

City of Charlotte Financial Condition and Affordability Analyses

Key Financial Condition Considerations

- ☐ Clean audit
- ☐ Fund balance
- ☐ Ratings
- ☐ Financial condition drives our ability to fund projects

The City's AAA ratings reflect a history of favorable financial operations

Very Strong

- Institutional Framework Score
- Management
- Budgetary Flexibility
- Liquidity

Strong

- Economy

Adequate

- Budgetary Performance

Weak

- Debt & Contingent Liabilities

Staying the Fiscal Course Requires Identifying Sensitivities

- Factors that could lead to a downgrade may include:
 - A trend of structurally imbalanced operations
 - Increased fixed costs
 - Significant increase in debt or capital needs

Peer Cities Ratings and Recent Actions



Affordability Analyses Overview

□ What?

- A long-range plan that projects future revenues and expenses
- Contemplates the ability to fund future projects

□ Why?

- Provides assurance the amount of future debt issued will be affordable and cost-effective
- Ensures the appropriate balance between capital needs and the ability to pay for them
- Maintain strong financial management

□ Who?

- All credits of the city that issue debt have affordability analysis models

□ When?

- Affordability analyses models are updated throughout the year

Affordability Analyses Considerations

□ Existing Costs

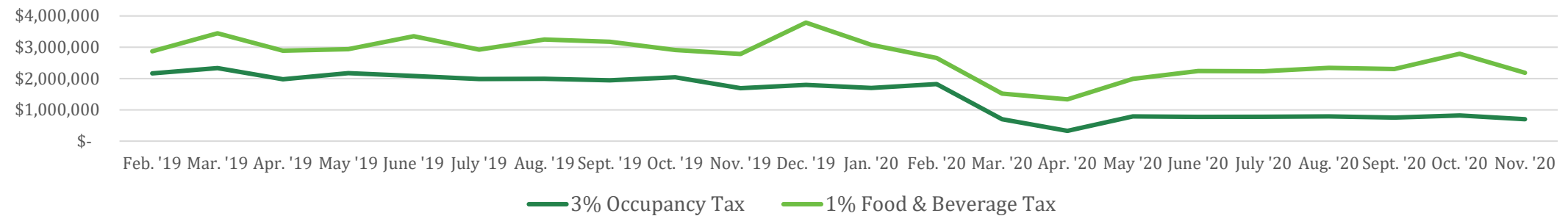
- Payments on existing debt
- Operating and maintaining facilities
- Revenue trends

□ Potential New Project Scenarios

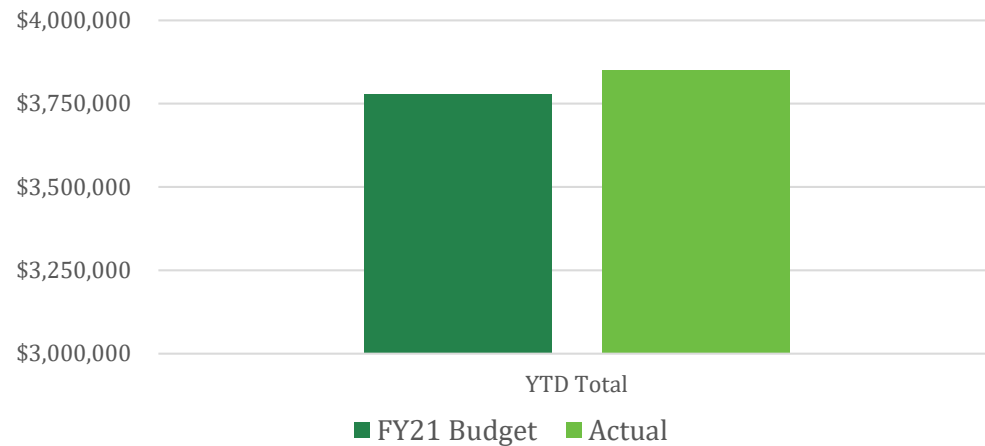
- Economic conditions
 - *Revenue trends*
 - *Interest rates*
- Project timing (accelerations or delays in construction)
- Draw programs provide flexibility and capacity
- Fund balance/coverage requirements

Hospitality Revenues are In Line with Budget Projections

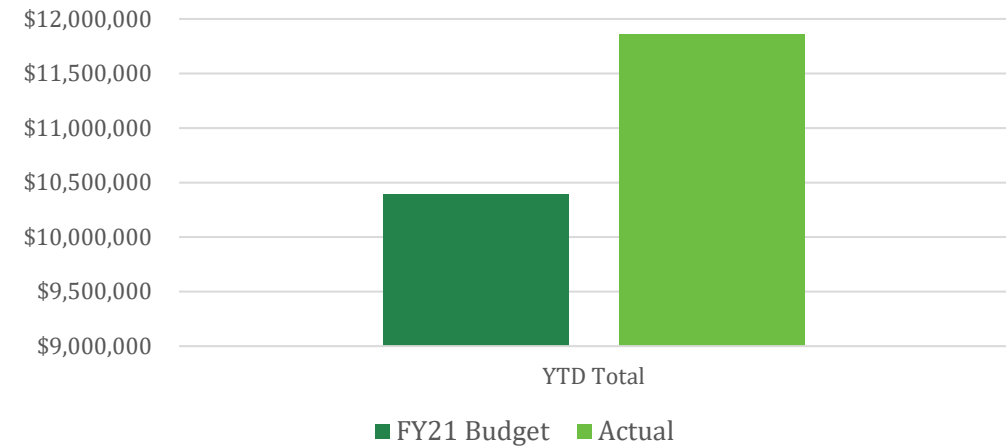
Major Hospitality Taxes Monthly Revenue Collections
2019-Current



