

**Council Budget Committee**  
Thursday, January 15, 2015, 11:30 – 1:00 p.m.  
Charlotte-Mecklenburg Government Center  
Room CH-14

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

Staff Resource:             Kim Eagle, Interim Budget & Evaluation Director

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**AGENDA**

- I.     **FY2016 Proposed Budget Workshop Topics**  
      *Staff: Kim Eagle, Budget & Evaluation*  
      **(Attachment 1 –Proposed Budget Workshop Calendar/Topics)**
  
- II.    **Review Budget and Financial Condition Indicators**  
      *Staff: Eric Hershberger, Budget & Evaluation*  
      **(Attachment 2 –Budget and Financial Condition Indicators)**
  
- III.   **Preliminary Operating Budget Cost Drivers**  
      *Staff: Eric Hershberger, Budget & Evaluation*  
      **(Attachment 3 – Operating Budget Cost Drivers)**
  
- IV.    **Plan for Presenting Utility Rate Options**  
      *Staff: Kim Eagle, Budget & Evaluation*

**NEXT MEETING: February 9<sup>th</sup>, 2:00pm**

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

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## FY2016 & FY2017 Council Budget Workshops and Proposed Topics

Budget Workshop Date (2:00-5:00)	Budget Committee Meeting	Proposed Topics for Workshops (subject to change)
	January 15 (11:30 a.m.)	
Feb. 25, 2015 (Wednesday)	February 9 (2:00 p.m.) (Monday)	<ul style="list-style-type: none"> <li>• CATS budget</li> <li>• Storm Water budget</li> <li>• Financial Partner requests</li> <li>• State Budget Update (if any Tax Reform Proposals are known; repeat update as new info is available)</li> </ul>
March 17, 2015 (Tuesday)	March 5 (2:00 p.m.) (Thursday)	<ul style="list-style-type: none"> <li>• General Fund update               <ol style="list-style-type: none"> <li>1. Revenues</li> <li>2. Expenditures</li> </ol> </li> <li>• Draft General Community Investment Plan</li> <li>• Compensation and Benefits</li> </ul>
April 8, 2015 (Wednesday)	March 19 (2:00 p.m.) (Thursday)	<ul style="list-style-type: none"> <li>• Aviation budget</li> <li>• Utility budget</li> <li>• Financial Partner Recommendations</li> </ul>

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## Budget and Financial Condition Indicators

