

**Council Budget Committee**  
Monday, September 28, 2015, 2:00 – 3:30 p.m.  
Charlotte-Mecklenburg Government Center  
Room 280

Committee Members:     Greg Phipps, Chair  
                                  Ed Driggs, Vice Chair  
                                  Patsy Kinsey  
                                  Vi Lyles  
                                  LaWana Mayfield

Staff Resource:             Kim Eagle, Strategy & Budget Director

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**AGENDA**

	<u>Page</u>	<u>Time Frame</u>
<b>I.     <u>Compensation Plan for Non-exempt Employees</u></b> <i>Staff: Kim Eagle, Strategy &amp; Budget           Victoria Johnson, Solid Waste Services           DeLane Huneycutt, Human Resources</i> <b>(Material to be distributed at Meeting)</b> <i>Action requested: Discussion and Feedback</i>		<b>30 minutes</b>
<b>II.    <u>Threshold (\$) for Agenda Item Placement</u></b> <b><u>(referred on July 28)</u></b> <i>Staff: Katie McCoy, Strategy &amp; Budget</i> <b>(Attachment 1)</b> <i>Action requested: Discussion and Recommendation</i>	<b>1</b>	<b>15 minutes</b>
<b>III.   <u>Storm Water Ordinance (referred on July 28)</u></b> <i>Staff: Jennifer Smith, Storm Water           Kim Eagle, Strategy &amp; Budget</i> <b>(Attachment 2, 3, 4, &amp; 5)</b> <i>Action requested: Discussion and Recommendation</i>	<b>3</b>	<b>30 minutes</b>
<b>IV.    <u>Follow Up from FY2016 Budget Process &amp;</u></b> <b><u>Committee Work Plan</u></b> <i>Staff: Kim Eagle, Strategy &amp; Budget</i> <b>(Attachments 6 &amp; 7)</b> <i>Action requested: Discussion and Feedback</i>	<b>17</b>	<b>10 minutes</b>

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Distribution:	Mayor and City Council	Randy Harrington
	Ron Carlee, City Manager	Carol Jennings
	Ron Kimble	Robert Hagemann
	Debra Campbell	Robin LoFurno
	Ann Wall	Sandy D'Elosua
	Hyong Yi	Jason Kay

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# Referral to Budget Committee: Council Business Agenda Categories

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## Background

At the July 28<sup>th</sup> Council Business Agenda, Council member Smith requested information on the parameters by which Agenda items are placed in the three primary decision-making sections: Policy, Business, and Consent. This item was then referred to the Budget Committee.

## Overview of Council Business Agenda Sections

The following lists the typical sections included in the Council Business Agenda; the last three sections are the primary decision-making categories referred to the Budget Committee for further discussion:

- Awards & Recognitions (informational)
- Public Hearing (informational)
- Policy (decision-making)
- Business (decision-making)
- Consent (decision-making)

## Description of Decision-Making Sections within the Council Business Agenda

The placement of Agenda items in the three primary decision-making categories (Policy, Business, Consent) is typically determined based on the type of item, rather than a dollar threshold. However, non-standard items for which staff anticipates or requests special Council discussion (which often involve sizeable financial investment) are often placed on the Business Agenda.

The following table provides a description and examples of the three primary decision-making agenda sections that guide the placement of items:

Category	Description	Example
Policy	An item developed from a Council Committee recommendation that is brought back to full Council	<ul style="list-style-type: none"> <li>• recommendation from HAND Committee on Housing Policy</li> <li>• change to City Code/Ordinance</li> <li>• adoption of annual Operating and Capital Budget</li> </ul>
Business	A non-routine item that may require Council and/or staff to expound upon the item	<ul style="list-style-type: none"> <li>• regional agreements</li> <li>• incentive grants</li> <li>• nominations to Board and Commissions</li> <li>• Mayor and Council topics</li> </ul>
Consent	A routine item associated with City operations, typically included in the adopted operating or capital budget	<ul style="list-style-type: none"> <li>• equipment purchasing</li> <li>• departmental grant awards</li> <li>• professional services contracts</li> </ul>

As part of the Council Business Meeting process, Council may pull any Consent item at the dais for further information and deliberation, which then requires a separate vote on the item. If Council is interested in pulling an item for discussion and deliberation, without requiring a separate vote, that option, along with any other options to enhance the Council Business Meeting, may certainly be explored.



