
Budget Committee

Meeting Summary for March 21, 2016

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COMMITTEE AGENDA TOPICS

- I. Community Investment Plan
- II. Solid Waste Services – Multi-Family Service Options
- III. Budget Committee Work Plan Update/Council Priorities/Base Budget Review
- IV. Charlotte Water FY2017 Budget
- V. Aviation FY2017 Budget
- VI. April 6 Council Budget Workshop Agenda

COMMITTEE INFORMATION

Present: CM Phipps, CM Driggs, CM Kinsey, CM Lyles, CM Mayfield
Time: 1:30 p.m. – 3:00 p.m.

ATTACHMENTS

1. [FY2017-FY2021 General Community Investment Plan Considerations for Additions and Adjustments](#)
2. [Solid Waste Services Presentation](#)
3. [Budget Committee Work Plan Update](#)
4. [Summary of Charlotte Water Budget Request](#)
5. [Summary of Aviation Budget Request](#)
6. [April 6th Draft Budget Workshop Agenda](#)

DISCUSSION BRIEFING

I. Community Investment Plan

Bill Parks, Management & Financial Services

Committee questions/comments included:

- Phipps: Is it safe to say that the Gateway Station intergovernmental funding will be a part of our legislative agenda?
 - Carlee: There are existing mechanisms through CRTPO that we're already pursuing; however, they haven't played out yet. I don't want to say that we have the money because we don't have the money to both fund Gateway and do all of the other things we want to do. We want to be able to make the case that we need the external money that may be available to us.
- Driggs: If we have to fund the gateway station we would have committed all of our estimated available funding for the current year and there are still other capital needs to consider. So, is that prudent?
 - Carlee: Yes depending on what the actual Gateway amount is. We expect it to be less than the \$33.6 million, and we can give you a separate analysis what other funds we would factor in.
- Driggs: Is there a year-to-year process through which the conservatism of our

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estimates is updated and that results in new money materializing on the available funding line?

- Parks: Every year we examine our available debt capacity to see how interest rates change, what revenue sources are coming in, if we have any bond refunds that can save money. Each year there is some change to the debt capacity. In addition each year we do a mid-year capital review of existing projects coming to completion and identify those that might have savings that we can fold back into that debt capacity.
- Driggs: Is there a tendency on a year-to-year basis for new money to materialize in the top line because of the assumptions being conservative? Otherwise, I don't see us ever getting there
 - Carlee: Yes that does occur, and hopefully that number would always be positive. It should be unless something significant were to happen in the economy and revenues were to change. There should always be some additional capacity on a year-to-year basis. We're now getting back to regular two year updates on the CIP. So the next time Council reviews the CIP two years from now, you'll have another bond cycle of the CIP. That will represent another \$150 to \$200 million in funding. Every two years you would be picking up another bond cycle. Because of the extraordinary nature of the current Community Investment Plan that was originally put forward in 2012, you've been overcommitted beyond the cycle.
- Driggs: I still have a concern that we're committing eight years into the future. One assumes that along with the debt capacity we will also have additional needs. For example, I don't see the Gold Line or our share of the Gateway Station cost and surely those are going to show up. I assume that the ask is going to be that we fund \$50 million in the current budget out of this capital plan as a use of our available funding. I'm concerned that that leaves us exposed.
- Lyles: There are a number of new initiatives here. If we do all of the things that we've already committed to, we don't have to do anything new. It's just a question of what do we want to do on this list. Half of these are Council Strategic Initiatives that we can decide if we want to do. We have a lot of flexibility. I believe staff said that we're now retiring debt from the major program we did in 2012 and we're going to see that debt capacity continue to grow. We're not necessarily constrained for the long term.
- Driggs: We're already committed in the CIP as compared to debt service capacity and we're pushing it to the limit with the issuance we've already committed to. We're now talking about looking three bond cycles forward in order to find any money to deal with these currently acknowledged needs. I want what we do this year to acknowledge what will happen in the coming years.