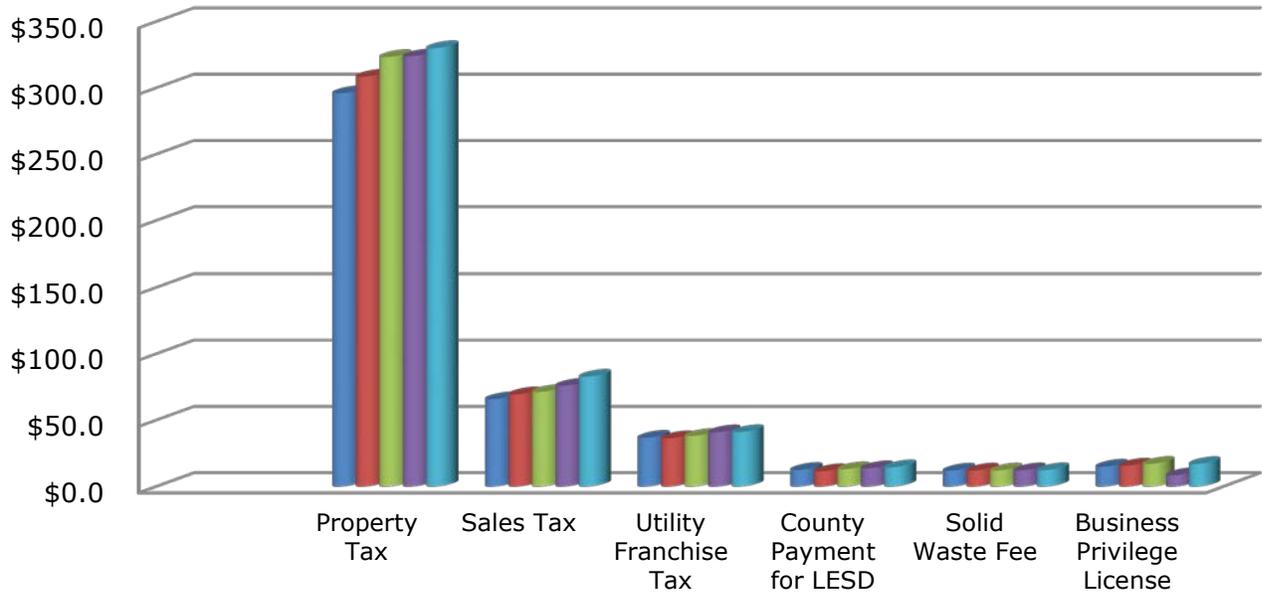
### Revenues

Year-to-date budget/actual General Fund \$ (millions)	FY2015 Revised Budget	FY2015 Actuals (as of 12/31/14)	FY2015 Current Projection*	Increase (Decrease) *
Property Tax	\$325.0	\$192.0	\$330.0	\$5.0
Sales Tax	80.3	43.4	82.8	2.5
Utility Franchise Tax	39.0	24.4	41.0	2.0
County Payment for LESD	14.5	7.2	14.5	-
Solid Waste Fee	12.3	3.4	12.4	0.1
Business Privilege License	18.1	15.4	17.0	(1.1)
All Other	96.5	24.0	97.0	0.5
<b>Total General Fund Revenues</b>	<b>\$585.7</b>	<b>\$309.8</b>	<b>\$594.7</b>	<b>\$9.0</b>

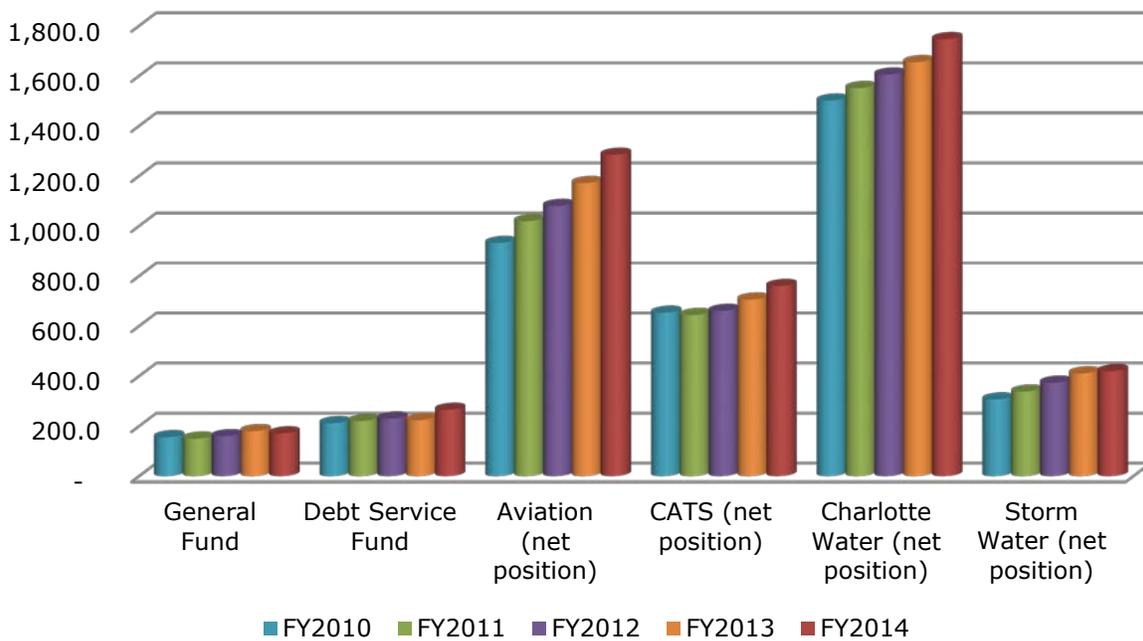
Year-to-date budget/actual Enterprise Funds \$ (millions)	FY2015 Revised Budget	FY2015 Actuals (as of 12/31/14)	FY2015 Current Projection*	Increase (Decrease) *
Aviation	\$187.5	\$88.9	\$187.5	\$0.0
CATS	141.9	54.7	141.4	(0.5)
Charlotte Water	335.7	150.7	332.9	(2.8)
Storm Water	58.5	20.7	58.5	-