## Stormwater Ordinance Revisions

Budget Committee Meeting  
September 28, 2015

Date



### Background

- All rate payers are charged in accordance with their impervious surface and its impacts on stormwater runoff and surface water quality
- Ordinance allows fee exemptions for:
  - Undeveloped land
  - Public street rights-of-way maintained by the state
  - Railroad tracks

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## Background

- It is uncommon for large NC cities to pay a stormwater fee based on impervious surface for public street rights-of-way (including sidewalks)
- The six surrounding towns in Mecklenburg County do not pay municipal stormwater fees based on impervious surface
- Charlotte and all six towns do pay County stormwater fees based on impervious surface for public street rights-of-way

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## History of Payments from General Fund

- FY1994: \$2.5 million annual contribution and dedicated one cent of the property tax rate
- FY1995: \$2.5 million annual contribution split
  - \$2.0 million General Fund
  - \$0.5 million Powell Bill
- FY1997: Annual contribution rose proportionately with the percentage of annual stormwater fee increases, but did not rise to reflect increases in impervious area
- FY1998 – FY2001: Began phasing out dedicated property tax (25% annually)

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## History of Payments from General Fund

- FY2007: General Fund and Powell Bill contributions capped at \$5.68 million
  - \$4.54 million General Fund
  - \$1.14 million Powell Bill
- Between 1993 and 2014, the General Fund and Powell Bill combined contributions to the stormwater program have totaled **\$111.7 million**
- FY2016: contribution remains capped at \$5.7 million

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## Fiscal Implications

- Stormwater fee for Charlotte's public street rights-of-way and government facilities would total \$14.9 million
  - Approx. \$14.47 million for street rights-of-way
  - Approx. \$0.42 million for facilities
- Equivalent property tax rate for \$14.9 million is 1.68 cents per \$100 valuation
- Current FY2016 budgeted contribution is \$5.7 million
- Equivalent property tax rate for remaining \$9.2 million is 1.04 cents per \$100 valuation

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## Public Input Process

- May 11, 2015 a Public Hearing was held
  - No comments received
- July 2015, Council received a letter from the Storm Water Advisory Committee
  - Recommends not revising the Ordinance
  - Continue to pay some portion for Charlotte's public street rights-of-way
  - Goal of increasing the rate paid until it is the same rate as other private and public fee payers.
  - Corrective action can span several years given that the payment gap grew over many years

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## Next Steps

- Committee recommendation for full Council
- Storm Water Services will be reviewing the fee credit manual and may bring back additional changes to Section 18-40 in the spring/summer 2016

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## Proposed Revisions

### **Sec. 18-39 – Stormwater service charges**

(a) Pursuant to an interlocal agreement entitled "Agreement for Operation of a Single Storm Water System within Mecklenburg County," which became effective January 1, 1994, the city manager shall request the county to set and revise, from time to time, the service rate charge ~~in accordance with the "Storm Water Rate Methodology," dated May 13, 1996, a copy of which is on file in the office of the city clerk, or any subsequent methodology~~ agreed to and adopted by both governing bodies. Upon the expiration or termination of such interlocal agreement, the city council shall establish the service rate charge and base rate charge.



## Proposed Revisions

### **Sec. 18-40. - Exemptions and credits applicable to service charges.**

(a) Except as provided in this section, no public or private property shall be exempt from stormwater service charges or receive a credit or offset against such service charges. No exemption or reduction in stormwater service charges shall be granted based on the age, tax or economic status, race, or religion of the customer, or other condition unrelated to the cost of providing stormwater services and facilities.

- (b) The following exemptions from stormwater service charges shall be allowed:
  - (1) Undeveloped land.
  - (2) Public road rights-of-way which have been conveyed to and accepted for maintenance by the city and the state and are available for use in common by the general public for motor vehicle transportation, but this exemption shall not apply to any other uses of developed land for public purposes, such as, but not limited to, ~~public street rights-of-way conveyed to and accepted for maintenance by the city,~~ offices, airports, maintenance yards, water and wastewater treatment plants and water reservoirs, ~~parking lots or garages, parks, recreation facilities, libraries,~~

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## City General Fund Contribution to Storm Water Services

The stormwater program is based on the premise that all rate payers are charged in accordance with their impervious surface and its impacts on stormwater runoff and surface water quality. When the program began in 1993, the City ordinance created certain categories which were exempt from paying a stormwater fee. Although state roads have been *exempt* from paying a fee since the program began, the City's public street rights-of-way were *not exempt* in the ordinance. However, since the beginning of the stormwater program, the City's General Fund has paid a contribution to the program in lieu of paying a fee specifically based on City street impervious area.

