continue to deliver exceptional services to our community.

Highlights of the Budget Include:

- No property tax increase
- No reduction in core services
- No capital project delays due to financial impacts
- No use of one-time revenues such as operating reserves
- No layoffs or furloughs
- Restructures government by eliminating 26 vacant positions from the General Fund without impacting core services
- Keeps employee healthcare premiums flat in FY 2021
- Provides a 1.5 percent market adjustment and 1.5 percent merit pool for hourly employees
- Provides a three percent merit pool for salaried general employees
- Provides a 1.5 percent market adjustment and step (2.5-5 percent) increase for Public Safety Pay Plan employees
- Enhances public safety employee compensation beyond a typical salary increase
 - Increases the top pay for all Police Officers and Police Sergeants by 5 percent
 - Increases the top pay for Firefighter II by 2.5 percent, Fire Engineer by five percent, and Fire Captain by 3.75 percent
 - Fulfills the Charlotte Firefighter's Retirement System's request for \$1 million in additional funding
- Continues offering CATS All-access Transit pass to employees
- Invests \$50 million in Affordable Housing, completing a \$100 million investment over two bond cycles
- Invests \$24.5 million in the city's designated Opportunity Corridors
- Invests \$14.3 million in congestion mitigation in Steele Creek, University City, and South Charlotte
- Spends \$2 million on city building sustainability, \$1 million on electric vehicle infrastructure, and adds 20 fully electric vehicles to the city's fleet
- Maintains level funding for all of the city's existing financial partners

Building on our Foundation and Preparing for the Future

The City of Charlotte has a solid history of maintaining a strong financial organization. During my tenure here, I've worked with City Council to advance strategies to promote financial resilience, adaptability, and well-managed government. Being financially resilient includes making projections and decisions that are both forward-thinking and financially conservative. It means maintaining strong financial reserves and

avoiding the use of those reserves on anything other than core services. It involves protecting those same core services from volatile revenue sources. And, it means thinking long-term with our Capital Investment Plan to ensure that we maintain capacity to achieve our infrastructure goals, not just now, but into the future.

Financial Resilience in Action

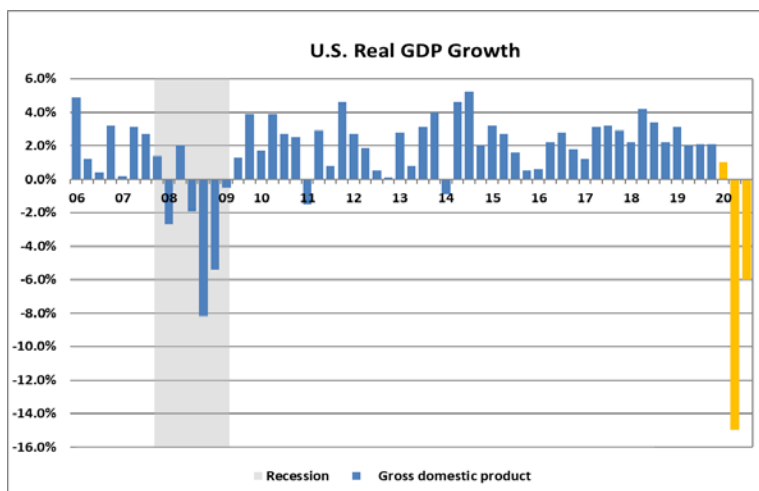
During a crisis is when our financial resilience is tested. During a crisis, a financially resilient organization is able to avoid reductions to its core services. It's able to maintain its capital program and avoid deferring costs that will only increase later. Most importantly, a financially resilient organization absorbs the financial shock and continues moving forward on its priorities. This is the organization that we have established here in the City of Charlotte.

Our Resilience Challenged

National Economy

In March 2020 the \$21 trillion U.S. economy, which had experienced the longest economic expansion since the 2007-2009 recession, began drastically reversing financial gains due to the COVID-19 pandemic. In a nationwide effort to reduce the spread of the virus schools, restaurants, hotels, gyms, and other non-essential businesses temporarily shut down. These efforts to control the spread of the virus in cities across the nation led to significant reductions in business activity.

Chart 1



Source: Department of Commerce and Wells Fargo Securities

The most recent release of real Gross Domestic Product (GDP) data for the first quarter of 2020 from the U.S. Department of Commerce shows a GDP decline of 4.8 percent at an annualized rate. Chart 1 shows the economic growth rate by quarter in the U.S. since 2006. Many economists are forecasting a decline in real GDP in the second quarter of 2020 but expect the economy to bounce back in the fourth quarter of 2020 with a projected growth of about four percent if the COVID-19 outbreak recedes.

In January 2020, the U.S. unemployment rate was at 3.6 percent; by March 2020 the rate stood at 4.4 percent. According to a U.S. Department of Labor report 3.8 million Americans applied for unemployment benefits in the week ending April 25, 2020, bringing the total number of Americans who have filed initial jobless claims to around 30 million since March 14, 2020 wiping out a decade of job gains. This marks the largest and most dramatic increase in unemployment claims on record since the Department of Labor started tracking the data in 1967. With such high and rapid loss of employment, the unemployment rate

is projected to reach 18 percent in May 2020 and it may take years for the unemployment rate to return to pre-pandemic levels.

