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WEEK IN REVIEW:

Sun (Oct 23)	Mon (Oct 24)	Tues (Oct 25)	Wed (Oct 26)	Thurs (Oct 27)	Fri (Oct 28)
				12:00 PM Economic Development & Global Competitiveness Committee, Room CH-14	

CALENDAR DETAILS:

Sunday, October 23 – Wednesday, October 26

North Carolina League of Municipalities Conference, Raleigh NC

(Visit <http://www.ncml.org/meetings-training/Pages/Annual-Conference.aspx> for more info)

Thursday, October 27

12:00 PM Economic Development & Global Competitiveness Committee, Room CH-14

AGENDA: Midtown/Pearl Street Park redevelopment project; FY18 ED&GC Focus Area Plan; Future meeting topics

October and November calendars are attached.



Oct-Nov 2016.pdf

CITY MANAGER REFERRAL:

City Manager Committee Referral of City/County Real Estate Transfer System

Staff Resource: Ron Kimble, Interim City Manager, 704-336-4169, rkimble@charlottenc.gov

At the October 13 Economic Development & Global Competitiveness Committee meeting, committee members asked questions about the City/County Real Estate Transfer System (“Ledger System”). Currently, certain real estate transfers between the City and County occur without the exchange of money, but rather through a ledger system that tracks the value of the land transfers.

I am referring the Real Estate Transfer Ledger to the Budget Committee to review the following areas:

- What was the purpose for creating the City/County Real Estate Transfer Ledger and is it working as originally intended?
- Is the ledger approach still an effective method for transferring land between the City and the County?

The Budget Committee is not scheduled to meet again until January 2017. Given that there are no immediate Council decisions that are dependent on this referral, I believe January is an acceptable timeframe to begin review.

INFORMATION:

Costs Associated With The Recent Demonstrations

Staff Resource: Kim Eagle, M&FS, 704-336-3700, keagle@charlottenc.gov

The media has requested information pertaining to the costs associated with the recent demonstrations in the City. The table below displays City costs for payroll/overtime, operational cost, and property damage specifically attributable to the demonstrations. The cost summary covers a three-week period ranging from September 20 through October 7.

The table below solely includes costs incurred by the City and does include costs associated with damage to privately owned property. The City does not anticipate any of these costs will qualify for federal or state reimbursement.

It is anticipated the City will use current capital reserves and various operational savings to offset the majority of the costs.

Department	Payroll/Overtime	Operating Expense	Property Damage	Total
Police	\$3,596,224.48	\$247,406.23	\$60,522.95	\$3,904,153.66
Fire	\$319,019.49	\$31,003.72		\$350,023.21
Solid Waste Services	\$134,487.67	\$6,187.00		\$140,674.67
Transportation	\$2,365.13	\$498.80		\$2,863.93
Engineering and Property Management	\$31,703.39	\$359.00		\$32,062.39
Neighborhood & Business Services	\$2,800.00			\$2,800.00
City Manager's Office	\$18,832.23	\$548.82		\$19,381.05
Innovation & Technology	\$13,415.31			\$13,415.31
General Fund Subtotal	\$4,118,847.70	\$286,003.57	\$60,522.95	\$4,465,374.22
Charlotte Water	\$10,041.60			\$10,041.60
CATS	\$13,251.00	\$10,455.00	\$25,958.00	\$49,664.00
Convention Center			\$8,587.00	\$8,587.00
NASCAR Hall of Fame			\$27,048.00	\$27,048.00
TOTAL COST	\$4,142,140.30	\$296,458.57	\$122,115.95	\$4,560,714.82

Fiscal Year 2016 Year-End City of Charlotte Performance Report

Staff Resource: Melia Gordon, M&FS, 704-336-5016, mtgordon@charlottenc.gov

The City's Fiscal Year 2016 Year-End Performance Report is attached and a hard copy is provided in the City Council's next packet delivery. The Year-End Report is organized according to the City Council's five Focus Areas, highlighting key achievements and the results of notable performance measures from across the organization.



CityPerformanceReport_2016_FINAL.pdf

The electronic version includes hyperlinks that provide additional information. These hyperlinks are denoted in underlined text. The FY2016 Year-End Report is available online in a printable format at: <http://charlottenc.gov/mfs/budget/Pages/planning.aspx>

Additional hard copies are available by contacting Melia Gordon, using the contract information listed above.

Internal Audit Report – Bus Operations Division

Staff Resource: Greg McDowell, Internal Audit, 704-336-8085, gmcowell@charlottenc.gov

The subject audit report is attached. The City's outside auditor, Cherry Bekaert, L.L.P. (CB), performs agreed-upon procedures related to the Bus Operations Division that cover the inventory of buses, bus parts, and payroll. The work performed by Internal Audit is provided to CB auditors for their review.

Conclusion

CATS has established adequate internal controls to ensure expenditures from the imprest (financial accounting system) fund are timely and accurate. CATS plans to require annual updates to benefit elections, which should reduce the risks associated with non-mandatory open enrollment.



Bus Imprest
FY16.pdf

ATTACHMENTS:

September 28 Metropolitan Transit Commission Meeting Summary



MTC C-M Memo
201609.pdf

October

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
						1 8:00am Neighborhood Leadership Awards, Convention Center
2	3	4	5 12:00pm Housing & Neighborhood Development Committee Mtg., Room 280	6	7	8
		Charlotte Chamber Retreat Asheville, NC				
9	10 12:00pm Environment Committee Mtg., Room 280 2:00pm Transportation & Planning Committee Mtg., Room 280 5:00pm Citizens' Forum/Council Business Mtg., Room 267	11	12	13 12:00pm ED & Global Competitiveness Committee Mtg., Room CH-14 2:00pm Special Session, CH- 14	14	15
16	17 12:00pm Council Agenda Briefing (optional), Room 886 1:00pm Intergovernmental Relations Committee Mtg., Room 280 4:00pm Special Session, CH- 14 5:00pm Zoning Meeting, Room CH-14	18	19	20 12:00pm Community Safety Committee Mtg., Room 280 2:00pm Budget Committee Mtg., Room CH-14	21	22
23	24	25	26	27 12:00pm ED & Global Competitiveness Committee Mtg., Room CH-14	28	29
NCLM Annual Conference Raleigh, NC						

2016

November

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
		1	2 12:00pm Housing & Neighborhood Development Committee Mtg., Room 280	3 6:00pm – 8:30 pm District 3 Town Hall Meeting, Goodwill Industries Opportunity Campus - 5301 Wilkinson Blvd.	4	5 9:00am – 12:00pm District 3 Budget Workshop, TBD
6	7 12:00pm Environment Committee Mtg., Room 280 2:00pm City Manager's Update Mtg., Room CH-14 5:00pm Council Workshop/Citizens' Forum, Room 267	8	9 12:00pm Community Safety Committee Mtg., Room 280	10 12:00pm ED & Global Competitiveness Committee Mtg., Room CH-14	11 Veteran's Day Holiday	12
13	14 2:00pm Transportation & Planning Committee Mtg., Room 280 5:00pm Council Business Mtg., Room 267	15	16	17	18	19
NLC City Summit Pittsburgh, PA						
20	21 12:00pm Council Agenda Briefing (optional), Room 886 1:00pm Intergovernmental Relations Committee Mtg., Room 280 5:00pm Zoning Meeting, Room CH-14	22	23 5:30pm MTC Meeting, Room 267	24 Thanksgiving Day	25 Thanksgiving Holiday	26
27	28 12:00pm Governance & Accountability Committee Mtg., Room 280 5:00pm Citizens' Forum/Council Business Mtg., Room 267	29	30			

2016



Fiscal Year 2016 Performance Report

Investing in Our Community

During Fiscal Year 2016, the City of Charlotte continued the implementation of its Community Investment Plan. The plan focuses on three core community benefits: livability, getting-around, and job growth. Major investments include:

The Cross Charlotte Multi-Use Trail will be a continuous 26-mile trail/bikeway extending across Charlotte from Pineville to the Cabarrus County line.