\* Preliminary estimate subject to change

### 5 Year History of General Fund Revenue Sources FY2011 - FY2015 (\$ millions)



### Fund Balance in Various Funds (\$ millions)



**Expenditures**

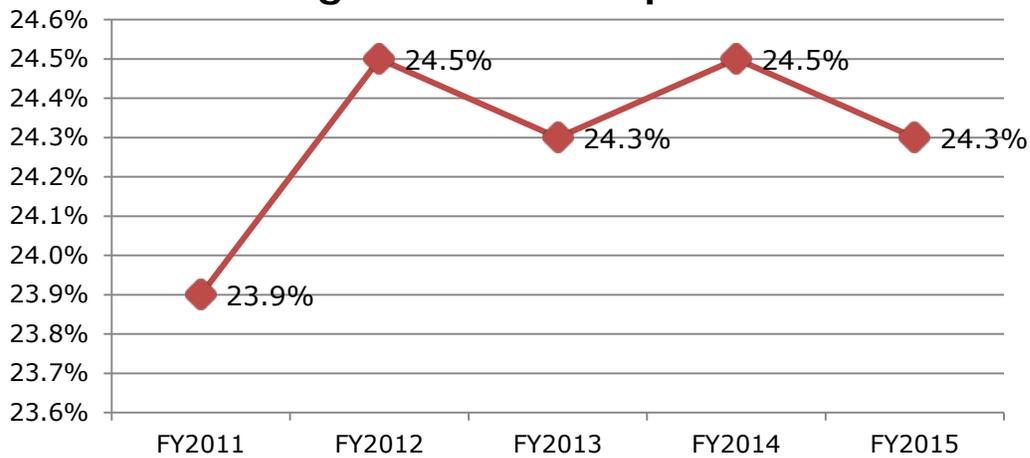
<b>Year-to-date budget/actual General Fund \$ (millions)</b>	<b>FY2015 Revised Budget</b>	<b>FY2015 Actuals (as of 12/31/14)</b>	<b>FY2015 Current Projection *</b>	<b>Increase (Decrease) *</b>
Police	\$222.2	\$104.4		
Fire	110.1	51.3		
Solid Waste	48.7	23.2		
Transportation	23.3	15.0		
Engineering & Property Mgmt.	20.0	16.0		
Planning	5.6	2.6		
Neighborhood & Business Services	13.1	6.1		
Mayor/Council	1.5	0.6		
City Attorney	2.5	1.7		
City Clerk	0.6	0.2		
City Manager	15.8	6.8		
Human Resources	4.2	1.9		
Finance	10.1	4.0		
Innovation & Technology	22.7	12.8		
Shared Services	6.2	3.9		
Budget & Evaluation	1.6	0.7		
Non-Departmental	77.5	24.2		
<b>Total General Fund Expenditures</b>	<b>\$585.7</b>	<b>\$275.4</b>	<b>\$585.7</b>	<b>\$0.0</b>

\* Currently finalizing mid-year expenditure projections. Will be populated at Annual retreat

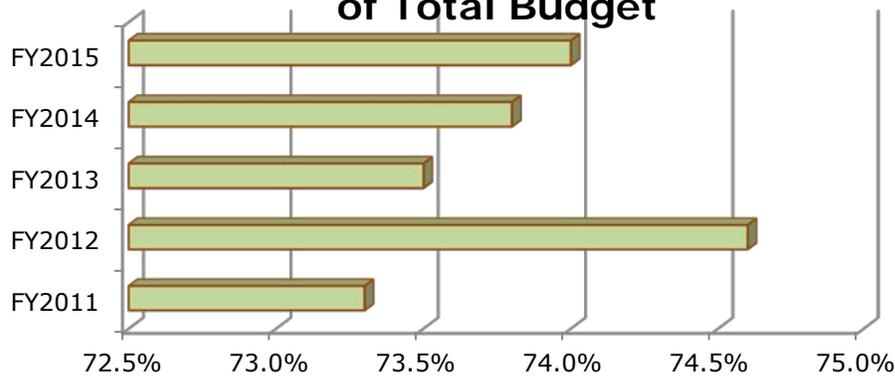
Year-to-date budget/actual Enterprise Funds \$ (millions)	FY2015 Revised Budget	FY2015 Actuals (as of 12/31/14)	FY2015 Current Projection*	Increase (Decrease) *
Aviation	\$130.0	\$45.6		
CATS	114.2	58.3		
Charlotte Water	120.3	49.7		
Storm Water	13.1	5.9		

\* Currently finalizing mid-year expenditure projections. Will be populated at Annual retreat