II. Solid Waste Services – Multi-Family Service Options

Hyong Yi, City Manager's Office

Committee questions included:

- Driggs: You show multi-family residential, condos and townhomes. You also show commercial multi-family entities which are apartments. If you have rental townhomes, where do they fall?
 - Yi: There isn't a distinction drawn by rental or non-rental. It's drawn by the type of property. The tax assessor classifies properties by type of dwelling not

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- by whether it's single family owned and occupied or if it's rental.
- Carlee: The distinction is if the units are individually owned or if they are collectively owned. In a condominium the units are individually owned and it is therefore considered residential. An apartment building has a single owner or taxable entity and is considered commercial.
 - Phipps: I'd like to see our solid waste ordinance. It's been 20 years since we made an adjustment to it.
 - Driggs: Is there any data that suggests that the assessed value for an apartment as compared to a condo is systematically higher or lower? Does the rent reflect a different property tax rate because it's an apartment? Unless you can make the case that the values are systematically lower for apartments then you don't have a case for defending discrimination between the two of them when it comes to trash collection. You can only justify it if you say that apartments pay less tax because of how they're valued than the condo owner does.
 - Carlee: If you go down that realm of logic, you have to look at the taxation overall. There are tax subsidies available for owner of residential that are different than the income taxes on rental. The financial scenario around owning an apartment complex as a for-profit enterprise is fundamentally different than individual homeowners. The methodology around calculating property tax around an apartment building is very similar to the methodology for calculating property tax for an office building. It's based on what would someone pay for this building based on the income stream they would receive. The methodology for property tax on an individual home is based on comparable sales.
 - Driggs: What do you think determines the price of a comparable sale? Economics tells you that the valuations both come back to the same factors. The fact that there's an albatross between the two markets is a big divergence. There's no consistency. I think the distinction is a bit artificial. There are residences where people live and there are businesses where people conduct their business, and if we're trying to make a distinction it should be along those lines. We should not have a situation where people's residential trash is being characterized differently because they happen to live in an apartment building. They are people who make a home in a place where they rent instead of paying mortgages.
 - Carlee: That same question can be asked of commercial enterprises that are residential versus commercial enterprises that operate as offices.
 - Driggs: It's a place of business versus a place where people live. Most of the gray areas and confusion come among the residential properties and not between what is a place of business and what is a place where people live. If you justify residential service, the same rationale would apply to any place where people live.
 - Lyles: The Solid Waste fee came about as a result of the Solid Waste agreement with the County years ago, correct? I don't recall that fee actually being related to what it cost the City to provide the service. I thought it was related to the landfill and waste management more than how we operate the service. What is that charge to the County? Is that tipping fee something we have to pay the County? Is the County's Solid Waste fee devoted to the landfill?
 - Michelle Moore: Some of it is planned for maintenance. Some of it is for recycle drop off centers facility maintenance.

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- Driggs: There was originally a notion that the City paid a fee to the County, but the connection between the fee and that cost has been lost over time. Now we're just talking about the mix of General Fund property tax versus user fee.
 - Lyles: Is there a relationship between the tipping fee and what we're paying? Is there a correlation that should be made?
- Driggs: Staff does not recommend that we change the service to townhomes and condos, is that correct?
 - Yi: Yes. We would draw a distinction between multi-family residential and multi-family commercial, and suggest that we stop serving those multi-family commercial units. The implication is that we would continue service to multi-family residential including townhomes and condos.
- Driggs: The people who live in those places have been very concerned. If we were able to report out that this is something we're no longer considering, they would be very relieved. What kind of public statement can we make about the possibility of changing service for those people?
- Lyles: Would it be possible to say something at an upcoming meeting with full Council so that we can focus on what we're trying to do versus what we're not going to do.
 - Manager: I can put together a policy question to bring to full Council.
 - Kinsey: I don't believe I can support that at this time. I think it's a little premature to do it.
- Kinsey: Regarding the distinction that we're drawing for townhome and condo owners, does that mean any number of townhomes and any number of condos?
 - Yi: The 30 rule still applies.
 - Manager: The 30 rule is something will have to continue to assess as 30 doesn't always mean the same thing.
 - Kinsey: All the more reason for us not to go out now and say that we're drawing this distinction.
 - Carlee: There are condominiums of a certain size that are served with compactor or dumpster service. There are other condos where it is more practical and efficient to serve them with roll out carts. There could be 100 units that are better served by roll out because they function like single families.
- Driggs: I think it's unfortunate that we're having this conversation in budget committee because there is a public perception that we're trying to find some money by modifying other services. I thought what we intended last year was to make decisions about policy issues related to solid waste and address budget issues now. If we realize \$2 million from not collecting from apartments, what happens to that money?
 - Phipps: What I would like to see is that money go back into Solid Waste Services to reinstitute some of the crews we reduced funding for mowing and litter pickup.
 - Driggs: I would just like to make it clear to the public that we are not taking any actions in Solid Waste for the purposes of closing a budget gap. We could have had a very useful conversation five months ago about the best philosophy for Solid Waste Services.