- The City completed the trail's master plan and construction started for the trail segment extending from Little Sugar Creek Greenway north under Parkwood Avenue and through Cordelia Park to 24th Street.

The Comprehensive Neighborhood Improvement Program (CNIP) represents a new approach to capital planning in Charlotte that looks beyond the boundaries of residential areas for opportunities to enhance collaboration with public and private partners, leverage multiple investments in neighborhoods, and catalyze changes occurring in neighborhoods.

- The CNIP Program completed project investment selections in all five CNIP areas.
- Program milestones include expansion of bike access along 4th Street extension in Wesley Heights, work to improve access at Ayrslay Town Center, and enhancements to Shamrock Drive from The Plaza to Eastway Drive.

The Northeast Corridor Infrastructure (NECI) program will improve pedestrian, bicyclist, and motorist access to the CATS Blue Line Extension. This investment will help station area plans along the Blue Line Extension as well as provide broader connections to other community investments like the Cross Charlotte Trail and Mecklenburg County greenway system.

- Seven new NECI projects completed the planning phase with significant community engagement.

- Additionally, the design phase is complete for the 25th Street Connection and Orr Road Extension projects.

Storm Water Services

Storm Water Services invested \$54.7 million in managing and constructing projects that will reduce flood risks and improve surface water quality. Staff completed 86 point repair projects, two neighborhood-wide storm drainage improvement projects, two water quality enhancement projects, and actively managed an additional 400 projects.

Aviation

The Concourse A Expansion-Phase I of the expansion project includes the construction of nine gates north of Concourse A, including ramp and taxi lanes. Aviation completed the design phase for the expansion, and anticipates completing construction by mid-year 2018.

The Terminal Curbfront Roadway project is almost one year ahead of schedule, with construction being 25% complete by the end of Fiscal Year 2016. The roadway is on track to be completed in summer 2018. During the spring, Aviation began construction of the west and east underground pedestrian tunnels, which will allow Airport visitors parking in the hourly deck a safe walking path to the terminal, avoiding traffic. It is anticipated the tunnels will be open to the public in 2021.

CATS

The Federal Transit Administration executed a \$75 million Small Starts Grant Agreement for Phase 2 of the **CityLYNX Gold Line Streetcar** project. With an additional \$75 million in City matching funds, the \$150 million project will extend the streetcar network from the Charlotte Transportation Center to Johnson C. Smith University in the west, and from the Novant Health campus to Sunnyside Avenue in the east. Ridership on the existing CityLYNX Gold Line Phase I has exceeded ridership estimates by 6% in the first year of operation.

Financial Stability and Competitive Tax Rates

The City maintained its position as a AAA-rated credit by the major rating agencies for the 43rd consecutive year. This is the highest level possible for general obligation debt.

Charlotte's Storm Water Services has achieved an Aaa rating by Moody's Investor Services. It is the first storm water enterprise in the nation to attain this rating.

Aviation's General Airport Revenue Bonds are among the highest rated general airport revenue bonds in the nation, totaling \$532.8.

Economic Outlook and Development

The City/County Business Investment Grant Program allocated \$9.8 million in funds to businesses, generating 2,532 new jobs in Charlotte and Mecklenburg County.

Charlotte home values continue to rebound from the recession. **The Case-Shiller U.S. National Home Price Index** indicated Charlotte's April 2016 home prices increased 4.84% over 2015 levels.

Public Safety

The Charlotte Mecklenburg Police Department experienced improvements in several of its key public safety indicators: 10% increase in the number of first time youth offenders referred to the Juvenile Diversion Program; analysis of 90% of non-DNA evidence within five working days; a 5% increase in the number of illegal guns seized.

The Charlotte Fire Department achieved a Class 1 Insurance Services Office (ISO) rating making Charlotte one of only seven Class 1 communities among the 1,714 rated in North Carolina by the ISO. This rating demonstrates a quick response to community needs, risk mitigation at the highest possible standard, and a commitment to preserving life and property through rapid emergency response, code enforcement, education and planning.



Focus Areas and Performance Measures

The City is committed to using performance measures to manage and address community needs. These are organized according to City Council's five Focus Areas:



Community Safety

Charlotte will be one of America's safest communities.



Economic Development & Global Competitiveness

Charlotte will strengthen its position as a city of prominence in the global marketplace by building upon its competitive advantages.



Environment

Charlotte will become a global leader in environmental sustainability preserving our natural resources while balancing growth with sound fiscal policy.



Housing & Neighborhood Development

Charlotte will sustain and create distinct and diverse neighborhoods for residents of all ages.



Transportation & Planning

Charlotte's strong economy and attractive lifestyle will thrive due to our vibrant places, healthy neighborhoods, and robust employment centers supported by strategic transportation investments.

Want to Know More or Get Involved?

[Need a Speaker](#) | [Neighborhood Matching Grant Program](#) | [City of Charlotte Youth Programs](#)
[City Council Business and Zoning Meetings](#) | [Quality of Life Explorer](#) |
[Participation on City/Mecklenburg County Community Boards and Commissions](#)



CHARLOTTE.

Fiscal Year 2016 City Council Members

MAYOR

[Jennifer Roberts](#)

MAYOR PRO TEM

[Vi Lyles](#)

CITY COUNCIL

At-Large

[Julie Eiselt](#)

[Claire Fallon](#)

[James Mitchell](#)

District 1

[Patsy Kinsey](#)

District 2

[Al Austin](#)

District 3

[LaWana Mayfield](#)

District 4

[Greg Phipps](#)

District 5

[John Autry](#)

District 6

[Kenny Smith](#)

District 7

[Ed Driggs](#)

Fiscal Year 2016 City Leadership

CITY MANAGER

[Ron Carlee*](#)

*Ron Kimble's term as Interim City Manager began on July 1, 2016

For additional information, contact the [City of Charlotte Office of Strategy & Budget](#).

704-336-5853



Charlotte will be one of America's safest communities.



Charlotte Fire Department responding to a call for service.

Performance Measures

1) Fire Education

Provide fire education program to 100% of CMS 3rd grade classrooms.

2016 status: **100% 3rd grade classroom participation** ✓

2) Reduce Crime and Loss of Life

Reduce Part 1 Uniform Crime Rate by 3% below the prior calendar year; FBI Uniform Crime Reporting Part I crimes include: homicide, rape, robbery, aggravated assault, burglary, larceny, vehicle theft, and arson.

(While Charlotte-Mecklenburg experienced a 12.2% increase from 2015 to 2016, Part 1 Crimes per 100,000 represent a 3.2% increase compared to the average of the previous four years).

2016 status: **12.2% increase** ✗

3) Fire Prevention

Conduct 95% of fire code inspections within state mandated frequencies.

