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**Title:** Fiscal Year 2021 Operating Budget and Fiscal Years 2021 - 2025 Capital Investment Plan

**Attachments:** 1. FY 2021 Annual Ordinance\_Final, 2. FY2021 MTC Resolution, 3. FY 2021 Compensation and Benefits Recommendation Final, 4. FY21 Attachments Comp Ben Rec Final

Date	Ver.	Action By	Action	Result
6/8/2020	1	City Council Business Meeting	Approve	
6/8/2020	1	City Council Business Meeting	Approved with conditions	Pass

**Fiscal Year 2021 Operating Budget and Fiscal Years 2021 - 2025 Capital Investment Plan**

**Action:**

**Adopt the Fiscal Year (FY) 2021 Appropriations and Tax Levy Ordinance, the FY 2021 Compensation and Benefits Resolution, and other items related to the Annual Budget Ordinance adoption:**

- A. The FY 2021 Operating Appropriations and Tax Levy Ordinance,**
- B. The FY 2021 - 2025 Capital Investment Plan,**
- C. The FY 2021 General Solid Waste Fee,**
- D. The FY 2021 Storm Water Services Fee,**
- E. The FY 2021 Transit Operating Budget and Debt Service Budget, which was approved by the Metropolitan Transit Commission on April 22, 2020,**
- F. The FY 2021 Charlotte Water Rates,**
- G. The FY 2021 Compensation and Benefits Plan and associated Human Resources contracts,**
- H. Outside Agencies and Municipal Service Districts Contracts,**
- I. The City Investment Policy, and**
- J. Other Budget Items.**

**Committee Chair:**

Ed Driggs, Budget and Effectiveness Committee

**Staff Resource(s):**

Marcus Jones, City Manager’s Office  
Ryan Bergman, Strategy and Budget  
Kelly Flannery, Finance

**Policy**

- As required by Chapter 159 of the North Carolina General Statutes, the City of Charlotte adopts annual appropriations and a tax levy ordinance and considers related actions by July 1 of each fiscal year.
- The annual budget is an instrument that establishes policy. The budget identifies and summarizes programs and services provided by the city and how they are funded. It is the annual plan that coordinates the use of revenues and associated expenditures.

## Background

- The annual budget ordinance is presented in accordance with the City Manager's Proposed FY 2021 Budget presented on May 4, 2020, and subsequent City Council budget adjustments.
- The FY 2021 Budget is structurally balanced and focuses on four strategic priorities: Economic Development; Neighborhood Development; Transportation, Planning, and Environment; and Well-Managed Government.
- The budget development process includes input from the community, city departments, and the Mayor and City Council. To facilitate input, the city held three Budget and Effectiveness Committee meetings on January 2, January 21, and February 18, 2020; two Budget Workshops on February 5 and March 4, 2020; and three Budget Briefing meetings on May 11, May 20, and May 27, 2020. Public budget engagement occurred through public input surveys and community events such as Open Streets 704.
- The Proposed FY 2021 Budget was presented on May 4, 2020.
- The Budget Public Hearing occurred on May 11, 2020.
- In the month of May, several one-on-one meetings were held with council members regarding the Proposed FY 2021 Budget.
- The Mayor and City Council met on May 20 and May 27, 2020, to discuss budget adjustments for consideration to the Proposed FY 2021 Budget. Three budget adjustments were approved by City Council for inclusion in the FY 2021 Budget.
- FY 2021 Budget highlights 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 city layoffs or furloughs,
  - Restructures government by eliminating 26 vacant positions from the General Fund without impacting core services,
  - Provides \$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,
  - Enhances transportation and mobility by providing approximately \$47 million for building and repairing sidewalks, advancing Charlotte's Bike program, and improving traffic flow and mitigating congestion,
  - Enhances public safety employee compensation by increasing the top pay of Police Officer and Police Sergeant by five percent; top pay of Firefighter II by 2.5 percent, Fire Engineer by five percent, and Fire Captain by 3.75 percent; and fulfills the Charlotte Firefighters' Retirement System's request for \$1 million in additional funding,
  - Keeps employee healthcare premiums flat in FY 2021,
  - Provides three percent merit pool for hourly and salaried general employees, and
  - Spends \$2 million on city facilities sustainability, \$1 million on electrical vehicle (EV) infrastructure, and adds 20 EVs to the city's fleet.
- The FY 2021 - 2025 Capital Investment Plan (CIP) matches the city's highest priority needs with a financing schedule. The General CIP focuses on investing in projects that generate the most community benefit and improve the overall quality of life in Charlotte. The Nongeneral Capital Investment Plans respond to aging infrastructure and increasing service demands associated with the provision of water and sewer, storm water, transit, and aviation services.

