

Legislation Text

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Fiscal Year 2020 Operating Budget and Fiscal Years 2020 - 2024 Capital Investment Plan

Action:

Adopt the Fiscal Year (FY) 2020 Appropriations and Tax Levy Ordinance, the FY 2020 Compensation and Benefits Resolution, and other items related to the Annual Budget Ordinance adoption:

- A. The FY 2020 Operating Appropriations and Tax Levy Ordinance,**
- B. The FY 2020 - 2024 Capital Investment Plan,**
- C. The FY 2020 General Solid Waste Fee,**
- D. The FY 2020 Storm Water Services Fee,**
- E. The FY 2020 Transit Operating Budget and Debt Service Budget, which was approved by the Metropolitan Transit Commission on April 24, 2019,**
- F. The FY 2020 Charlotte Water Rates,**
- G. The FY 2020 Compensation and Benefits Plan and associated Human Resources contracts,**
- H. Outside Agencies and Municipal Service Districts Contracts, and**
- I. Other Budget Items.**

Committee Chair:

Greg Phipps, Budget and Effectiveness Committee

Staff Resource(s):

Marcus Jones, City Manager
Sabrina Joy-Hogg, City Manager's Office
Phil Reiger, Strategy and Budget

Policy

- As required by state law, 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 the 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 2020 Budget on May 6, 2019, and subsequent City Council budget adjustments.
- The FY 2020 Budget is structurally balanced and focuses on four new strategic priorities: Economic Development, Neighborhood Development, Transportation and Planning, 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 six community engagement events throughout the fall of 2018, four Budget and Effectiveness Committee meetings on December 11, 2018, and January 15, February 19, and March 19, 2019, three Budget Workshops on February 6, March 6, and April 3, 2019, and two Budget Briefing meetings on May 8, and May 22, 2019.
- The Proposed FY 2020 Budget was presented on May 6, 2019.

- The Budget Public Hearing occurred on May 13, 2019.
- In the month of May several one-on-one meetings were held with council members regarding the FY 2020 Proposed Budget.
- The Mayor and City Council met on May 23, 2019, to discuss budget adjustments for consideration to the Proposed FY 2020 Budget. Two budget adjustments were approved by City Council for inclusion in the FY 2020 Budget.
- FY 2020 Budget highlights include:
 - Establishes a revenue neutral property tax rate.
 - Establishes the Office of Equity, Mobility, and Immigrant Integration to advance upward mobility, immigrant services, diversity, equity, and inclusion within the organization and throughout the community.
 - Provides additional \$750,000 for the Aging in Place program.
 - Invests \$500,000 in neighborhoods by expanding microgrants program.
 - Provides approximately \$750,000 for two garbage collection crews and trucks to keep the city clean.
 - Supports economic development initiatives for new business creation, innovation, and entrepreneurship with an additional \$1.65 million.
 - Enhances Minority Women Small Business Enterprise opportunities with an additional \$450,000.
 - Provides \$300,000 to initiate phase two of the Project P.I.E.C.E. Workforce Development Program.
 - Assists with the preservation of naturally occurring affordable housing by providing an additional \$6.4 million.
 - Enhances public safety employee compensation by increasing the top pay of Police Officer and Police Sergeant by five percent, and Fire Captain and Fire Engineer by 2.5 percent.
 - Provides three percent merit pool for salaried employees.
 - Provides a 1.5 percent market adjustment and 1.5 percent merit pool for general employees.
 - Ensures a minimum increase of \$2,080 annually for all full-time regular employees receiving a positive performance review.
 - Increases the minimum wage of full-time employees to \$16 per hour by the end of the fiscal year.
- The FY 2020 - 2024 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 investments 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 2020 Budget from May 23 City Council Budget Adjustments and Straw Votes Meeting

- During the May 23 Budget Adjustments and Straw Votes meeting, City Council approved the following adjustments:
 - \$50,000 to support the Women's Business Center of Charlotte. This adjustment is funded by reducing the General Fund Undesignated Balance by \$50,000.
 - The requested tax rates for Municipal Service Districts (MSDs) #2, #3, and #5.