2016 status: **100% code inspections completed** ✓

4) Develop a Workforce that is Reflective of Community's Demographics

Implement recruitment strategies that attract a diverse Police Officer applicant pool of at least 40% women and minorities.

2016 status: **64.8% women and minority applicants** ✓

5) Charlotte Fire Department Response Time

First to arrive at scene of emergency within six minutes and 20 seconds of receiving call at least 90% of time.

(The Charlotte Fire Departments (CFD) legacy response time to arrive on scene has been within six minutes at least 80% of the time. Over the last five years, CFD has achieved this goal. In Fiscal year 2016, Fire increased the threshold to the national standard of arrival within six minutes and 20 seconds, 90% of the time).

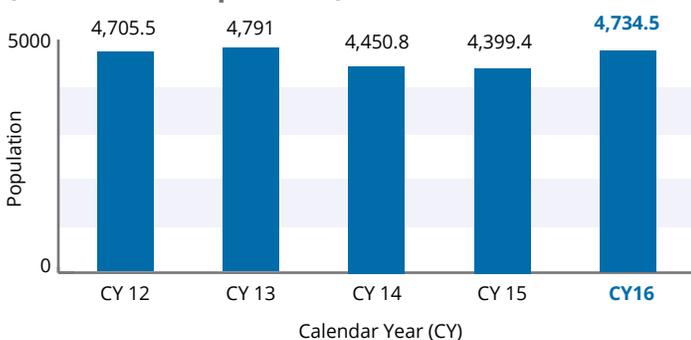
2016 status: **86.9% arrival time** ✗

6) Reduce the Number of Youth in the Criminal Justice System

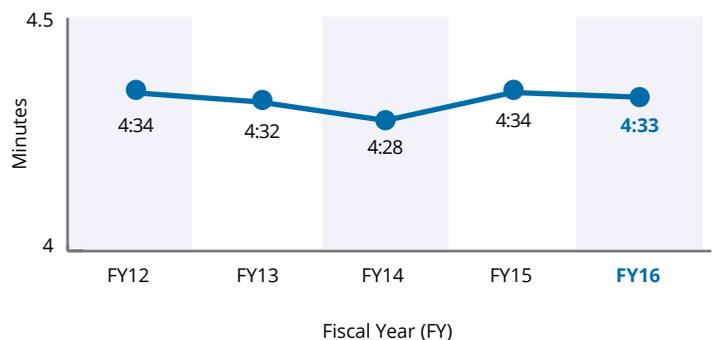
Through the Charlotte Mecklenburg Police Department's Juvenile Diversion Program, achieve a 70% or better success rate of program participants avoiding additional criminal charges while in the program.

2016 status: **95.6% success rate** ✓

PART 1 OFFENSE UNIFORM CRIME RATE (Per 100,000 Population)



AVERAGE FIRE RESPONSE TIME (In Minutes)





Economic Development & Global Competitiveness

Charlotte will strengthen its position as a city of prominence in the global marketplace by building upon its competitive advantages.



The Elevated Roadway and Terminal Curbfront project at Charlotte Douglas International Airport.

Performance Measures

1) Continuous Improvement within the Permitting and Regulatory Environment

Complete Land Development Permit submission evaluations with an average of 2.5 or less reviews; reflects process improvements and facilitates business development.

2016 status: **1.9 reviews** ✓

2) Promote Foreign Direct Investment

Pursue at least five leads for foreign direct investment through the International Relations Office.

2016 status: **50 foreign direct investment leads** ✓

3) Hospitality Tax Revenue

Increase hospitality tax revenue by more than 3%.

2016 status: **7.54% increase** ✓

4) Community Partnership to Promote Workforce Development

Development of an apprenticeship strategy.

2016 status: **100% of strategy developed** ✓

5) Facilitate the Growth of Small Businesses and High Growth Entrepreneurs in the Community

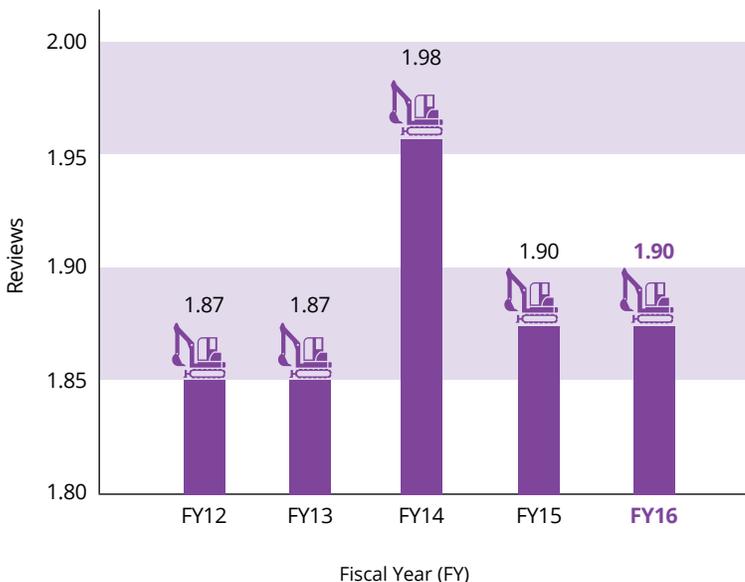
Increased utilization of the City's web portal CharlotteBusinessResources.com, by 20% to meet the needs of emerging and growing small businesses.

(The City's web portal was launched in its current format almost three years ago. To better serve Charlotte's entrepreneurs and small business community, as well as adhere to best practices for website development, the City's web portal will be undergoing enhancements).

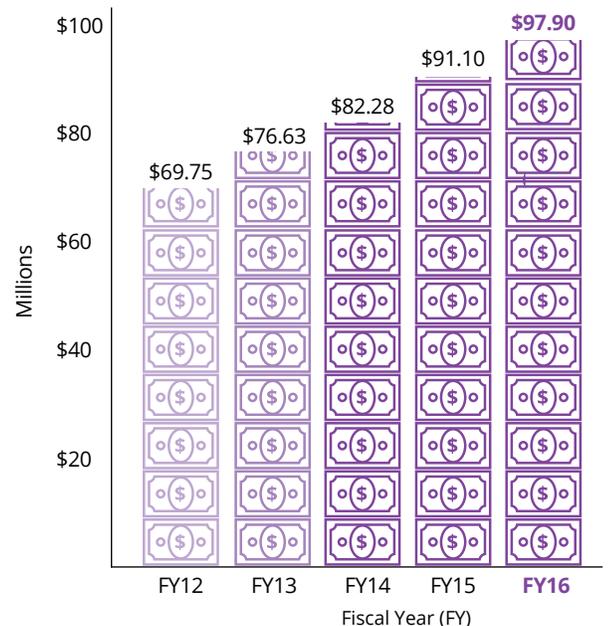
2016 status: **17% increase** ✗

LAND DEVELOPMENT PERMIT REVIEWS

(Average Reviews Per Submission)



HOSPITALITY TAX REVENUE





Charlotte will become a global leader in environmental sustainability, preserving our natural resources while balancing growth with sound fiscal policy.



City of Charlotte's First Rapid Charge Electric Vehicle Charging Station on Thomas Avenue.

Performance Measures

1) Reduce Sanitary Sewer Overflows

Reduce sanitary sewer overflows to below 6.3 per 100 miles of sewer pipe.