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III. Budget Committee Work Plan Update/Council Priorities/Base Budget Review

Kim Eagle, Management & Financial Services

Committee questions/comments included:

- Mayfield: As we're discussing budget requests in our committee, it would be beneficial to get a report on staff turnover. We have a request from Neighborhood and Business Services for a number of additional staff, and it would be helpful to have a snap shot from 2008 to 2014 on turnover. I want to know if the reason we're having a high turnover is based on budget. We're paying employees a certain salary and still seeing a high turnover. If our salaries are within range of comparable employers and we're still having high turnover, that's a different conversation regarding personnel. There may be an issue that we as an employer are not addressing regarding morale. Throwing money at it is not the answer. There's an employee survey and an exit survey that we need to look at. It would be helpful to see turnover in the departments that are requesting additional staff.
 - Driggs: So the ask is data on the turnover rate, the exit interviews and see what conclusions we can draw about compensation.
 - Mayfield: Wasn't there information presented to Council when we decided to do the employee survey? I want to know if are we achieving the goals we set out to achieve and we told the community we would achieve.
- Lyles: Out of our top four revenues as a City, we fund police, fire, garbage collection and transportation services. We discussed out of those four revenues what was actually growing at rate that was comparable to the growth that was going on in the city. If we're going to try to increase public safety, which represents 33% of our 4 revenues, I want to know when do we get out of sync. If we look at our structural system, if our workforce is increasingly public safety with higher costs and shorter careers and we're getting final efficiencies out of solid waste. When do those four revenues require some change significantly? How do we do these four services the best that we can. If we make any change, it's making choices among the four municipal services that we're providing.
 - Eagle: You'd like us to look at what we project in terms of growth in revenues and how that tracks against the growth we anticipate in the four large departments to see how those track together and where the gaps are.
 - Lyles: Yes, and I'd like to see all of the costs which includes that 25% to 40% overhead. I'd like to see us make decisions that put us on a path through the 2018 revaluation. Can we figure out a way to live and manage ourselves until we get the revenue from the 2019 revaluation.
 - Driggs: At the retreat we were shown a projection that showed a divergence of expenses and revenues.
 - Lyles: Yes, but we did not talk about it in the context of what services we deliver. Which services will receive moderate growth and which services do we really want to take the leap for growth.

IV. Charlotte Water FY2017 Budget

Kim Eagle, Management & Financial Services

Committee questions/comments included:

- Phipps: Did we grant new positions in this area last year?

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- Eagle: Yes, there were positions added last year included in their operating budgets. They had a net increase of 22 positions, and I can return to you the breakdown of where those positions were allocated. They have an allocation of positions that is at its lowest point in years.
- Mayfield: This is another example of why that snapshot of turnover for departments requesting positions would be helpful.
- Kinsey: We need to look at the request in the context of how many vacant positions they have.
- Mayfield: We should look at vacancies and if positions were held vacant for a long time.
- Driggs: How many people do they employ now?
 - Eagle: They employ 822 individuals.
- Driggs: Their whole projection model is based on anticipated 6% increase year over year, correct? That seems unrealistic. We need to be able to see the choices that are being made in the capital program which is the key driver in all of this. How long do we wait to make certain replacements? There are risk levels associated with the timing of capital investments.
 - Eagle: I anticipate that the investment projection model will be presented as a range on April 6th at your workshop.
- Phipps: Given the deterioration of customer confidence in water quality do you think the public would be more conducive to entertaining these rate escalations to keep the quality at a certain level?
 - Driggs: I think a lot of people in the public would say that growth has occurred on the revenue side and therefore we're paying for people. So the question is what is the rationale that says the per household cost has to go up.
 - Eagle: Because so much of their rates are driven by the capital program and maintaining the infrastructure, capital is key to their rates.