FY21 YTD Budget to Actual
3% Occupancy Tax



FY21 YTD Budget to Actual
1% Food & Beverage Tax



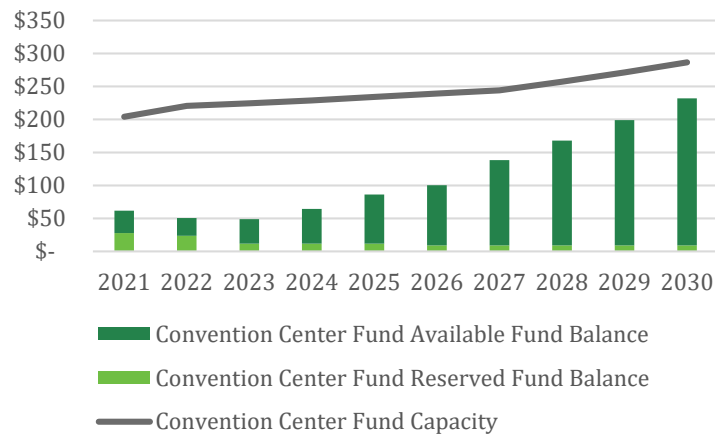
Hospitality Revenue Metrics Exceed Capital Policy Benchmarks

Hospitality Revenue Capital Policy Dashboard			
	FY20 Target	FY20 Actual	FY21 Target
Convention Center Fund			
Maintain Fund Balance to 100% of Next Years Debt Service	\$38.0M	\$64.8M	\$26.9M
Debt Repaid within 15 years	≥50%	62.4%	≥50%
Variable Rate as a Percent of General Debt	≤20%	0%	≤20%
Tourism Fund			
Maintain Fund Balance to 100% of Next Years Debt Service	\$24.5M	\$82.6M	\$22.4M
Debt Repaid within 15 years	≥50%	87.1%	≥50%
Variable Rate as a Percent of General Debt	≤20%	1.5%	≤20%
Hall of Fame Fund			
Maintain Fund Balance to 100% of Next Years Debt Service	\$8.43M	\$28.8M	\$14.8M
Debt Repaid within 15 years	≥50%	71.5%	≥50%
Variable Rate as a Percent of General Debt	≤20%	0%	≤20%

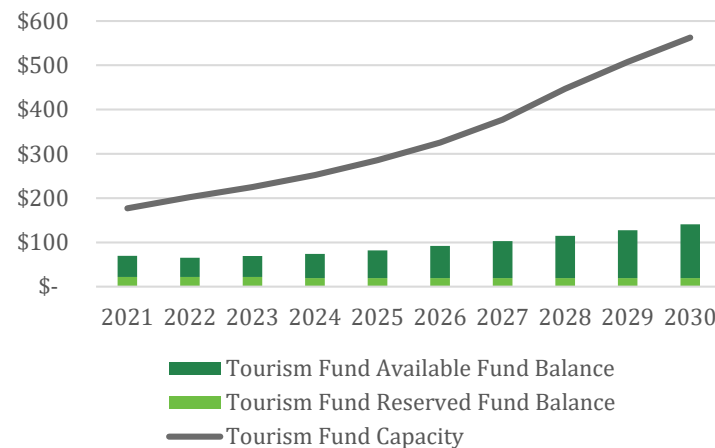
Hospitality Affordability is Self-Sustaining

- Hospitality funding models determine ability to fund priority projects in a fiscally responsible manner
- The City maintains a strong financial position across all hospitality funds
- Affordability analysis shows while the scale of the projects in the short-term have been impacted there is still ability to fund significant projects in the future

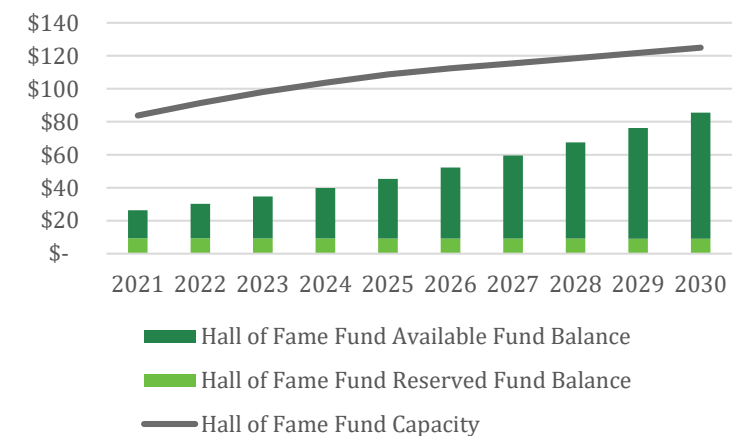
Convention Center Fund
Affordability



Tourism Fund
Affordability



Hall of Fame Fund
Affordability



\$ in millions

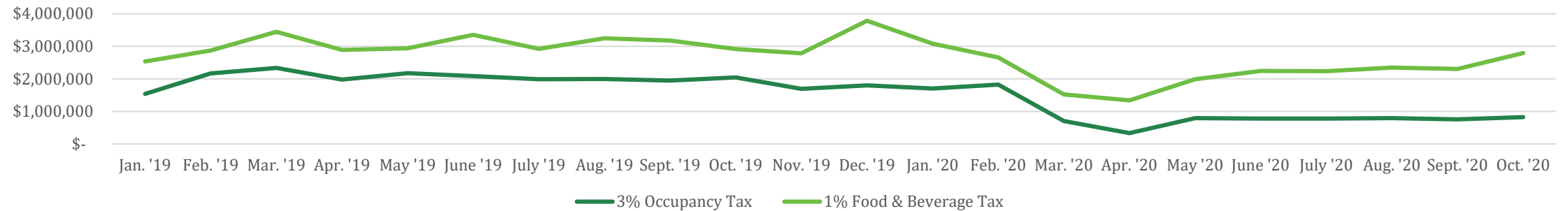
The “Steady State” Model Maintains Affordability into the Future

- The Steady State capital plan allows the City to avoid increasing property taxes to support the CIP
- Current Steady State Affordability of \$218M every two years
- Begins with the 2022 Bond