2016 status: **5.0 per 100 miles of sewer pipe** ✓

2) Litter Rating

Achieve 2.0 or lower on Keep America Beautiful litter rating on a scale of 1-4, where 1 is best score.

2016 status: **1.80 litter rating** ✓

3) Maintain Significant and Healthy Tree Canopy

Implement program to leverage public and private partnerships to plant the greatest number of trees possible toward the goal of a 50% tree canopy by 2050.

2016 status: **16 events with 10,571 trees planted and 5,800 seedlings distributed** ✓

4) Improve Efficiency of City Facilities

Achieve Energy Use Intensity score of less than 67.

(Energy Use Intensity measures the total energy consumed per square feet by a building in one year).

2016 status: **63.94 energy score** ✓

5) Achieve 100% Regulatory Compliance

Meet all applicable requirements of the Safe Drinking Water Act and Clean Water Act.

(During regulatory testing, there were four non-compliances for Wastewater Treatment Plant permits out of 5,755 compliance points. Charlotte Water conducted successful retests and is compliant with the National Pollutant Discharge Elimination System).

2016 status: **99.9% requirements met** ✗

6) Reduce Residential Waste

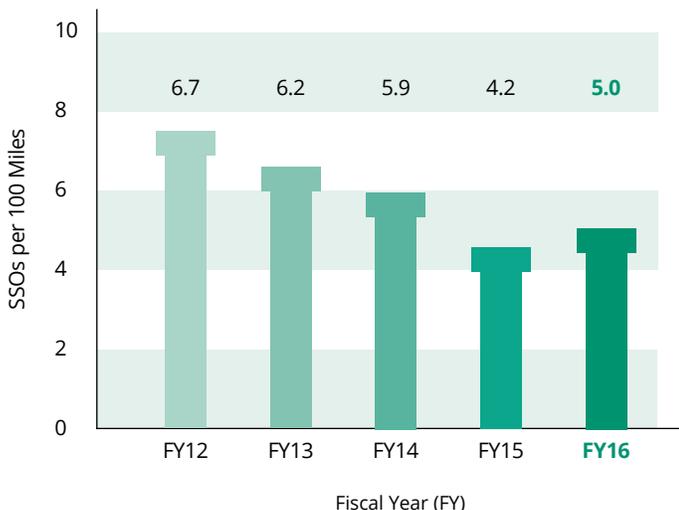
Reduce pounds landfilled per curbside residential unit compared to prior year total of 1,666.4 pounds.

(The elimination of the 16 gallon, red recycling bins, during Fiscal Year 2016, may have resulted in decreased recycling participation).

2016 status: **1,719.9 pounds landfilled** ✗

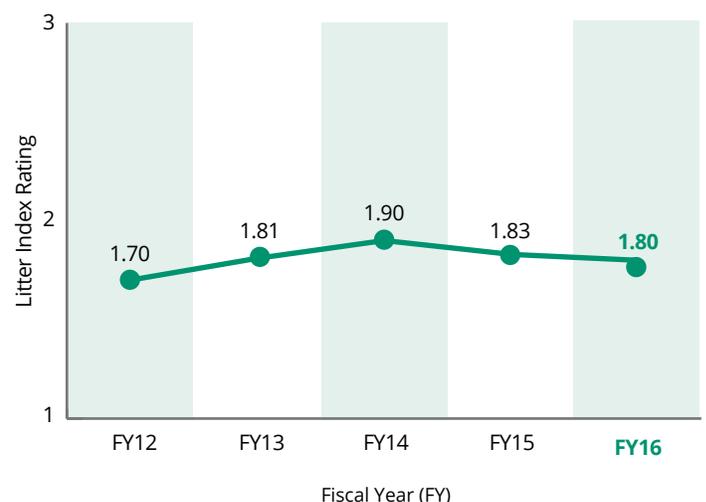
SANITARY SEWER OVERFLOWS (SSOs)

(Overflows per 100 miles of pipe)



KEEP AMERICA BEAUTIFUL LITTER INDEX RATING

(1.0 is best score)





Housing & Neighborhood Development

The City of Charlotte will create and sustain distinct and diverse neighborhoods for residents of all ages.

Performance Measures

1) Quality of Life

90% of Code Enforcement nuisance compliance cases are resolved voluntarily by the resident.

2016 status: **94% of cases voluntarily resolved** ✓

2) Promote Diverse Housing Options Throughout the Community

Allocate Housing Trust funds to at least two developments consistent with Housing Policy goals.

2016 status: **5 developments** ✓

3) Market Housing Programs to Achieve Geographical Dispersion of Diverse Housing Options

Attain at least six developer inquiries and approvals for the new voluntary single and multi-family density programs.

2016 status: **6 inquiries** ✓

4) Healthy and Vibrant Neighborhoods

Support 30 neighborhood organizations in developing and implementing neighborhood improvement goals through Neighborhood Board Retreats.

2016 status: **31 neighborhood organizations** ✓

5) Provide Opportunities to Enhance Economic Opportunity

Support community partners and programs that provide youth connections to mentors, work, and the community.

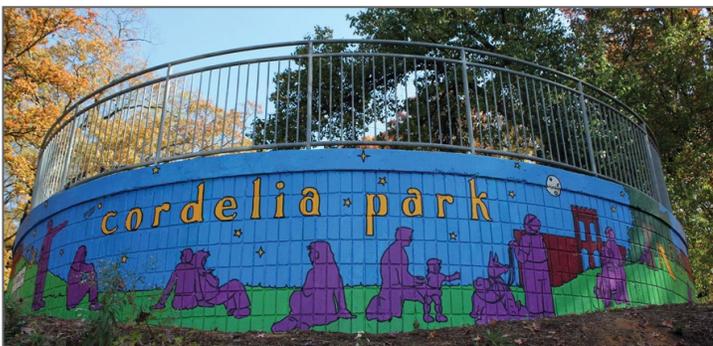
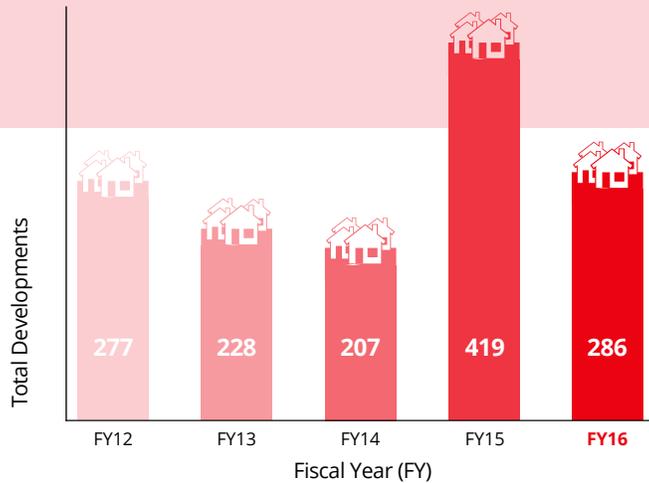
2016 status: **Mayor's Youth Employment Program: 357**

Internships and 3,658 Work Experiences provided to youth

Mayor's Mentoring Alliance: 180 Internships

provided to youth ✓

HOUSING UNITS FUNDED WITH HOUSING TRUST FUND DOLLARS



Cordelia Park is a 24-acre urban park at North Davidson Street in the Villa Heights neighborhood that will include a segment of the Cross Charlotte Trail.