- In FY1994, Council approved a \$2.5 million annual contribution to Storm Water Services for City maintained streets and general government facilities and also dedicated one cent of the property tax rate to Storm Water Services.
- In FY1995, the \$2.5 million annual contribution was split between General Fund and Powell Bill (\$2.0 million and \$500,000 respectively).
- Beginning in FY1997, the annual General Fund and Powell Bill contribution rose proportionately with the percentage of annual stormwater fee increases, but did not rise to reflect increases in impervious area.
- In FY1998, the City began phasing out dedicated property tax revenues at a rate of 25% annually through FY2001.
- In FY 2007, City Council capped future General Fund and Powell Bill contributions to the stormwater program at \$5.68 million (\$4.54 million General Fund, \$1.14 million Powell Bill).
- Between 1993 and 2014, the General Fund and Powell Bill combined contributions to the stormwater program have totaled \$111.7 million.
- The FY2015 Adopted Budget is \$5.7 million, consistent with the cap adopted by Council in FY2007.

In addition to the \$5.7 million contribution, the City's general fund also invests in stormwater system improvements through neighborhood improvement projects, transportation improvement projects, and transit projects. The City's general capital contribution to stormwater system improvements through these projects allows Storm Water Services to direct more stormwater fee revenue to the maintenance and repair of existing systems.

If the City's contribution to the stormwater program from the General Fund and Powell Bill were based on actual impervious surface of all City-maintained streets and general government facilities, the FY2016 contribution would total \$14.9 million, equivalent to a property tax rate of approximately 1.68 cents per \$100 valuation. This would require a \$9.2 million increase over the FY2016 contribution of \$5.7 million. This increase amount equates to 1.04 cents on the property tax rate.

It is uncommon for large NC cities to pay a stormwater fee based on impervious surface for public street rights-of-way. Raleigh, Durham, and Winston Salem do not pay stormwater fees for city-maintained streets. The surrounding Mecklenburg towns also do not pay such a stormwater fee. However, all six Mecklenburg towns, including Charlotte, do pay County stormwater fees for their city street impervious surfaces. The City's payment to the County for the major stormwater system utility is budgeted at \$1.6 million in FY2016.

**Ordinance Correction Recommended**

Staff recommends that City Council amend the stormwater ordinance to include an exemption for public rights-of-way within the City. This technical modification to the ordinance will make it consistent with the long-standing 20 year practice of not including City-maintained streets in the City's stormwater fee payment.

A Public Hearing on the ordinance amendment to exempt City-maintained streets from the City's stormwater fees, was held by City Council on May 11<sup>th</sup>. There were no comments from the public during the Public Hearing.

The FY2016 budget for Stormwater Services is consistent with the above described long-standing practice and does not include revenue from fee payment from the City for City-maintained streets. In order to allow time for the Stormwater Advisory Committee to discuss the ordinance change more thoroughly, the item will appear on Council's business agenda on July 27.

The City's \$5.7 million annual General Fund contribution to the stormwater program includes payment of \$417,706 in stormwater fees for impervious surfaces of City-owned general government facilities.



## Legislation Text

**File #:** 15-785 **Agenda #:** 15.

### Amend Stormwater Ordinance

**Action:**

**Amend Chapter 18 - Stormwater Ordinance to exempt the City from paying a stormwater fee for public street rights-of-way.**

**Staff Resource(s):**

Kim Eagle, Management & Financial Services  
Daryl Hammock, Engineering & Property Management

