Budget Committee

Meeting Summary for September 28, 2015
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COMMITTEE AGENDA TOPICS

I. Subject: Compensation Plan for Non-Exempt Employees

II. Subject: Threshold ($) for Agenda Item Placement

III. Subject: Storm Water Ordinance

IV. Subject: Follow Up from FY2016 Budget Process & Committee Work Plan

COMMITTEE INFORMATION

Present: CM Phipps, CM Driggs, CM Lyles, CM Mayfield

Time: 2:00 p.m. – 3:30 p.m.

ATTACHMENTS

- Non Exempt Pay Plan (Distributed at meeting)

Packet distributed September 25, 2015

- Council Business Agenda Categories
- Storm Water Presentation
- City General Fund Contribution to Storm Water Services White Paper
- Storm Water RCA from July 27, 2015 Council Business Agenda
- Storm Water Advisory Committee Letter
- Budget Committee Work Plan
- Council Budget Related Meetings

DISCUSSION HIGHLIGHTS

Committee Discussion:

Committee Chair Phipps called the meeting to order and asked everyone in the room to introduce themselves. He then turned the meeting over to Kim Eagle, Director of Strategy & Budget

I. Compensation Plan for Non Exempt Employees

Eagle reviewed the Non Exempt Pay Plan presentation (copy attached). City Human Resources conducted a pay study at the direction of the City Manager. The purpose of the study was to understand how local municipalities and private sector businesses structure pay for non-exempt employees. Human Resources is recommending an "open range" or "traditional range" pay plan which will be easily understood by employees and will provide flexibility for supervisors. Victoria Johnson, Director of Solid Waste Services, spoke to challenges of operationalizing the current pay plan with non-exempt workforce.

Lyles: I believe the police used to be on broad band plan, correct?

DeLane Huneycutt: We had steps until 1994, and then we put everyone on broad banding except for the public safety pay plan because there was a mayor's compensation committee at the time that they should remain on steps. We did change their steps from five percent steps all the way through to five percent steps at the beginning until they get to midpoint and then two and a half on up.

Lyles: It's difficult in talking about these types of issues when the employees don't understand how they're paid. It makes it extremely difficult to retain and recruit. Addressing the goals of clarity and being able to explain to people why their pay is what it is will be really good objectives for us to accomplish.

Driggs: Do you have any idea of the magnitude of total salaries as a result of adopting the plan?

Eagle: We're working through those numbers as we speak. It's too early to quote a number. There will be some assumptions we'll have to make as we develop that proposal.

Driggs: I like the idea of addressing the issue. This is a better approach than defining a minimum dollar amount. This is a little more dynamic. One concern I have is that we want to have the ability to reward high performers and not bring everyone else up to the point where there isn't enough difference between employees. In any given job there are people with more hustle and better attendance records and there should be an incentive structure built in.

Lyles: I am often confused by this idea of living wage and how people are defining it. I'm not sure I understand what a living wage analysis is for the City. It should be something that's appropriate for where we are. I wonder if this is the terms we should be using for this kind of analysis.

Huneycutt: The living wage analysis will be a white paper that will cover a lot of subjects like what the minimum cost for food stamps, for section 8 housing. We're going to discuss in the white paper all the different methodologies we can find, but really our pay is based on the

competitive rate for labor.

Lyles: Then why would we do a living wage analysis if we have something that is market and appropriate for our workforce?

Driggs: I would suggest that because there's so much discussion of the living wage, it would be good to give some context to our living wage conversation. I think it would be hard to have a living wage benchmark that we adopt.

Carlee: The white paper is intended to explain all of this confusion and the different terms people are using. I've asked to staff to lay out what the different pieces are so you can see them. Our recommended pay plan will principally be market driven.

Mayfield: With the white paper, will we also be doing a comparison with the upward mobility study? That should be our benchmark when we're talking about the cost of living in Charlotte.

Lyles: I would actually do an upward mobility analysis for Charlotte and Mecklenburg and how it works and correlates.

Carlee: We want to give you some background in terms of what the issues may be in terms of living wages. The white paper will lay out what all of the issues are and you'll be able to see what makes sense for Charlotte in the Charlotte context.