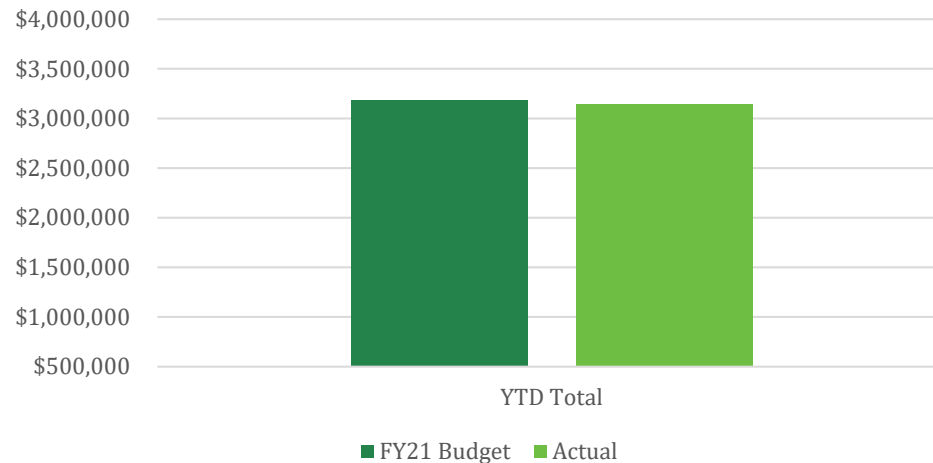


Hospitality Revenues are Inline with Projections

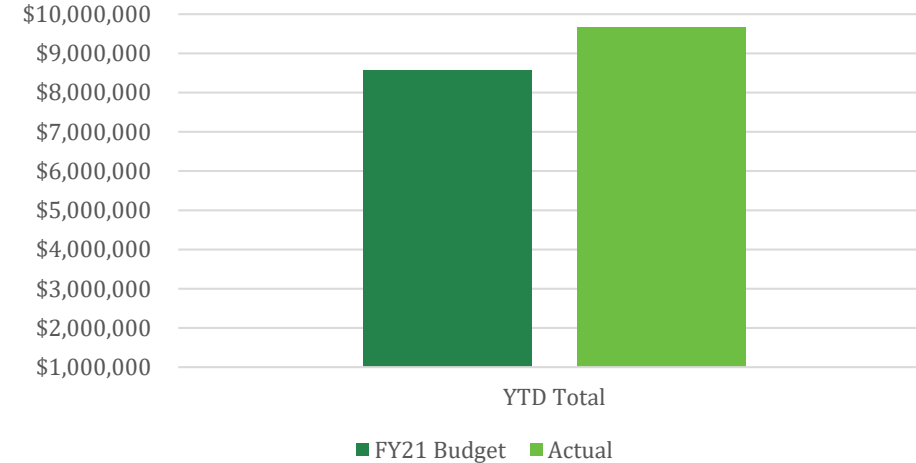
Major Hospitality Taxes Revenue Collections
2019-Current



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3% Occupancy Tax



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Hospitality Revenue Metrics Exceed Capital Policy Benchmarks

Hospitality Revenue Capital Policy Dashboard

	FY20 Target	FY20 Actual	FY21 Target
Convention Center Fund			
Maintain Fund Balance to 100% of Next Years Debt Service	\$37,971,505	\$64,828,000	\$26,920,793
Debt Repaid within 15 years	≥50%	62.4%	≥50%
Variable Rate as a Percent of General Debt	≤20%	0%	≤20%
Tourism Fund			
Maintain Fund Balance to 100% of Next Years Debt Service	\$24,529,320	\$82,561,000	\$22,439,422
Debt Repaid within 15 years	≥50%	87.1%	≥50%
Variable Rate as a Percent of General Debt	≤20%	1.5%	≤20%
Hall of Fame Fund			
Maintain Fund Balance to 100% of Next Years Debt Service	\$8,426,700	\$28,766,000	\$14,803,272
Debt Repaid within 15 years	≥50%	71.5%	≥50%
Variable Rate as a Percent of General Debt	≤20%	0%	≤20%