## Approved Changes to the Proposed FY 2021 Budget from the May 27 City Council Budget Straw Votes Meeting

- During the May 27 Budget Straw Votes meeting, City Council approved the following adjustments:
  - \$35,000 to be used as a contribution to the Charlotte-Mecklenburg Historic Landmarks Commission Revolving Fund. This adjustment is funded by reducing the General Fund Undesignated Balance by \$35,000,
  - \$35,000 to be used to develop a collaborative digital divide program that will be

recommended to Council in FY 2021. This adjustment is funded by reducing the General Fund Undesignated Balance by \$35,000, and

- \$250,000 to help expedite the Unified Development Ordinance (UDO). This adjustment is funded by transferring \$250,000 from the proposed Pay-As-You-Go (PAYGO) Fund budget for enhancing economic development programs to the UDO.

## **A. Adopt the FY 2021 Operating Appropriations and Tax Levy Ordinance**

### Budget Overview

- The total FY 2021 budget is \$2.55 billion net of transfers, with \$1.6 billion for operating expenditures and \$949.4 million for capital expenditures (all funds). The General Fund operating budget totals \$718.8 million.
- The total budget includes the following key revenues:
  - A property tax rate of 34.81¢ per \$100 of assessed valuation, which is the same as in FY 2020. The FY 2021 assessed value is estimated at \$146.51 billion, with an estimated collection rate of 99 percent,
  - The FY 2021 Water and Sewer Fee is proposed to increase by 1.9 percent for the typical homeowner, which is an average increase of \$1.24 per month.
  - The four tier Storm Water rate methodology (adopted in FY 2016) does not change in FY 2021. This methodology charges detached single-family parcels a flat rate for each tier based on the same per square foot rate (\$0.0035) applied to the median impervious area of each tier. All other parcels (multi-family and commercial) are charged the same rate (\$0.0035) per actual square foot, and
  - Charlotte Area Transit System (CATS) base transit fare remains flat from FY 2020 to FY 2021.

## **B. Adopt the FY 2021 - 2025 Capital Investment Plan**

### General CIP

- The capital program is based on property tax rates as follows:
  - 6.77¢ for the Municipal Debt Service Fund, and
  - 0.73¢ for the PAYGO Fund.
- The FY 2021 - 2025 five-year General CIP totals \$357.4 million and includes:
  - Completing "The Big Ideas" with the final street, neighborhood, and housing bond referendum in November 2020 for a total of \$197.2 million,
  - Proposing the second consecutive \$50.0 million housing bond to create and preserve affordable housing throughout Charlotte,
  - Implementing a new Corridors of Opportunity program that dedicates \$24.5 million to revitalizing six corridors, and
  - Investing \$47.3 million in transportation and mobility to build and repair sidewalks, advance the bicycle network, and improve traffic flow and mitigate congestion.

### Nongeneral CIPs

- Nongeneral programs are financially self-sustaining and do not rely on property tax or general government revenues.
- The FY 2021 - 2025 five-year nongeneral CIP includes:
  - CATS totals \$149.1 million and is funded by \$71.0 million in federal and state grants and \$78.1 million in other sources.
  - Aviation totals \$2.0 billion and is funded by \$1.0 billion in revenue bonds, \$659.4 million in federal grants, \$109.4 million in Aviation PAYGO, and \$152.3 million in passenger facility charges and other sources.
  - Storm Water totals \$518.5 million and is funded by \$270.0 million in revenue bonds and \$248.5 million in Storm Water PAYGO and program income.
  - Charlotte Water totals \$1.9 billion, funded by \$894.0 million in Charlotte Water PAYGO and \$1.1 billion in water and sewer revenue bonds.

