• Provide a overview of the upcoming budget process.

• Review:
  - Update of FY 2018 year-end results
  - FY 2019 General Fund mid-year projection
  - FY 2020 General Fund outlook
  - FY 2020 – FY 2024 Community Investment Plan look ahead
City Hosts First Economic Round Table
Fall 2018

WELLS FARGO
Mark Vitner
Managing Director & Senior Economist

Bank of America
Scott Detar
Director in Public Finance

Carolinas AGC
Betsy Baily
Gov. Relations and Building Div. Director

Maren Brisson-Kuester
President

Atrium Health
Carol Lovin
Executive VP
System Chief of Staff

REBIC
Joe Padilla
Executive Director

DUKE ENERGY
Ben Passty
Lead Forecaster for IN

CHARLOTTE ECONOMICS CLUB
Keith Nowokunski
Past President

FEDERAL RESERVE BANK OF RICHMOND
Matthew Martin
Senior Economist
Richmond • Baltimore • Charlotte

CHARLOTTE
Michael Smith
President & CEO

Capacity Solutions
David Danner
Regional Sales Mgr.

CRVA
Tom Murray
Chief Executive Office

avidxchange
Red Maxwell
Sr. Vice President
Growth Innovation and Strategy

WELLS FARGO
Cavan Harris
Sr. Vice President
Region Head Commercial Banking

NC REALTORS

Using a Five-Prong Strategy to Meet Needs

- Examine Revenue
- Become More Cost-Effective
- Become More Efficient
- Grow Economy
- Share Services and Leverage Resources
FY 2020 Budget Development Process

• Budget development is an iterative process

• Retooling the budget process
  ❑ Infusing economic analysis into revenue projections
  ❑ Enhancing analysis of base budgets
  ❑ Realigning budgets to reflect actual spending
  ❑ Separating “Technical Adjustments” from “Budget Enhancements”
  ❑ Ongoing identification of cost-efficiencies
FY 2020 General Fund Budget Outlook
FY 2018 Year-End and FY 2019 Mid-Year On-Target

- FY 2018 Audited Year End: $5.5 million surplus
- Per financial policy, funds will be deposited into Pay-As-You-Go Capital Fund

<table>
<thead>
<tr>
<th>Revenues by Source</th>
<th>FY 19 Budget (millions)</th>
<th>FY 19 Projection (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$377.9</td>
<td>$377.9</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$110.8</td>
<td>$113.0</td>
</tr>
<tr>
<td>Utility Franchise Sales Tax</td>
<td>$53.0</td>
<td>$53.7</td>
</tr>
<tr>
<td>All Other</td>
<td>$152.7</td>
<td>$153.5</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$694.4</strong></td>
<td><strong>$698.1</strong></td>
</tr>
</tbody>
</table>

| Total Expenditures                  | **$694.4**              | **$691.4**                  |
|                                     |                         | $4.0 - $7.0 million          |
Steps to Building the Preliminary FY 2020 Budget

**Budget Capacity:**
- Revenue Forecast
- Base & Technical
- Annualize Salaries
- Healthcare
- Base Variance
- New Salary Increase
- FY 2020 Variance

1. Update Revenue Forecast
2. Base and Technical Adjustments
3. Annualize FY 2019 Salary Increase
4. Project Healthcare Costs
5. FY 2020 Salary Increase
# Update General Fund Revenue Projections

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY 2019 Budget (millions)</th>
<th>Pessimistic Growth Scenario</th>
<th>Moderate Growth Scenario</th>
<th>Optimistic Growth Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$377.9</td>
<td>2.1%</td>
<td>2.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$110.8</td>
<td>2.5%</td>
<td>4.5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Utility Franchise Sales Tax</td>
<td>$53.0</td>
<td>0.0%</td>
<td>1.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>All Other Revenues</td>
<td>$152.7M</td>
<td>0.5%</td>
<td>1.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Revenue over FY 2019</td>
<td>$0</td>
<td>$12.9 million</td>
<td>$18.9 million</td>
<td>$26.0 million</td>
</tr>
</tbody>
</table>

**Budget Capacity:**

- Revenue Forecast
- Base & Technical
- Annualize Salaries
- Healthcare
- Base Variance
- New Salary Increase
- FY 2020 Variance
Projected Revenue Growth of $18.9 Million

Budget Capacity:

Revenue Forecast: +$18.9 M

- Property Tax: $8.7 M
- Sales Tax: $7.2 M
- Utility Franchise: $0.5 M
- Law Enforcement Service District: $0.3 M
- Solid Waste Fees: $0.2 M
- Other Revenues: $2.0 M

Annualize Salaries
Base & Technical
Healthcare
Base Variance
New Salary Increase
FY 2020 Variance
## Base and Technical Adjustments to FY 2020 Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Forecast</td>
<td>+$18.9 M</td>
<td>Remove one-time funding provided in FY 2019</td>
</tr>
<tr>
<td>(Base &amp; Technical)</td>
<td>($0.3 M)</td>
<td>Technical adjustments for personnel</td>
</tr>
<tr>
<td>Annualize Salaries</td>
<td></td>
<td>Move non-recurring programs to Pay-As-You-Go Fund</td>
</tr>
<tr>
<td>($0.5 million)</td>
<td></td>
<td>Per policy, transfer Pay-As-You-Go Fund’s portion of sales tax growth</td>
</tr>
<tr>
<td>+1.0 million</td>
<td></td>
<td>Provide funding for contractual obligations</td>
</tr>
<tr>
<td>Base Variance</td>
<td></td>
<td>0.25% Increase in state retirement contribution</td>
</tr>
<tr>
<td>New Salary Increase</td>
<td></td>
<td>Increase Police Officer separation allowance funding</td>
</tr>
<tr>
<td>FY 2020 Variance</td>
<td></td>
<td>$1.7 million</td>
</tr>
<tr>
<td>+$0.3 million</td>
<td></td>
<td>Expenditure Increase</td>
</tr>
</tbody>
</table>
$7.3 million to Annualize FY 2019 Salary Increase

- Most city salary increases do not happen on July 1st
- FY 2019 did not need to include 12 months of funding for FY 2019 salary increase

Budget Capacity:

**Revenue Forecast**  +$18.9 M

**Base & Technical**  ($0.3 M)

**Annualize Salaries**  ($7.3 M)

**Healthcare**

**Base Variance**

**New Salary Increase**

**FY 2020 Variance**

### FY 2019

- **New Salary Increase**  $14.3 million

### FY 2020

- **$21.6 million**

**Budget Capacity**:

$0  $5,000,000  $10,000,000  $15,000,000  $20,000,000  $25,000,000
Projecting a Five Percent Healthcare Trend Increase

<table>
<thead>
<tr>
<th>Budget Capacity:</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Forecast</td>
<td>$57.4 million</td>
<td>$60.3 million</td>
</tr>
<tr>
<td>Base &amp; Technical</td>
<td>$15,200,000</td>
<td>$15,960,000</td>
</tr>
<tr>
<td>Annualize Salaries</td>
<td>$42,200,000</td>
<td>$44,310,000</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$57.4 million</td>
<td>$60.3 million</td>
</tr>
<tr>
<td>Base Variance</td>
<td>($2.9 M)</td>
<td>($2.9 M)</td>
</tr>
<tr>
<td>New Salary Increase</td>
<td>($7.3 M)</td>
<td>($7.3 M)</td>
</tr>
<tr>
<td>FY 2020 Variance</td>
<td>($0.3 M)</td>
<td>($0.3 M)</td>
</tr>
</tbody>
</table>

- Revenue Forecast: $18.9 M increase
- Base & Technical: ($0.3 M) decrease
- Annualize Salaries: ($7.3 M) decrease
- Healthcare: ($2.9 M) decrease
- Base Variance: ($0.3 M) decrease
- New Salary Increase: ($7.3 M) decrease
## FY 2020 Projected Base Budget Variance

**Budget Capacity:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenues (millions)</th>
<th>Expenditures (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Point (FY 2019 Budget)</td>
<td>$694.4</td>
<td>$694.4</td>
</tr>
<tr>
<td>Projected Change</td>
<td>$18.9</td>
<td>$10.5</td>
</tr>
<tr>
<td><strong>FY 2020 Base Budget</strong></td>
<td><strong>$713.3</strong></td>
<td><strong>$704.9</strong></td>
</tr>
</tbody>
</table>

**+$8.4 Million Budget Variance**

Before FY 2020 Salary Increase
$12.8 million for a FY 2020 salary increase

Costs Included:

- A 1.5 percent market adjustment
- 3.0 percent total increase for general employees
- A step increase for eligible Police Officer and Firefighters
- Funding for Senior Police Officer program