Budget Outlook

How the city's budget is organized

Governmental Funds

General Fund

Debt Service

Pay-Go

Supported primarily
by Property Tax and
Sales Tax

Enterprise Funds

Aviation

CATS¹

Water

Storm Water

Supported primarily by
User Fees

¹CATS receives a
restricted ½ cent sales tax

Special Revenue Funds

Tourism

Convention Center

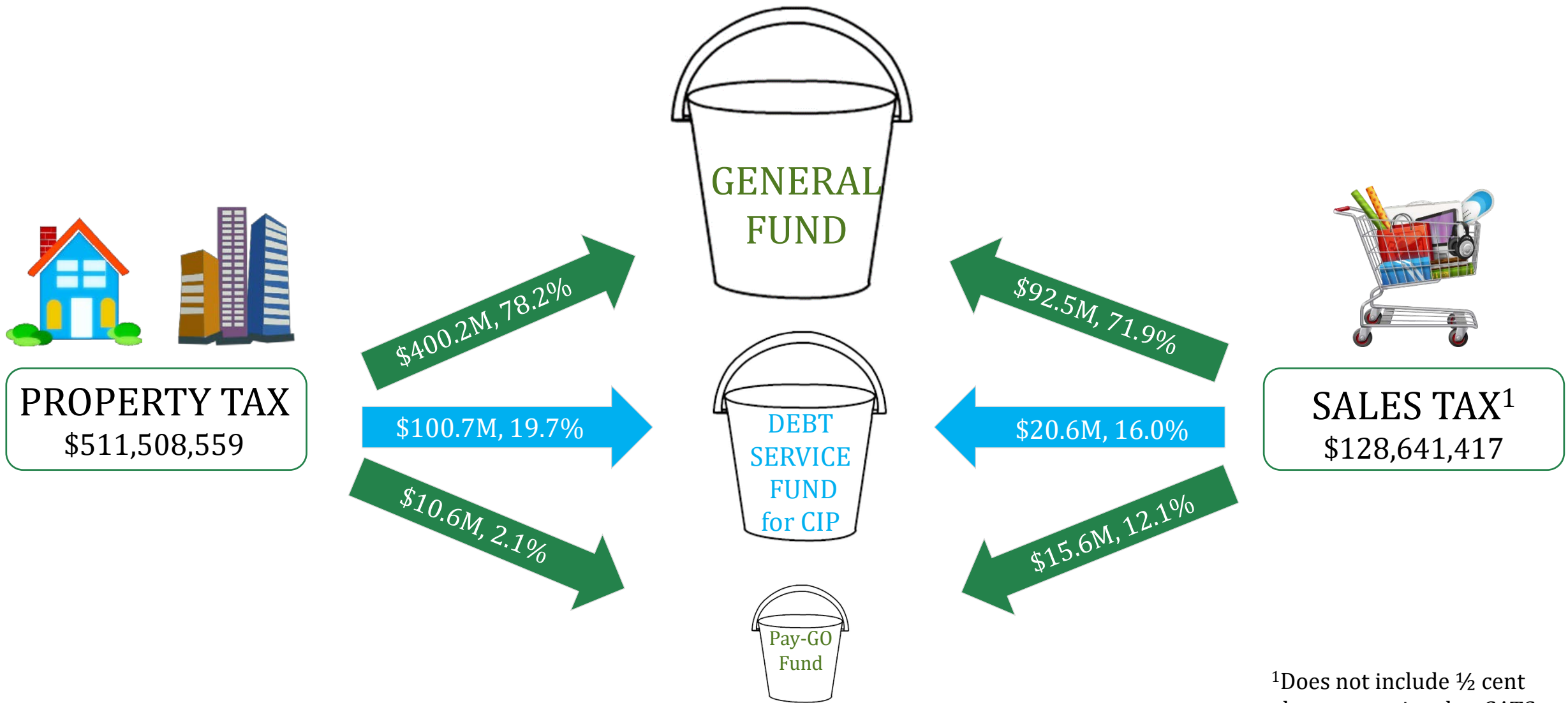
NASCAR HOF

911

General Grants

Dedicated revenues
required to be used for
specific purposes

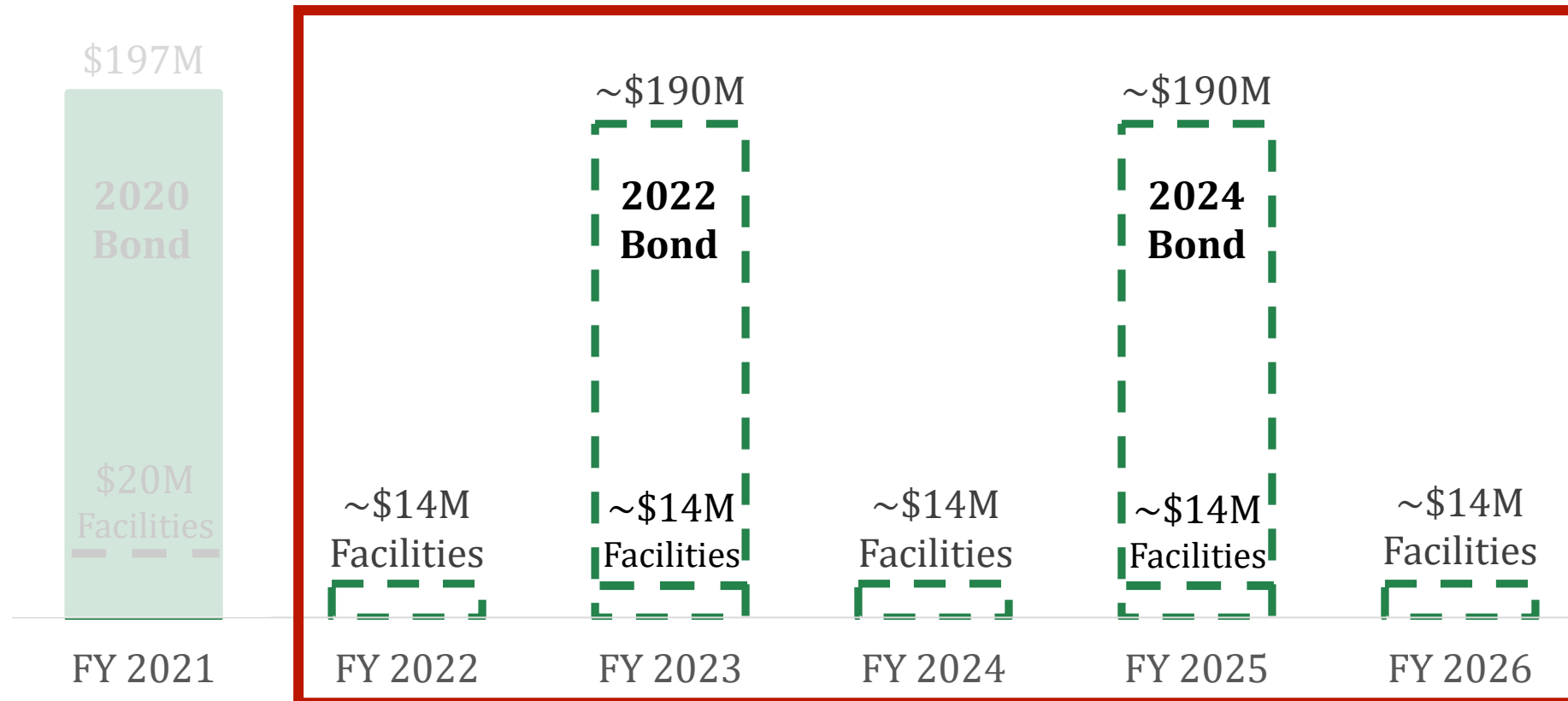
How property and sales taxes are distributed



¹Does not include ½ cent sales tax restricted to CATS

Preparing the Five-Year Capital Investment Plan (CIP)

Five-Year General Capital Investment Plan (CIP)

