

Council Budget Committee

Thursday, March 5, 2015, 2:00 – 4:00 p.m.
Charlotte-Mecklenburg Government Center
Room 280

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

Staff Resource: Kim Eagle, Interim Strategy & Budget Director

AGENDA

I. Review Proposed March 17th Budget Workshop Agenda

Staff: Kim Eagle, Strategy & Budget

(Attachment 1)

Action requested: Discussion and Feedback

II. Balancing Strategies Overview – General Fund

Staff: Kim Eagle, Strategy & Budget

(Attachment 2)

Action requested: Discussion and Feedback

III. General Community Investment Plan

Staff: Kim Eagle, Strategy & Budget

(Attachment 3)

Action requested: Discussion and Feedback

IV. Employee Pay and Benefits Overview

Staff: Cheryl Brown, Human Resources Director

(Attachment 4)

Action requested: Discussion and Feedback

V. Employee Health Clinic Overview

Staff: Cheryl Brown, Human Resources Director

(Attachment 5)

Action requested: Discussion and Feedback

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

VI. Draft Finance & Budget Principles

Staff: Kim Eagle, Strategy & Budget

(Attachment 6)

Action requested: Discussion and Feedback

VII. State Budget Update (if any)

Staff: Kim Eagle, Strategy & Budget

Action requested: Discussion

NEXT MEETING: March 19th, 2:00pm

FY2016 & FY2017 Budget Workshops

City of Charlotte

March 17, 2015
2:00 p.m. – 5:00 p.m.
Room 267

DRAFT

	Page
I. Introduction	Ron Carlee
II. General Fund Update	Kim Eagle
• Revenues	
• Expenditures	
III. Draft General Community Investment Plan	Kim Eagle
IV. Compensation and Benefits	Cheryl Brown
V. Overview of Questions & Answers from February 25th Budget Workshop	Kim Eagle

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

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Balancing Strategies Overview – General Fund

Balanced Base Budget

Balancing the base budget requires budget reductions. All non-discretionary increases (such as contract escalations and rising health insurance costs) will be included in the balanced base budget. In order to accommodate the non-discretionary increases, budget reductions are necessary. This reduction process includes the re-examination of priorities, consideration of targeted freezing of vacant positions, and evaluating service level and/or program reductions. There will be no discretionary increases to the base budget.

Contingency Budget

In the event a revenue replacement for the Business Privilege License Tax (BPLT) is approved by the General Assembly, the City Manager is preparing a Contingency Budget to provide to the City Council that will include scalable choices for funding key initiatives. This decision package will include new initiatives as well as items that are replacements of critical budget reductions made to balance the base budget. In order for an item to be included in the Contingency Budget decision package, the case for funding must be well quantified. This includes specific metrics for the proposed improvements or new outcomes to be realized, as well as the potential consequences of not funding the item.

Staff Approach

Identify Available Resources

- Revenue available, rather than last year's expenditures, is the basis for budget development

Identify/Refine Priorities

- The results a service produces for achieving priorities are the basis for budget allocation

Define/Redefine Accountability Metrics and Allocate Available Resources

- Accountability for results is basis for budget allocation and is measured using quantifiable metrics

Document and Monitor Service Level Impacts

- Consequences of budget reductions will be documented and monitored

Examine Service Efficiencies and Innovation

- Ongoing re-examination of internal processes and improvement opportunities will continue

General Community Investment Plan Available, Undesignated Resources

Funding Source	Amount	Uses/Restrictions
General Capital Debt Capacity (debt)	\$65.0M	<ul style="list-style-type: none"> • General Obligation Bonds or Certificates of Participation (e.g., transportation, neighborhood investments, housing diversity, and facilities) • Full use of the additional \$65.0M debt capacity would increase total obligated debt capacity for the four bond referenda (2014-2020) by 8.0%, from \$816.4M to \$881.4M
General Capital Reserves (Cash)	\$5.9M [*]	<ul style="list-style-type: none"> • High flexibility • One-time uses only (e.g., facilities, major facility maintenance, and special studies)
General Capital Project Balances	\$13.0M	<ul style="list-style-type: none"> • \$11.2M from prior transportation bonds; must be used on transportation projects • \$1.1M from Facilities Certificates of Participation; can be reallocated to other investments where the asset is the security (facilities or vehicles) • \$0.7M from Pay-As-You-Go cash; can be used for any one-time capital needs
Total Funding Source	\$73.9M	

* Includes \$3.7 million in newly identified Capital Reserves, \$0.8 million in Pay-As-You-Go fund balance, and \$1.4 million from FY2014 Capital Reserves that remain unspent, for a total available of \$5.9 million.