**Explanation**

- On May 11, 2015, a public hearing was held on the Stormwater Ordinance. There were no comments.
- The City ordinance exempts certain categories of property from paying a stormwater fee.
- Although state roads have been exempt from paying a fee since the program began, the City's public street rights-of-way were not exempt.
- Early in the program, the City's general fund paid a contribution to the program in lieu of paying a fee specifically based on City street impervious area.
- The general fund contribution rose proportionately with the percentage of annual fee increases, but did not rise to reflect increases in impervious area.
- In Fiscal Year 2007, the City Council capped future contributions from the City's general fund to the stormwater enterprise fund at the Fiscal Year 2006 level of approximately \$5.7 million.
- The City's general fund often invests in stormwater system improvements through neighborhood and transportation improvement and transit projects.
- Most large NC cities do not pay a stormwater fee based on impervious surface for public street rights-of-way.
- The surrounding Mecklenburg towns do not pay a stormwater fee.
- The amendment would allow an exemption for public rights-of-way within the City, which will result in the ordinance being consistent with the current practice of how it collects stormwater fees.
- This ordinance change will not affect the payment amount from the General Fund to Storm Water Services.

**Background**

- Under North Carolina law for public enterprises, cities are authorized to set and collect fees to fund storm drainage maintenance and replacement, and to comply with Federal Clean Water Act requirements.
- The City and Mecklenburg County together established a combined stormwater utility in January 1993 and began assessing fees to most public and private property.

**Fiscal Note**

**File #:** 15-785 **Agenda #:** 15.

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Funding: Not Applicable

**Attachment**

Amended Stormwater Ordinance

Sec. 18-39. - Stormwater service charges

(a) Pursuant to an interlocal agreement entitled "Agreement for Operation of a Single Storm Water System within Mecklenburg County," which became effective January 1, 1994, the city manager shall request the county to set and revise, from time to time, the service rate charge ~~in accordance with the "Storm Water Rate Methodology," dated May 13, 1996, a copy of which is on file in the office of the city clerk, or any subsequent methodology~~ agreed to and adopted by both governing bodies. Upon the expiration or termination of such interlocal agreement, the city council shall establish the service rate charge and base rate charge.

(b) Payment will be applied to a customer's bill in the following order:

- (1) Civil penalties assessed pursuant to this chapter;
- (2) Delinquent fees for water and/or sewer;
- (3) Stormwater; and
- (4) Water and/or sewer.

(Code 1985, § 18-4)

Sec. 18-40. - Exemptions and credits applicable to service charges

(a) Except as provided in this section, no public or private property shall be exempt from stormwater service charges or receive a credit or offset against such service charges. No exemption or reduction in stormwater service charges shall be granted based on the age, tax or economic status, race, or religion of the customer, or other condition unrelated to the cost of providing stormwater services and facilities.

(b) The following exemptions from stormwater service charges shall be allowed:

- (1) Undeveloped land.
- (2) Public road rights-of-way which have been conveyed to and accepted for maintenance by the city and the state and are available for use in common by the general public for motor vehicle transportation, but this exemption shall not apply to any other uses of developed land for public purposes, such as, but not limited to, ~~public street rights-of-way conveyed to and accepted for maintenance by the city,~~ offices, airports, maintenance yards, water and wastewater treatment plants and water reservoirs, parking lots or garages, parks, recreation facilities, libraries, schools, colleges, universities, social service centers, public housing, hospitals, convalescent centers, and other developed land used for public purposes. This exemption also shall not apply to internal site roadways within such public facilities; to private roads or drives; or to internal roads, drives, and parking areas in privately owned properties.
- (3) Railroad tracks, but this exemption shall not apply to railroad stations, maintenance buildings, or other developed land used for railroad purposes.

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June 25, 2015

Mayor of Charlotte and Charlotte City Council  
Charlotte-Mecklenburg Government Center  
600 East Fourth Street  
Charlotte, NC, 28202

Re: City of Charlotte Proposed Stormwater Ordinance Revisions

Dear Mayor and City Council:

The Charlotte-Mecklenburg Storm Water Advisory Committee (SWAC) reviewed the proposed Stormwater Ordinance revisions at the June 18 SWAC meeting and offer the following comments.

