

Legislation Text

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Fiscal Year 2022 Operating Budget and Fiscal Years 2022-2026 Capital Investment Plan

Action:

Adopt the Fiscal Year (FY) 2022 Appropriations and Tax Levy Ordinance, the FY 2022 Compensation and Benefits Recommendations, and other items related to the Annual Budget Ordinance adoption:

- A. The FY 2022 Operating Appropriations and Tax Levy Ordinance,**
- B. The FY 2022 - 2026 Capital Investment Plan,**
- C. The FY 2022 General Solid Waste Fee,**
- D. The FY 2022 Storm Water Services Fees,**
- E. The FY 2022 Transit Operating Budget, FY 2022 Transit Debt Service Budget, and FY 2022 - 2026 Transit Capital Investment Plan which was approved by the Metropolitan Transit Commission on April 28, 2021,**
- F. The Charlotte Water Rate Methodology by approving revisions to the Revenue Manual,**
- G. The FY 2022 Charlotte Water Rates,**
- H. The FY 2022 Compensation and Benefits Plan and associated Human Resources contracts,**
- I. Outside Agency and Municipal Service District contracts,**
- J. Capital Investment Plan Program Policies,**
- K. A Resolution for a Release of Collateral, and**
- L. 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 2022 Budget presented on May 3, 2021, and subsequent City Council budget adjustments.
- The FY 2022 Budget is structurally balanced and focuses on five strategic priorities: Economic Development; Great Neighborhoods; Transportation, Planning, and Environment; Safe Communities; 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 four Budget and Effectiveness Committee meetings on January 6, January 26, February 16, and March 30, 2021; three Budget Workshops on February 3, March 3, and April 7; a Public Hearing on the Proposed Budget on May 10, 2021; a Budget Adjustments meeting on May 19, 2021; and a Straw Votes meeting on Budget Adjustments on May 26, 2021. Public budget engagement occurred through three virtual budget listening sessions occurring on February 24, March 4, and March 9, 2021, and a budget public input survey.

- The Mayor and City Council met on May 19 and May 26, 2021, to discuss budget adjustments for consideration to the Proposed FY 2022 Budget. Four budget adjustments and one policy adjustment were approved by City Council for inclusion in the FY 2022 Budget.
- FY 2022 General Fund and FY 2022 General Capital Investment Plan (CIP) highlights include:
 - Includes no proposed tax increase, and no city staff will be furloughed or laid off.
 - Maintains services; no reduction in core services.
 - Maintains operating reserve levels; no use of one-time revenues such as operating reserves.
 - Delivers a \$14 million investment in Corridors of Opportunity to support housing and neighborhood stabilization and job and economic development initiatives.
 - Supports the city's Strategic Energy Action Plan by investing \$4.75 million of Certificates of Participation and Pay-As-You-Go cash for sustainable infrastructure in city-owned buildings and by purchasing 22 electric vehicles.
 - Provides funds to complete the Cross Charlotte Trail in the five-year CIP.
 - Provides funding to reimagine policing and implement SAFE Charlotte recommendations:
 - Provides \$1 million in new funding to Charlotte-based nonprofits addressing violence in the community,
 - Expands the Community Policing Crisis Response Team for service to mental health related calls for service, and
 - Supports the SAFE Charlotte recommendation to pilot alternative civilian response models.
 - Plans the 2022 Bond for FY 2023 approval, which includes:
 - Providing the third consecutive \$50,000,000 allocation to create and preserve affordable housing,
 - More than tripling the 2020 Bond funding for the Sidewalk and Pedestrian Safety Program, from \$15,000,000 to \$50,000,000,
 - Doubling the 2020 Bond totals for the Bike Program, from \$4,000,000 to \$8,000,000; and the Transportation Safety (Vision Zero) Program, from \$2,000,000 to \$4,000,000, and
 - Investing \$10,000,000 for infrastructure improvements in the Corridors of Opportunity.
- The FY 2022 - 2026 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 CIPs respond to aging infrastructure and increasing service demands associated with the provision of water and sewer, storm water, transit, and aviation services.

Recommended Changes to the Proposed FY 2022 Budget from the May 26 City Council Budget Straw Votes Meeting

- During the May 26 Budget Straw Votes Meeting, City Council approved the following adjustments:
 - \$10,000 contribution to the Bengali Women's Forum,
 - \$10,000 contribution for the relocation, restoration, and preservation of the Siloam School,
 - An additional \$50,000 contribution to TreesCharlotte,
 - \$70,000 contribution to the Charlotte-Mecklenburg Historic Landmarks Commission's revolving fund, and
 - A directive in the FY 2022 compensation and benefits plan to research and analyze shift differential pay for potential inclusion in the FY 2023 Budget.