A. Adopt the FY 2020 Operating Appropriations and Tax Levy Ordinance

Budget Overview

- The total FY 2020 budget is \$2.6 billion, with \$1.6 billion for operating expenditures and \$992.4 million for capital expenditures (all funds). The General Fund operating budget totals \$727.7 million.
- The total budget includes the following key revenues:
 - Revenue neutral property tax rate of 34.81¢ per \$100 of assessed valuation, which is a decrease of 14.06¢ from the prior year. The FY 2020 assessed value is estimated at \$142.7 billion, with an estimated collection rate of 99 percent,
 - Water and Sewer rate increase of \$2.21 per month. This increase consists of a \$0.17 monthly decrease to Fixed and Availability Billing Fees, which are not dependent on how much water customers use, and an average increase of \$2.38 to existing water and sewer volumetric usage rates,
 - The four tier Storm Water rate methodology (adopted in FY 2016) does not change in FY 2020. 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 2019 to FY 2020.

B. Adopt the FY 2020 - 2024 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 Pay-As-You-Go (PAYGO) Fund.
- The FY 2020 - 2024 five-year General CIP totals \$694.7 million and includes:
 - Planning for street, neighborhood, and housing bonds in 2020 for a total of \$197.2 million; this amount includes a \$25.0 million increase to the planned 2020 affordable housing bond from \$25.0 million to \$50.0 million,
 - Funding construction of all planned segments of the Cross Charlotte Trail using \$54.4 million of available funds without securing additional debt, and
 - Implementing a \$20.0 million Advanced Planning Revolving Account to initiate earlier planning and design on high-priority projects. This account will be replenished once permanent financing is in place for the project.

Nongeneral CIPs

- Nongeneral programs are financially self-sustaining and do not rely on property tax or general government revenues.
- The FY 2020 - 2024 five-year nongeneral CIP includes:
 - CATS totals \$139.1 million and is funded by \$61.2 million in federal and state grants and \$77.9 million in CATS PAYGO.
 - Aviation totals \$2.0 billion and is funded by \$1.1 billion in revenue bonds, \$335.0 million in federal grants, and \$540.9 million in passenger facility charges and other sources.
 - Storm Water totals \$451.5 million and is funded by \$261.5 million in cash and \$190.0 million in revenue bonds.
 - Charlotte Water totals \$1.6 billion, funded by \$702.7 million in cash and \$935.4 million in revenue bonds.

C. Amend the General Solid Waste Fee

- The annual Solid Waste Fee for residential customers changes from \$46.06 to \$58.06 per year in FY 2020.
- These changes become effective on July 1, 2019.
 - The revised fee will be included in the tax bills that will be mailed to property owners by

September 2019 and are due by December 31, 2019.

D. Approve the FY 2020 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 2020 fees remain unchanged from FY 2019:
 - Detached single family homes with less than 2,000 square feet (sf) of impervious area
 - FY 2020 Monthly Fee: \$5.85
 - Detached single family homes with 2,000 to 2,999 sf of impervious area
 - FY 2020 Monthly Fee: \$8.62
 - Detached single family homes with 3,000 to 4,999 sf of impervious area
 - FY 2020 Monthly Fee: \$12.76
 - Detached single family homes with 5,000 sf or more of impervious area
 - FY 2020 Monthly Fee: \$21.11
 - Commercial and multi-family per acre of impervious area
 - FY 2020 Monthly Fee: \$152.35

E. Adopt the FY 2020 Transit Operating Budget and Debt Service Budget, which was approved by the Metropolitan Transit Commission on April 24, 2019

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 2020 Transit Operating and Debt Service Budgets and the FY 2020 - 2024 Transit CIP have been developed in compliance with CATS Financial Policies including 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 2020 Budget includes no proposed fare increases.
- The FY 2020 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 2020 Charlotte Water Rates