Renaissance Community, located in west Charlotte, offers affordability and convenient transportation access.



Charlotte's strong economy and attractive lifestyle will thrive due to our vibrant places, healthy neighborhoods, and robust employment centers, supported by strategic transportation investments.



Recently completed Rea Road Improvement project, incorporates bike lanes, sidewalks, and a landscaped median to improve pedestrian accessibility.

Performance Measures

1) Aviation Cost per Passenger

Maintain the lowest cost per enplanement among American Airline hub cities.

2016 status: **\$1.33 per enplanement** ✓

2) CATS System Performance

Maintain an average system on-time performance of greater than or equal to 84% for bus and greater than or equal to 98.5% for rail.

2016 status: **86% bus, 99% rail** ✓

3) Walkability and Bikeability

Maintain or increase the walk-score for four mixed-use activity centers (Eastland, Prosperity Village, SouthPark and Whitehall).*

2016 status: **Eastland, SouthPark and Whitehall increased in walk score; Prosperity Village maintained the walk score.** ✓

4) Bikeways and Sidewalks

Increase bikeways and sidewalks by at least 10 miles each annually. *

(During Fiscal Year 2016, there were few major road projects. For resurfaced street projects, bicycle lanes were not added due to insufficient space. The City continues to identify funding sources to promote the Bicycle Program, and the first segment of the Cross Charlotte Trail, anticipated for completion in late fall 2016, will incorporate more than 10 miles of bicycle trails).

2016 status: **2.96 bikeway miles** ✗

2016 status: **13.02 sidewalk miles** ✓

5) Vehicle Accidents

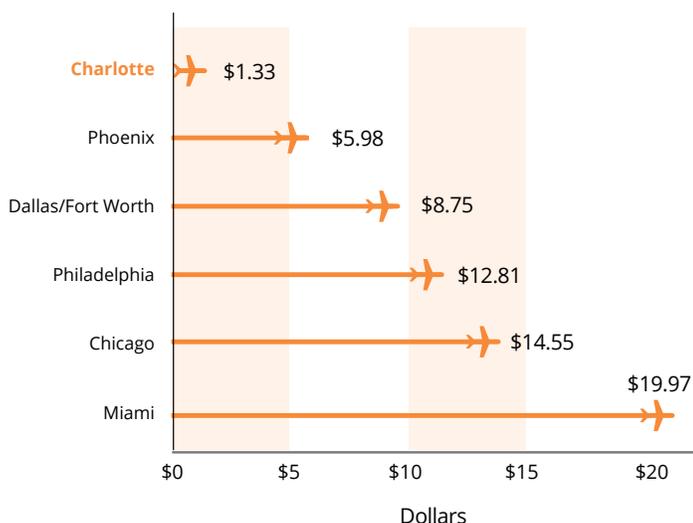
Decrease percent of motor vehicle accidents to fewer than two vehicle accidents per million vehicles entering an intersection.*

2016 status: **1 accident per million entering vehicles** ✓

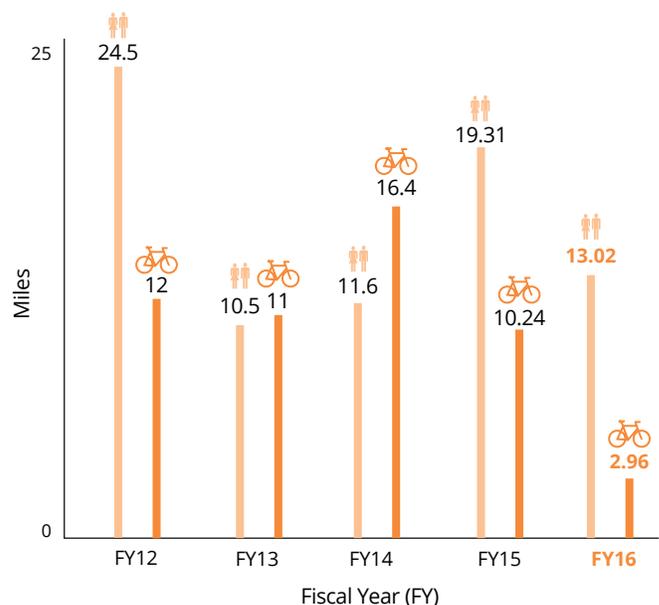
* The City considers pedestrians and bicyclists the most vulnerable users of the transportation network - the simple message is "no loss of life" is acceptable. During Fiscal Year 2016, the City led several education/awareness campaigns and studies identifying areas for safety enhancements. Nationally, cities are adopting a Vision Zero Program targeted to eliminate serious injuries and fatalities due to traffic crashes, including pedestrian, bicycle, and vehicular crashes. Over the coming year, the City intends to further study similar opportunities that promote a comprehensive approach through partnerships and community engagement.