Chart 2



Source: Department of Commerce

The housing market has also been impacted. New home construction activity fell by 22.3 percent in March 2020, the worst monthly decline since the mid-1980s. Economic uncertainty will cause a slowdown in housing construction investments. According to the Mortgage Bankers Association of America, mortgage applications in the United States dropped 29.4 percent in the week ending March 20. To reduce and/or mitigate the impacts of the

COVID-19 outbreak and to keep the economy afloat, the Federal Reserve cut interest rates to encourage home-buying and investment spending.

Consumer expenditures make up about 70 percent of the U.S. economy. With protective health measures put in place by governments across the country, many economic activities have almost come to a halt. Spending on leisure and hospitality such as air travel, hotels, and restaurants have experienced significant declines. For example, U.S. retail sales dropped 8.7 percent in March 2020, the worst decline on record since 1992.

Regional Economy

Before the COVID-19 pandemic, the Charlotte regional economy was growing at an exceptional pace. As measured by GDP, the regional economy grew at an average annual rate of about 3.2 percent between 2011 and 2018. The region's economy, which is the largest in the Carolinas, ranks 23rd in the U.S. and accounts for about 21 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. Charlotte's economy has seen positive gains in employment, population, tax base, revenues, and overall strength and size of its economy. Between February 2019 and February 2020, the number of people employed in the city and county increased by about 2.8 percent, and unemployment was at a record low of 3.5 percent. The Charlotte Regional Business Alliance in its 2019 year-end growth report showed the region added nearly 11,000 net new jobs with an estimated capital investment of approximately \$1.4 billion in target industries such as technology, transportation and logistics, finance and insurance, and advanced manufacturing. There were a total of 92 large project announcements in 2019.

During the spring of 2020, the city and region experienced major disruption in economic activity and the full extent and duration of this economic uncertainty is not yet known. An analysis of industries at highest risk of COVID-19 shows that 20 percent of Mecklenburg County's workforce belong to industries that are significantly affected by the pandemic; at the state level, that percentage is about 17 percent and at the national level about 16 percent. Data also shows that Mecklenburg County has a large share of workers in the Transportation industry driven primarily by the air transportation subsector (i.e., Charlotte Douglas International Airport) compared to the state and national average. The Charlotte region is also experiencing the hard impacts happening to other industries including the employment services sector, which includes businesses that provide a variety of human resources services to other businesses such as temporary workers, recruitment services, and other human resources services.

Local Economic Impact

As of April 2020, there was a \$21.8 million gap between projected revenue and expenditures for FY 2021. Data from the County Tax Assessor's Office establishes a total property tax valuation at \$146.5 billion in FY 2021, about \$3.8 billion greater than the FY 2020 Budget of \$142.7 billion, a growth rate of about 2.7 percent. The city's property tax revenue which is about 54 percent of all General Fund revenue is much less affected by the fluctuating market, resulting in a stable and steady revenue source. The city's second largest revenue source – sales tax revenue – is projected to fall by 8.5 percent next year due to the decline in economic activity. Sales tax revenue makes up about 12.9 percent of all General Fund revenues and is susceptible to economic shocks. The city's property tax revenue which makes up about 55.7 percent of the General Fund revenue is much less affected by the fluctuating market, resulting in a stable and steady revenue source. The remaining 31.4 percent of revenues that make up the General Fund are also vulnerable to economic variability, such as licenses, permits, and fees.

CARES Act of 2020

To help offset the financial impacts of the pandemic, federal funding through the CARES Act will provide assistance to the City of Charlotte for expenses incurred from COVID-19 that began in March through December of 2020. Although these funds cannot replace reduced revenue and may only be used for COVID-19 related expenses, they do provide important financing to help defray the cost on tax payers of adjusting to how the city will need to operate in the future.

Along with general expenses and assistance for Charlotte Douglas International Airport (CLT) and Charlotte Area Transit System (CATS), the city also received additional Community Development Block Grant (CDBG) and Emergency Solutions Grant (ESG) allocations. The federal support along with adherence to our established budget principles will help alleviate current and future impacts of COVID-19 and allow the city to maintain fiscal balance through the upcoming fiscal year.

Budget Development

Identifying clear FY 2021 budget principles helped mitigate the challenges of FY 2020 and FY 2021 impacts. Actions implemented in FY 2020 to mitigate the economic impacts of the COVID-19 pandemic included a citywide non-essential hiring freeze, consolidation of duties, controlled discretionary spending, and planned utilization of federal relief funds wherever possible.

Foundational Budget Principles

Foundational FY 2021 budget principles were established to carryforward our mitigating efforts:

- Assessing and addressing the budget gap
- Remaining structurally balanced
- Providing core services, and
- Protecting existing employees

These principles have driven the development of the proposed budget that addresses a \$21.8 million gap between the projected expenditures and revenues for FY 2021, primarily due to COVID-19.

Assessing the Gap: Financial Challenges of COVID-19

The largest revenue impacts to the city from COVID-19 are enterprise fund service fees (Aviation and CATS), food and beverage taxes, and hotel taxes. Although none of the most impacted revenues involve the General Fund, diminished revenues from sales taxes and investment income do create a sizable budget challenge. In January 2020, we were projecting to have revenue growth of \$17.5 million for FY 2021 over FY 2020 revenues. Current projections are closer to only \$1.5 million in revenue growth, based on assumptions that the economy will begin to recover in late 2020. As of the Budget Outlook provided to City Council on April 13, we were projecting a \$21.8 million-dollar gap between projected revenue and expenditures for FY 2021.