Potential New Capital Considerations For FY2015 - FY2019

Presented to City Council March 2014

Updated March 2015: Potential New Considerations Funded in FY2015

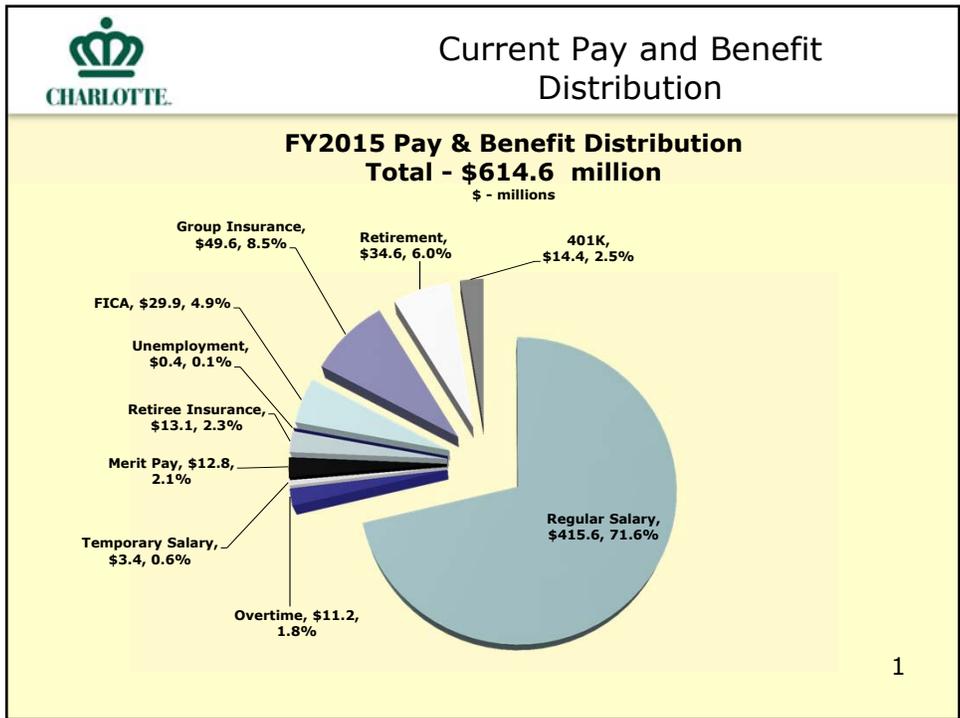
Project	FY2015 Estimate Capital Cost	FY2015 Funded Capital Cost	Additional Annual Operating Expense
FY2015 - FY2019 CIP - Potential New Considerations			
Neighborhoods & Housing Diversity			
A New Home (Rental Assistance Endowment)	8,000,000	2,000,000	\$0
Total Neighborhoods & Housing Diversity	8,000,000	2,000,000	\$0
Transportation			
Neighborhood Transportation Program	37,500,000	5,200,000	\$50,000
Total Transportation	37,500,000	5,200,000	\$50,000
Facilities/Infrastructure/Equipment			
Americans with Disabilities Act (ADA) Investments	800,000	800,000	TBD
CMPD Central Division Station	7,500,000	-	\$180,000
Asset Recovery and Disposal (ARD) and Commissioning/Decommissioning	3,000,000	-	\$0
CDOT Transportation Operations Facility Replacement	5,000,000	-	\$50,000
Charlotte Vehicle Operations Center (CVOC) Facility -- Risk Management	2,100,000	-	\$10,000
CMGC Elevator Upgrade	1,160,000	400,000	\$0
CMGC Space Reconfiguration (all floors)	20,600,000	-	\$0
CMGC South Plaza Waterproofing	350,000	350,000	\$0
CMGC HVAC Improvement Program	8,000,000	-	\$0
CMGC Plaza Renovation	1,200,000	-	\$0
CMGC - Upgrade Security and A/V Equipment	325,000	-	\$2,500
CMGC Parking Deck Office	120,000	-	\$0
Carpet, Relocations, Furniture & Fixtures	1,200,000	-	\$0
CMGC Blinds Replacement	800,000	-	\$0
CMGC Basement Parking Security Renovations	400,000	-	\$0
CMGC Re-Caulking (exterior)	1,100,000	1,100,000	\$0
CMGC Fitness Center Renovation	800,000	-	\$0
TreesCharlotte	1,000,000	100,000	\$0
Fire Station Renovations	500,000	-	\$0
Infill Fire Station - Hidden Valley	7,700,000	-	\$1,669,947
Infill Fire Station - Clanton and I-77	7,700,000	-	\$1,669,947
Zoning Ordinance Study and Revisions	1,081,540	1,081,540	\$0
Police/Fire Academy Land	230,000	230,000	\$1,000
Fire Apparatus - Station 28 ladder and Station 42 engine	1,384,027	-	\$100,500
Total Facilities/Infrastructure/Equipment	74,050,567	4,061,540	\$3,683,894
Technology			
Myers Street Data Center Expansion	1,637,134	-	\$23,000
311/Government Center Network Infrastructure Upgrade	1,318,953	1,223,200	\$200,000
Public Safety Radio Network (Redundancy)	1,132,044	1,028,281	\$20,000
E-Agenda	250,000	225,000	\$25,000
Resiliency, Redundancy, Security, & Ongoing Equipment	60,854,199	-	\$8,500,000
Total Technology	\$ 65,192,330	\$ 2,476,481	\$8,768,000
Other Facilities			
Time Warner Cable Arena Improvements	41,915,310	30,500,000	\$0
Bojangles Coliseum Renovations	12,000,000	15,453,375	\$0
Total Other Facilities	53,915,310	45,953,375	\$0
Total Potential New Considerations	\$ 238,658,207	\$ 59,691,396	\$12,501,894
Percent of Potential New Considerations Funded in FY2015		25.0%	
FY2015 - FY2019 CIP - Adjustments to Approved Community Investment Plan			
Cross Charlotte Multi-Use Trail	-	-	\$0
Replace Park South Division CMPD Northwest Division (New) (FY21) (No Change in Funding)	-	-	\$8,500,000
Joint Communications Data Center	10,000,000 +	-	TBD
Total Adjustments to Approved CIP	10,000,000 +	-	\$8,500,000
Total All Capital Cost	\$ 248,658,207 +	\$ 59,691,396	\$21,001,894
Percent of All Capital Cost Funded in FY2015		24.0%	



