

Council Budget Committee
Thursday, March 19, 2015, 2:00 – 3:30 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

	<u>Time Frame</u>
I. <u>Charlotte Area Transit System (CATS) Budget</u> <i>Staff: John Muth, CATS</i> (Attachment 1) <i>Action requested: Discussion and Feedback</i>	10 minutes
II. <u>Airport Budget</u> <i>Staff: Brent Cagle, Airport</i> (Attachment 2) <i>Action requested: Discussion and Feedback</i>	10 minutes
III. <u>General Community Investment Plan</u> <i>Staff: Kim Eagle, Strategy & Budget</i> (Material to be distributed at Meeting) <i>Action requested: Discussion and Feedback</i>	10 minutes
IV. <u>Financial Partner Funding Considerations</u> <i>Staff: Kim Eagle, Strategy & Budget</i> (Attachment 3) <i>Action requested: Discussion and Feedback</i>	15 minutes
V. <u>General Fund Balancing Options</u> <i>Staff: Kim Eagle, Strategy & Budget</i> <i>Action requested: Discussion and Feedback</i>	15 minutes

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

- VI. Draft Budget Process Discussion & Decision Matrix Review** **10 minutes**
Staff: Kim Eagle, Strategy & Budget
(Attachment 4)
Action requested: Discussion and Feedback
- VII. Review April 8 Workshop Agenda** **5 minutes**
Staff: Kim Eagle, Strategy & Budget
(Attachment 5)
Action requested: Discussion and Feedback
- VIII. Review Current Budget Calendar** **5 minutes**
Staff: Kim Eagle, Strategy & Budget
(Attachment 6)
Action requested: Discussion and Feedback

**SUMMARY OF CATS BUDGET
COUNCIL BUDGET COMMITTEE MEETING
DISCUSSION POINTS: March 19, 2015**

SUMMARY

- Construction of the Blue Line Extension project (BLE)
- Application for Federal TIFIA loan
- Recovery of sales tax revenues; Research additional revenue sources
- Implement CityLYNX Gold Line service
- Increase bus revenue service hours
- Commitment to asset management

FY2016 Transit Operating Program

- Sales Tax long term growth is projected at 3.5% annually
- Addition of 35 positions required for start-up and testing for the BLE project
- Implement CityLYNX Gold Line service; \$1.5 million annual operating cost is paid through the City's General Fund from Motor vehicle registration receipts
- Estimated 26.6 million riders in FY2016 (+2.4% increase); +13,900 new service hours

FY2016-20 Community Investment Plan (CIP)

\$646 million 5-year Community Investment Plan includes the following key programs:

Rapid Transit

- Completion of construction and beginning revenue service for the new BLE Light Rail service connecting Uptown Charlotte to the University Area.
- Extend the remaining 11 platforms on the current Blue Line in order to be compatible with the BLE.
- CATS staff are assigned to manage the development, design and construction of the CityLYNX Gold Line Phase 2 project.

Asset Maintenance

- Revenue Vehicle replacement
- On-going Rail Car Truck Overhaul program
- Maintenance-of-Way and Bridge Maintenance program
- Fare Collection System Upgrade
- Digital Radio System Upgrade

Other Capital

- Upgrades to Facilities and ADA passenger amenities
- Technology and equipment
- Safety programs and equipment

CONCLUSION

- Transit funding is a key priority for sustaining operations and advancing the 2030 Plan
- CATS continues to implement and maintain cost containment measures which align expenditures with projected revenues. To date, this has prevented any material impact to current transit service levels.
- CATS' FY2016-FY2017 Preliminary Strategic Operating Plan (SOP) and FY2016-2020 Community Investment Plan (CIP) reflect CATS continuing commitment to providing safe, reliable and cost effective mass transportation services to the Charlotte-Mecklenburg region.

Page Intentionally Left Blank

**SUMMARY OF AVIATION BUDGET
COUNCIL BUDGET COMMITTEE MEETING
DISCUSSION POINTS: March 19, 2015**

INTRODUCTION

- FY2015 Operating Budget of \$128.7 million; FY2015-2019 Community Investment Plan budget of \$1.3 billion
- Passenger Growth Continues at Record Levels – from 43.5 M to 44.3 M (a 2% Increase 2013 to 2014)
- Continue to Meet Facility Needs
- Address Asset Preservation and Risk Mitigation
- Staff for a 24/7 Operation
- Meet Business Partner Expectations and Enhance Customer Service