Addressing the Budget Challenge

To address the budget gap with a tax increase would have equated to a 1.5 cent tax increase. Instead we focused on department expenditure adjustments and reductions. We challenged our Department Directors to think innovatively and consolidate duties in a way that would result in minimal service impacts. Finally, we identified strategies to use the city's resources in all funds to protect the General Fund from service level reductions.

Managing Growth Costs Internally



The first challenge to solving the budget gap is to limit the growth in expenditures. Departments were tasked with coming up with internal solutions to all growth-related cost increases. I applaud the ingenuity and creativity that Department Directors and their staff demonstrated. These measures include the development of FY 2021 budget actions to eliminate 26 vacant positions, managing programs within current resources, and performing continuous reviews of citywide expenditures and service impacts.

Throughout the next fiscal year any remaining vacant positions will be funded at a reduced level in anticipation of a slow hiring process. Reductions to discretionary spending within departments, such as supplies, training, and travel allocations will also occur. Avoided costs will produce savings throughout the fiscal year. These measures will be assessed by continuous review of citywide expenditures throughout Fiscal Year 2021.

Realigning department budgets to reflect the greatest needs helped to reduce service impacts and created opportunities for collaboration. Departments reevaluated personnel and operating budgets, reduced expenditures, eliminated vacant positions where possible, and reorganized duties and responsibilities to meet the needs of the community and city services while avoiding layoffs. Department actions resulted in \$8.5 million in savings toward balancing the Proposed FY 2021 Budget.

Prioritizing Core Services with Existing Resources

In addition to examining our expenditures to avoid service level reductions or a tax increase, we also reexamined our revenues. The Proposed FY 2021 Budget shifts \$6.8 million in revenue resources to the General Fund. In FY 2021 the methodology of sales tax revenue distribution among the city's funds was simplified. Previously, \$117 million in sales tax revenue was appropriated in the General Fund, and then an amount was transferred to the Pay-As-You-Go (PAYGO) Fund. The amount transferred from the General Fund to the PAYGO fund was equal to the same amount of sales tax that the Municipal Debt Service Fund received from a different sales tax article. The Proposed FY 2021 Budget includes a simplified distribution where the PAYGO Fund will now directly receive $\frac{1}{4}$ of a penny of sales tax. This accounting change eliminates an unnecessary budget transfer, simplifies the distribution, making it easier to explain to our residents how sales tax dollars are used in our capital program, and results in an additional \$5.1 million in resources for the General Fund, helping reduce the COVID-19 related budget challenge.

Similarly, \$1.7 million of revenue from the Alcohol Beverage Commission (ABC) was appropriated in the Municipal Debt Service Fund in FY 2020. This was equal to 25 percent of the anticipated profit sharing that the city receives from the State of North Carolina. In the Proposed FY 2021 Budget, these funds will be received in the General Fund instead. This action aligns Charlotte with the five other biggest cities in North Carolina, where all but one use ABC revenue to support General Fund operations such as Police. This accounting adjustment does not impact any current projects in the FY 2021 Capital Investment Plan.

Moving and Expanding Street Resurfacing

To further address the budget challenge, the Proposed FY 2021 Budget recommends moving costs from the current \$4.26 million street resurfacing supplement from the General Fund to the PAYGO Fund and Capital Investment Plan. This action both moves and expands the program and will allow for an additional \$1 million per year to be invested in street resurfacing while providing resources to recommend a structurally balanced budget.

Recovering Solid Waste Operational Increases

Finally, the growth of the city has increased stress on Solid Waste operations over the past several years. To account for this growth, the Proposed FY 2021 Budget includes an 80 cents/month, or \$9.60/year, Solid Waste fee increase. This increase is only enough to cover the operating cost increases in the Solid Waste Department. The increase does not cover the \$1 million additional investment in Solid Waste vehicles (over last year) that the city is making and will absorb within existing resources. This action provides \$3.5 million in additional revenue and prevents service level reductions.

Remaining Structurally Balanced

The strategies used to address our budget gap allow us to remain balanced while protecting our core services without the use of one-time revenues such as operating reserves. This means our budget is not only balanced for FY 2021 but sets a foundation for maintaining our structural balance and financial sustainability into future fiscal years.

Solving the Budget Challenge

Budget Gap Due to COVID-19	(\$21.8 Million)
Department Adjustments and Actions	\$8.5 Million
Shifting Revenue to the General Fund to Protect Operations	\$6.8 Million
Move Street Supplement from General Fund to PAYGO	\$4.3 Million
Additional Revenue	\$3.5 Million
Remaining Resources after Strategies	+\$1.3 Million
Available for additional investments	\$1.3 Million

Continuing Provision of Core Services

The balancing measures that we are proposing to implement are designed to have minimal impact on our core services. While some services such as Solid Wastes Service yard waste pick-up will be scaled back in frequency, we will continue to ramp up service delivery as conditions allow. The reductions that are proposed to be implemented can be reevaluated as the financial environment recovers.