Employee Pay and Benefits

Cheryl Brown, Director of Human Resources

March 5, 2015





Preparing for March 17 Workshop Pay

- Pay
 - Growth in total compensation for employees (pay, benefits, etc.) cannot exceed revenue growth
 - Preliminary results indicate average market movement of approximately 3%
 - Field Services (non-exempt staff) Pay Plan Proposal
 - Conversion cost currently under review
 - Conversion contingent on ability to adjust pay for all employees
 - Costs could be impacted by changes in the Fair Labor Standards Act

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Fair Labor Standards Act (FLSA)

- President Obama's directive to modernize and streamline FLSA regulations
- Raise minimum salary for overtime exemptions
- Currently \$23,600; potential to be raised to \$40,000 - \$60,000
- City employee statistics
 - 4 exempt staff below \$40,000
 - 76 exempt staff at or below \$50,000
 - 304 exempt staff at or below \$60,000
- Unlikely before summer 2015; may bring legal challenges and further delays
- Working with the Strategy & Budget Office to project cost impact, if passes

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General Fund Compensation Scenarios

Projected FY2016 General Fund Compensation Scenarios				
Projected FY2016	1% merit, 0.5% market, steps	2% merit, 1.0% market, steps	3% merit, 1.5% market, steps	4% merit, 2.0% market, steps
Merit	\$ 919,305	\$ 1,838,611	\$ 2,757,916	\$ 3,677,221
Market	\$ 831,594	\$ 1,663,187	\$ 2,494,781	\$ 3,326,375
Steps	\$ 1,633,090	\$ 1,633,090	\$ 1,633,090	\$ 1,633,090
Total	\$ 3,383,989	\$ 5,134,888	\$ 6,885,787	\$ 8,636,686

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Preparing for March 17 Workshop Benefits

- **Benefits**
 - Approximate annual national trend increases for medical and pharmacy:
 - » 7% and 10% respectively
 - Health insurance cost increase projection for FY16, made in July 2014:
 - » 9%
 - FY16 preliminary increase revised slightly to:
 - » 8%
 - We are continuing to work to lower the amount of this increase; feeling confident