- Water and sewer fees are necessary to maintain current infrastructure, accommodate growth, and respond to changing regulatory requirements.
- FY 2020 rate changes include:
 - Decreases the water and sewer availability fees from \$10.34 to \$9.61 per month,
 - Increases the water and sewer administrative fees from \$8.90 to \$9.46 per month,
 - Increases the water and sewer volumetric usage rates by an average of \$2.38 per month,
 - The typical monthly total water and sewer bill for residential customers is estimated to be \$66.82 in FY 2020, an increase of \$2.21 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 2020 Compensation and Benefits Plan and Associated Human Resources

Contracts

The FY 2020 Pay and Benefits Report includes the following:

Compensation

- On May 6, 2019, 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 2020 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 6, 2019,
 - Merge Police Officer steps seven and eight from two, 2.5 percent steps to one, five percent step,
 - Merge Police Officer steps nine and ten from two, 2.5 percent steps to one, five percent step,

Move the merit date of all police officers on step eight and above to July 6, 2019,
Create Senior Police Officer I (SPO I) step for eligible police officers to receive a five percent step increase on the later of July 6, 2019, or one year after reaching the top police officer step,
Implement a Senior Police Officer II program in which officers that have completed SPO I requirements can enroll to receive a five percent salary step increase on the later of one year after reaching the SPO I step or December 2020,
Increase all Police Sergeant steps by five percent each,
Add a 2.5 percent step to Fire Engineer, and
Increase Fire Captain steps by 2.5 percent each.
- Create the new Salaried Pay Plan (exempt/salaried employees):
 - Transition employees in Broadbanding Pay Plan to a Salaried Pay Plan consisting of 26 traditional ranges, each with a minimum and maximum pay equal to 80 percent and 125 percent, respectively, of benchmarked market data, and
 - A three percent merit pool.
- In the Hourly Pay Plan:
 - Merit increase pool funded at 1.5 percent,
 - Market adjustment to the ranges of 1.5 percent, effective December 7, 2019, and
 - Increase minimum starting hourly rate to \$16.00 by the end of FY 2020.
- Provide at least \$1.00 per hour increase to employees who receive a positive performance review, in the Salaried or Hourly Pay Plans, earning less than \$33.33 per hour by the end of FY 2020.

Benefits

- No medical plan premium increase to Health Savings Plan (HSA) Plan A, Preferred Provider Organization (PPO) Plan D, or PPO Plan E, for all tiers,
- Reduce the current HSA Plan B premiums, for all tiers, by five percent,
- Discontinue Health Reimbursement Account Plan C medical plan,
- Add adult orthodontia coverage to dental plan,
- Increase city contribution to defined contribution retirement plans for employees in the Charlotte Firefighters' Retirement System to four percent, from three percent, in January 2020,
- Provide the City Manager the authority to approve changes including plan options, vendors, rate increases, and future contracts/contract amendments to the Medicare-eligible retiree medical and prescription plans,
- Provide the City Manager the authority to establish the wellness incentive design for employees and Non-Medicare retirees within the overall health insurance budget,
- Provide the City Manager the authority to make medical plan design changes for employees and Non-Medicare retirees within the overall health insurance budget,
- Provide the City Manager the authority to select vendors and execute the contracts and future contract amendments with the selected vendors for the health care liaison, 457, and retiree health savings plans,

- Provide the City Manager the authority to enhance the plan design and execute the contract renewal for MyHealth employee clinics and vision,
- Provide the City Manager the authority to renegotiate the current contracts or if the contracts are rebid, to select vendors and execute the contracts and future contract amendments with the selected vendors for dental, employee assistance plan, short term disability, life insurance, and stop loss insurance,
- Provide the City Manager the authority to establish the dental premium structure within the overall health insurance budget,
- Offer employee all-access transit passes at a reduced rate, and
- Provide city-paid Hospital Indemnity coverage for all employees covered by the city's health plan.