FY2016 OPERATING CONSIDERATIONS

- **Safety & Security:** partner with multiple agencies to enhance safety and security
- **Asset Preservation & Risk Mitigation:** invest in refurbishment and rehabilitation of terminal building systems. Add necessary resources to meet the operation and maintenance needs of airport complex with a focus on reducing single points of failure
- **New Programs & Initiatives:** develop and implement new programs to deliver better customer service, improve sustainability, and use technology that increases efficiency and effectiveness of operations
- **Airline Requests:** meet the requested needs of airline partners to maintain an efficient and reliable operation and provide an enjoyable passenger experience
- **CIP Support:** continued progress of the FY2016-FY2020 CIP
- **Continued Growth & Inflation:** address costs related to additional passenger growth and expanding facilities

FY2016-2020 COMMUNITY INVESTMENT PLAN CONSIDERATIONS

- Capital Program Focus on Additional Terminal Capacity, Additional Ramp Capacity, and Continued Rehabilitation of Aging Facility

CONCLUSION

- To protect the asset and facilitate the safe and efficient movement of passengers, the Aviation Department must focus on establishing adequate operating budgets and increasing staffing levels.
- Continued emphasis on customer service and passenger amenities to meet the expectations of our customers and business partners.
- Focus on proactive management to provide safe and efficient terminal and airfield operations for passengers and business partners.

Page Intentionally Left Blank




Financial Partner Funding Considerations

Council Budget Committee

March 19, 2015



**Financial Partners Funding Considerations:
Funding Categories**

Two primary categories of Financial Partners:

- **General Fund:**
 - Direct discretionary allocations from General Fund
 - Formula-driven, dedicated revenue sources (e.g. Municipal Service Districts)
- **Neighborhood & Business Services – funded by local PAYGO and federal grants for three service types:**
 - Housing and Community Development
 - Crisis Assistance
 - Out-of-School Time Partners

1



Financial Partners Funding Considerations: General Fund Discretionary

Agency	FY15 Budget	FY16 Request	\$ Change
Arts & Science Council (ASC)	\$2,940,823	\$3,980,823	\$1,040,000
Charlotte Regional Partnership	141,008	148,780	7,772
Community Building Initiative	50,000	50,000	0
Safe Alliance	333,977	343,996	10,019
Charlotte Regional Visitors Authority - Film Commission	150,000	150,000	0
TOTAL	\$3,615,808	\$4,673,599	\$1,057,791

Budget Considerations

- Evaluating funding level options for all Financial Partners receiving General Fund discretionary funds
- As part of Cultural Life Task Force Report, ASC has requested per capita funding; staff is evaluating City's current level of funding compared to that of other supporting organizations

2



Financial Partners Funding Considerations: General Fund Dedicated Revenue

Agency	FY15 Budget	FY16 Request	\$ Change
Charlotte Center City Partners (CCCP)	\$4,555,470	\$4,783,244	\$227,774
University City Partners (UCP)	734,123	752,476	18,353
Charlotte Regional Visitors Authority (CRVA)	12,467,298	13,597,941	1,130,643
TOTAL	\$17,756,891	\$19,133,661	\$1,376,770

Budget Considerations

- Awaiting information from County Tax Assessor's Office on how revaluation may impact dedicated revenues to CCCP (Municipal Service Districts 1-4) and UCP (Municipal Service District 5)
- No anticipated impact to dedicated Occupancy and Food & Beverage Tax revenue allocation to CRVA

3



Financial Partners Funding Considerations: N&BS – Housing & Community Development

Agency	FY15 Budget	Federal/ City Share	FY16 Request	\$ Change
Charlotte-Mecklenburg Housing Partnership - Affordable Housing	\$1,960,000	75% / 25%	\$1,960,000	\$0
Charlotte Mecklenburg Housing Partnership - House Charlotte	231,000	75% / 25%	231,000	0
Community Link	450,000	0% / 100%	450,205	205
Foundation for the Carolinas Third Grade Reading Initiative	0	New Request	100,000	100,000
TOTAL	\$2,641,000		\$2,741,205	\$100,205

Budget Considerations

- Evaluating City Share (PAYGO) for current Financial Partners
- Reviewing next fiscal year's anticipated federal funding allocations
- Evaluating new request for Third Grade Reading Initiative

4



Financial Partners Funding Considerations: N&BS – Crisis Assistance

Agency	FY15 Budget	Federal/ City Share	FY16 Request	\$ Change
Carolinas Care Partnership	\$1,060,917	100% / 0%	\$1,311,713	\$250,796
Charlotte Family Housing	330,000	100% / 0%	411,000	81,000
Crisis Assistance Ministry	380,000	0% / 100%	500,000	120,000
YMCA Community Development	48,699	0% / 100%	N/A	N/A
TOTAL	\$1,819,616		\$2,222,713	\$451,796