The stormwater program is based on the premise that all rate payers are charged in accordance with their impervious surface and its impacts on stormwater runoff and surface water quality. The City is proposing that City Council revise the stormwater ordinance to include an exemption for public rights-of-way within the City. SWAC objects to this change for many reasons, but the primary reasons for our objection include:

- Roads produce stormwater runoff and impact surface water quality and the drainage system. The City should pay the costs of storm drain maintenance and replacement associated with the city's road system.
- There is already a significant and growing backlog of stormwater repair work, so a reduction or elimination of the city contribution would be a negative effect on the stormwater program.
- The City's General Fund invests in new transportation and neighborhood infrastructure. The General Fund is not used to maintain the resulting storm drain infrastructure. Maintenance is where the main need is, and will be in the future for the life of these new investments.
- The stormwater fee in Charlotte is higher than some peer cities, as documented by the independent review of the stormwater program. Having the city pay for its streets will help keep this rate as low as possible.



Average Residential Fee (Raftelis Financial Consultants, 2015)

SWAC recommends not revising the Ordinance, but acknowledges that the City likely cannot pay the full amount in the first year, based on the current impervious area based rate. The City should continue to pay some portion for city road impervious surfaces with the goal of increasing the rate paid until it is the same rate as other private and public fee payers. The corrective action can span several years given that the payment gap grew over many years.

On behalf of the SWAC, I would like to thank you for the opportunity to provide advice, guidance and general oversight on Storm Water Services programs.

Respectfully submitted,

Jamey Baysinger, Chairman  
Charlotte-Mecklenburg Storm Water Advisory Committee

Cc: SWAC Members  
Ron Carlee, City Manager  
Jennifer Smith, Charlotte Storm Water Services

## Budget Committee Work Plan

<i>Meeting Date</i>	<i>Item</i>	<i>Description</i>
Monday, September 28; 2:00 – 3:30 pm – Room 280	Storm Water Ordinance (referred on July 28)	Review of funding approaches - General Fund/property tax base for large projects, etc.
	Threshold for Agenda Placement (referred on July 28)	Discuss placement of items on Council Business Agenda (Consent vs. Business)
	Pay Plan for Non-exempt Employees	Overview of current process and reasons for modification to City pay plan for non-exempt City employees
	Follow up from FY2016 Budget Process and Committee Work Plan	Discuss items from FY2016 Budget process & provide a list of future Committee topics
Monday, October 26; 2:00 – 3:30 pm – Room CH-14	City funding of State & County responsibilities (e.g. District Attorney's Office)	Update of City funds used toward State & County responsibilities
	Solid Waste Services Service Delivery and Cost Model (primary referral is to Environment Committee)	Process status update
	Fund Balance Policy	Update on City Fund Balance Policy and impact of potential modifications
	Water Meter Upgrade	Status update on project
Future Committee Items	Asset Sales and Facility Sales and Lease Back Opportunities	Discuss pros and cons related to the opportunities associated with leveraging and selling current assets
	Community Investment Plan Update	Discuss current outlook of Community Investment Plan

Attachment 6

<b><i>Meeting Date</i></b>	<b><i>Item</i></b>	<b><i>Description</i></b>
	Take Home Vehicle Policy	Discuss current City policy related to take home vehicles
	Pay Plan for non-exempt employees (2) Discuss potential changes associated with revised City pay plan for non-exempt City employees	Discuss proposed modifications to City pay plan for non-exempt City employees
	Charlotte Water Assessment of Capital Funding Model	Overview of capital funding model used by Charlotte Water
	Storm Water Capital Program	Overview of current Storm Water Capital Program
	Cost Allocation Plan & Overhead Process	Describe current budget process related to cost allocation & overhead
	Community Safety strategic needs including Fire companies, in-fill Fire stations, Police patrol services and Police stations location planning (primary referral to the Community Safety Committee)	Community Safety Committee to discuss and determine relative priority within each area, not funding recommendation. Budget Committee to discuss funding.