The impacts of COVID-19 are wide ranging and have touched every community in our city. Though we anticipate a slow recovery, we believe that Charlotte's proven resilience will lead us successfully through the challenges of Fiscal Year 2021 while continuing to provide the essential city services that our community relies on.

Charlotte will be able to persevere through this crisis due to the neighborhood and diligence of our employees. Highlights of these efforts include:

- The men and women of the Charlotte-Mecklenburg Police Department and Charlotte Fire Department continuing to protect the safety of our city;
- Charlotte Area Transit System employees transitioning buses and light rail trains to modified operation schedules while offering free fare for all customers;



- Charlotte Water employees continuing to serve over 1 million customers with safe drinking water and maintaining over 4,300 miles of water pipes;
- Employees in Solid Waste services continuing to keep the city clean through collection of garbage and recycling services; and
- Employees from across city departments serving shifts in the Emergency Operations Center.

Throughout the crisis, city staff has partnered with Mecklenburg County, our external partners, and the community to keep our city running. With consideration of the economic circumstances and the health and safety of our employees and the public, we will use a deliberate and methodical approach to returning our level of services back to where it was pre-pandemic.

Continuing to Connect People

While the COVID-19 crisis has hit Aviation and CATS exceptionally hard, the foundational work we have done over the prior fiscal years, along with receiving federal CARES Act funds and altering service levels to match demands is allowing us to continue core transportation services. These provisions have also allowed us to protect our employees from layoffs, to maintain a capital program, and to keep moving forward on the priorities you have set.

Protecting and Investing in Our Employees

During this unprecedented public health crisis, City of Charlotte employees pulled together to ensure Charlotte was able to continue to deliver core services to the public. Employees quickly transitioned into new work settings, many teleworking, working alternative hours, and with new or additional roles and responsibilities.

Protecting existing employees is one of the most valuable and impactful ways we can invest in our community. To ensure this, we have put measures in place to protect funding for existing staff. The dedicated staff who have helped us through this health crisis will continue to provide the core services needed for our city. Due to the balancing measures taken, we are able to provide a proposed budget that does not include any layoffs.

General Employee Compensation

Prioritizing funding for a traditional salary increase carries forward our strategy to build an organization that puts employees first. When an organization experiences a sudden reduction in revenue, employee compensation is often one of the first items that is assessed. However, one of our principles of this year's budget development was protecting our current employees. With that in mind, the Proposed FY 2021 Budget includes no layoffs and a three percent merit pool for salaried employees. This will include a 1.5 percent market increase and 1.5 percent merit pool for hourly employees. Continuing the city's compensation strategy despite revenue impacts allows for the continuing of the city's strategy of attracting and retaining top talent for public service careers.

Healthcare and Benefits

The calendar year 2021 benefits program will not include any medical premium increases for employees. Additionally, no plan design changes will occur that are unfavorable to employees. This will mark the third straight year that premiums will remain unchanged. The success that the MyClinic Program has had with keeping cost increases well below the national trend has helped the City of Charlotte substantially enhance the value of benefits offered to employees over the past three years.

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 2021, this program is proposed to be continued.

Prioritizing Our First Responders

Over the last few years I have worked collaboratively with a group of First Responders called the Public Safety Pay Committee on addressing the limitations in their unique pay plan. This led to an expanded benchmarking process in FY 2019 that showed that the top pay for the majority of our First Responder jobs was behind other cities similar to Charlotte throughout the country. Although we began to address these concerns in FY 2018 and FY 2019, FY 2020 was the first year of a multi-year plan to specifically address top pay. Despite financial constraints, we have prioritized this initiative and the Proposed FY 2021 Budget includes the second year of the plan as designed.

Changes to Fire Compensation

Between FY 2010 and FY 2017 there were no increases to top pay for Fire Engineers and Fire Captains beyond a one to two percent annual market adjustment. Similarly, veteran Firefighter II employees were only adjusted once in that same time period. Beginning in FY 2018, we began to address this issue. From FY 2018 to FY 2020, the top pay for Firefighter Captain and Fire Engineer was increased by 7.5 percent. Similarly, the top pay for Firefighter II was increased by five percent. These actions were in addition to the typical market increase and step increase.

The Proposed FY 2021 Budget continues the momentum for our veteran firefighters. Aside from a typical 1.5 percent market adjustment and step (2.5-five percent) increase, the budget also continues to address top pay. A 2.5 percent step will be added to the top of the Firefighter II pay scale and two 2.5 percent

steps will be added to the top of the Fire Engineer pay scale. Both of these actions will occur in November 2020. At this time, Fire Engineers that are at the top of their pay scale will advance through each of the two new steps. Additionally, a total of eight steps in the pay scales for Firefighter II and Fire Engineer will be consolidated into four to allow Firefighters to reach the top of the pay range and the top of their profession sooner.

Veteran Fire Captains will also see an increase in the Proposed FY 2021 Budget. Fire Captain steps will be increased an additional 3.75 percent in November. Additionally, Fire Captain steps one and two will be consolidated. This action will allow for veteran Fire Captains to earn as much as \$96,141 annually by November of 2020.