V. Aviation FY2017 Budget

Brent Cagle, Aviation

Committee questions/comments:

- Mayfield: A number of us went to the National League of Cities Conference. One initiative at that conference was Race, Equity and Leadership (REL), which examined how we look at employment, positions and how diverse are we as an employer. We see in this budget request that one of the priorities is valuing employees. I'm worried that when we look at leadership and hiring of upper management there isn't a diverse group of people in the room making those hiring decisions in terms of age, race and gender. As we look at requests for additional staff what are we doing to reflect the community we're serving?
 - Cagle: Of the positions we're requesting, seven are related to moving temporary positions to full time. Two are apprenticeship positions and we're partnering with CPCC and local nonprofit organizations to identify and train candidates. One position is a full time manager of internships and apprenticeships in terms of job fairs and the Mayor's Youth Employment program to bring in a more diverse segment of our community into the airport.
- Driggs: You show revenues for passenger, freight, parking, etc. Can you give us a breakdown of those revenues?

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- Driggs: The portion of that revenue controlled by AUA is passenger operations, correct? Those are basically untouchable. What would be interesting to know is what discretionary reinvestments you're making.

V. April 6th Draft Budget Workshop Agenda

Kim Eagle, Management & Financial Services

- Phipps: When will user fees come back to us?
 - Eagle: At the April 20th workshop.
- Mayfield: Will there be enough time to bring back the information I requested today? It won't do any good to have conversations about staff allocations without that data.
 - Eagle: If we get that to you by April 1 in advance of the April 6th workshop, will that be sufficient time.
 - Mayfield: Yes
- Driggs: Given that the financial partner conversation has taken two to three hours in the past, is that enough?
 - Carlee: Because of policies Council has put in place, it shouldn't take that long.

**FY2017 - FY2021 General Community Investment Plan
Considerations for Additions and Adjustments**

* CIP Steering Team Recommendation	Total
Available Funding	\$ 84,806,511
Near-Term Recommended Adjustments	
Transportation	
Cross Charlotte Trail-South Charlotte Connector *	3,000,000
South End Pedestrian/Bicycle Connector *	2,000,000
Idlewild/Monroe Intersection (Addl Funding) *	1,940,000
ADA Implementation *	2,000,000
Neighborhood Transportation Program *	5,000,000
Neighborhoods & Housing Diversity	
New SouthPark CNIP (Comprehensive Neighborhood Improvement Program) *	10,000,000
HOME Grant (Addl City Match)	363,930
Facilities/Infrastructure/Equipment	
Infill Fire Station Land Purchase (Suppliment existing funds) *	1,860,000
Joint Communications Center	12,565,000
Tree Replacement Program/Trees Charlotte	1,000,000
Contract Tree Removal Services	1,125,000
Fire Logistics Renovations	423,408
Fleet Maintenance Facilities Master Plan	400,000
Parking Lot 6 Louise Ave (Fleet & Solid Waste)	2,760,000
Technology	
PeopleSoft Upgrade	2,592,399
Voice Over IP (VoIP) Conversion (Partial Funding)	2,226,774
Radio System Upgrades (Partial Funding)	1,000,000
Other Considerations	
Diversity Study	350,000
Natiional League of Cities	600,000
Hold for matching funds, cost overrun contingencies, and unanticipated opportunities (such as Charlotte Gateway Station) *	33,600,000
Total NEAR-TERM Recommended Adjustments	\$ 84,806,511
Net Remaining Available Funding	\$ -