Budget Considerations

- Evaluating City Share (PAYGO) for current Financial Partners
- Reviewing next fiscal year's anticipated federal funding allocations
- YMCA Community Development has not requested funds for FY2016

5

 Financial Partners Funding Considerations: N&BS – Out of School Time Partners				
Agency*	FY15 Budget	FY16 Request	FY17 Request	\$ Change
Current Financial Partner Requests				
Above and Beyond Students	\$110,358	\$0	\$0	(\$110,358)
Citizen Schools	306,342	200,000	200,000	(106,342)
Greater Enrichment Program	350,000	200,000	200,000	(150,000)
Police Activities League	287,410	200,000	200,000	(87,410)
Youth Development Initiative**	94,710	0	0	(94,710)
YWCA Central Carolinas After School Enrichment	158,826	200,000	200,000	\$41,174
New Financial Partner Requests				
Behailu Academy	n/a	66,000	66,000	66,000
Bethlehem Center	n/a	113,934	113,934	113,934
Genesis Project	n/a	192,000	192,000	192,000
MGR Youth Empowerment	n/a	156,000	156,000	156,000
TOTAL	\$1,307,646***	\$1,327,934	\$1,327,934	\$20,288

* Includes only eligible applications
 ** Youth Development Initiatives: FY2015 allocated decreased by \$67,615 from adopted budget due to change in contract scope
 *** Annual funding level typically \$1.2 million; in FY2015, Council approved an additional \$175,261 from eligible federal CDBG funds to restore funding of Above & Beyond and YWCA at their FY2014 levels

See "Budget Considerations" on next slide

6

 Financial Partners Funding Considerations: N&BS – Out of School Time Partners	
Budget Considerations	
<ul style="list-style-type: none"> • Out of School Time Partners funded by two components: <ul style="list-style-type: none"> – City PAYGO contribution capped at \$590,000 by Council Policy – Federal CDBG funds maximum allowable amount applied (\$785,261 in FY2015) • Staff is evaluating anticipated CDBG funding allocation for FY2016 • For FY2016, consistent approach to maximize use of federal funds • Early projections indicate allocation of CDBG funds will reduce FY2016 PAYGO contribution below that of FY2015 (\$590,000) 	

7



Financial Partners Funding Considerations: Next Steps

Next Steps

- April 8th - City Manager's Financial Partner Funding Recommendations at Budget Workshop
- May 4th - City Manager's Full Budget Recommendation
- May 11th - Budget Public Hearing
- May 13th - Council Budget Adjustments
- May 27th - Council Straw Votes
- June 8th - Council Budget Adoption

8



Questions?

9

Page Intentionally Left Blank

At the March 5th Budget Committee meeting, a request was made to provide a method to track topics and discussion/decision highlights during the budget process. Staff has drafted the following “FY2016 & FY2017 Budget Process Discussion and Decision Matrix” for the Budget Committee’s review and feedback, and for potential inclusion in the next Budget Workshop packet for full Council.

DRAFT - FY2016 & FY2017 Budget Process Discussion and Decision Matrix

Topic	Meeting & Date	Discussion/Decision Points	Next Steps
Charlotte Water Rate Structure and Methodology Alternatives	<ul style="list-style-type: none"> • May 2014 – Charlotte Water asked to provide details on rate setting methodology and process as part of the FY2016 Budget • December 1, 2014 – Capital and Financial Planning presentation to City Council • January 26, 2015 – Rate Methodology presentation to City Council • February 9, 2015 – Rate alternative presentation to Council Budget Committee • February 25, 2015- Council Budget Workshop presentation to full Council 	<ul style="list-style-type: none"> • Increasing operating and capital pressures • Customer growth doesn’t produce proportional revenue growth • Option to consolidate and increase fixed component of rate • Option to increase Capacity Fee • Four Scenarios were presented on February 25th • Council and the City Manager expressed general support for eliminating current Tier 1 rate subsidy and increasing availability fee • Evaluate implementing new user fees for development projects 	<ul style="list-style-type: none"> • May 4th – City Manager’s Recommended Budget • May 11th - Budget Public Hearing • May 11th - Joint meeting between CLTWater Advisory Committee and Charlotte City Council to occur with Budget Public Hearing • May 13th - Council Budget Adjustments • May 27th - Council Straw Votes • June 8th - Council Budget Adoption
Charlotte Storm Water Rate Structure and Methodology Options	<ul style="list-style-type: none"> • May 2014 – Charlotte Storm Water Services asked to examine the scope of the current program and/or potential funding changes to address the backlogs. • January 5, 2015 – Capital and Financial Planning presentation to City Council • February 9, 2015 – Overview of backlog, current rate structure, and key budget & policy questions presented to Budget Cmte 	<ul style="list-style-type: none"> • Backlog of Maintenance/ Repair (A, A & B requests) and Flood Control projects continues to grow, outpacing available resources • Backlog of low priority (C) requests for services also continues to grow with virtually no current resources dedicated to responding to them • Council and City Manager expressed general support for moving from two rates to four rates for four tiers • Other options to include revenue included: <ul style="list-style-type: none"> ◦ percentage increase to existing two 	<ul style="list-style-type: none"> • May 4th – City Manager’s Recommended Budget • May 11th – City Budget Public Hearing • Mid to Late May – County Public Hearing on Storm Water Rates • May 13th - Council Budget Adjustments • May 27th - Council Straw Votes • June 8th - Council Budget Adoption