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Employee Health Clinic

Cheryl Brown, Director of Human Resources

March 5, 2015



Cost Drivers

Healthcare costs continue to rise – unmanaged health and chronic conditions are primary drivers

- 8.8% increase in medical trend driven by higher inpatient admissions, higher price of service, increased ER utilization and increased number of high cost claimants
- 45% of members are not compliant with a routine physical
- 29% of members are not compliant with Chronic Care Guidelines for Diabetes
- 12% of members had an ER visit in the last 12 months
 - 39% of those visits were non-emergent and could have been treated by a Primary Care Physician

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City of Charlotte Costs

Type of Visit	City of Charlotte	Industry Average
Primary Care MD	\$211	\$160
Specialist	\$207	\$204
Urgent Care	\$165	\$113
Emergency Room	\$1,845	\$1,695

Charlotte area costs for primary care providers is 21% higher than the cost for the same services statewide.

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Why a Clinic?

- Better access to primary care at low to no cost to the patient
- Better access translates to:
 - enhanced patient experience
 - improved specialty referrals (quality and cost)
 - improved health outcomes
 - reduction in lost work time and absenteeism
- All of these outcomes result in cost savings to the City of Charlotte and employees

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Employers Investing in Employee Clinic Concept

Regional

Parkdale Mills Charlotte Pipe and Foundry BMW Manufacturing Coca Cola BB&T	City of Greensboro City of Concord Queens University Davidson College City of Gastonia
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Nationwide

Banker's Life and Casualty City, County, Schools, Sheboygan, WI State of Texas Snyder's Lance City of Chattanooga, TN Lexington-Fayette Urban County Government, KY	City of Indianapolis, IN City of Charleston, WV State of Montana hhgregg Colonial Penn
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Outcomes & Benefits

TARGETED EMPLOYER OUTCOMES	EMPLOYEE/DEPENDENT BENEFITS
• Control Medical Cost Increases	• Increased Access to Primary Care
• Increased Employee Productivity	✓ Extended office hours ✓ Reduced Cost – Services & Medications
• Reduced Absenteeism	✓ Proximal Location (work/home/school)
• Increased Employee Retention Rates	• Better Chronic Condition Management
• Best practice of "Employers of Choice"	• Enhanced Patient Experience
• Enhanced Culture of Health	• Improved Health Outcomes
	• Reduced Lost Work Time

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OurHealth Clinic Model

- The OurHealth solution:
 - a network of shared clinics throughout the City
 - five clinics offering primary care to covered employees, pre-65 retirees, spouses and their dependents
- Clinics will be near-site, thus providing convenient access to all members
- OurHealth is responsible for clinic build-out costs
- As OurHealth clinic membership grows, additional clinics will be added at no cost to the City, which will increase access and convenience

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OurHealth/City Clinic Model

Primary Care Services Include:

- Annual physicals and personal health risk assessments
- Convenient Care for common illness
- Minor Injury care
- Routine Care for chronic health conditions
- Onsite generic prescriptions
- Onsite lab work

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About OurHealth

- Founded 2009 in Indianapolis, IN
- Developed network of independent near-site healthcare clinics for added convenience and financial benefit
- Onsite and near-site clinics in Indianapolis, Chicago, Philadelphia & Nashville with a diverse group of employers
- Revolutionizing healthcare delivery that drives utilization and improves employee health
- Creates state-of-the-art healthcare clinics designed for privacy and exceptional care