A. Adopt the FY 2022 Operating Appropriations and Tax Levy Ordinance

Budget Overview

- The total FY 2022 budget is \$2.7 billion net of transfers, with \$876.8 million for personnel expenditures, \$623.2 million for operating expenditures, \$976.9 million for capital expenditures (all funds), and \$229.1 for debt service expenditures. The General Fund operating budget totals \$750.7 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 and FY 2021. The FY 2022 assessed value is estimated at \$151.2 billion, with an estimated collection rate of 99 percent,
 - The FY 2022 Water and Sewer Fee is proposed to increase by 3.42 percent for the typical homeowner, which is an average increase of \$2.33 per month,
 - The four tier Storm Water rate methodology (adopted in FY 2016) is expected to increase by 3.2 percent from FY 2021 across all tiers. This methodology charges detached single-family parcels a flat rate for each tier based on the same per square foot rate (\$0.00361) applied to the median impervious area of each tier. All other parcels (multi-family and commercial) are charged the same rate (\$0.00361) per actual square foot, and
 - Charlotte Area Transit System (CATS) base transit fare remains flat from FY 2021 to FY 2022.

B. Adopt the FY 2022 - 2026 Capital Investment Plan

General CIP

- The General CIP is supported by a portion of the 34.81¢ property tax as follows:
 - 6.77¢ for the Municipal Debt Service Fund, and
 - 0.73¢ for the Pay-As-You-Go (PAYGO) Fund.
- The FY 2022 - 2026 five-year General CIP totals \$648.4 million and includes General Obligation Bonds, Certificates of Participation (COPs), Municipal Debt Service, reappropriation of prior authorization, and PAYGO funds.

Nongeneral CIPs

- Nongeneral programs are financially self-sustaining and do not rely on property tax support.
- The FY 2022 - 2026 five-year nongeneral CIPs include:
 - Aviation totals \$1.1 billion and is funded by \$881.2 million in revenue bonds, \$122.6 million in Aviation PAYGO, \$59.9 million in federal grants, and \$56.0 million in passenger facility charges and other sources.
 - CATS totals \$142.4 million and is funded by \$84.0 million in federal and state grants and \$58.4 million in other sources.
 - Charlotte Water totals \$2.4 billion and is funded by \$1.2 billion in Charlotte Water PAYGO and \$1.2 billion in water and sewer revenue bonds.
 - Storm Water totals \$535.0 million and is funded by \$285.0 million in revenue bonds and \$250.0 million in Storm Water PAYGO and program income.

C. Amend the General Solid Waste Fee

- The annual Solid Waste Fee for residential customers changes from \$67.66 to \$75.02 in FY 2022 to help support the increased cost of services.
- These changes become effective on July 1, 2021.
 - The revised fee will be included in the tax bills that will be mailed to property owners by September 2021 and are due by December 31, 2021.

D. Approve the FY 2022 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 2022 Storm Water Services Fee changes include:
 - Detached single family homes with less than 2,000 square feet (sf) of impervious area

- changes from \$5.85 per month to \$6.04 per month in FY 2022,
- Detached single family homes with 2,000 to 2,999 sf of impervious area changes from \$8.62 per month to \$8.91 per month in FY 2022,
- Detached single family homes with 3,000 to 4,999 sf of impervious area changes from \$12.76 per month to \$13.17 per month in FY 2022,
- Detached single family homes with 5,000 sf or more of impervious area changes from \$21.11 per month to \$21.78 per month in FY 2022, and
- Commercial and multi-family per acre of impervious area changes from \$152.35 per month to \$157.23 per month in FY 2022.

E. Adopt the FY 2022 Transit Operating Budget, FY 2022 Transit Debt Service Budget, and FY 2022-2026 Transit Capital Investment Plan which was approved by the Metropolitan Transit Commission on April 28, 2021

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 2022 Transit Operating and Debt Service Budgets and the FY 2022 - 2026 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 2022 Budget includes no proposed fare increases and no proposed new fees.
- The FY 2022 Budget for CATS represents three key ideas: responding to customer needs, maintaining a safe and reliable transit system, and planning for the future.

F. Amend the Charlotte Water Rate Methodology by approving revisions to the Revenue Manual

- Charlotte Water rate methodology changes with the adoption of the FY 2022 Budget.
- The schedule of water and sewer rates, fees, and charges is calculated according to the rate methodology as codified in the revenue manual and Charlotte Water's approved budget and is published annually.
- The Revenue Manual revisions include:
 - Revising the bulk rate from the Tier 3 Residential Rate to the Non-Residential (Commercial) Rate,
 - Adding a reuse/reclaimed water rate that is calculated based on the Non-Residential (Commercial) Rate,
 - Revising the calculation methodology to industry standards, renaming and adding fees in the following sections of the revenue manual:
 - Industrial Wastewater Program Charges,
 - Land Development User Fees,
 - Miscellaneous Rates and Fees,
 - Meter Set Fees,
 - Customer Service and Billing Fees and Charges,
 - Hydrant Fees and Penalties,
 - Truck Fees and Penalties,
 - Private Meter Fees and Penalties,
 - Septic Waste Fees,
 - Authorizing Charlotte Water's Chief Financial Officer to administer rates, fees, and charges, once the Director has established them, and
 - Associated technical and procedural changes that clarify and update the language.

