



Charlotte City Council
Budget and Effectiveness Committee
Meeting Summary
Tuesday, July 21, 2020

**COMMITTEE AGENDA
TOPICS**

- I. Agenda Overview
- II. Prioritizing Projects Funded by Hospitality Revenues
- III. Internal Audit Update and Briefing
- IV. City Council Resolutions

COMMITTEE INFORMATION

Committee Members Present: Ed Driggs (Chair), Julie Eiselt (Vice Chair),
Dimple Ajmera, Malcolm Graham, and Renee Johnson

Staff Resources: Ryan Bergman, Budget Director
Kelly Flannery, Chief Financial Officer
Greg McDowell, City Auditor
Patrick Baker, City Attorney

Meeting Duration: 1:30 p.m. – 3:00 p.m.

ATTACHMENTS

1. Agenda
2. Hospitality Taxes Capital Investment Policy Presentation
3. Internal Audit Update and Briefing Presentation

DISCUSSION HIGHLIGHTS

Prioritizing Projects Funded by Hospitality Revenues

Chief Financial Officer, Kelly Flannery discussed the Hospitality Taxes Capital Investment Policy. Ms. Flannery put forth the objective to develop a policy for City Council's consideration to evaluate capital investments funded by hospitality taxes to ensure transparency and funding resources are maximized. State legislation defines how tourism and hospitality revenue may be used. The three special revenue funds of the city include convention center fund, the tourism fund and the Hall of Fame fund. Currently, hospitality revenue is primarily used for debt service, CRVA, promotion and marketing, and facility maintenance.

Chairman Driggs and Committee member, Dimple Ajmera requested that a matrix or criteria be created whereby City Council could be more rigorous in assessing funding requests for capital investments as well as CIP projects. Vice Chair, Julie Eiselt commented that she would like to see cashflow, future obligations, and other information to prevent Council from making funding decisions in a vacuum.

In conclusion, Chairman Driggs requested that Ms. Flannery develop the matrix Council should consider regarding capital spending proposals that would inform and improve the decision-making process.

Internal Audit Update and Briefing

At the City Manager's request, Greg McDowell, City Auditor, evaluated citywide project management of capital construction projects and the city's use of the Construction Manager at Risk (CMAR) contracting method. The audit may be found online at: <https://cnet/Departments/audit/Pages/default.aspx>. Mr. McDowell reviewed current and past practices and the development of five-year CIPs. The projects reviewed ranged from FY 2008 to FY 2019. The following were listed as areas that need improvement:

- A. *Project Selection and Advance Planning*
- B. *Estimating*
- C. *Cost Management and Delivery*
- D. *Performance Reporting*
- E. *Use of the CMAR Project Delivery Method*

In total, there were 22 recommendations for improvement. The actions taken as a result of the audit were as follows:

Project Selection and Advance Planning:

- Strategy & Budget will document the selection and prioritization process regarding capital planning decisions.
- Advance Planning and Design Program will address previous risks.

Estimating:

- For FY 2021 CIP, General Services reviewed all estimates.
- General Services agrees there is value in seeking Independent Cost Estimates, as recommended.

Cost Management and Delivery:

- General Services will evaluate criteria for construction delivery method selection.
- Strategy & Budget will work with departments to establish staff time chargeback methodology.

Performance Reporting:

- General Services has established a new template for project reporting and is developing a monthly report to be generated using Primavera software in an effort to facilitate timely project reporting.

Use of the CMAR Project Delivery Method:

- General Services will ensure that CMAR and independent cost estimators evaluate bids and will update manuals to address CMAR recommendations.

Chairman Driggs noted that the internal audit report revealed that the city has not consistently used best practices to manage large capital projects. Driggs requested a follow up report from McDowell in three months. Council member Johnson asked for a list of City Manager-requested audits. McDowell referred her to the Internal Audit department's page on the city website where plans and monthly

status updates are posted.

City Council Resolutions

Patrick Baker, City Attorney discussed developing a more formal policy, should the committee decide to adopt one, for determining when a resolution is appropriate. Currently there are no standards or processes to guide the council in considering these resolution requests. At present, the Mayor or a Council member may add a resolution to be considered on a future agenda. It would then be voted on and approved if it receives a majority vote of at least six members. Mr. Baker was not aware of any of Charlotte's peer cities having a formalized resolution process but said he would have a report on this available for the next meeting. Vice Chair Eiselt commented that she struggles to support resolutions with no action connected to them. Council member Ajmera commented that Council should consider resolutions where there may be no actions associated but it is important for Council to show support of the community on a particular issue. Council member Malcom Graham requested that the resolution process be kept simple and free from restrictions due to the infrequency of the resolution proposals.

Meeting adjourned at 3 pm.