**FY2017 - FY2021 General Community Investment Plan
Considerations for Additions and Adjustments**

* CIP Steering Team Recommendation	Total
Mid-Term Capital Needs	
Facilities/Infrastructure/Equipment	
Infill Fire Station Construction -Clanton Rd and 77 *	5,360,000
Infill Fire Station Construction-Selwyn Rd and Colony *	5,910,000
Tree Replacement Program/Trees Charlotte	500,000
Contract Tree Removal Services	500,000
Rehabilitation of Vault	85,000
Technology	
Data Center Upfit	3,155,817
Radio System Upgrades (Remaining Funding)	3,590,000
High-risk Infrastructure Items	9,446,000
Total MID-TERM Capital Needs	\$ 28,546,817
Net Remaining Available Funding (Overrun)	\$ (28,546,817)
Long-Term Capital Needs (to be considered in future capital programs)	
Neighborhoods & Housing Diversity	
Innovative Housing (Addl Funding)	1,750,000
Neighborhood Matching Grants (Addl Funding)	375,000
Urgent Repair Grant	1,250,000
Economic Development	2,950,000
Transportation	
Brevard Street Improvements *	9,500,000
Eastway/Shamrock Intersection	3,000,000
Cemetery Roads Renovation	2,340,000
ADA Implementation (balance of request)	15,000,000
Neighborhood Transportation Program (balance of request)	20,000,000
Ardrey Kell Corridor Upgrades	40,000,000
Facilities/Infrastructure/Equipment	
CMPD Division Station - Additional Funds for Cost Escallation	6,250,000
CMPD New Division Station Construction	17,700,000
CMPD Facilities /Equipment Replacements, Expansions, & Renovations	46,435,000
City Facility Infrastructure Repair & Replacement	10,358,467
City-wide Buildings - Upgrades, Renovations, & Replacements	79,000,900
CMGC - Maintenance, Upgrades, & Renovations	28,375,000
Infill & Replacement Fire Stations	55,670,000
Fire Station Renovations & Other Fire Facility Improvements	7,400,000
Technology	
Voice Over IP (VoIP) Conversion (remaining funding)	4,868,226
Medium-risk Infrastructure Items	27,403,824
Low-risk Technology as an Investment Items	52,321,593
ERP P2P "Ease of Use" Program	2,293,220
CBI-Small Business Loans	1,000,000
Total LONG-TERM Capital Needs	\$ 435,241,230
Total ALL Requests	\$ 548,594,558
Total Remaining Available Funding (Overrun)	\$ (463,788,047)



Solid Waste Services

Budget Committee Update

March 21, 2016



Overview

- Policy Question
- Options
- Implications

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Policy Question

Does the City of Charlotte want to provide solid waste collection services to commercial entities?

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Current Policy

- Solid Waste Services provides collection services for:
 - Single family residential
 - Multi-family residential (townhomes & condos)
 - Multi-family commercial (apartments)

- Collection methods include:
 - Roll out service (single family, multi-family < 30 units)
 - Contracted Dumpster/Compactor (multi-family ≥ 30 units)

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Policy Options

Provide service to commercial multi-family entities (i.e. apartments)?	Yes	Continue to provide service under current model
		Recognize commercial nature and recover full cost from apartment complexes for service
	No	Discontinue service to apartments after current contract expires in July 2017
		Discontinue service and establish franchise pricing model to control service costs

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Basis for Options

- From Tax Assessor's Office
 - Multi-Family is a classification of housing where multiple separate housing units for residential purposes are contained within one building. Most of the time these are properties such as apartments, duplexes, triplexes etc.
 - Apartments are considered commercial projects by our office. The commercial real estate division is responsible for those valuations.