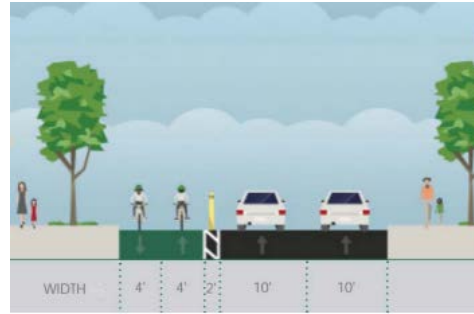


\$190 Million CIP Bond Capacity in 2022

Sidewalk Program \$15 - \$30 M



Bike Program and Vision Zero \$6 M



Traffic Control Devices \$4 - \$7 M



Bridge Repairs \$3 - \$4 M



**\$131 - \$151 M
Remaining**

- Affordable Housing
- Advanced Planning and Design transportation projects
- Neighborhood projects (Corridors of Opportunity)
- Economic Development projects
- Americans with Disabilities Act (ADA) improvements

Street Resurfacing \$8 M



Traffic Signal Coordination \$3 - \$4 M



Timeline for Collaboration on Proposed Five Year CIP



Budget Workshops

- Status update on capital projects
- Update on transportation projects in Advanced Planning & Design
- Americans with Disabilities Act (ADA) Consultant Study
- Other CIP program information as requested by City Council

Proposed Budget

Includes a five year CIP strategy for consideration

Other City Council Initiatives that Inform the CIP

- 2040 Vision Plan
- Strategic Mobility Plan
- Charlotte MOVES Task Force Recommendations
- Corridors of Opportunity Strategies
- Affordable Housing Goals

FY 2020 Year-End Surplus Provides Financial Stability In FY 2021

FY 2020 General
Fund Variance:



FY 2021 Budget
Risks



FY 2022
Opportunities

\$14.26 Million

From:

- ☐ Hiring freeze
- ☐ Reduced non-personnel costs
- ☐ Reduced 16% on smaller budget
- ☐ CARES Act reimbursement for adjusted service

To Be Determined

Based on:

- ☐ Revenue Risks
 - Property Tax Collection Rate
 - Sales Tax Recovery
 - Utility Franchise Taxes
- ☐ COVID costs without federal reimbursement
- ☐ Expenditure performance: Currently, FY 2021 expenditures remain on target

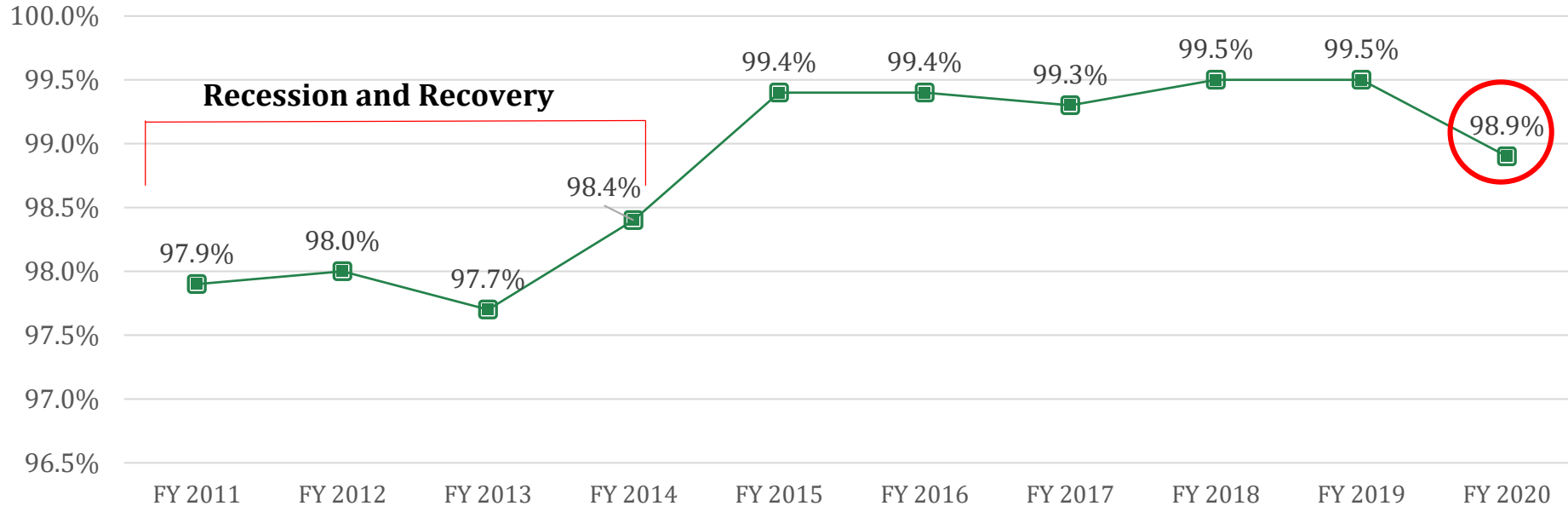
**Funds for FY 2022
PAY-GO Investments**

For:

- ☐ Infrastructure Needs
- ☐ Technology
- ☐ Corridor Investments
- ☐ Other Pay-Go Investments

Monitoring General Fund Revenue Impacts

Property Tax Collection Rate



Each half-percent decline equals approximately \$2 million in revenue

Utility Franchise Tax Collections

Made Up Of:

- Sales tax on electricity: 85%
- Sales tax on telecommunications: 10%
- Sales tax on natural gas: 5%