- A Joint Public Hearing between City Council and the Charlotte Water Advisory Committee was held on May 24, 2021. No comments from the public were received.

G. 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 2022 rate changes include:
 - Maintain the water and sanitary sewer availability fees at \$9.99 per month,
 - Maintain the water and sanitary sewer fixed fees at \$8.44 per month,
 - The typical monthly total water and sanitary sewer bill for residential customers is estimated to be \$70.39 in Fiscal Year 2022, an increase of \$2.33 per month, and
 - The typical bill assumes 5,236 gallons, or seven 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.

H. Adopt the FY 2022 Compensation and Benefits Plan and Associated Human Resources Contracts

The FY 2022 Pay and Benefits Report includes the following:

Compensation

- On May 3, 2021, 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 2022 Compensation and Benefits Recommendations including, but not limited to the following items:
- In the Public Safety Pay Plan:
 - Merit steps of 2.5 percent to five percent to be funded.
 - Market adjustment to the pay steps funded at 1.5 percent effective July 3, 2021.
 - Revisions to Fire steps effective November 13, 2021, to better align with market competitiveness:
 - Merge Firefighter II steps six and seven 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 a 2.5 percent step to the top of Firefighter II,
 - Add a 2.5 percent step to the top of Firefighter Engineer, and
 - Adjust Fire Captain steps by 3.75 percent each.
- In the Salaried Pay Plan:
 - Merit increase pool funded at 3.0 percent.
 - Market adjustment to the ranges of 1.5 percent effective July 3, 2021.
- In the Hourly Pay Plan:
 - Merit increase pool funded at 1.5 percent.
 - Market adjustment to the ranges of 1.5 percent effective December 4, 2021.
 - Market adjustment to eligible employees of 1.5 percent effective December 4, 2021.
- Minimum Pay:
 - Funding to increase annualized minimum pay for all non-temporary employees, with good performance, to \$38,090 and to relieve any resulting compression by the end of the fiscal year.
- Directive to research and analyze Shift Differential Pay
 - On May 26, 2021, during the City Council Budget Straw Votes meeting, City Council directed staff to research and analyze shift differential pay for potential inclusion in the FY 2023 Budget.
- Mayor and City Council Compensation
 - Align City Council compensation, including base pay and expense, auto, and technology allowances, with the Mecklenburg County Board of County Commissioners, and
 - Align the Mayor's compensation, including base pay and expense, auto, and technology

allowances, with the Board Chairperson of the Mecklenburg County Board of County Commissioners.

Benefits

- At least a five percent reduction to employee medical plan premiums.
- A decrease to in-network individual deductibles by \$250 across all medical plans (unless unallowable by IRS regulations).
- Five percent reduction to retiree medical plan premiums for non-Medicare eligible retirees with 20 years of service.
- Authorize the City Manager to implement enhancements in the dental plan dependent on the results of a bid process that is in progress.
- Increase the city contribution to the 457 plan for employees in the Charlotte Firefighters' Retirement System by one percent effective January 2022.
- Provide the City Manager the authority to make pharmacy plan design enhancements 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 renegotiate the current contracts, or if the contracts are rebid, to select vendors, execute the contracts and future contract amendments and determine plan design within the selected vendors for Employee Assistance Program, Flexible Spending Accounts, Health Savings Account Administration, Health Advocacy, Short-Term Disability, Long-Term Disability, Family Medical Leave Administration, Life insurance, Stop Loss insurance, voluntary benefits, and wellness services.

I. Approve Outside Agency and Municipal Service District Contracts

This action authorizes 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.

Arts and Culture Sector

- Foundation for The Carolinas will administer the city's FY 2022 allocation of arts and culture funding totaling \$6,000,000, which includes:
 - \$4,000,000 of General Fund funding, and
 - \$2,000,000 of American Rescue Plan Act funding.
- The city's \$6,000,000 of FY 2022 funding is anticipated to be matched by at least an additional \$6,000,000 from the private sector, which will also be administered by Foundation for the Carolinas.
- The \$12,000,000 of total arts and culture sector funding in FY 2022 is expected to continue at the same funding level in FY 2023 and FY 2024, totaling \$36,000,000 over three fiscal years.