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Basis for Options

- Solid waste management is a *residential* service in most municipalities
- Collecting commercial solid waste without full cost recovery is unique to Charlotte based on review of peer cities

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Collection Service Counts

Multi-Family Unit Type	Units	Roll Out	Dumpster/ Compactor	Private Hauler
Apartment	102,878	3,958	98,920	
Condo	24,122	6,079	18,043	
Townhouse	8,969	6,313	2,656	
Unknown	17,695			17,695
Total	153,664	16,350	119,619	17,695

Single Family	Units	Roll Out	Dumpster/ Compactor	Private Hauler
Homes	197,670	197,670		

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SWS Current Funding Model

Funding Source	FY16 Estimated Revenue	Funding %
SWS Other Revenues	\$1,410,206	2.5%
Short-Term Debt	\$3,455,000	6.2%
Solid Waste Fee (\$25/year/unit)	\$8,733,591	15.6%
Other General Fund Revenues	\$42,287,430	75.7%
Total	\$55,886,227	100.0%

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- ### Implications
- For Townhouse & Condo owners – no change from current service
 - For Apartment complex owners – responsible for getting private hauler service post June 30, 2017
 - For City – issue modified RFP for compactor/dumpster service and possible franchise option
 - Changes to City ordinances
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Budget Committee Work Plan Update

<i>Meeting Date</i>	<i>Item</i>	<i>Description</i>	<i>Discussion/Decision Points Future Action Requested</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.	Committee voted to recommend Staff's amendment to the Ordinance (passed unanimously)
	Threshold for Agenda Placement (referred on July 28)	Discuss placement of items on Council Business Agenda (Consent vs. Business)	Committee discussed different alternatives and recommended leaving current process in place
	Pay Plan for Non-exempt Employees	Overview of current process and reasons for modification to City pay plan for non-exempt City employees	Committee discussed need for modifications to hourly pay plan and supported concept for changes
	Follow up from FY2016 Budget Process and Committee Work Plan	Discuss items from FY2016 Budget process & provide a list of future Committee topics	Committee discussed project list and determined the following projects would not be revisited by Committee during current Budget cycle: <ul style="list-style-type: none"> • Take home vehicles • Water meter upgrade (include as part of Charlotte Water CIP) • Asset Sales Leaseback (to be reviewed by PCAC)
Monday, January 11; 1:30 – 3:00 pm – Room CH-14	Budget Committee Work Plan Update	Discuss Budget Committee work plan through Council Budget Workshops	Committee discussed being more involved in substantively guiding what goes to full Council in Budget Workshops and in the budget process in general
	Budget Process Calendar	Review of Budget Process Calendar	Committee discussed their desire to focus more on key issues and decision points during Council Budget Workshops
	FY2016 Budget Outlook Report Content	Review Budget Outlook Report Content for Annual Council Retreat	Committee discussed potential topics at Annual Council Retreat. This was to include a revenue update and budget and financial indicators

Meeting Date	Item	Description	Discussion/Decision Points Future Action Requested
	FY2017-FY2021 Community Investment Plan Overview	Discuss current outlook of General Community Investment Plan	Committee discussed criteria for making any changes to Community Investment Plan. Committee discussed importance of not making vast changes to approved plan
	General Fund-Fund Balance Policy	Update on City Fund Balance Policy and impact of potential modifications	Committee discussed the current policy and asked Staff return with additional information
Monday, February 8; 12:00 – 1:30 pm – Room 280	Budget Committee Work Plan Update	Discuss Budget Committee work plan through Council Budget Workshops	Committee discussed how to align budget priority discussion with document production. Staff offered to provide decision matrix and road map
	Pay Plan for Non-exempt/Hourly Employees	Discuss proposed modifications to City pay plan for non-exempt/hourly City employees	Committee asked specific questions related to implementation of the hourly pay plan. Staff provided answers and notated Committee feedback
	Solid Waste Services Delivery Model (primary referral is to Environment Committee)	Process status update	Committee received synopsis of Environment Committee meeting from February 1 st . Next step were outlined and presented
	Storm Water Budget	Preview of Storm Water Operating Budget & Overview of current Storm Water Capital Program	Committee discussed several issues related to City Storm Water and water quality.
	CATS Budget	Preview of CATS Operating & CIP Budget	Committee received summary document which previewed Budget Workshop topic
	February 24 Council Budget Workshop Agenda	Review and Approve agenda for Council Budget Workshop	Committee did not amend February 24 th Council Budget Workshop agenda as presented by staff