During an economic downturn, pension systems frequently come into focus. Since arriving here, my staff has been working closely with the Charlotte Firefighters' Retirement System on a long-term funding strategy to improve its funded status. While its current status of 81 percent is above average nationally, it will likely see a reduction in funding due to COVID-19 related volatility. The Proposed FY 2021 Budget recommends permanently increasing the city's contribution from 12.65 cents on every dollar of Firefighter salary to 14 cents. This increase costs an extra \$1.1 million in FY 2021 and is likely only the first in a series of several increases to provide for a secure retirement for our firefighters.

Changes to Police Compensation

From FY 2010 through FY 2018, there were no increases to maximum pay for Police Officers beyond the typical one to two percent increase. This was identified as a key concern prior to FY 2019 while we attempted to improve attraction and retention. In FY 2019, we began to take positive steps by increasing the top pay of Police Officers by an extra 2.5 percent and by awarding Police Officers two salary increases that year rather than one.

In FY 2020 we created a new two-year plan to increase the pay of veteran Police Officers and Police Sergeants and began by both increasing veteran pay by five percent and by shortening the amount of time it takes to get there. The Proposed FY 2021 Budget builds off the momentum from the FY 2020 budget and completes the two-year plan to enhance veteran pay. Both eligible Police Officers and Sergeants will receive an additional five percent beyond their 1.5 percent market adjustment in December.

Veteran Police Officers with a four-year degree earned a maximum of \$72,580 in FY 2018. By prioritizing them over the past three budget cycles, Police Officers will now be eligible to earn \$86,086 by December. This represents a 19 percent increase over a three-year period. These actions appear to have improved attraction and retention as well. In calendar year 2019, voluntary resignations were down 25 percent and new Police Recruit applications were up 24 percent from the prior year. We're hopeful that our commitment to our First Responders will make clear that Charlotte is a great place to dedicate your career to such an important public service.

Enhancements for FY 2021

Investing in Emergency Management and Fire Safety

Although very few General Fund enhancements are recommended in FY 2021, we are committed to adding additional resources to assist with emergency management planning. In FY 2021, the city will continue to cover the cost of one Emergency Management Planner that was previously funded by a grant, plus it will add more emergency management positions. These positions will increase the capacity of our stellar Emergency Management Division to manage through the current pandemic and help proactively plan the city's response for the emergencies we will face in the future.

The city will also participate in a federal grant to add three fire safety officers to the City of Charlotte. The grant will pay for 75 percent of the cost of three Firefighters to allow for three existing Firefighters to become safety officers. This program will help the Fire Department achieve its goals and priorities at a reduced cost to the city.

Leveraging Partnerships for Safer Communities

The year 2019 was a challenging and unfortunate year for our community with unprecedented violence. As part of our vision to make Charlotte a safer, more equitable, and more inclusive city it was important to address these issues head on. The City of Charlotte organized a team of city staff, leveraged partnerships across the city, and worked alongside nationally renowned partners like Bloomberg Philanthropies and the Johns Hopkins University Center for Government Excellence to address the causes of violence.

Led by the Charlotte-Mecklenburg Police Department and the City's Data Analytics Team within the Department of Innovation and Technology, a plan to develop and approve a framework to address violence was presented to Council in January 2020. Our dedicated efforts to develop our neighborhoods into safer communities will continue in Fiscal Year 2021 as we work towards pilot programs, policy development, and community outreach.

Making Sustainable Investments

This year was Year 1 for implementing the Strategic Energy Action Plan, a year for planning and preparation to become a sustainable, resilient, low-carbon Charlotte. It was also Year 1 of our two-year American Cities Climate Challenge (ACCC) partnership, which has accelerated our work towards our goals of striving to source 100 percent of our organization's building and fleet energy from zero carbon sources and becoming a low carbon city by 2050. We are proud that we were able to accomplish so much, while also laying the groundwork for the future.

This year we developed our internal SEAP Operations Team with representatives from across the city's departments committing to collaborate and guide our work. In the community, we focused on engagement, speaking with over 1,300 members of the public about our goals and holding focused meetings with stakeholder groups in the areas of transportation, workforce development and equity, and buildings and energy generation. Through this process, these dedicated stakeholder groups have

developed initiatives of their own through this process to address climate change in the Charlotte community, including developing a goal of hosting a Green Faith Summit.

Beyond structure, we charted a path towards the goals for our city's fleet by developing our Sustainable Fleet Policy and our Automatic Vehicle Locator Policy. These fleet policies will guide our purchasing decisions and support data collection so we can immediately reduce emissions while transitioning to a sustainable fleet. We also made an investment of \$300,000 in equitable workforce development, to support the growing green economy sector.