AIRLINE COST PER ENPLANEMENT

American Airlines Hub Cities

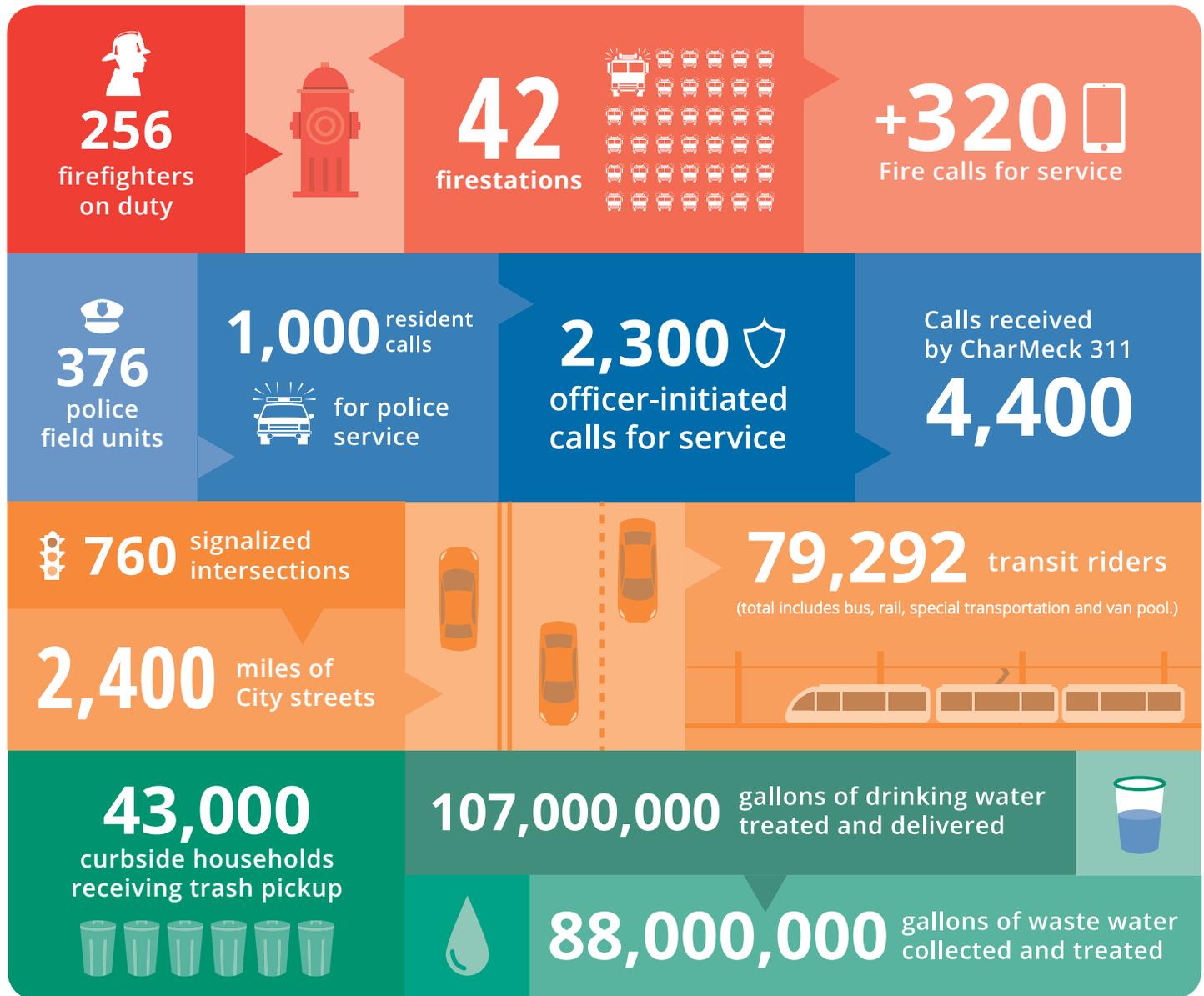


BIKEWAY AND SIDEWALK MILES



A DAY IN CHARLOTTE...

On a typical day in Charlotte, examples of City services that residents depend on include:



FISCAL YEAR 2016 CITY OF CHARLOTTE TAXES & FEES

City of Charlotte taxes & fees (50th percentile home value)	Prior Year Fiscal Year 2015	Fiscal Year 2016 Budget	\$ Change	% Change
Property taxes on \$141,100 home*	\$661.34	\$675.45	\$14.11	2.1%
Solid Waste Fee (residential)	\$47.00	\$25.00	(\$22.00)	(46.8%)
Water & Sewer (average user rate)	\$682.80	\$701.40	\$18.60	2.7%
Storm Water (average user rate)	\$97.56	\$97.56	\$0.00	0.0%
Total Annual	\$1,488.70	\$1,499.41	\$10.71	0.7%
Total Monthly	\$124.06	\$124.95	\$0.89	0.7%

*The Fiscal Year 2016 City Property Tax Rate was 47.87¢ per \$100 valuation and continues to be the second lowest tax rate among the five largest North Carolina cities. In addition, water and sewer rates are significantly lower than the state of North Carolina average.



CHARLOTTESM

INTERNAL AUDIT

**Audit Report
CATS Bus Operations – Imprest Account
For Fiscal Year 2016
October 20, 2016**

**City Auditor's Office
Gregory L. McDowell, CPA, CIA**

Audit Report
CATS Bus Operations – Imprest Account
October 20, 2016

Purpose and Scope

The purpose of this audit was to determine whether the City has reimbursed the bus operations management company accurately and the funds have been disbursed properly. The City's outside auditor, Cherry Bekaert LLP (CB), performs agreed-upon procedures related to the Bus Operations Division (BOD). The work performed by Internal Audit is provided to CB for its review.

The City contracts with a management company, McDonald Transit Associates, Inc. (McDonald) to manage bus operations, known as Transit Management of Charlotte, Inc. (TMC). TMC sends reimbursement requests to the Charlotte Area Transit System (CATS) for operating expenses, except bus parts for which the City pays directly to suppliers. The City wire transfers the reimbursements into an imprest bank account in the name of TMC, from which BOD issues checks for operating expenses.

Auditors reviewed the operations and specific transactions for the fiscal year ended June 30, 2016. Tests were designed to determine whether:

- Internal controls over the transactions handled through the bus transit imprest fund, including payroll, are adequate,
- Wire transfers to the CATS Bus Transit Payroll Imprest Account are accurately recorded;
- BOD's reimbursement requests are adequately supported, and
- Bus operations employees' wages comply with union agreement terms.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the City Manager's Office, City Council, CATS, and the City's external auditor Cherry Bekaert.

Conclusion

CATS has established adequate internal controls to ensure expenditures from the imprest fund are timely and accurate. CATS plans to require annual updates to benefit elections, which should reduce the risks associated with a non-mandatory open enrollment.

Summary Recommendations and Actions – 2016

The following findings are detailed, beginning on page 4:

1. Procedures should be followed to ensure approvals occur before payments are made.
 - CATS has designated a backup
 - Approval guidelines have been established to ensure consistency and accuracy within the approval process.
2. TMC should correct benefit elections documentation and annually update employee personnel files.
 - TMC is working with the Union to ensure proper documentation is provided for all deductions. For future enrollment periods, TMC will obtain a signed authorization form from every employee regardless of whether the employee is electing to change his or her benefits.
 - TMC has refunded ten employees (\$1,141) identified in this audit. In addition, CATS and TMC will test a 3% sample of benefit forms monthly and verify the deducted amounts are correct.
 - A new HR/Payroll software system will be implemented in the summer of 2017 and will allow direct input of employee benefits into the HR/Payroll system as employees are making these elections. Prior to the initiation of that system, TMC will seek to obtain forms from all employees during the enrollment period.

Background

McDonald began providing transit management services for CATS' Bus Operations Division (BOD) on September 1, 2003. The City awarded McDonald another contract for three years plus two additional optional years effective August 1, 2008. The City has exercised its right to extend the contract terms. On March 25, 2013, the City Council approved an additional six month extension of the contract (through January 31, 2014) to enable McDonald to complete negotiations with United Transportation Union (UTU). On January 31, 2014, a new contract was signed between McDonald Transit Associates, Inc. and the City of Charlotte for three years plus two additional optional years effective February 1, 2014.

McDonald is responsible for managing day-to-day operations and maintenance of CATS' largest bus fleet (other fleets include Special Transportation Services, and Lynx Blue Line light rail). CATS engages a transit management firm in this capacity because North Carolina law prohibits governmental entities from managing and collectively bargaining with unions. Bus drivers, maintenance and parts room workers are employed by the private company Transit Management of Charlotte, Inc. (TMC), which is managed by McDonald under its contract with the City. McDonald and TMC employees work at the Davidson Street and the Tryon Street facilities.

The City is fully responsible for the finances of the BOD and is required by agreement to pay all operating expenses. TMC is required to maintain an Imprest account through which the following expenses are paid: wages and salaries of all TMC employees, the employer's share of payroll taxes and benefits, employer contributions to the pension plan, all payments made in settlement of claims or satisfaction of judgment incurred in the operation of the public transportation system, all general and miscellaneous expenses for BOD, all expenses for liability insurance, workers' compensation and tort claims, and all expenses for materials and supplies.

The individual payroll checks for the employees of TMC are prepared by Ceridian. In addition, Ceridian calculates and deposits payroll withholding and the employer's share of the taxes. Each week the payroll administration staff for TMC prepares a report based on printouts from Ceridian listing the amount and the account to be charged for payroll. This report is then forwarded to the accounting specialist for inclusion in the request for payment from the City. Also included in the request are any other miscellaneous payroll-related expenses to be paid.