Topic	Meeting & Date	Discussion/Decision Points	Next Steps
Continued: Charlotte Storm Water Structure and Methodology Options	<ul style="list-style-type: none"> • February 25 - Council Budget Workshop presentation to full Council 	<ul style="list-style-type: none"> rates or new four rates, <ul style="list-style-type: none"> ○ change qualifying criteria, ○ revise fee credit policy, ○ revise cost sharing policy, and ○ evaluate condition of existing infrastructure to understand future capital needs and repair problems before failures occur • Policy decision on wait times for public street and private property system failures 	<ul style="list-style-type: none"> • Mid to Late June – County Budget Adoption of Storm Water Rates
Financial Partners	<ul style="list-style-type: none"> • November 10, 2014 – Council adopted modifications to Out of School Time Program eligibility requirements following October 17, 2014 recommendations from Economic Development & Global Competitiveness Committee (prior year Council approval of ED&GC and Budget Committee recommendations occurred in November 2012 and October 2013) • Council Economic Development & Global Competitiveness Committee discussion • February 25, 2015- Council Budget Workshop materials include overview of all Financial Partner requests, as well as summary pages for each agency 	<ul style="list-style-type: none"> • Total General Fund Financial Partner requests for FY2016 is \$2.4 million above current level (includes those with dedicated revenue sources) • Neighborhood & Business Services – Housing & Community Development Partner requests are \$100,205 greater than current year funding levels • Neighborhood & Business Services – Crisis Assistance Partner requests are \$451,796 greater than current year funding levels • Neighborhood & Business Services – Out of School Time Partner requests are \$19,313 greater than current year funding levels 	<ul style="list-style-type: none"> • April 8th – Council Budget Workshop to include City Manager’s Financial Partner Recommendations • May 11th - Budget Public Hearing • May 13th - Council Budget Adjustments • May 27th - Council Straw Votes • June 8th - Council Budget Adoption

Topic	Meeting & Date	Discussion/Decision Points	Next Steps
General Fund Expenditures and Revenues Update	<ul style="list-style-type: none"> • January 30, 2015 - General Fund Budget presentation update on status of FY2015 mid-year expenditures and revenues, as well as future year projections • March 5, 2015 - Council Budget Committee overview of budget balancing approaches in light of Business Privilege License Tax revenue elimination • March 17, 2015 - Council Budget Workshop discussion about with updates to FY2015 projections for year-end and FY2016 budget projections 	<ul style="list-style-type: none"> • In January, FY2016 revenue projections anticipated moderate growth in both property tax and sales tax • FY2016 budget projections reflected a \$15.7 million gap due to loss of Business Privilege License Tax revenue • Potential State Legislative changes to sales tax distribution could create additional revenue loss • In March, revised FY2016 property valuations from the County resulted in revised property tax revenue projections reflecting a reduction of \$10.8 million below the January projection • Higher sales tax revenue projections and planned expenditure reductions help to offset some of the property tax loss • As of March 17, 2015, current projected gap for FY2016 is \$15.6 million • Various options for increasing other revenue and reducing targeted expenditures were discussed with Council and are being pursued by staff 	<ul style="list-style-type: none"> • Continued updates and discussion at March 19th Budget Committee Meeting, April 8th Budget Workshop, and as additional information becomes available • May 4th - Manager's Recommended Budget • May 11th - Budget Public Hearing • May 13th - Council Budget Adjustments • May 27th - Council Straw Votes • June 8th - Council Budget Adoption
General Community Investment Plan Update	<ul style="list-style-type: none"> • January 30, 2015 - General Fund Budget presentation update on status of FY2015 mid-year expenditures and revenues, as well as future year projections • March 5, 2015 - Council Budget Committee overview of available, undesignated resources and review of prior year capital needs funded in FY2015 • March 17, 2015 - Council Budget Workshop overview of available, undesignated resources and review of 	<ul style="list-style-type: none"> • Available capital funding sources for FY2016-FY2020 General Community Investment Plan, including \$65 million in new debt capacity and 18.9 million in capital reserves and project savings • Potential community investment issues and considerations, including Rental Assistance Endowment, CMGC Elevators, CMPD Central Division Station, and I-85 North Bridge • \$59.7 million, or 24% of total prior year capital needs funded in FY2015 • New debt capacity reduced from \$65 million to \$55 million due to revised property tax projections from County Tax Office 	