<i>Meeting Date</i>	<i>Item</i>	<i>Description</i>	<i>Discussion/Decision Points Future Action Requested</i>
Monday, February 29; 1:30 – 3:00 pm – Room 280	Budget Committee Work Plan Update/Council Priorities	Continue to discuss Budget Committee work plan through Council Budget Workshops and continue discussion of Council Priorities as they relate to the development of the FY2017 budget	Committee discussed adding action steps to priority matrix and provided staff the opportunity to amend descriptions. Committee discussed the synergy between the Council Priorities and the current Focus Area Plans. Committee asked for draft of document prior to going to full Council
	Solid Waste Services Multi-Family Service Review Update	Process status update	Committee discussed equity issues among multi-family residential properties. Committee discussed county classifications of multi-family property
	Compensation & Benefits	Review Draft Compensation & Benefits Information	Committee discussed the proposed non-exempt hourly pay plan. Committee discussed employee benefits and the recently opened employee health clinics
	Community Investment Plan	Review Draft Community Investment Plan	Committee discussed different options for future Community Investment Plan presentations
	March 16 Council Budget Workshop Agenda	Review and Approve agenda for Council Budget Workshop	Committee did not amend March 16 th Council Budget Workshop agenda as presented by staff
Monday, March 21; 1:30 – 3:00 pm – Room 280	Solid Waste Services Multi-Family Service Review Update	Multi-Family Service Options	Discussion & Feedback
	Budget Committee Work Plan Update/Council Priorities	Continue to discuss Budget Committee work plan through Council Budget Workshops and continue discussion of Council Priorities as they relate to the development of the FY2017 budget	Discussion & Feedback

<i>Meeting Date</i>	<i>Item</i>	<i>Description</i>	<i>Discussion/Decision Points Future Action Requested</i>
	Community Investment Plan	2 nd Review of Draft Community Investment Plan	Discussion & Feedback
	Aviation Budget	Preview of Aviation Operating & CIP Budget	Discussion & Feedback
	Charlotte Water Budget	Preview of Charlotte Water Operating & CIP Budget	Discussion & Feedback
	April 6 Council Budget Workshop Agenda	Review and Approve agenda for Council Budget Workshop	Discussion & Recommendation

* If necessary

Summary of Charlotte Water Budget
City Council Budget Committee
March 21, 2016

SUMMARY

Charlotte Water is an enterprise department funded primarily with revenue from drinking water and sanitary sewer charges. Charlotte Water provides drinking water and sanitary sewer service to about 1,000,000 people in Charlotte, the six towns in Mecklenburg County, and the unincorporated areas of the County. Charlotte Water's fee structure is based on the principle that customers should pay for the cost of the service they receive and that the fees are set to fully recover the cost to construct, operate, maintain, and sustain the Utility. User fees consist of fixed fees based on the cost to provide infrastructure and make service available (availability fee) and a tiered rate based on the amount of water used that also encourages water conservation.

CHALLENGES

- **Customer Confidence** – Local and national media attention toward drinking water quality is eroding confidence in the safety of drinking water. More work is needed to maintain customer confidence that contributes to quality of life, economic development and long-term sustainability of the water/sewer system.
- **Operational resiliency** - Ongoing costs for cleaning up the illegal discharge of PCB into the sewer system in 2014 are over \$10 Million in FY16/FY17.
- **Cost Increases** – Costs of constructing, operating, and maintaining water and sewer utilities are rising faster than general cost of living indices. Improvements in efficiency and cost savings are not enough to avoid the need for rate increases to sustain service levels.
- **Growth** - Economic development drives the need for more water and sewer system capacity. Growth also pressures natural resources including our source of water supply and the ability of streams to receive and assimilate wastewater treatment plant discharges.
- **Financial Planning** – A 10-year financial planning process projects the need for annual rate increases to sustain capital investments needed and to maintain the highest bond ratings to assure ready access to capital at lower interest rates.