Each week, TMC requests payment for itemized expenses and documents the request by providing copies of invoices. The request for funds is reviewed by CATS administration and the City's Finance staff. Upon approval, a wire transfer of the funds is made by the City, and TMC issues the checks the following day. TMC's accounting specialist writes the checks using Quicken software, and they are forwarded to the general manager for his signature. The checks are then given to the financial support clerk who prepares the envelopes and mails the checks. The payroll/finance administrator is responsible for reconciling the Imprest account on a monthly basis.

Prior Year Update

For FY15, CATS and TMC addressed findings and recommendations satisfactorily, as discussed below.

Recommendation #1: CATS should update its approval process to include the following procedures: (1) Improve controls by removing Accounts Payable (AP) from the weekly summary emails to ensure CATS has approved the expenses before AP can process the invoices and Treasury can initiate the wire transfers; (2) Designate a backup to approve expenses when the CATS Chief Operations Planning Officer (COPO) is unavailable.

- AP has been removed from the weekly summary email distribution list to prevent processing invoices in advance of CATS' approval. CATS has designated a backup to approve expenses in the COPO's absence. It was noted during FY16 testing that in the COPO's absence, the alternate signatories did not include the date of their review along with their signature.

Recommendation #2: TMC should ensure that employees' payroll deductions match their benefits elections. While open enrollment provides an opportunity for all employees to confirm or change existing benefit elections, it has not been practical to obtain full participation. Therefore, CATS and TMC should consider alternate methods to ensure that employees are

regularly updated regarding their existing coverage, allowing discrepancies to be resolved in a timely manner.

- For its March 2016 benefits period, TMC conducted a comprehensive enrollment process through the use of an outside firm that specializes in benefit enrollment. Employees were given two weeks to sign up in person at the Company's two facilities, and anyone who missed that window was able to sign up via telephone for an additional week. Approximately 80% of employees signed up through this process. The employees who did not attend or call had their benefits roll over. No one was cancelled from his or her policy for missing the enrollment window. All participants received a printout of the benefits selected.

Audit Findings and Recommendations – 2016

1. Procedures should be followed to ensure approvals occur before payments are made.

In order to receive payment for payroll and operational expenses, TMC emails a summary of expenses (signed by TMC management) to CATS, usually every Thursday. The next day TMC hand-delivers the originals and one copy to CATS who now have a representative in the same building. CATS conducts a review of the detailed invoices, indicates approval with a dated signature, and forwards the documentation to Accounts Payable (AP). AP then inputs the dollar amounts to correspond with account numbers in Munis and attaches the backup documentation received from CATS. An employee with City Finance's Treasury Division will then log into the City's bank account to schedule the wire transfer of funds to TMC.

In FY16, based on recommendations presented in FY15, CATS amended the procedures used when submitting TMC invoices for reimbursement by AP. Under the old methodology, the Chief Operations Planning Officer (COPO) dated his/her signature before sending to AP. Under the new method, proof of the transmittal date to AP is obtained by CATS including a printed copy of the email to AP showing the date and timestamp with the invoice backup uploaded to Munis. This approach prevents payment prior to approval.

For the past several years, late and missing signatures have been a recurring issue. Internal Audit noted the following exceptions in FY16:

- Four of the 101 wire transfers (4%) lacked a date of CATS approval before the wire transfer date. The result was \$2.42 million of expenses reimbursed without proper CATS approval.
- Four instances (4%) of missing signatures occurred. The lack of TMC management approval allowed \$919,150 of payroll and operational expenses to be wired to TMC's account without adequate authorization.

While the errors above indicate a weakness in the approval process, all expenses were found to be appropriate. The missing dated signatures from CATS all occurred during the COPO's

absence. This indicates the designated backup(s) need to be aware of the review and approval process.

Recommendation: CATS should update its approval process to include the following procedures:

- Ensure the designated backup(s) are aware of the procedures to approve expenses when the COPO is unavailable.
- Print a copy of the email sent to AP to include with the detailed backup file. The purpose of this email would be to confirm, via the timestamp, that the CATS approval occurred prior to the wire transfer.

CATS Response: A new position, General Manager of Bus Operations (GM), has been created and filled as of August 2016. The GM has replaced the COPO as the primary approver for all payment requests as of late August 2016. The COPO will be the designated back-up for the GM. Approval guidelines have been established to ensure consistency and accuracy within the approval process.

2. **TMC should correct benefit elections documentation and annually update employee personnel files.**

Recordkeeping

Open enrollment for benefits such as medical, dental, life, short-term disability, and supplemental insurance occurs annually in March. Employees are required to attend open enrollment only if they are making changes to their benefits; otherwise their current elections are automatically rolled over into the new policy year. There are several risks resulting from a non-mandatory open enrollment:

- *Unrecorded Benefit Elections* – Additional coverage elected but the change isn't properly recorded. This could result in the employee filing a claim that is denied.
- *Unrecorded Cancellations* – Canceling a benefit but the cancellation isn't properly recorded. This could result in a continuation of deductions from their paycheck. TMC would be liable for reimbursing the difference.
- *Outdated Elections* – An employee could have elected a deduction at a specific rate several years ago. Over time, that rate would likely have increased. With no recent authorization form on file at the new rate, it cannot be verified that the employee would elect the benefit in question at the new rate.

For FY16, nine percent (9%) of the tested deductions (97 out of 1,063) had exceptions. Auditors tested two pay periods prior to the most recent open enrollment date and one subsequent date. The majority of exceptions were due to manual entry errors, missing authorization forms, and/or continuation of coverages after cancellation. The following exceptions were found during the current review:

- Ten employees (of 44 sampled) with incorrect deductions taken from their paycheck requiring reimbursements totaling \$1,141
- Two additional errors which cannot be corrected by TMC; rather, an outside party must reimburse the employee directly.
- The remaining exceptions were due to missing authorization forms, unsigned forms, coverage selected but not deducted, or other recordkeeping errors.

Contract Compliance

Auditors did not test deductions for FY16 related to union dues and supplemental insurance (AFLAC). TMC staff noted they no longer receive the authorization forms, and the Union emails the list of changes. Therefore, auditors were unable to verify whether deductions were authorized. As noted in both labor agreements (Article III-B of the Operations Agreement and Article III-A of the Maintenance Agreement), TMC is required to have written consent on file for each employee who chooses to participate in the Union. In prior years, these consent forms have been kept in personnel folders and auditors were able to confirm the deductions.

Recommendation 2A: TMC should annually update all employee benefit folders with signed authorization forms, including waivers of coverage, union dues, and AFLAC elections. For the years following FY17 open enrollment, a signed acknowledgement form should be obtained even if an employee elects to roll forward coverage from a prior year.

CATS/TMC Response: For future enrollment periods, TMC will ensure that a signed authorization form is requested from every employee regardless of whether the employee is electing to change his or her benefits. TMC will obtain a signed verification of employee benefit elections from every employee actively at work and will request the same through written correspondence from inactive employees during the open enrollment period.

Recommendation 2B: A sample test resulted in 10 of 44 employees (about 23%) with at least one error related to benefit elections or rates. The associated risks must be addressed by a thorough review of all employee records. At the earliest possible date, TMC should research all BOD employees' benefit elections and resolve any incorrect deductions by either refunding the employees or obtaining a signed election form indicating the deductions are correct.

Actions Taken: TMC refunded the ten employees (a total of \$1,141) identified in this review. Corrections have been made to the incorrect employee benefit deductions with refunds issued to the affected employees.