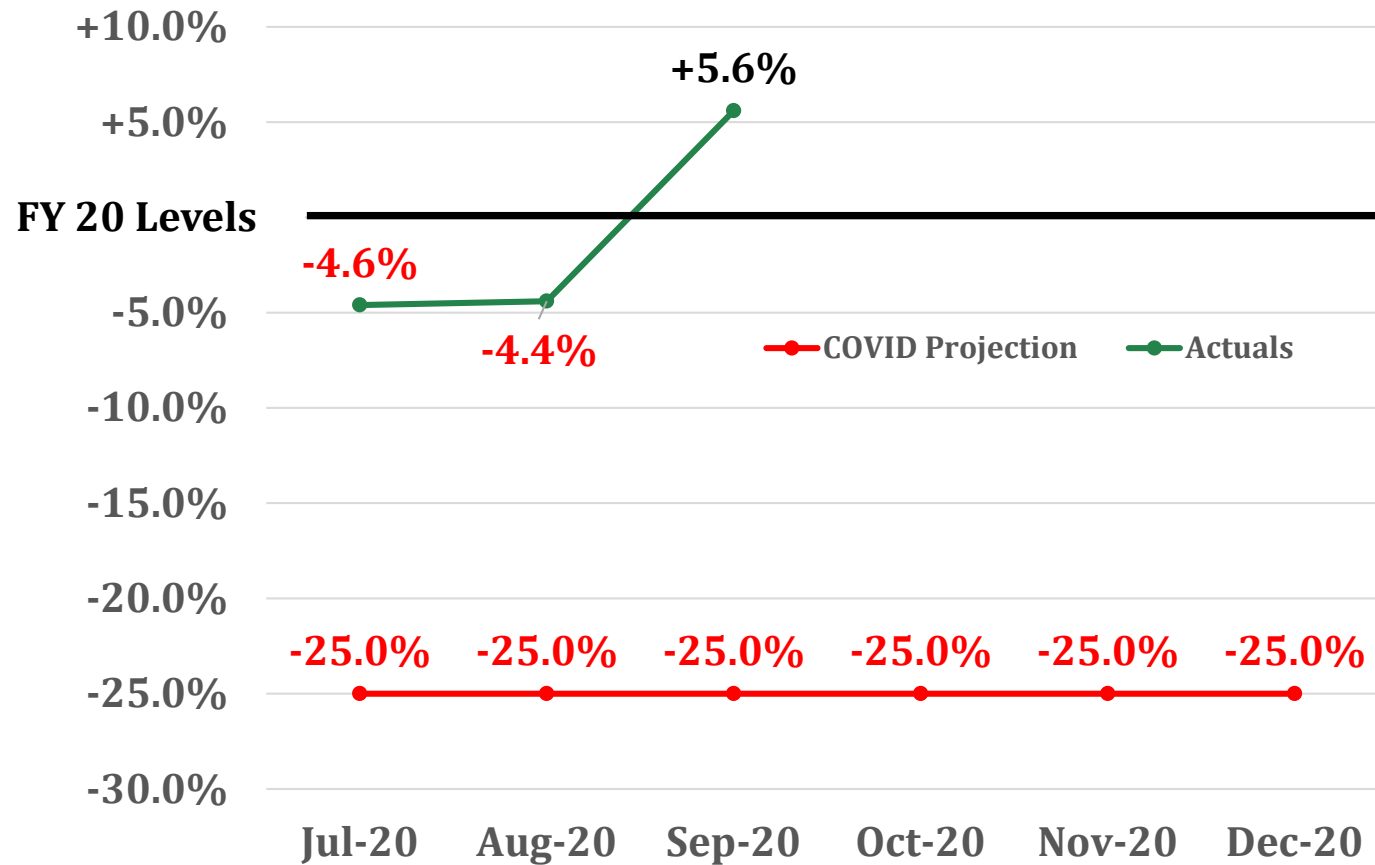
Financial Strains:

- Payment of bills
- Electricity demand
- Energy efficiency

Recent Utility Franchise Actuals:

- FY 17: \$52.6 M
- FY 18: \$52.9 M
- FY 19: \$54.3 M
- FY 20: \$51.7 M

General Fund Sales Tax Performance – First Quarter of FY 2021



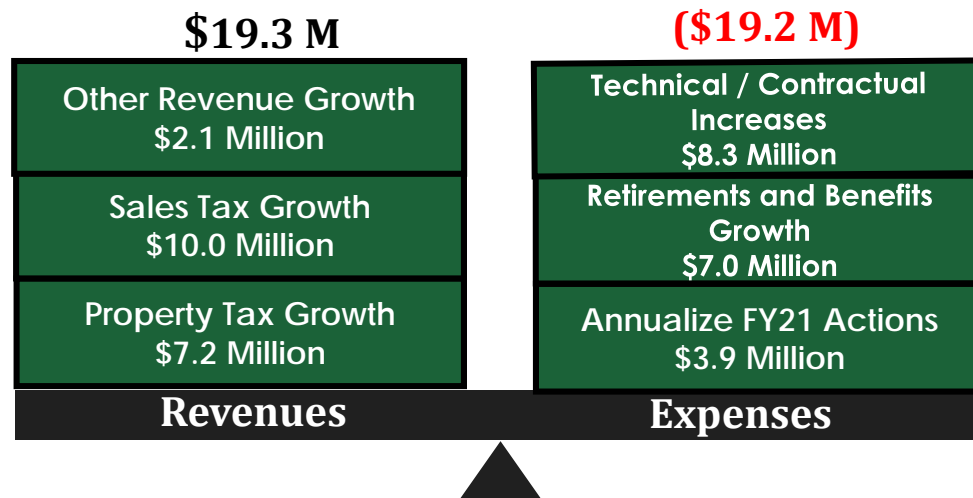
The FY 2021 Budget was approved with the following sales tax forecast:

- 25 Percent decline Jul-Dec (Q1 and Q2)
- 7 Percent growth Jan-March (Q3)
- 25 Percent growth (April-June) Q4

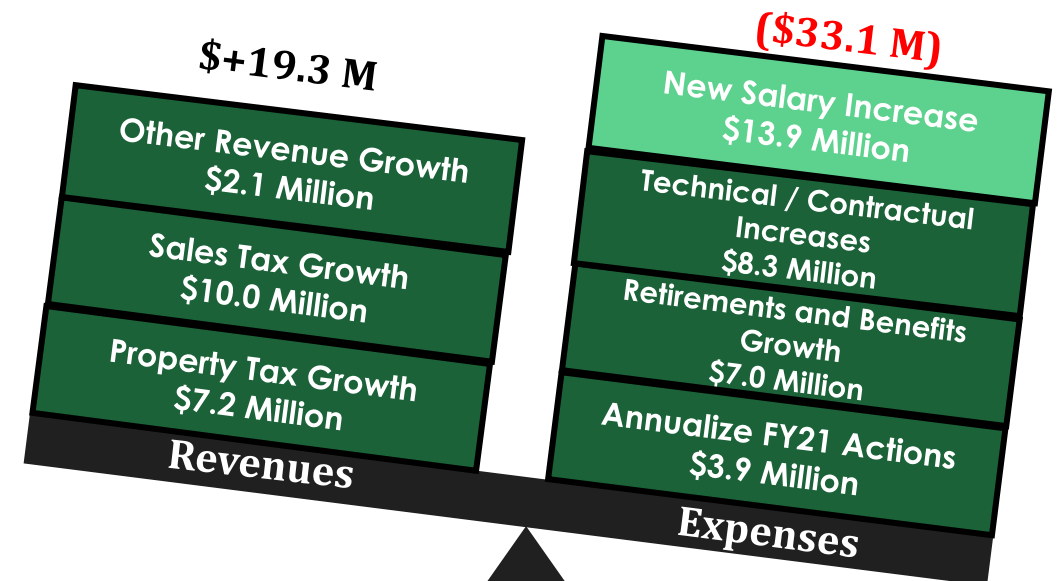
Recent actuals have been better than projected.