FY2017 Operating Program

- FY16 total revenues are on budget. However, expenses due to PCB clean-up efforts are higher than projected. Charlotte Water expects it will end the fiscal year 2016 on budget.
- Operating budget drivers include power, chemicals, and the new hourly pay plan. Charlotte Water is also requesting 24 new positions– 4 to reduce sewer spills, 3 to increase laboratory capacity, 2 to improve water quality, 4 to maintain aging treatment plants, 3 to accommodate growth, 3 to improve safety, security, & regulatory compliance, and 5 to support general operations and administration.
- Capital expenses are anticipated to increase from \$147.5 Million in FY16 to \$225.3 Million in FY17, which reflects increases in Debt Service and PAYGO required funding for investment in growth, commitment to public projects/utility operations, regulatory requirements, and system rehabilitation/replacement.

FY2017-21 Community Investment Program

- Invest in **Rehabilitation & Replacement**: \$217M
- Invest in meeting **Regulatory Requirements**: \$101.9M
- Invest in **Capacity for Growth**: \$190.9M
- Invest in **Commitment to Public Projects & Utility Operations**: \$128.6M



FY2017 Budget Overview

- **FY17 Operating Budget - \$149.7 million** (3.45% increase over FY16)
- **FY17-FY21 Capital Budget - \$1.6 billion**

- **Budget Considerations:**
 - Budget designed around CLT’s six guiding principles
 - Department made a commitment to City Council and airline partners to keep operating growth between 3-5% for FY17
 - Focused on converting high price contracts to permanent positions to provide better service and recognize savings
 - Projected FY17 Cost Per Enplanement for airlines is \$1.43; down from FY16 Budget of \$1.56
 - Budget includes projects that support both CLT and the airline objectives for future growth
 - Focus on Airport’s \$1.6 billion five-year Community Investment Plan, including Concourse A Expansion, West Ramp Expansion Phase I, Lobby Expansion, Terminal Rehabilitation, and Environmental Impact Study for Fourth Parallel Runway

- **Strategic Principles:**

Principle	Overview	Budget Increase	Positions Added
Safety & Security	Our first priority	\$1.8m	14
Strategic Growth	Includes demand driven investment in development and engagement in economic development efforts	\$1.1m	9
Asset Preservation	Focused on proactively maintaining equipment and facilities to ensure reliable operations	\$0.2m	6
Valuing Employees	Focused on development, education, and compensation	\$0.3m	10
Strong Partnerships	Partnering with business partners and the community	\$0.1m	5
Customer Focus	Quality and customer satisfaction will be our competitive advantage in the aviation industry	\$1.5m	6
Total		\$5.0m	50

Draft 2017 Budget Workshops

City of Charlotte

April 6, 2016
1:30 p.m. – 4:30 p.m.
Room 267

	Page	Time
I. Introduction/Budget Committee Report	Council member Phipps Budget Committee Chair	5 minutes
II. General Community Investment Plan Budget	Kim Eagle Bill Parks	30 minutes
III. Solid Waste Services – Multi Family Services Review Options	Victoria Johnson/ Hyong Yi	30 minutes
IV. Financial Partner Recommendations	Kim Eagle	10 minutes
V. Council Priorities/Base Budget Review - Detailed CMPD Review	Ron Carlee/Kim Eagle	30 minutes
VI. User Fee Update	Kim Eagle/ Debra Campbell	20 minutes
VII. Charlotte Water FY2017 Budget	Barry Gullet	20 minutes
VIII. Aviation FY2017 Budget	Brent Cagle	20 minutes

Note: Budget Questions & Answers from March 16th Budget Workshop included in materials

Distribution: Mayor and City Council
Ron Carlee, City Manager
City Manager's Executive Team
City Manager's Executive Cabinet
Strategy & Budget Staff

Draft 2017 Budget Workshops

Future Budget Workshops and Possible Topics

Workshop formats will be adjusted as necessary to include time for strategic policy discussions, as discussed at the Council retreat on January 28, 2016.

April 20, 2016 Budget Workshop

- Topics to be Determined