**($4.4 Million) Budget Variance**

After FY 2020 Salary Increase
Addressing Preliminary Variance

• Revenue updates as data becomes available
• Review $2.9 million healthcare projection after 2018 plan year costs are finalized
• Continue to review and refine expenditures
• Targeted reductions that do not impact services

Budget provides funding for current services levels. No new initiatives are included.
FY 2020 General Fund is in Good Shape

• Barring any unanticipated events:
  - Economic slow down
  - Legislative changes affecting revenues

Tax Increase not necessary to fund current service levels
Five Year Expenditure Outlook

• Expenditure outlook is still under construction

• FY 2020 Budget is manageable

• FY 2021 Budget driver is public safety
## FY 2021 Budget Outlook Driven By Public Safety Costs

<table>
<thead>
<tr>
<th>FY 2021 Estimated Impact</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>+$3.3 million</td>
<td>Fire company for infill station scheduled to open in FY 2021</td>
</tr>
<tr>
<td>+$3.3 million</td>
<td>Potential fire company based on population growth</td>
</tr>
<tr>
<td>+$1.5 million</td>
<td>Projected increase in state-mandated Police Separation Allowance cost</td>
</tr>
<tr>
<td>+$1.9 million</td>
<td>1.5% state Law Enforcement Officer pension increase discussed as a recommendation for FY 2021</td>
</tr>
<tr>
<td>+$1.5 million</td>
<td>Potential 2% increase in employer contribution to Charlotte Firefighters Retirement System</td>
</tr>
<tr>
<td>+$11.5 million</td>
<td>Potential Public Safety Cost Increases in FY 2021 (Beyond Salary Increases)</td>
</tr>
</tbody>
</table>
General Community Investment Plan
General Community Investment Plan Look Ahead

• Complete the “Big Ideas” (*last bond cycle 2020*)
• Plan for bond year 2022 and beyond
• Restore capital planning discipline
• Optimize financing opportunities

A Community Investment Plan that advances city priorities
# Capital Planning Process

**Big Ideas**

- Concepts submitted to Budget
- Prioritized by advisory teams
- Filtered by Steering Team to Budget
- Filtered list presented by Budget to City Manager

**City Manager’s Recommendation**

- Community engagement
- Scopes
- Engineer’s cost estimates
- Pre-planning
- Planning and design

**City Council Approval**

**Redesigned**

- Adopted plans inform concepts
- Pre-planning to scope concepts
- Requests based on pre-planning
- Detailed budget analysis
- Capital Needs Assessment
- Cost estimates verified by Engineering
- Full project list to City Manager

**City Manager’s Recommendation**

**City Council Approval**

- Ongoing review by Planning, Infrastructure, and Development with City Manager
- Annual monitoring by Budget, Finance, and Engineering
10-Year Capital Needs Assessment

• First general capital needs review in 12 years
• Starting point, project scopes and cost estimates not verified
• Approximately 185 potential projects
Continuous Improvement

CIP Development
- Pre-planning
- Cost estimating discipline

Financing Opportunities
- Steady state capacity
- Preserve future funding

Expected Outcome

Projects that are:
- Predictable
- On budget, on time
- Financed efficiently
## Next Steps

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>28-30 January</td>
<td>Annual Strategy Session</td>
</tr>
<tr>
<td>6 February</td>
<td>Budget Workshop</td>
</tr>
<tr>
<td>19 February</td>
<td>Budget and Effectiveness Committee</td>
</tr>
<tr>
<td>6 March</td>
<td>Budget Workshop</td>
</tr>
<tr>
<td>19 March</td>
<td>Budget and Effectiveness Committee</td>
</tr>
<tr>
<td>3 April</td>
<td>Budget Workshop</td>
</tr>
<tr>
<td>6 May</td>
<td>City Manager’s Budget Presentation</td>
</tr>
<tr>
<td>8 May</td>
<td>City Council Budget Briefing</td>
</tr>
<tr>
<td>13 May</td>
<td>Public Hearing on Budget</td>
</tr>
<tr>
<td>22 May</td>
<td>City Council Budget Briefing</td>
</tr>
<tr>
<td>23 May</td>
<td>Budget Adjustments</td>
</tr>
<tr>
<td>29 May</td>
<td>Straw Votes</td>
</tr>
<tr>
<td>10 June</td>
<td>Budget Adoption</td>
</tr>
</tbody>
</table>

Note: Additional Committee Meetings will be scheduled as needed
Questions?