## **C. Amend the General Solid Waste Fee**

- The annual Solid Waste Fee for residential customers changes from \$58.06 to \$67.66 per year in FY 2021.
- These changes become effective on July 1, 2020.
  - The revised fee will be included in the tax bills that will be mailed to property owners by September 2020 and are due by December 31, 2020.

**D. Approve the FY 2021 Storm Water Services Fee**

- In accordance with the Interlocal Agreement on Storm Water Services, this action will inform Mecklenburg County of the amount to be charged for the city's portion of the fee.
- The FY 2021 fees remain unchanged from FY 2020:
  - Detached single family homes with less than 2,000 square feet (sf) of impervious area
    - FY 2021 Monthly Fee: \$5.85
  - Detached single family homes with 2,000 to 2,999 sf of impervious area
    - FY 2021 Monthly Fee: \$8.62
  - Detached single family homes with 3,000 to 4,999 sf of impervious area
    - FY 2021 Monthly Fee: \$12.76
  - Detached single family homes with 5,000 sf or more of impervious area
    - FY 2021 Monthly Fee: \$21.11
  - Commercial and multi-family per acre of impervious area
    - FY 2021 Monthly Fee: \$152.35

**E. Adopt the FY 2021 Transit Operating Budget and Debt Service Budget, which was approved by the Metropolitan Transit Commission on April 22, 2020**

Policy

The Transit Governance Interlocal Agreement calls for the Metropolitan Transit Commission (MTC) to annually approve a Transit Operating Program and a Transit Capital Program by April 30. Following the MTC's approval, the Transit Operating and Capital Programs are forwarded to City Council for approval. Upon approval, City Council shall fund the programs through its budget process and/or project ordinances.

Budget Overview

- The FY 2021 Transit Operating and Debt Service Budgets and the FY 2021 - 2025 Transit CIP have been developed in compliance with CATS Financial Policies including an annual contribution to the Transit Revenue Reserve Fund, year-end fund balance, debt service coverage ratios, and the transfer of balances to the capital program.
- The FY 2021 Budget includes no proposed fare increases.
- The FY 2021 User Fees include the creation of three new regulatory fees related to land development reviews, rezoning petitions, and right-of-way/property agreement reviews.
- The FY 2021 Budget for CATS represents three key ideas: responding to customer needs, maintaining a safe and reliable transit system, and planning for the future.

**F. Adopt the FY 2021 Charlotte Water Rates**

- Water and sewer fees are necessary to maintain current infrastructure, accommodate growth, and respond to changing regulatory requirements.
- FY 2021 rate changes include:
  - Increases the water and sewer availability fees from \$9.61 to \$9.99 per month,
  - Decreases the water and sewer administrative fees from \$9.46 to \$8.44 per month,
  - Increases the water and sewer volumetric usage rates by an average of \$1.88 per month,
  - The typical monthly total water and sewer bill for residential customers is estimated to be \$68.06 in FY 2021, an increase of \$1.24 per month, and
  - The typical bill assumes 5,236 gallons, or 7 ccf, used each month. Based on the current rate structure, users consuming more than the typical level of consumption are charged a higher rate to encourage conservation and responsible use of this resource.

**G. Adopt the FY 2021 Compensation and Benefits Plan and Associated Human Resources**

## **Contracts**

The FY 2021 Pay and Benefits Report includes the following:

### Compensation

- On May 4, 2020, the City Manager presented pay and benefits recommendations. This action authorizes the City Manager to implement all of the recommendations as presented in the FY 2021 Compensation and Benefits Recommendation including, but not limited to the following items:
- In the Public Safety Pay Plan:
  - Merit steps of 2.5 percent to five percent,
  - Market adjustment to the pay steps funded at 1.5 percent effective July 4, 2020,
  - Merge Police Officer steps nine and ten from two, 2.5 percent steps to one, five percent step,
  - Create Senior Police Officer II step for eligible Police Officers to receive a five percent step the later of December 5, 2020, or one year from reaching the SPOI step,
  - Eliminate the bottom step and add a five percent step to the top of Police Sergeant effective December 5, 2020,
  - Revisions to Fire steps effective November 14, 2020, to better align with market competitiveness:
    - Merge Firefighter II steps four and five from two, 2.5 percent steps to one, five percent step,
    - Merge Firefighter II steps six and seven from two, 2.5 percent steps to one, five percent step,
    - Add a 2.5 percent step to the top of Firefighter II,
    - Merge Firefighter Engineer steps one and two from two, 2.5 percent steps to one, five percent step,
    - Merge Firefighter Engineer steps three and four from two, 2.5 percent steps to one, five percent step,
    - Add two 2.5 percent steps to Firefighter Engineer,
    - Eliminate the bottom step of Fire Captain and adjust remaining steps by 3.75 percent each, and
  - Firefighter Engineers at top of scale by the end of FY 2020 to receive two, 2.5 percent steps the later of November 14, 2020 or their FY 2021 merit date.
- In the Salaried Pay Plan:
  - Merit increase pool funded at 3.0 percent, and
  - A 1.5 percent market adjustment to the pay grades effective July 4, 2020.
- In the Hourly Pay Plan:
  - Merit increase pool funded at 1.5 percent,
  - A 1.5 percent market adjustment to the pay grades effective December 5, 2020, and
  - A 1.5 percent market adjustment to eligible employees effective December 5, 2020.

### Benefits

- No employee or non-Medicare eligible retiree (20 years of service) medical plan premium increase to medical Plan A, B, D, or E for all tiers;
- Provide the City Manager the authority to renegotiate the current contracts, or if the contracts are rebid, to select vendors, execute the contracts and future contract amendments, and determine plan design with the selected vendors for healthcare clinic, wellness, and occupational health services; dental; vision; Flexible Spending Account and Health Savings Account administration; benefits administration platform; pharmacy benefits manager; stop-loss insurance; and benefits consulting services;
- Provide the City Manager the authority to make medical plan design and cost share changes for employees and non-Medicare retirees within the overall health insurance budget;
- Provide the City Manager the authority to approve rate increases and vendor changes as necessary to appropriately fund Medicare-Eligible Retiree Health Plans upon receipt of renewal rates from the Administrator of the Medicare-eligible retiree coverage;
- Provide the City Manager the authority to enhance the plan design for the Employee Assistance Program to include 10 counseling sessions per issue and enhanced behavioral health services for

- public safety employees;
- Provide the City Manager the authority to change vacation time accrual from weekly accrual to a twice per year advancement;
- Clarify eligibility for retiree healthcare for those hired before July 1, 2009, to "10 years of continuous city service in a medical benefits eligible position"; and
- Continue military leave supplement pay for employees on active military duty.

**H. Approve Outside Agencies and Municipal Service Districts Contracts**

Authorize the City Manager to negotiate and execute contracts related to outside agencies and municipal service districts. The Outside Agency and Municipal Service District contracts are outlined below.

FY 2021 Annual Outside Agency Contracts

- General Fund Financial Partners:
  - Arts & Science Council: \$3,190,823
  - Charlotte Regional Business Alliance \$164,085
  - Community Building Initiative: \$50,000
  - Safe Alliance: \$397,038
  - Women’s Business Center of Charlotte: \$50,000
  - YMCA - My Brother’s Keeper: \$50,000
- Dedicated Revenue Sources Financial Partners:
  - Charlotte Center City Partners: \$5,810,182
  - University City Partners \$1,090,489
  - Charlotte Regional Visitors Authority (CRVA): \$17,546,420
  - CRVA - Film Commission: \$150,000
- 100 Percent Federal Grant Funded Financial Partners:
  - Carolinas Care Partnership: \$2,860,489
- 100 Percent PAYGO Funded Financial Partners:
  - Crisis Assistance Ministry: \$425,000
  - TreesCharlotte: \$100,000
- PAYGO/Federal Share Funded Financial Partners:
  - Charlotte-Mecklenburg Housing Partnership - Affordable Housing: \$1,860,000
  - Charlotte-Mecklenburg Housing Partnership - House Charlotte: \$231,000
- Out of School Time Financial Partners:
  - Bethlehem Center: \$126,000
  - Charlotte Community Services Association: \$126,000
  - Greater Enrichment Program: \$200,000
  - WINGS for Kids: \$200,000
  - YWCA Central Carolinas: \$200,000