### Fringe Benefits in General Fund as a Percentage of Total Compensation



### Total Personnel Costs as a Percentage of Total Budget



**Debt Service**

<b>Indicator</b>	<b>Description</b>	<b>Reporting Time Frame</b>
Future debt service capacity (TBD)	Depicts the long-term ability to pay for current and projected General Obligation debt	Annual
Net General debt as a percentage of full taxable value (TBD)	Depicts General debt level as it relates to the City's property tax base	Annual
Total General debt per capita (TBD)	Ratio of General debt as it relates to the City's population	Annual
Net General debt as a percentage of total Governmental expenditures (TBD)	Indicates the percentage of operating resources committed to debt service thus leaving fewer resources available to fund ongoing services	Annual

**This section will be complete for Council Retreat.**

**Financial Position**

<b>Indicator</b>	<b>Description</b>	<b>Reporting Time Frame</b>
Debt service coverage ratios for Enterprise Funds (TBD)	Measures the amount of cash flow available to meet annual interest and principle payments on debt	Annual
Credit ratings (includes enterprise funds)	Comprehensive tool for assessment of creditworthiness and reliability to meet its debt obligations (set by credit agencies)	Annual
Ongoing revenues/ongoing expenses (TBD)	Long-term forecast of expenditure/revenue predictions (excluding one-time sources/uses)	Annual
Other Post-Employee Benefits (OPEB) Liability (TBD)	The present value of projected benefits (retiree health insurance) for retirees plus a portion of expected OPEB for active members that have been earned but are not going to be paid in the current year	Annual

<b>Credit Entity</b>	<b>Rating Agency</b>		
	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>Fitch</b>
General Obligation	Aaa	AAA	AAA
Equipment Certificates of Participation	Aa1	AA+	N/A
Arena	Aa2	AA+	AA+
Hall of Fame	Aa2	AA+	AA
Cultural Arts	Aa2	AA+	AA
Transit	Aa2	AA+	AA+
Storm Water	Aa1	AAA	N/A
Charlotte Water	Aaa	AAA	AAA
Aviation	Aa3	A+	A+
Aviation (Contract Facility Charge)	A3	A	A

**Other Indicators**

<b>Indicator</b>	<b>Description</b>	<b>Reporting Time Frame</b>
Population trend data (TBD)	Potential measure of service demand requirements	Annual
Median household income (TBD)	Measure of income earned by a given household	Annual
Unemployment rates (TBD)	Measure of labor & work force trends in local economy	Quarterly
Property tax rate (TBD)	The amount of tax on assessed value of property	Annual
Total assessed property tax valuation	Depicts economic growth of local economy and combines with property tax rate to provide property tax revenue	Annual
Residents Receiving Food and Nutrition Services (TBD)	Percent of households receiving assistance for purchase of nutritious food	Annual

<b>Property Tax Valuation</b>		
	<b>(In Billions)</b>	<b>% Change</b>
FY2014*	\$87.7	-1.9%
FY2013	89.4	0.0%
FY2012	89.4	14.5%
FY2011	78.1	1.2%
FY2010	77.2	3.8%
FY2009	74.4	2.5%
FY2008	72.6	6.5%
FY2007	68.2	4.0%
FY2006	65.6	5.0%
FY2005	62.5	1.0%
FY2004	61.9	

\* Property value calculation affected by implementation of Tax & Tag (\$91.6 billion original estimate)

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## Preliminary Operating Budget Cost Drivers

The following is a list of preliminary General Fund cost drivers for discussion at the Council Retreat:

Category	Description	FY2016 Estimated Impact
Public Safety	Police Separation Allowance - The law enforcement separation allowance is allocated to retired police officers between the time they retire from City service until age 62. The City is legally required to provide this benefit by State Statute. It is anticipated that a funding gap of approximately \$2.5 million currently exists.	Up to \$2.5 million unfunded
Personnel	Health Insurance (3% - 9%) increase	\$1.4 - \$4.2 million
Personnel*	1.5% market and 2.5%/5.0% step adjustments for the Public Safety Pay Plan and a compensation adjustment of 3% for all other employees	Up to \$7.5 million
Solid Waste	Recycling Contract - City Council approved a new multi-year curbside recycling contract in December with Waste Management. The annual cost for the new contract is approximately \$6.0 million per year, reflecting an increase of \$1.4 million for FY2016.	\$1.4 million
Solid Waste	Multi-Family Contract - The City's current contract to collect garbage from multi-family complexes expires June 30. An RFP was issued in the fall, and the bids reflect a pricing increase of between \$0.6 and \$0.9 million. The current annual contract is \$2.9 million.	\$0.6 - \$0.9 million
Technology	Support of various technology solutions	Up to \$1.0 million

\* The City is exploring pay plan options for non-exempt employees