CATS/TMC Response: CATS in conjunction with TMC is performing a 3% random sampling of its benefit forms each month to check against submitted invoices for accuracy in medical plan declarations. This process will continue each month to ensure that errors are identified and corrected in a timely manner. TMC will also perform its own internal audit of all current benefit deductions with the next regular billing cycle to ensure that the correct deductions are being made for each employee.

Recommendation 2C: TMC should consider an online open enrollment process that could reduce the occurrence of manual entry errors.

Actions Planned: TMC is in the process of procuring a new HR/Payroll software system that will allow web-based access to outside contractors during the enrollment process. This, in conjunction with WIFI access that is being added at both S. Tryon and Davidson garages, will allow for real time enrollment of employees into requested benefit programs during the annual enrollment process when this software is implemented. This implementation is anticipated in the summer of 2017.

The real time entry process enabled by the new system will allow benefits changes to be entered on the spot and verified by employees directly at time of enrollment.

September 28 Metropolitan Transit Commission Meeting Summary

Staff Resource: John Lewis, CATS, 704-336-3855, John.Lewis@charlottenc.gov

MTC considered one action item and heard three information items at the meeting:

Sponsorship Policy

MTC members unanimously approved the amendment of MTC Advertising Policy MTC-07, to allow sponsorships of CATS assets and services, subject to the terms of the Sponsorship policy of the City of Charlotte.

2017-2018 Federal and State Legislative Agendas

CATS' proposed federal agenda for next year supports continuing federal resources for the build-out of the 2030 Transit Plan, including continuing federal funding for LYNX Blue Line Extension construction and commuter rail floor funding to support the eventual construction of the LYNX Red Line. Although the 2016 NC General Assembly repealed the light rail cap, it replaced it with a state funding limitation of ten percent of project costs on commuter rail and light rail projects. This is inconsistent with the "data driven" decision-making approach of the Strategic Transportation Investments Program. The state agenda supports continued efforts to complete the state transportation plan, including continuing state funding for the BLE and the State Maintenance Assistance Program, as well as ensuring that all modes of public transportation can compete on a level playing field with other transportation modes.

CATS Financial Policies Proposed Amendments

The CATS Financial Policies are reviewed every three years, so it is time for their regular review. Changes were made in the 2013 review to provide organizational stability in the event of another recession. In addition to the \$100 million fund balance, CATS initiated a Revenue Reserve Fund (RRF), where CATS maintains a \$30 million balance at year end. Recommended revisions for 2016 include administrative changes to add definitions and improve the order of the document as well as performance and policy objectives. The current performance objective focuses on farebox revenue; staff would like to focus instead on the system subsidy, to measure how much we are subsidizing the system to evaluate how staff is managing that. Staff would like to change wording for the Debt Service Coverage Ratio portion of the document to recognize all grant-eligible funds and align with the methodology of our bond and long term financial plan documents.

Staff is considering a change to the methodology for the \$100 million Transit Fund Balance. Staff recommends maintaining the current \$100 million year end fund balance, but recommends tying to a methodology that is responsive to the purpose of the year-end fund balance requirement of ensuring the ability to repay debt, preserve short-term operations and guard against unusual impacts on sale tax revenues such as recession, as well as ensuring that the fund balance will be equivalent to the annual debt service expense and allow annual contributions to capital expenses. Staff recommends the new CATS Control Account to make more sales tax available for new and advancing projects when the balance in the RRF is at \$30 million. The CATS CEO will recommend use of the funds to MTC during the budget process. If

the RRF dips below \$30 million, it must be repaid first; but otherwise, the funds could be used for capital or operating programs.

LYNX Silver Line Update

Staff is nearing the end of the LYNX Silver Line study to evaluate a rail transit alignment on the Southeast Corridor that is not in the median of Independence Boulevard. It has been a collaborative process between CATS, the City of Charlotte and Town of Matthews and neighborhoods along the corridor.

Significant public engagement happened in the alignment study process. Over a thousand people attended over 60 neighborhood and public meetings. CATS will provide an operations plan for bus routes in the Southeast Corridor to determine how bus and rail can work together. The rail alignment evaluation process identified the preferred alignment. CATS considered multiple alignments based on objective criteria, evaluating property and building impacts, impacts on streams and parks and where the communities of Matthews and Charlotte want their rail options to be. It came down to vision. The final alignment selected blends access to existing and potential activity hubs along Independence Boulevard and Monroe Road with proximity to downtown Matthews. The preferred alignment runs along the side of Independence Boulevard to the Village Lake Drive area, and then crosses to run in the median of Monroe Road to Sam Newell Road to the Independence Pointe Parkway. The proposed alignment is 13 miles long from I-277 to the CPCC Levine Campus and has 13 stations and eight to ten park and rides with stops including the Novant Health Matthews Medical Center and the Mecklenburg County Sportsplex at Matthews. The recommendation includes seven to ten miles of Rail Trails to build on the LYNX Blue Line's Rail Trail success. Further study will determine a specific alignment in Uptown. The project will also provide opportunities to rebuild some existing infrastructure, such as the interchange between Independence Boulevard and Monroe Road, which covers a great amount of acreage and is not very walkable. The staff alignment recommendation will strengthen the land use vision for Independence Boulevard and provides opportunities for new dialogue about Monroe Road, as well as offering new station area opportunities in Matthews. Coordination will be critical and further design will be needed. Corridor preservation will include asking questions about what specific destinations to serve and how to integrate with the LYNX Blue Line and future West Corridor to the Airport.

CATS CEO Report

Under the CEO's report, Mr. Lewis discussed:

a. CATS Kudos:

CATS' personnel were recognized for their efforts during the challenges the City faced in September. CATS bus operators and other staff were on 24-hour rotation for an extended time and rose to the challenge.

b. Staffing Update:

CATS welcomed two new staff members in September. Tangee Mobley is the new General Manager of Bus Operations and Special Transportation Services. Jenna Nichols is Senior Project Engineer working on Phase 2 of the LYNX Blue Line Capacity Expansion project to expand the remaining stations from two-car to three-car platforms.

c. Technology Update:

Fare box installations are complete on the entire bus fleet. These modern, high-tech fare boxes will result in more accurate ridership and fare revenue data in October. Next steps for the program are ticket vending machines for the LYNX Blue Line Extension and evaluating the current LYNX Blue Line ticket vending machines for retrofitting or replacement.

d. Financial Update:

MTC will consider an action item at its next meeting on Financial Policies. Sales tax revenue continues to come in very strong and outperform budget. After the first quarter, CATS is already at 30 percent of budgeted sales tax revenue for the year. Staff will also discuss the refresh for the 2030 Transit Plan. It is critical to move forward and grow to meet the region's growth. The BLE will open next year and the question will be "What's next?" The 2030 Transit Plan refresh will outline goals and intention as well as models on how to fund the entire plan. A funding request will bring a Centralina Council of Governments effort into a regional discussion, to continue and expand the conversation with our partners in the region on how the 2030 Transit Plan can accommodate needs now and in the future. Our plans now include supporting the regional effort and needs in other jurisdictions.

The next MTC meeting will be **November 16, 2016** at **5:00** p.m. (Note: the October 2016 MTC meeting has been cancelled; the November meeting is 30 minutes earlier than usual.)