Municipal Service District Contracts with Charlotte Center City Partners

- District 1: Center City
  - Tax Rate remained the same, 1.36¢
  - FY 2021 Contract: \$1,710,889
- District 2: Center City
  - Tax Rate remained the same, 2.27¢
  - FY 2021 Contract: \$1,213,282
- District 3: Center City
  - Tax Rate remained the same, 3.38¢
  - FY 2021 Contract: \$1,779,413
- District 4: South End
  - Tax Rate remained the same, 3.90¢
  - FY 2021 Contract: \$1,106,598

Municipal Service District Contract with University City Partners

- District 5: University City

- Tax Rate remained the same, 2.79¢
- FY 2021 Contract: \$1,090,489

#### FY 2021 Public Art Work Plan

- The Arts & Science Council administers the Public Art Program, which is outlined in Chapter 15 Article IX of the Charlotte City Code.
- The FY 2021 Public Art Allocations include:
  - General Capital Investment Plan: \$426,120, and
  - Aviation Capital Investment Plan: \$613,942.

#### Charlotte Works

- Job training contract for implementing federally-funded Workforce Innovation and Opportunity Act.
  - Funding source is federal Workforce Innovation and Opportunity Act grant.
- This action authorizes the City Manager to negotiate and execute the FY 2021 contract with Charlotte Works for continued funding of the program.

#### School Resource Officer Program for Charlotte-Mecklenburg Schools

- The Charlotte-Mecklenburg Police Department (CMPD), through the School Resource Officer (SRO) program, has a security presence at Charlotte-Mecklenburg Schools (CMS) middle and high schools in their jurisdiction.
- The SROs provide police services to their respective school communities as their primary assignment.
- CMPD will provide approximately 51 Police Officers and one Sergeant to CMS for the 2020 - 2021 school year.
- This action authorizes the City Manager to negotiate and execute the FY 2021 contract with CMS for continued funding for these SRO positions.

#### Support to the District Attorney's Office - Property Crime Unit

- Since 2008, the city has provided annual funding (via the CMPD operating budget) to the District Attorney to support two Assistant District Attorneys and three Victim/Witness Legal Assistants from the North Carolina Administrative Office of the Courts to address the backlog of cases in Mecklenburg County and support Police crime fighting initiatives.
- This action authorizes the City Manager to negotiate and execute the FY 2021 contract with the District Attorney and NC Administrative Office of the Courts for continued funding of these five positions.

### **I. City Investment Policy**

- The city's budgetary policies are based on and conform to Chapter 159 of the North Carolina General Statutes, the Local Government Budget and Fiscal Control Act, the City Code Book of Ordinances that includes the city charter, and generally accepted accounting principles for governmental entities.
- These policies and practices help to protect the fiscal integrity of the city and ensure that the city is poised for future growth.
- City Council adopted the most recent version of the Financial Policies and Practices upon the adoption of the FY 2020 Annual Budget Ordinance on June 10, 2019.
- The FY 2021 Financial Policies and Practices includes a formalized City Investment Policy that:
  - Effectively outlines the management and maintenance of city investments in accordance with all applicable Federal and State laws, City Ordinances, and other regulatory requirements, and
  - Updates Standards of Care to highlight safety, liquidity, and return as the primary objectives of investment activities.

### **J. Approve Other Budget Items**

- Various updates to the schedule of regulatory and non-regulatory user fees, including the creation

of two new tree payment-in-lieu fees as a result of City Council's amendment to the Tree Ordinance.

- The budget ordinance included is the city's annual budget operating ordinance. Sections 1 through 14 of this Ordinance reflect the items included in the FY 2021 Budget and all Council adjustments.
- The remainder of the Annual Ordinance (Sections 15 through 102) serves to make budgetary corrections to the current fiscal year for technical, accounting, and other adjustments necessary prior to the fiscal year's end.

**Attachment(s)**

Annual Budget Ordinance

Resolution by MTC

FY 2021 Compensation and Benefits Recommendation