Charlotte City Council
Budget and Effectiveness Committee
Meeting Summary
February 19, 2019

COMMITTEE AGENDA TOPICS

I.   Financing the Capital Investment Plan
II.   Revaluation Analysis Preview
III.   CATS Budget Overview
IV.   Storm Water Budget Overview

COMMITTEE INFORMATION

Committee Members Present: Greg Phipps (Chair), Ed Driggs (Vice Chair), Dimple Ajmera, Tariq Bokhari, LaWana Mayfield

Staff Resources: Sabrina Joy-Hogg, City Manager's Office
Phil Reiger, Strategy and Budget Office
Ryan Bergman, Strategy and Budget Office
Rebecca Heffner,
John Lewis, Charlotte Area Transit
Mike Davis, Engineering and Property Management
Doug Carter, Financial Advisor

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

ATTACHMENTS

1. Agenda
2. Presentation- Financing the Capital Investment Plan
3. Presentation- Revaluation Analysis Preview
3. Presentation- CATS Budget Overview
4. Presentation- Storm Water Budget Overview

DISCUSSION HIGHLIGHTS

Financing the Capital Investment Plan
Deputy City Manager Joy-Hogg began the presentation by discussing the financing, development improvements, and proposed changes to the Capital Investment Program. The current Capital Planning Process known as "Big Ideas" was reviewed and the redesigns of the program. The proposed changes to model will now include a more in-depth pre-planning phase to scope projects, detailed budget analysis, Capital Needs Assessment, cost estimates verified by Engineering, and a full list of projects to the City Manager for recommendations. There will

no longer be a steering team filtering projects and making recommendations on capital projects. The City Manager will make capital project recommendations in proposed budget to Council for approval. Upon Councils approval, there will be on-going reviews by city departments through increased collaboration. Council member Driggs commented that redesign of the Capital Planning Process provides a better sequence of events, wants to an additional step to allow for Council engagement earlier in the process, and ensure that every project meets a Council priority area. Joy-Hogg replied that all project request should be tied to a Council priority area or plan. She expressed that staff needed time and training to build a project list being requested. Council Member Mayfield requested the model is revised to include Council priority focus area as a step in the process. Joy-Hogg responded the that the pre-planning phase would address this request. Council member Bokhari requested the proposed model includes ongoing performance and portfolio monitoring and stated that Council needs to be the next to review the projects after the City Manager. Committee members engaged into a discussion about community engagement as a component of the new model. Joy-Hogg furthered the presentation by discussing steps to reset the standards and redefining the process. She explained the importance of aligning the organization horizontally, capturing scope/data on the front end, engaging external advisors, and establishing formal practices for close-out and identifying savings. She then discussed the benefits of planning and financial long-term planning. Financial Advisor, Doug Carter, expanded on debt affordability considerations and the debt model. He stated there is $165 million bond referenda affordability every two years, bonds are a vehicle for capital project financing, and the city is better aligning bond issuance to cash flow. Carter revisited the debt model: spend rates, interest rates, and revenue growth rates. Budget Director, Phil Reiger, discussed the capital planning fund. He stated that dollars will be used for planning and design, and to form a total cost estimate. He stated that in FY 2020 Planning Fund will be created and projects approved for planning by City Council. In FY 2021 and FY 202, the planning will be completed and design underway over the next two years. By FY 2023, design and cost estimates finalized and programmed into future bond. Reiger concluded the presentation by discussing the flowchart that describing the phases of the project: planning, design, and real estate, bid, and construction.

Revaluation Analysis Preview
Deputy Budget Director, Ryan Bergman, opened the discussion on Revaluation Analysis Preview. It was mentioned that the data is not finalized and will be refined throughout the budget development process. Bergman shared that the presentation would address Council related questions from the recent Budget Workshop and provide requested maps that illustrate neighborhoods and Council districts. He explained the complexities of neighborhood analysis and mapping and stated that the preliminary thirty-five cent tax rate was used in the data analysis. Data Analytics Manager, Rebecca Heffner, presented updates on the data refinements and provided examples of what can be accomplished using the named neighborhoods and Neighborhood Profile Areas (NPA) for analysis. Heffner mentioned that the data is comparing the 2018 assed values to the 2019 assessed values and defined residential as single-family homes that do not include apartments. Heffner highlighted the maps that explore median tax amount change by Council district. She reviewed the complexity of neighborhood analysis by explaining the differences between Nextdoor Neighborhoods and NPAs. Nextdoor Neighborhoods are self-identified, limited additional information, and there are currently 831 Nextdoor neighborhoods in the city of Charlotte. NPAs are units of geography for the Quality of Life Explorer, based on U.S. Census geography and block groups, and there is a total of 370 NPAs in city of Charlotte. Heffner further explained how the boundaries intersect and provided an example from District 4 showing the NPAs and key indicators. The basis of the example showed the impacts of revaluation information on neighborhoods by comparing population and housing information such as poverty, seniors, rental houses, and rental costs. The next steps are to begin the analysis of the commercial and apartments, work with Housing and Neighborhood

Services to further assess the impacts by NPAs, and provide an interactive exploration that will allow resident to determine revaluation impacts.

CATS Budget Overview
CATS Director, John Lewis, provided a budget summary for the Charlotte Area Transit (CATS). Lewis highlighted that the FY 2020 Budget will not include a fare increase and there are strong sales tax growth, over four percent, which has enabled CATS to continue to make conservative investments in operations. Lewis mentioned that it is the Metropolitan Transit Commission (MTC) policy to increase fare rates every two years but the policy has been formally set aside for the past few years. Council member Phipps inquired about future fare increases. Lewis responded that fare increases are imposed based on need and not policy. He shared that historically fare increases were offset by large discounts which did not provide long-term benefits. He stated that CATS is reviewing current discounts to get back to a fare realization. Council member Ajmera inquired about the fare discounts that are being reduced. Lewis responded that CATS reduced monthly and weekly passes and did not see a change in ridership. Lewis highlighted that the CATS operating budget is $162.4 million and $115.3 million Debt Service Budget. CATS has a $95 million Five Year Capital Budget to replace 65 buses, 85 STS buses, State of Good Repair, City Federated Video Monitoring System and technology updates. The final budget will be presented to the MTC in April 2019.

Storm Water Budget Overview
Engineering and Property Management Director, Mike Davis, provided a brief informational update on the Pilot Cost Share Program. Davis highlighted Storm Water's accomplishments such as $58 million invested in FY 2018 and 4.8 miles of stream improvement in construction in FY 2018. Storm Water seeks to maintain 1 percent of the 2,600 mile drainage system annually. The Pilot Cost Share Program allows residents with "C" requests (lowest priority work) to participate in the subsidized cost share program using the $5 million allocated in the FY 2019 Budget. Council Ajmera requested a list of participation requests for the pilot program. Davis responded that the program can accommodate up to 4,000 residents and Storm Water has reached out to 106 sample residents to get data. He stated that Storm Water would provide data on the 106 sample residents, which are the oldest residents on the list. Council member Mayfield requested information on maintenance of drainage systems outside of city limits. The presentation was concluded with next steps: Budget Workshop on March 6, 2019.