Note: This item will return to the Council Budget Committee with more detail on cost and implementation.

II. Threshold ($) for Agenda Item Placement

Eagle introduced the Council Agenda categories (copy attached).

Lyles: I read the attachment and the question I had was, what was the question? It said Council Member Smith requested information on the parameters. Are we being asked to do something differently?

Driggs: This came out of a couple of occasions where we had very large dollar amounts in consent, and he felt that when it's that magnitude it would look good if we looked at it. Sometimes it's scenarios that are more controversial even though there's no disagreement on Council. It's just a question of if it is appropriate to have a small list of items that warrant our additional attention.

Lyles: How do you decide what the threshold is? Is it the dollar amount? It is the controversial issues? I'm not quite sure what we're trying to get at.

Driggs: I think it would be a dollar amount. And the ability of Council to pull any item they want for any reason they want is unchanged. If we have this laundry list concept of consent agenda items having something in there for $20 million could seem inappropriate. We take those items and give them the benefit of a moment's consideration.

Lyles: If we're approving something in line with Council policy, it's been approved in the budget and money has been allocated, and then we're implementing contracts, and you still have the ability to pull it if you want to, I don't understand what we're accomplishing by pulling something over a certain threshold off of the consent agenda.

Phipps: What gave me some comfort is in knowing that there is a deliberate process that occurs when things get placed on the consent agenda by staff. I think what Mr. Smith was trying to get at is that when we have these large multi-million dollar contracts, the viewing public may not appreciate that these items have been reviewed prior to appearing on the consent agenda. Maybe if the public knew there was some vetting that went in to the process that might help.

Driggs: We wanted to establish a general principle where Council should specifically look at items above a certain threshold.

Lyles: I think this is fixable without having a rule. We have the ability for any Council Member to pull anything.

Driggs: Kenny and I both found in the interest of transparency that the idea of pushing a $20 million item in consent and they don't even come up in conversation.

Phipps: The question is whether there is an appetite for establishing a threshold of whether we would pull something from consent. So far I have seen any strongly in favor or against.

Eagle: Cost is one factor staff takes into consideration when deciding where to put things on the agenda. We can carry this feedback to those groups to make sure we're extra diligent and mindful of that concern.

Note: Staff will continue to monitor the placement process. No additional follow-up at this time.

III. Storm Water Ordinance

Jennifer Smith, Engineering and Property Management Storm Water Division Manager, and Bill Parks, Strategy & Budget Capital Coordinator, reviewed presentation on Storm Water fees on public rights of Way (copy attached). The current storm water fee practice, which does not charge a fee on impervious surface in the public right of way, is not in alignment with the storm water fee ordinance.

Phipps: At the time that the prior Council capped the fee, were they not aware that what they were

doing was contrary to the ordinance at that time? What was the thought process behind not adjusting for the disparity between the practice and the ordinance?

Jennifer Smith: I don't think they looked at the ordinance. It could have been that it wasn't shared by staff.

Phipps: This was not discussed in any workshops when we talked extensively about water related issues.

Eagle: We did have this included in the information that went out prior to public hearing, and there was no comment then. But in July we did receive the letter (copy attached) from the Storm Water Advisory committee recommending no revision to the ordinance, representing increased funding.

Jennifer Smith: There was a lot of discussion at the Storm Water Advisory Committee about this. The message was that everyone else was being charged for their amount of impervious surface.

Lyles: Did the Storm Water Advisory Committee have any conversation about why we were adding impervious surface, like the connection between roads and development? Or was the conversation that everyone ought to pay? One of the reasons we're in this situation is due to our rapid growth and development and the amount of pavement being added across the city to accommodate the growth. So, what is the principle aside "everybody should pay"? Who is the everybody and for what purpose?

Jennifer Smith: We shared with them that even with a lot of the general CIP projects, the road projects that are being constructed, a lot of the storm drainage infrastructure is being paid for through the general fund investment. Their counterpoint was that we have to maintain it from this point out.

Lyles: What is our philosophy on who pays and when for maintenance of systems where we knew that we'd be required to maintain them over 20 years and how do we do that? The question is being put to us in a way that says, "The city's not paying for the city streets." I think there's a little more depth to this discussion. Are we trying to get just a quick fix answer or are we trying to develop a philosophy that will take us over a longer period of time and what would be the principles there of? I'd rather hear what our options are.