## Council Budget Related Meetings

<b><i>Meeting</i></b>	<b><i>Purpose/Description</i></b>	<b><i>Desired Outcomes</i></b>
<b><i>City Council Budget Committee</i></b>	<ul style="list-style-type: none"> <li>▪ Recommend an annual calendar and process for review and approval of the budget</li> <li>▪ Review major budgetary issues and options prior to Council's budget workshops</li> <li>▪ Provide feedback to the City Manager regarding the agenda and agenda items to be addressed at budget workshops</li> <li>▪ Make recommendations on referred items from Council at the budget adjustments meeting prior to straw votes</li> <li>▪ Make recommendations on referred items throughout the year to the full City Council</li> </ul>	<ul style="list-style-type: none"> <li>• Provide input and feedback to help guide budget process</li> <li>• To generate Council Annual Retreat and Budget Workshop topics for full Council</li> <li>• Gather areas of interest during budget process</li> </ul>
<b><i>City Council Annual Retreat</i></b>	<ul style="list-style-type: none"> <li>▪ Serves to determine the Mayor and Council's strategic priorities for the upcoming fiscal year</li> <li>▪ Two to three days in late January/early February</li> <li>▪ Staff provides a "Budget Outlook" report which includes; an economic update, current year operating projections, a four year look ahead of operating expenditures, a community investment plan overview, as well as key challenges in the upcoming budget process</li> </ul>	<ul style="list-style-type: none"> <li>• Provide framework for budget process</li> <li>• Provides staff with questions and priorities</li> <li>• Vet topics</li> </ul>
<b><i>City Council Budget Workshops</i></b>	<ul style="list-style-type: none"> <li>• This series of three hour workshops, conducted by Council, provide for detailed discussions of the budget issues and decisions that characterize the development of the budget plan. Staff is available to share pertinent information during these sessions as Council works to identify and confirm areas of focus, confirm operating and capital investment policies, review projected revenues and expense information, and review program and service delivery priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide direction and guidance for Manager's Recommended Budget</li> <li>• Set policy related to budget</li> </ul>

<b><i>Meeting</i></b>	<b><i>Purpose/Description</i></b>	<b><i>Desired Outcomes</i></b>
<b><i>City Manager Presents Recommended Budget to Council</i></b>	<ul style="list-style-type: none"> <li>Provides Council with a detailed overview of the Manager's recommended budget. This provides a forum for the Manager to share the fine points of the budget and for Council to ask initial questions as the budget process moves into the review stage.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of Manager's Recommended Budget for consideration</li> </ul>
<b><i>City Council holds Public Hearing on Recommended Budget</i></b>	<ul style="list-style-type: none"> <li>As required by State law (Local Government Budget and Fiscal Control Act), provides an opportunity for citizens to comment on the published budget plan. Notice of the public hearing and the Council discussion process are included in local newspapers as inserts in City mailings, on the City's website, and on the Government Channel.</li> </ul>	<ul style="list-style-type: none"> <li>Public input</li> </ul>
<b><i>City Council Budget Adjustment Meetings</i></b>	<ul style="list-style-type: none"> <li>Provides the opportunity for preliminary Council decisions regarding the Manager's Recommended Budget. By Council practice, each Council member has the opportunity to add or subtract any item or amount from the recommended budget. Council has traditionally required of themselves that the adjustments result in a balanced budget. Those items receiving five or more votes from Council members are then voted on at the Straw Votes session.</li> </ul>	<ul style="list-style-type: none"> <li>Provides the opportunity for Mayor and Council to bring forth items contained in the Manager's Recommended Budget, which Council: <ul style="list-style-type: none"> <li>Desires to view in more detail</li> <li>May wish to amend</li> </ul> </li> <li>Definitively narrow focus to specific parts of budget by voting on amendments</li> </ul>
<b><i>City Council Budget Adjustment Straw Votes Meeting</i></b>	<ul style="list-style-type: none"> <li>Provides the opportunity for Council to vote on each of the items that moved from the adjustments session. Each of these items receiving six or more straw votes will be incorporated into the budget ordinance that will be part of the budget adoption agenda item.</li> </ul>	<ul style="list-style-type: none"> <li>Make definitive changes to Manager's Recommended Budget by voting on individual items or a group of items</li> <li>Approved changes incorporated in Budget Adoption Council Action and Budget Ordinance</li> </ul>

<b><i>Meeting</i></b>	<b><i>Purpose/Description</i></b>	<b><i>Desired Outcomes</i></b>
<b><i>Budget Adoption</i></b>	<ul style="list-style-type: none"> <li>Local governments are required by North Carolina State law to have an adopted budget ordinance by fiscal year-end (June 30) specifying the budget plan</li> </ul>	<ul style="list-style-type: none"> <li>Budget adoption</li> </ul>