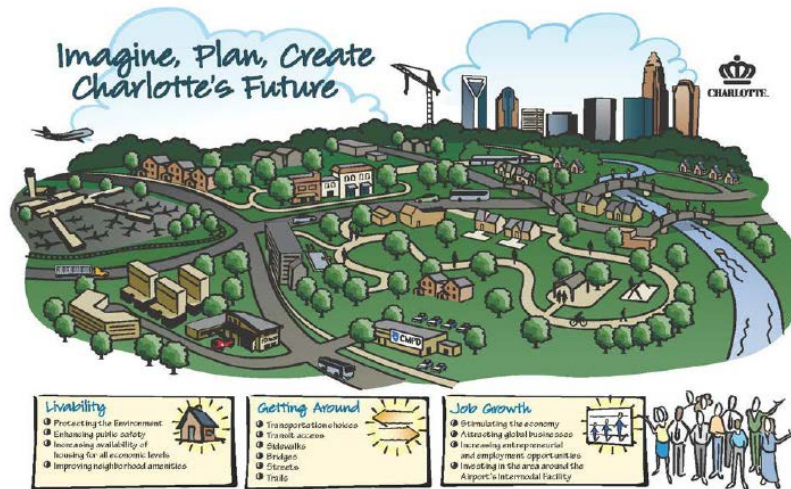
We demonstrated bold leadership as the only local government in the state of North Carolina to participate in the Duke Energy Green Source Advantage Program. Through the program, Charlotte will implement a 35-megawatt, utility-scale solar energy project by partnering with a North Carolina-based solar energy company to build a solar farm in our region. The solar energy project will offset approximately 25 percent of carbon emissions from city-owned buildings over the next 20 years, produce enough electricity to equate to powering 10,000 homes annually, and reduce carbon emissions equivalent to removing 12,000 passenger vehicles from the road.



This upcoming year, we will turn our attention to a strategic investment of \$3 million in sustainable infrastructure for onsite solar on our city buildings and electric vehicle infrastructure to continue to support our investment in sustainable fleet. Through solar panel installations at city facilities, we will generate 1 megawatt of energy, which will yield air quality benefits, create workforce development opportunities, and generate projected energy savings of over \$2.0 million over the 25-year life of the systems. In addition, on-site solar is a great visual tool for our workforce and public to see renewable energy right here in our community. We will be adding more than 20 charging ports for electric vehicle charging across facilities. These charging stations will fuel our existing electric fleet, 20 new electric vehicles this fiscal year, and our future electric vehicles. By adding additional electric vehicles to the city's fleet, we look forward to demonstrating

our leadership in this community every day on the road, to saving money on gasoline, and to taking a step towards reducing approximately 117,300 pounds of carbon emissions annually by replacing gasoline powered vehicles with hybrid vehicles.

Completing The Big Ideas – Community Investment Plan



The 2020 Bond Referendum is the final bond of the four-bond series often referred to as “The Big Ideas”. The Big Ideas Community Investment Plan was originally adopted in FY 2014, with bonds planned over eight years in 2014, 2016, 2018, and 2020. The Big Ideas was designed to bring a new approach to capital project planning by taking a comprehensive, holistic view of neighborhood and community

needs and priorities. This approach focused on projects that could help achieve goals of creating jobs and growing the tax base, leveraging public and private investments, enhancing public safety, increasing transportation choices and mobility, ensuring housing diversity, and providing integrated neighborhood improvements.

In FY 2014, City Council approved a 3.17¢ property tax increase to fund the four Big Ideas bonds. Including the Proposed 2020 Bond, The Big Ideas bonds total \$784,716,000 of infrastructure improvements throughout Charlotte. Some of The Big Ideas highlights include:

- \$135,000,000 to construct 36 projects in six Comprehensive Neighborhood Improvement Program (CNIP) areas: Central/Albemarle/Shamrock, Prosperity Village, SouthPark, Sunset/Beatties Ford, West Trade/Rozzelles Ferry, and Whitehall/Ayrsley,
- \$130,000,000 to support the preservation and creation of affordable housing (\$70,000,000 more than originally planned),
- \$127,724,000 to support an enhanced street network and improved traffic flow through projects such as Phase I of Bryant Farms Road, the North and South Bridges over I-85 in University City, and program such as the bridge program,
- \$99,600,000 to provide safe pedestrian and bicyclist connections to the LYNX Blue Line Extension through the Northeast Corridor Infrastructure (NECI) program,
- \$87,000,000 to ensure pedestrian and bicyclists safety through the sidewalk program, Vision Zero projects, and the bicycle program; and
- \$73,680,000 to support economic development in developing and redeveloping areas of the city such as the Eastland corridor and Dixie Berryhill area.

As The Big Ideas come to a close with the FY 2021 Budget and 2020 Bond Referendum, the five-year FY 2021 – 2025 Capital Investment Plan (CIP) includes two new bond years: 2022 and 2024. These bond years have been purposely held blank in anticipation of the completion of the 2040 Comprehensive Plan. Once complete, the Comprehensive Plan, along with project planning and design work from the Advanced

Planning and Design Program, will inform the development of a five-year CIP that best supports the next 20 years of growth and development in Charlotte.

The 2020 Bond Referendum

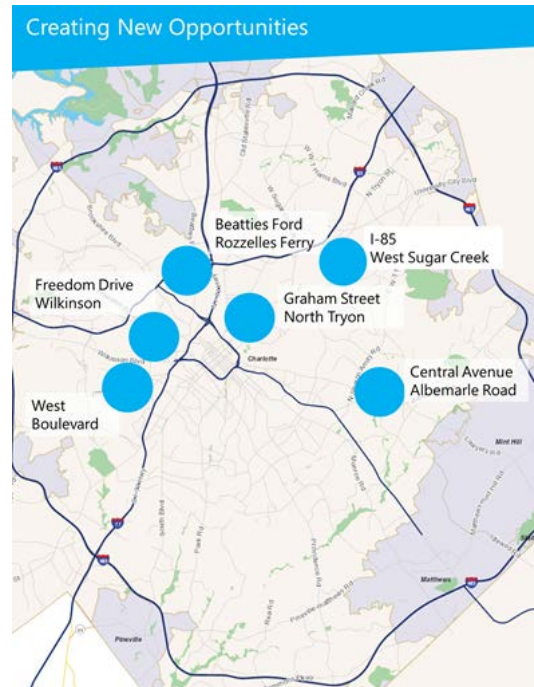
The Proposed 2020 General Obligation (GO) Bond, which will occur during FY 2021 in November 2020, totals \$197,232,000, and has three components:

- **\$44,500,000 for neighborhood improvements**
 - \$30,000,000 dedicated to completing projects in five Comprehensive Neighborhood Improvement Program (CNIP) areas
 - \$14,500,000 for infrastructure investments in six Opportunity Corridors
- **\$50,000,000 for affordable housing**
- **\$102,732,000 for transportation investments**
 - \$20,300,000 to construct NECI projects providing pedestrian and bicycle connections to the LYNX Blue Line Extension
 - \$18,000,000 to construct phase one of the Bryant Farms Road extension from Elm Lane to Rea Road
 - \$15,000,000 to build new sidewalks and pedestrian safety infrastructure
 - \$10,320,000 to enhance the Monroe Road streetscape between North Wendover Road and Eaton Road
 - \$8,000,000 to supplement street resurfacing funding from the North Carolina Department of Transportation (NCDOT)
 - \$7,612,000 for congestion mitigation projects in Steele Creek, South Charlotte, and University City
 - \$4,000,000 to expand the bicycle network
 - \$4,000,000 to maintain traffic signal system coordination
 - \$4,000,000 to upgrade traffic control devices
 - \$4,000,000 to repair and replace bridges
 - \$2,500,000 to complete the Idlewild Road/Rama Road and Monroe Road intersection improvements in partnership with NCDOT
 - \$2,000,000 to implement Vision Zero and transportation safety projects
 - \$2,000,000 to complete sidewalk and bikeways in the Independence Boulevard area
 - \$1,000,000 to implement the Americans with Disabilities (ADA) in public rights-of-way

Opportunity Corridors

Building and maintaining great neighborhoods and safe communities is a predominate focus you stressed at the Annual Strategy Meeting. To advance progress in this area, I am proposing an approach based on reviewing the affordable housing framework, actively seeking partnerships to develop innovative solutions, and developing a renewed focus on corridors. This more comprehensive strategy will be based on focusing on corridors of opportunity.

The Proposed FY 2021 – 2025 CIP includes \$24,500,000 for a new Opportunity Corridors program. This program approaches investment and revitalization holistically by using cross-department collaboration to serve corridors using multiple tools. Each corridor will have projects and strategies tailored to the specific business development, placemaking, community engagement, and transportation infrastructure needs within the corridor. Six corridors have been identified for investment: Beatties Ford/Rozzelles Ferry, Central/Albemarle, Freedom/Wilkinson, I-85/West Sugar Creek, North Tryon/Graham, and West Boulevard.



The 2020 Opportunity Corridors bond funding totaling \$14,500,000 is dedicated to infrastructure improvements in the six corridors. These improvements may include intersection enhancements, new or improved sidewalks, or transportation safety improvements to support the Vision Zero philosophy. An additional \$10,000,000 is available in Pay-As-You-Go (PAYGO) funding for non-infrastructure needs such as community engagement, placemaking, and business development.

Affordable Housing

In 2018, City Council and Charlotte voters tripled the proposed affordable housing bond from \$15,000,000 to \$50,000,000. Last year, Council approved a plan to double the 2020 affordable housing bond from \$25,000,000 to the second consecutive \$50,000,000 affordable housing bond. The affordable housing bond supports the preservation and creation of safe, quality, and affordable housing for low- to moderate-income households throughout Charlotte.

City Council's and the community's commitment to increasing the affordable housing supply led to the creation of the privately-financed Charlotte Housing Opportunity Investment Fund in spring 2018, which has now exceeded its \$50,000,000 fundraising goal. Together with the Housing Trust Fund, this funding leverages public, private, and non-profit dollars to increase the supply and accessibility of housing in the community.

The Proposed FY 2020 Bond brings the total investment in housing bonds in Charlotte to \$130,000,000 since the start of The Big Ideas, which is an increase of \$70,000,000 above the amount originally planned. The 2018 Bond and the Proposed 2020 Bond have proposed \$100,000,000 in affordable housing bond funding. As comparison, this same amount was approved over 14 years from 2002 through 2016.

Ensuring quality affordable housing encompasses more than simply providing bond funding to create new and preserve existing units. Several programs funded from other sources, including federal grant dollars from the Community Development Block Grant (CDBG) and HOME programs, help meet other critical family needs. The additional needs met from other sources include providing down payment assistance, housing rehabilitation, urgent home repair, and rental and utility assistance. These programs help keep families safe and in their homes.



Transportation Investments

Transportation investments total \$102,732,000 in the 2020 Bond and include funding to:

- construct NECI projects that provide connections to the LYNX Blue Line Extension,
- complete the Idlewild Road/Rama Road, and Monroe Road intersection in partnership with the North Carolina Department of Transportation,
- construct the Monroe Road streetscape, and
- maintain the street network through street resurfacing, repairs to bridges, and upgrades to traffic control devices and traffic signal coordination.