Driggs: I have the same type of concerns. We make a decision as Council on what is the level of funding for Storm Water and through that process we set pricing fees. And now we come up against this where there is a discrepancy between the ordinance and the practice. I'd say sure let's fix the ordinance. And let's say for example that the City pays, I'd want to reduce the storm water fees on a revenue neutral basis. The storm water fee is being paid by the same people. It's being paid by the public. The level of funding is one thing. How we source the funding between the general fund and the fees is another thing. I'd resist that we put in an extra $9 million for storm

water however deserving, based on trying to rectify this technicality. I think the funding decision was made last year quite deliberately including big increases for Tier 3 and Tier 4, and if we were going to say we should pay an extra however much in the general fund and we should raise taxes by a penny to fund that, I'd want to see the public get the benefit of revenue neutral reduction in their storm water fee. Separately we have a conversation about what the funding level should be and how to address the backlog. It feels like we're comingling a couple of issues here.

Lyles: How does the budget handle this issue now?

Eagle: Currently the FY16 budget has the $5.7 million in funding.

Carlee: My recommendation would be that the budget is consistent with Council directive but is inconsistent with the Council ordinance.

Lyles: The technical fix would be to fix the ordinance now. We wouldn't be making any changes to funding level now, correct? If we're going to say that we should change it to where the Storm Water Advisory Committee says we're going to pay for now, that would mean we have a reconsideration of that by January?

Carlee: I think if you change the ordinance such that we are not obligated to pay the rate, that then leaves wiggle room for you to say you could later pay whatever you wanted to. If you wanted to actually pay the rate, or 50% or 75%, then you would have the flexibility to do that on a year to year basis, consistent with budget direction. In full disclosure, I think there are others on Council and who are would disagree with this. And there are those on Storm Water Advisory Committee who think we should just pay for our streets. I would just like to see reconciliation so that when I'm not bringing you budgets that are in violation of your agreement and reflect consistency.

Driggs: I could see an argument for leaving the ordinance just as it is now and consider rewriting it in our next budget cycle so that we find the funding level. I asked that we take the revenue neutral case and say that the City pay for its streets and base property tax and reduce storm water fees. In that situation there are winners and losers. I'd be interested in hearing about how many businesses, residences etcetera are impacted by the fee. We know that homes with larger footprints are now paying more. They are presumably also the higher value homes. Where does this change in fees and taxes wind up getting paid?

Mayfield: We're trying to build up. What is our plan now given that we're building up and more compact with less impervious are? Are we having any discussion about the plan 25 years from now?

Jennifer Smith: The size of the storm drain pipe is generally based on the impervious surface. Unlike your water supply where as you build up your water pipes have to get bigger due to more people, our storm water pipes don't have to get bigger as we build up.

Mayfield: Are we anticipating loss because we are building differently with less impervious surface per person? Will this financial model we're looking at be a viable model 15 years from now?

Jennifer Smith: The majority of pipes we put in were put in a long time ago. As a new site is developing and they're putting in less impervious, the pipes that they're putting in are sized to meet their development needs. A lot of the money we're asking for now is to fix the too-small pipes that are out there right now.

Driggs: We always have the possibility of setting fees to where we think they ought to be to deliver the service. So the main consequence is that some people wind up paying relatively more for big houses and people with small houses pay less. I raised the question whether impervious surface was the right measure and I was roundly shot down during the last budget process. What it means is that people in apartments pay less but they are also contributing less to the storm water problem than people out in the suburbs with the large houses. We can always index our prices on storm water fees to get to a revenue neutral.

Jennifer Smith: If there's less and less impervious out there, are we adjusting so that we don't have these high costs in the future.

Lyles: Are we looking for a decision which provides maximum flexibility for the upcoming budget discussions or are we just going to live as-is until we make longer term decisions? Are there consequences to living as-is?

Phipps: When this came to us, it seemed like it was just a rudimentary change in the language of the ordinance, but it has more ramifications than it seemed. I'm disappointed that there wasn't more consideration and discussion when this policy first came up back in the day. Did they have a Storm Water Advisory Committee back in the day? Why didn't they voice these concerns then? We're now dealing with a cumulative effect.