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 2020 Annual Outside Agency Contracts

- General Fund Financial Partners:
 - Arts & Science Council: \$3,190,823
 - Community Building Initiative: \$50,000
 - My Brother's Keeper: \$50,000
 - Safe Alliance: \$397,038
 - Women's Business Center: \$50,000
- Dedicated Revenue Sources Financial Partners:
 - Charlotte Regional Visitors Authority (CRVA): \$17,456,421
 - CRVA Regional Film Commission: \$150,000
- 100 Percent Federal Grant Funded Financial Partners:
 - Carolinas Care Partnership: \$2,643,883
- 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:
 - Greater Enrichment Program: \$200,000
 - Bethlehem Center: \$126,000
 - YWCA: \$200,000
 - Charlotte Community Services Association: \$126,000
 - WINGS for Kids: \$200,000
 - Above and Beyond Students: \$127,934

Municipal Service District Contracts

- The FY 2020 tax rates for MSD #1 and #4 have been adjusted to the revenue neutral rate, MSDs #2 and #3 have been reduced from the previous rate, but are not revenue neutral, and MSD #5 remains unchanged from the FY 2019 tax rate. Below, the tax rate changes for the MSDs are shown in greater detail.

Municipal Service District Contracts with Charlotte Center City Partners

- District 1: Center City
 - Tax Rate decreased from 2.08¢ to 1.36¢
 - FY 2020 Contract: \$1,740,534
- District 2: Center City
 - Tax Rate decreased from 2.93¢ to 2.27¢
 - FY 2020 Contract: \$1,295,461

- District 3: Center City
 - Tax Rate decreased from 4.18¢ to 3.38¢
 - FY 2020 Contract: \$1,725,315
- District 4: South End
 - Tax Rate decreased from 6.68¢ to 3.90¢
 - FY 2020 Contract: \$1,048,569

Municipal Service District Contract with University City Partners

- District 5: University City
 - Tax Rate: 2.79¢
 - FY 2020 Contract: \$1,070,020

FY 2020 Public Art Work Plan

- The Arts & Science Council administers the Public Art Program, which is outlined in Section 15-233 of the Charlotte City Code.
- The FY 2020 Public Art Allocations include:
 - General Capital Investment Fund: \$330,900, and
 - Aviation Capital Investment Fund: \$1,108,419.

Charlotte Works

- Job Training Contract for implementing federally-funded Workforce Investment Act in an amount up to \$11,315,622.
 - Funding source is federal Workforce Investment Act Grant.

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 2019 - 2020 school year.
- Based on the previously agreed upon funding formula, CMS will pay the city up to \$5,410,318 for the SRO program.
- This action authorizes the City Manager to negotiate and execute the FY 2020 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 2020 contract with the District Attorney and NC Administrative Office of the Courts for continued funding of these five positions.

Local Initiative Support Corporation

- The city will partner with Local Initiatives Support Corporation (LISC) to continue to preserve Naturally Occurring Affordable Housing (NOAH) by encouraging individuals to build wealth through homeownership by creating a *Single-Family Acquisition/Rehabilitation Loan Program* and a *Multi-Family NOAH Program*.
- This action authorizes the City Manager to negotiate and execute the FY 2020 contracts associated with the above LISC programs.

Eastside and Westside Collaborative Initiative

- Provide \$1.0 million to support the Eastside Collaborative Initiative and the Westside Collaborative Initiative, with a match of \$500,000 for each collaborative from LISC. The funds will help these communities transform themselves into areas of opportunity.
- This action authorizes the City Manager to negotiate and execute the FY 2020 contracts associated with the collaboratives.

I. Approve Other Budget Items

- Various updates to the schedule of regulatory and non-regulatory user fees, including the creation of a new Transit Oriented Development (TOD) fee in lieu set at \$4.75 per square foot, adopted as part of the TOD ordinance on April 15, 2019.
- The budget ordinance included is the city's annual budget operating ordinance. Sections 1 through 13 of this Ordinance reflect the items included in the FY 2020 Budget and all Council adjustments.
- The remainder of the Annual Ordinance (Sections 14 through 86) 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 2020 Compensation and Benefits Recommendation