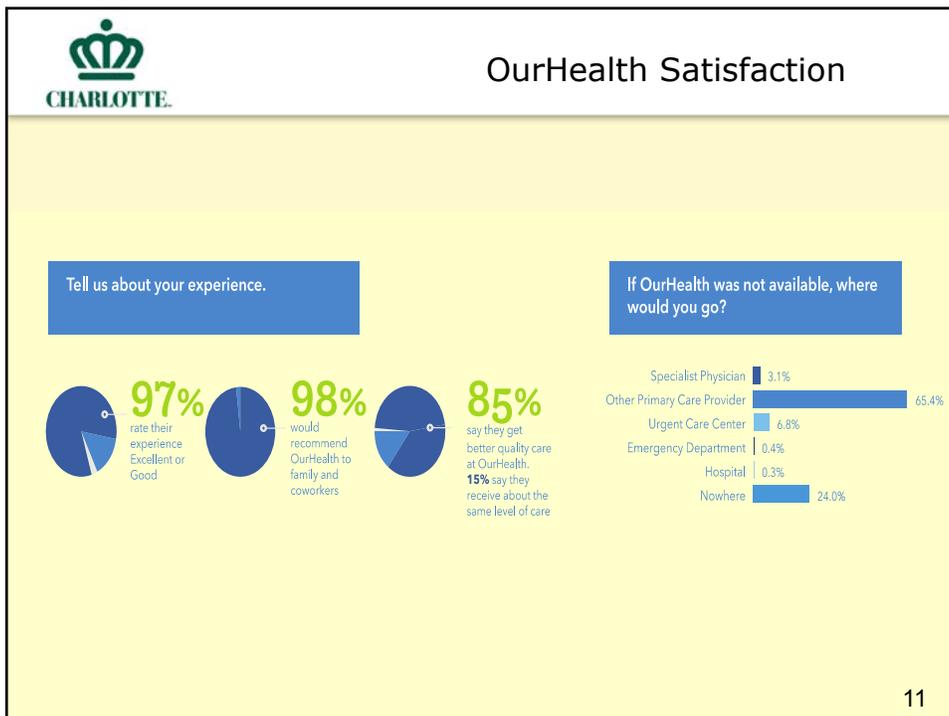
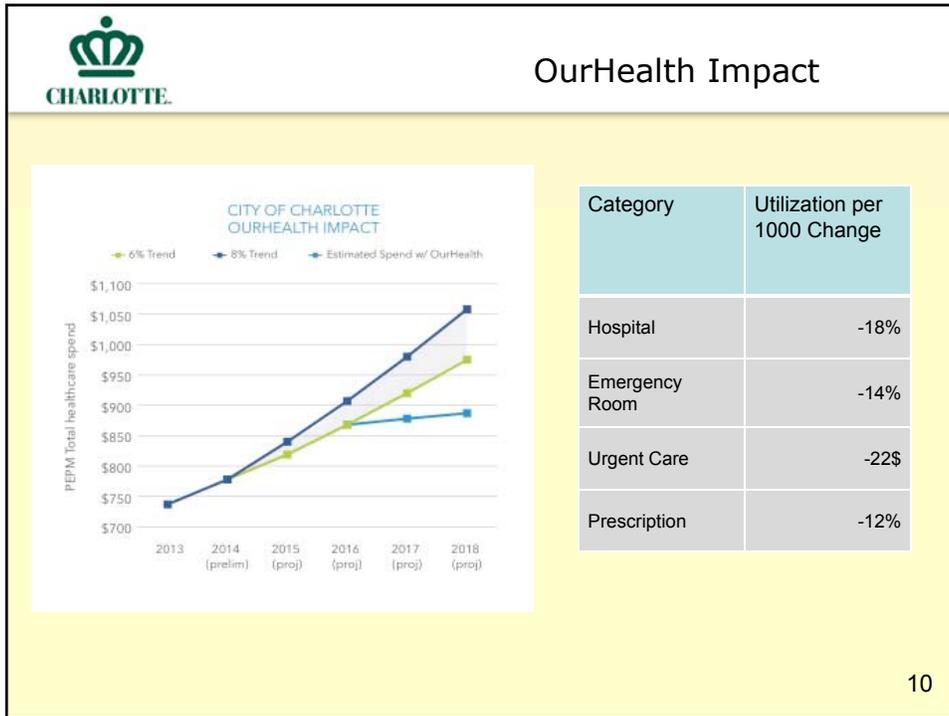
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OurHealth Experience

<u>Onsite</u>	<u>Near Site</u>
Interactive Intelligence One America Financial Partners MISO Energy Network CNO Financial Group Banker's Life & Casualty Colonial Penn Culver Academy Braun Corporation Hat World Johnston Murphy Valparaiso University	City of Indianapolis hhgregg Urschel Labs Task Force Tips Centier Bank Madison Precision Products OrthoIndy MJ Insurance Apex Benefits Group Alison Payment Systems MPI Monosol

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Financial Investment

- Billing will be based on a per employee per month fee of \$39.58
- Lab and drug costs billed separately, at cost. Expect savings over negotiated BCBS and CVS Caremark rates
- Total annual fixed cost (based on 7,000 employees and pre-65 retirees):
 - \$3,324,936
 - This cost is not an additional budget request, but would be redirected costs from the health plan to the employee clinic.