FY 2022 General Fund Budget Forecast

Without FY 2022 Salary Increase
+ \$0.1 M



With FY 2022 Salary Increase
(\$13.8 M)



FY 2022 Budget Outlook Summary

Because:

- Charlotte keeps and maintains strong reserves
- No one-time revenue was used to balance the FY 2021 Budget
- The most volatile revenue sources do not run through the General Fund
- All budget decisions are made with a multi-year lens
- Sales tax declines have thus far been less than anticipated

The FY 2022 Budget Outlook is constrained but stable

City staff will work to make recommendations that protect employees and core services while identifying opportunities for savings and efficiencies

CARES Act Update

ANNUAL STRATEGY MEETING
JANUARY 11, 2021



Comprehensively Addressing Needs

Operations

Employee Health and City Finances



Community Support

Businesses



Housing



Public Wi-Fi



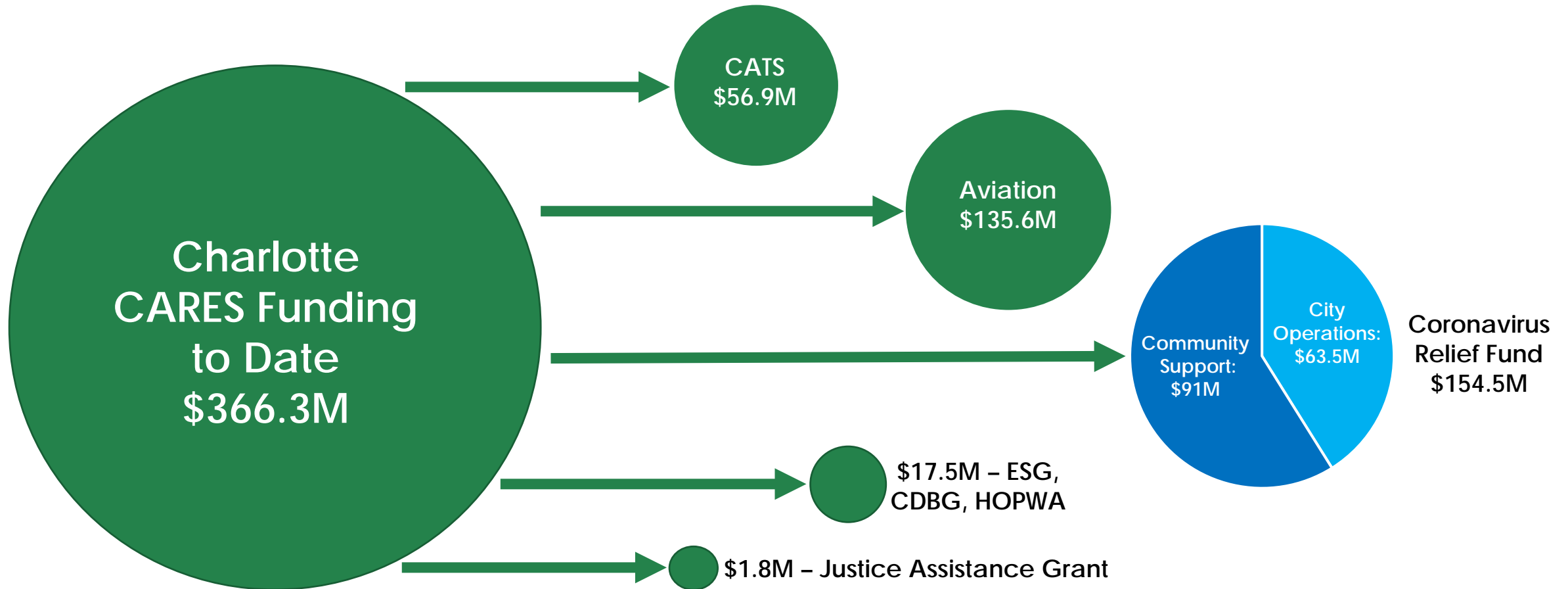
Youth Opportunity Centers



Arts and Artists

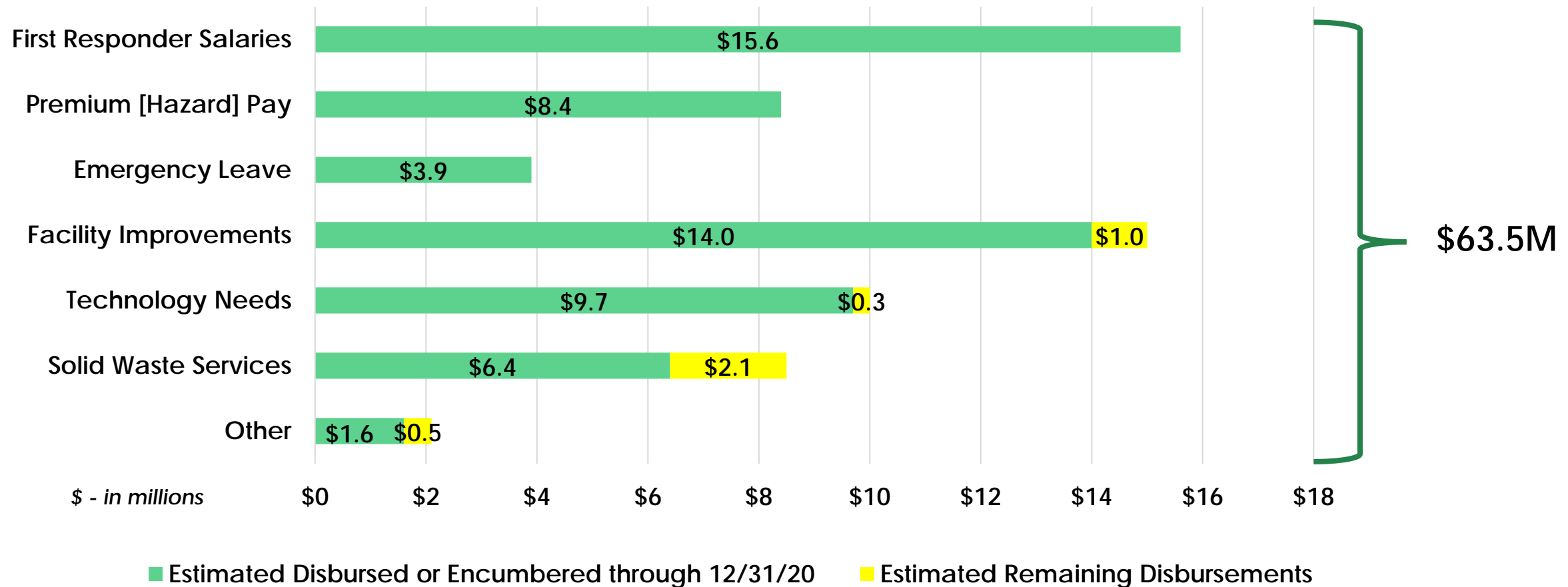


Federal CARES Funding to Date¹

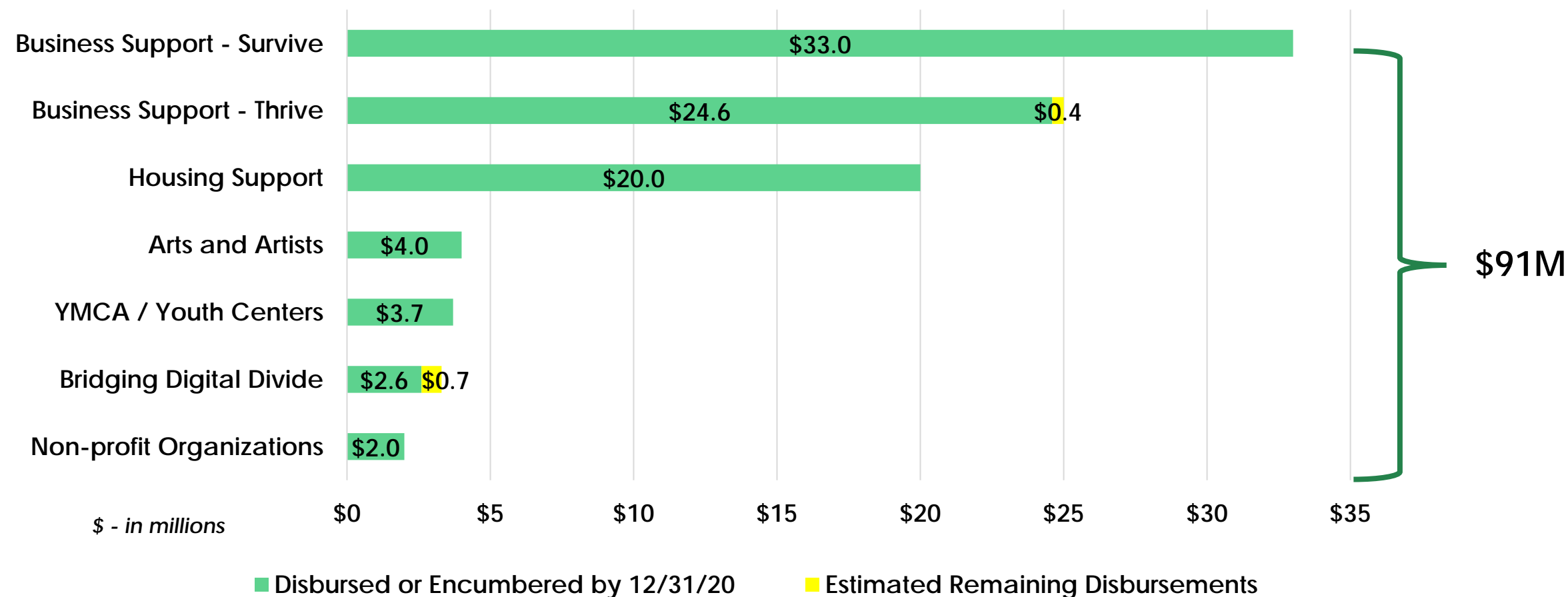


1 – Funding associated with the December 2020 COVID-19 Relief Legislation is not reflected on this slide

Coronavirus Relief Fund: City Operations



Coronavirus Relief Fund: Community Support



Summary of Remaining Federal Relief Funds

CARES Act: Remaining ESG and CDBG Funding

	<u>Original</u>	<u>Remaining</u>	<u>Background / Next Steps</u>
ESG	\$8.7M	\$3.4M	This funding may be expended through calendar year 2022
CDBG	\$8.4M	\$4.9M	This funding may be expended over at least three years

December 2020 COVID-19 Relief Legislation

	<u>Estimated Amount</u>	<u>Background / Next Steps</u>
Housing	\$26M	At least 90 percent of the funds must be used for direct financial assistance for rent and utilities. Up to 10 percent can be used for housing stability services [e.g., eviction prevention]. Funds must be expended by 12/31/2021.
Airport	\$33M	Funds can be used for various expenses, including personnel and debt service payments. Note: \$5M is earmarked for concessions relief.
Transit	\$33M	Funds may be used for various expenses, including operating costs, PPE, and administrative leave.