Topic	Meeting & Date	Discussion/Decision Points	Next Steps
Continued: General Community Investment Plan Update	<p>prior year capital needs funded in FY2015</p> <ul style="list-style-type: none"> March 19, 2015 – Council Budget Committee review of FY2016-FY2020 Capital Needs 	<ul style="list-style-type: none"> List of FY2016-FY2020 Capital Needs will be presented for consideration to Council Budget Committee on March 19th and full Council at April 8th Council Budget Workshop 	
Pay and Benefits Update	<ul style="list-style-type: none"> March 5, 2015 - Council Budget Committee overview current employee pay and benefits, as well as budget impacts of Broadband and Public Safety Pay Plans as well as Health Insurance Benefits trends March 17, 2015 - Council Budget Workshop presentation on current Pay and Benefits, and preparations for FY2016 & FY2017 Recommended Budget 	<ul style="list-style-type: none"> Human Resources applies the philosophy adopted by City Council Pay and Benefits comprise 48.5% (\$602.9 million) of Citywide Operating Budget Pay actions for both Pay Plans remain under review Potential changes relate to Field Services Pay Plan and Federal Fair Labor Standards Act For FY2016, a 1% merit increase in the Broadband Pay Plan would be \$919k; a 0.5% market adjustment and 2.5%-5.5% steps in the Public Safety Pay Plan would be \$2.5 million For Health Insurance Benefits, current projection for FY16 is 8% increase to be shared between City and employees Several benefits actions under consideration related to aggressive management of health care costs 	<ul style="list-style-type: none"> May 4th - Manager's Recommended Budget May 11th - Budget Public Hearing May 13th - Council Budget Adjustments May 27th - Council Straw Votes June 8th - Council Budget Adoption

FY2016 & FY2017 Budget Workshop

City of Charlotte

April 8, 2015
2:00 p.m. – 5:00 p.m.
Room 267
DRAFT

	Page
I. Budget Committee Report	Council member Phipps
II. Introduction	Ron Carlee
III. CATS Budget	Brent Cagle
IV. Aviation Budget	John Muth
V. General Fund Balancing Update	Kim Eagle
VI. Financial Partner Recommendations	Kim Eagle
VII. General Community Investment Plan Update	Kim Eagle
VIII Overview of Questions & Answers from March 17th Budget Workshop	Kim Eagle

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

Page Intentionally Left Blank

FY2016 & FY2017 Council Budget Development Meetings and Proposed Topics Revised, March 18, 2015

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"> • Charlotte Water budget • Storm Water budget • Financial Partner requests • State Budget Update
March 17, 2015 (Tuesday)	March 5 (2:00 p.m.) (Thursday)	<ul style="list-style-type: none"> • General Fund Update <ol style="list-style-type: none"> 1. Revenues 2. Expenditures • General Community Investment Plan Update • Compensation and Benefits Update
April 8, 2015 (Wednesday)	March 19 (2:00 p.m.) (Thursday)	<ul style="list-style-type: none"> • CATS Budget • Aviation Budget • General Fund Balancing Update • Financial Partner Recommendations • General Community Investment Plan Update

Full Council Budget Meetings	Meeting Type
May 4, 2015 (Monday, 7:00 p.m.) Council Chambers	Manager's Recommended Budget Presentation
May 11, 2015 (Monday, 7:00 p.m.) Council Chambers	Public Hearing
May 13, 2015 (Wednesday, 2:00 p.m.) CMGC 267	Budget Adjustments
May 27, 2015 (Wednesday, 12:00 p.m.) CMGC 267	Budget Straw Votes
June 8, 2015 (Monday, 7:00 p.m.) Council Chambers	Budget Adoption

Page Intentionally Left Blank