Bryant Farms Road extension - The Proposed 2020 Bond includes \$18,000,000 to finish design and construct phase one of the Bryant Farms Road extension, 0.4 miles from Elm Lane to Rea Road. This extension provides a critical east/west connection in the rapidly-growing Ballantyne area. The project includes a 12-foot shared-use path and eight-foot planting strip; it also rebuilds the intersection of Bryant Farms Road, Elm Lane, and Blakeney Heath Road. The 2018 Bond included \$2,000,000 to begin planning and design on the project. The second phase of the extension, from Rea Road to Ardrey Kelly Road, was added to the Advanced Planning and Design Program in FY 2020 and planning is currently underway. Once planning and initial design have been completed, the project will be assessed for feasibility and potential funding in a future five-year CIP.

Congestion Mitigation program - The transportation funding also includes a new Congestion Mitigation program intended to improve traffic flow through small-scale, quick infrastructure projects such as adding turn lanes at intersections, extending existing lanes, or making new road connections to enhance the street grid. The Proposed 2020 Bond contains \$7,612,000 for the Congestion Mitigation program and the funding is intended to support enhancements in the Steele Creek, South Charlotte, and

University City areas. An additional \$6,700,000 in previously-approved Short-Term Road Congestion PAYGO is also available to supplement the 2020 Bond funding.

Street Maintenance - Investing in the street network also means ensure its assets are well-maintained. City crews work year-round repaving and filling potholes to ensure the 5,400 lane miles of city streets are safe.



Funding for street resurfacing is provided by the Powell Bill from the North Carolina Department of Transportation. Since 2007, the city has supplemented the street resurfacing revenue with an annual transfer from the General Fund of \$4,261,000. In effort to best align expenditures with available funding sources, the General Fund transfer will be eliminated in FY 2021 and replaced with a combination of GO Bond and PAYGO funding. Together, this funding increases the street resurfacing supplement by \$1,000,000 annually. This additional funding supports the Charlotte Department of Transportation's FY 2021 Strategic Performance target to increase the city's annual pavement condition rating from 82.05 percent to 85 percent.

Pedestrian and Bicycle Safety

Transportation Safety program -Several programs focused on pedestrian and bicyclist safety were introduced in the 2018 Bond and are proposed for additional funding in the 2020 Bond. The Transportation Safety (Vision Zero) program received \$2,000,000 in the 2018 Bond, and another \$2,000,000 is proposed in the 2020 Bond. This program supports Charlotte's Vision Zero Action Plan, which is based on the global Vision Zero strategy to eliminate all traffic-related deaths and severe injuries, while increasing safety, health, and mobility for all. Projects in the Transportation Safety program may include new or enhanced streetlighting, speed humps, or pedestrian crossing signals.

Sidewalk and Pedestrian Safety program - The 2020 Bond also continues funding for the Sidewalk and Pedestrian Safety program with \$15,000,000 to construct new sidewalks, connect sidewalk gaps, and install pedestrian safety crossings and signals. This funding brings The Big Ideas total investment to \$75,000,000 in support of implementing the Council-adopted Charlotte WALKS plan and making Charlotte a more walkable city.

The Bicycle program - provides for the expansion of the bicycle network by focusing on important connections and projects that repurpose existing infrastructure to create space for cyclists. Bicycle program funding helps implement the Charlotte BIKES plan, adopted by City Council in 2017, which provides the vision, strategies, and recommendations with the goal of

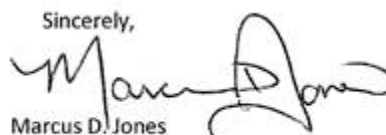


making bicycling safe, comfortable, and convenient for people of all ages, abilities, and neighborhoods. The Bicycle program received \$4,000,000 in the 2018 Bond, an additional \$4,000,000 is proposed in the 2020 Bond. This funding enhances mobility options and continues the goal of making Charlotte a bicycle friendly community.

The Year Ahead

Moving into FY 2021 we will be focused on maintaining our resiliency and working toward recovery. While there continue to be challenges ahead associated with the economic impacts of the COVID-19 pandemic, the Proposed FY 2021 Budget includes investments in key areas; from promoting economic opportunity through investing in services for Charlotte's Opportunity Corridors and advancing emergency management, to safe guarding the environment by expanding the use of electric vehicles in the city's fleet. Overall the Proposed FY 2021 Budget sets the financial framework for delivery our core services to the public while also moving forward with investments in several priority areas.

As we look forward to the year ahead, I am encouraged by the leadership role the city is playing in the new and innovative ways our community is coming together. Adherence to our budget principles has built a stable foundation for us. We as a city are posed to be resilient even in light of the challenges we face. The collaboration between the city, Mecklenburg County, and our community partners will be key as priorities and resources adjust to the developing impacts of COVID-19. Our adaptability as an organization will continue to facilitate our recovery. The decisions and actions we take will be steps toward us overcoming this crisis and pulling financially through, while also protecting the health and safety of residents, visitors, and employees. I am confident that the City of Charlotte will continue to demonstrate our resilience as we actively move toward recovery and advancing your strategic priorities.

Sincerely,

Marcus D. Jones
City Manager