FY 2022 Annual Outside Agency Contracts

- General Fund Discretionary Financial Partners:
 - Alliance Center for Education (formerly Bethlehem Center) - Out of School Time Partner: \$90,000
 - The Bengali Women's Forum Corp (New Financial Partner): \$10,000
 - During the May 26, 2021 Budget Straw Votes Meeting, City Council approved this as a budget adjustment.
 - Charlotte Regional Business Alliance: \$166,553
 - Community Building Initiative: \$50,000
 - Greater Enrichment Program - Out of School Time Partner: \$200,000
 - Safe Alliance: \$397,038
 - UNC Charlotte Urban Institute/Institute for Social Capital (New Financial Partner): \$250,000
 - Women's Business Center of Charlotte: \$50,000

- My Brother's Keeper Charlotte-Mecklenburg: \$50,000
- TreesCharlotte: \$150,000
 - \$100,000 was included in the FY 2022 Proposed Budget. During the May 26, 2021 Budget Straw Votes Meeting, City Council approved an adjustment of an additional \$50,000.
- Dedicated Revenue Sources Financial Partners:
 - Municipal Service District (MSD) Contracts
 - On January 5, 2021, the city issued a Request for Proposals for MSD service provision for an initial term of three years and for two, one-year renewal options.
 - A public hearing on the needs of the service districts was held on May 10, 2021.
 - The municipal service district contracts for FY 2022 are outlined below.
 - Charlotte Center City Partners (\$6,232,801)
 - District 1: Center City
 - Tax Rate remained the same, 1.36¢
 - FY 2022 Contract: \$1,790,087
 - District 2: Center City
 - Tax Rate remained the same, 2.27¢
 - FY 2022 Contract: \$1,276,809
 - District 3: Center City
 - Tax Rate remained the same, 3.38¢
 - FY 2022 Contract: \$1,891,807
 - District 4: South End
 - Tax Rate remained the same, 3.90¢
 - FY 2022 Contract: \$1,274,098
 - University City Partners
 - District 5: University City
 - Tax Rate remained the same, 2.79¢
 - FY 2022 Contract: \$1,162,593
 - Charlotte Regional Visitors Authority (CRVA): \$18,072,813
 - CRVA - Film Commission: \$150,000
 - 100 Percent Federal Grant Funded Financial Partners:
 - Carolinas Care Partnership: \$2,961,512
 - 100 Percent PAYGO Funded Financial Partners:
 - Crisis Assistance Ministry: \$425,000
 - PAYGO/Federal Share Funded Financial Partners:
 - DreamKey Partners (formerly Charlotte-Mecklenburg Housing Partnership, Inc.) - Affordable Housing: \$1,690,000
 - DreamKey Partners (formerly Charlotte-Mecklenburg Housing Partnership, Inc.) - House Charlotte: \$231,000

Public Art

- The Arts & Science Council administers the Public Art Program, which is outlined in Chapter 15 Article IX of the Charlotte City Code.
- The FY 2022 CIP Public Art allocations include:
 - Aviation: \$1,793,271, and
 - Charlotte Water: \$181,500.
- The FY 2021 CIP Public Art contract payment cap will be increased by \$230,000 to include Charlotte Water's FY 2021 public art allocation.

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 2021 - 2022 school year.
- This action authorizes the City Manager to negotiate and execute the FY 2022 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. This will 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 2022 contract with the District Attorney and NC Administrative Office of the Courts for continued funding of these five positions.

Other

- During the May 26, 2021 Budget Straw Votes Meeting, City Council approved the following items as budget adjustments.
 - A one-time \$10,000 contribution for the relocation, restoration, and preservation of the Siloam School, and
 - A one-time \$70,000 contribution to the Charlotte-Mecklenburg Historic Landmarks Commission's revolving fund.

J. CIP Program Policies

- The CIP Program Policies include Council-adopted policies for developing and implementing the CIP as well as Capital Investment Policies and Practices, which include capital program best practices.
- City Council adopted the most recent version of the CIP Program Policies upon the adoption of the FY 2021 Annual Budget Ordinance on June 8, 2020.
- The FY 2022 CIP Program Policies include the addition of guidance around a uniform, citywide methodology for allocating and charging direct and indirect costs to capital projects.

K. A Resolution for a Release of Collateral

- This action adopts a resolution requesting release of city-owned property at 1315 North Graham Street (Council District 2) from the pledge of collateral as part of the Deed of Trust related to the 2014A COPs.
- The outstanding principal remaining on the 2014A COPs will continue to be securitized by the remaining properties in the Deed of Trust.

L. Approve Other Budget Items

- Various updates to the schedule of regulatory and non-regulatory user fees.
- The budget ordinance included is the city's annual budget operating ordinance. Sections 1 through 12 of this Ordinance reflect the items included in the FY 2022 Budget and all Council adjustments.
- The remainder of the Annual Ordinance (Sections 13 through 106) 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

Proposed Revised Charlotte Water Revenue Manual

FY 2022 Compensation and Benefits Recommendations

Resolution for Release of Collateral