Driggs: I think it's commendable that the committee would like to garner $9 million for Storm Water, but it's been like this for 17 years.

Carlee: We went through the budget and Council adopted the budget based on prior Council policy. We brought you the ordinance amendment in order to reconcile the ordinance with Council policy and practice.

Driggs: My answer is sure lets change the ordinance and adjust the storm water fees.

Lyles: Are we actually say go back to Council and recommend changing the language knowing that this is an issue that needs to be changed long term? Are you looking for a recommendation today and what would we say? For example, we would recommend that we ought to change the language so that we would be in compliance over this budget year, and we recognize that there are

multiple options to be examined, but we feel that compliance would be the best option for right now. This will be a huge budget issue that we should talk about early in the process, i.e. at the Budget Retreat. Is it about fixing it now so that we have that decision for the future? I'm going to make a motion that we do that.

Phipps: I believe that keeps with the integrity of the process.

Lyles: I think we should say we recognize this discussion and that as soon as possible when Council makes its priorities for budget we determine a storm water fee structure.

Driggs: ***Committee recommends to Council to make an amendment to the ordinance and we put, as a priority in our budget deliberations process, the question of the policy related to storm water fees.***

Mayfield: I'm a yes.

Phipps: I believe that's unanimous.

IV. Follow Up from FY2016 Budget Process & Committee Work Plan

Kim Eagle introduced a draft work plan for the Budget Committee (copy attached), highlighting upcoming items for October and future Budget Committee meetings. After discussion, the committee determined that the Community Safety Strategic Needs and Take Home Vehicle policy should be removed from the list. They also determined that City funding of State/County responsibility should be moved to January and framed in terms of education related funding, and that Water Meters be put in the context of all capital projects.

Kim Eagle provided a summary of steps in Budget Process (copy attached), taking in to account feedback on steps from the prior budget year.

Phipps: The straw vote process didn't work too well last time. I think we ought to find a way to lump a lot of different things that are related together. Maybe that was an anomaly.

Lyles: I don't think this was an anomaly. I think it will be more consistent with what we have moving forward. I think we ought to plan on being flexible. It's hard to recommend a straw vote when you don't know what your complexity is.

Eagle: We're working on the calendar now, with optional workshop dates.

Driggs: I think my recommendation would be to focus on the decision items, develop some different scenarios and different paths to choices people could make.

Meeting adjourned at 3:30 p.m.

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MANAGEMENT & FINANCIAL SERVICES

Non Exempt Pay Plan Proposal

Council Budget Committee

September 28, 2015

CHARLOTTE.

Pay Plan Study Background

- Council concerns related to living wage for lower paid employees
- Pay plan for entry-level workers in labor, trades and administration reviewed (non-exempt classification)
- Feedback from employees concerning pay

1

Exempt and Non-Exempt Categories

- Exempt - Employees not eligible for overtime
  - Traditionally salaried
- Non Exempt – Employees eligible for overtime
  - Traditionally hourly (labor, trades, administration)
- Fair Labor Standards Act (FLSA)
  - Defines exempt employees using various duties tests
  - Salary threshold for exempt employees = $23,660 annually
  - Proposed update to FLSA includes increasing salary threshold to approximately $50,440 annually

2

Public Safety Pay Plan (PSPP)

- Includes the positions of Police Officer, Police Sergeant, Firefighter I, II, and Engineer, and Fire Captain
- Step plan structure; increase on merit date
- Market adjustment to the steps each year as funding allows
- Additional incentives for 2 or 4 year degree; foreign language; and Fire HazMat, Dive or Search and Rescue

3

Broadbanding Pay Plan

- Market rates are established based on extensive data gathered directly from other employers and survey sources
  - Based on median of actual wages paid in recruitment area for comparable work
  - Comparable to mid-point in a traditional range pay plan
- Emphasis on pay based on two factors: performance and position relative to market
- Employees receive merit increase, if funded, on their annual merit date