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Return On Investment

Break Even Analysis:

- 16,901 total visits required
- 14,700 members
- Equates to approximately 1.15 clinic visits per member per year
- Current average among clients is 1.43 -1.80 clinic visits per member per year
- City will implement an aggressive marketing campaign to promote program

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Return On Investment

Net Annual Savings (City Investment – Annual Savings)

- \$3.2M Year One
- \$4.3M Year Two
- \$5.2M Year Three

- This will occur from decreased outpatient utilization, improved health outcomes, and controlling cost variance of community providers
- Additional absenteeism and presenteeism costs savings will occur

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Proposed Implementation Steps

- Legal
 - Contract negotiation & Legal review
 - Finalize contract; Execute Agreement
- Clinic Design & Construction
 - OurHealth MyClinic site selections
 - Clinic construction (MyClinic #1)
 - Clinic construction (MyClinic #'s 2 thru 5)
- Operations
 - Physician and clinic staff recruitment
- MyClinic Promotion
 - Communications to Charlotte employees
 - Clinic open house tours
- Grand Opening
 - Grand opening of OurHealth MyClinic-Charlotte (5 clinics)

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Contract Terms

- Contract Term Length: 3 years
- Management fees to increase annually, negotiated
- Performance Guarantees (fees at risk):
 - Established between the City and OurHealth, with metrics such as availability of appointments, average wait times, satisfaction surveys, etc.

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A Win-Win Proposal

- FREE ACCESS to healthcare for our employees– use it more!
- HEALTHIER & HAPPIER Employees
- With multiple clinic locations – accessible to home and work
- Better likelihood of early detection of serious, potentially catastrophic health conditions
- Access to free or low generic drugs = better managed chronic conditions
- Improved employee morale
- Controls rising cost of health care
- Reduced time away from work for visits
- Reduced absenteeism

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Draft Finance & Budget Principles

Using the framework set forth by North Carolina General Statute 159, the Local Government Budget and Fiscal Control Act, the City Charter and City Code, the City will follow the principles outlined below. The development of the Strategic Operating Plan will be a transparent process that welcomes community input and involvement.

1. The budget process shall begin by evaluating revenues available to fund operations and capital expenditures. The allocation of resources will be based on how effectively a program or service achieves the goals and objectives that are of greatest value to the community.
2. The prioritization of needs will be conducted in a forward looking manner, taking into account anticipated future needs, and consideration of the overall context of competing needs.
3. The City will achieve a structurally balanced budget in which one-time revenue and/or one-time expenditure savings will be used for non-reoccurring or one-time expenditures. New, significant expenses brought forward outside the budget process should be avoided, when feasible.
4. Provide adequate funding to ensure that compensation and benefits are sufficient to recruit and retain the workforce talent necessary to meet needs. Compensation plan increases, or growth, shall not exceed growth in general revenue for any given year.
5. Provide adequate operating funding to maintain previous investments in assets including technology, tools, equipment and infrastructure.
6. Engage in a continual evaluation of identifying and maintaining the most cost-effective means for providing city services.
7. A holistic evaluation of the total tax and fee burden the citizen pays in exchange for government services will be considered as part of the budget development process.
8. The budget will maintain a General Fund fund balance equal to 16% of the operating budget. Capital reserves in excess of the 16% General Fund balance will be available for transfer to the Pay-As-You-Go capital program for one-time uses unless otherwise recommended by the City Manager and approved by City Council for other purposes.

9. The budget will maintain the Municipal Debt Service Fund Balance at a ratio of debt service fund balance to actual annual debt service costs of approximately 50%.
10. The City will continue a regulatory user fee philosophy goal of 100% cost recovery.
11. Enterprise funds shall set their rates and fees in a manner to recover the full cost of their operation and necessary capital investments.
12. Restricted revenue (such as Asset Forfeiture funds) will only be used for the purpose intended and in a fiscally responsible manner and fully compliant with all applicable policies, rules, regulations, or laws.
13. Reimbursement to the General Fund will occur from enterprise and internal service funds for general and administrative services provided, such as self-insurance, accounting, and personnel based on appropriate cost allocation methodology that is fully compliant with all applicable policies, rules, regulations, or laws.
14. Capital projects financed through the issuance of bonds shall be financed for a period not to exceed the anticipated useful life of the project.
15. The general government debt program will maintain adequate cash and fund balance reserves, as defined by rating agency criteria and as published periodically, sufficient to maintain current credit ratings.