4

Pay Plan Feedback

- Study included surveys, interviews, and focus groups
  - Local municipalities, private sector, staff
- Department Directors expressed challenges with Broadbanding pay plan for non-exempt employees
  - Does not address recruitment and retention adequately – no clear career path nor focus on pay range based on skill level
  - Difficult for employees to reach market rate due to structure
  - Has rules that can be applied inconsistently causing pay inequities

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Pay Plan Study Findings

Challenges Identified in Focus Groups and Surveys	Proposed Solutions
Employees never make it to "market rate"	Gravitate employees towards 100% of market (midpoint), with goal of employees reaching market in 5 to 7 years
Employees don't understand broadbanding	Restructure to be easily understood by employees with flexibility for management
Employees desire cost of living, performance pay, and skill pay	Market increases and performance pay Recognition for skill attainment - Promotions – base pay increase - Reclassifications – base pay increase - Certifications/trainings – lump sum payment
Pay inequities exist within divisions and departments	Employees treated consistently across organization, pay scale based on years in position and performance
No clear career-paths for promotion	Defined pay scales and promotion pay increases

6

Next Steps

- Return to a future Budget Committee meeting with full Non-Exempt Pay Plan Proposal
  - Living Wage Analysis
  - Transition/Implementation Plan
    - Costing
    - Timeline

7

Referral to Budget Committee: Council Business Agenda Categories

Background

At the July 28th 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	• recommendation from HAND Committee on Housing Policy • change to City Code/Ordinance • adoption of annual Operating and Capital Budget
Business	A non-routine item that may require Council and/or staff to expound upon the item	• regional agreements • incentive grants • nominations to Board and Commissions • Mayor and Council topics
Consent	A routine item associated with City operations, typically included in the adopted operating or capital budget	• equipment purchasing • departmental grant awards • professional services contracts

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.

Charlotte-Mecklenburg STORM WATER Services

Stormwater Ordinance Revisions

Budget Committee Meeting
September 28, 2015
Date

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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

1

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

2

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)

3

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

4

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

5

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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

6

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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

7

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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.

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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 <u>the city and</u> 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,

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 11th. 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.

City of Charlotte

Charlotte-Mecklenburg
Government Center
600 East 4th Street
Charlotte, NC 28202

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.

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.

Charlotte-Mecklenburg STORM WATER Services

700 North Tryon Street
Charlotte, NC 28202
Fax 704.336.4391

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

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Attachment 6

Budget Committee Work Plan

Meeting Date	Item	Description
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

Meeting Date	Item	Description
	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

Meeting	Purpose / Description	Desired Outcomes
City Council Budget Committee	▪ Recommend an annual calendar and process for review and approval of the budget ▪ Review major budgetary issues and options prior to Council's budget workshops ▪ Provide feedback to the City Manager regarding the agenda and agenda items to be addressed at budget workshops ▪ Make recommendations on referred items from Council at the budget adjustments meeting prior to straw votes ▪ Make recommendations on referred items throughout the year to the full City Council	• Provide input and feedback to help guide budget process • To generate Council Annual Retreat and Budget Workshop topics for full Council • Gather areas of interest during budget process
City Council Annual Retreat	▪ Serves to determine the Mayor and Council's strategic priorities for the upcoming fiscal year ▪ Two to three days in late January/early February ▪ 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	• Provide framework for budget process • Provides staff with questions and priorities • Vet topics
City Council Budget Workshops	• 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.	• Provide direction and guidance for Manager's Recommended Budget • Set policy related to budget

Meeting	Purpose / Description	Desired Outcomes
City Manager Presents Recommended Budget to Council	• 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.	• Delivery of Manager's Recommended Budget for consideration
City Council holds Public Hearing on Recommended Budget	• 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.	• Public input
City Council Budget Adjustment Meetings	• 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.	• Provides the opportunity for Mayor and Council to bring forth items contained in the Manager's Recommended Budget, which Council: o Desires to view in more detail o May wish to amend • Definitively narrow focus to specific parts of budget by voting on amendments
City Council Budget Adjustment Straw Votes Meeting	• 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.	• Make definitive changes to Manager's Recommended Budget by voting on individual items or a group of items • Approved changes incorporated in Budget Adoption Council Action and Budget Ordinance

Meeting	Purpose / Description	Desired Outcomes
Budget Adoption	• 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	• Budget adoption