



Charlotte City Council
Budget and Effectiveness Committee
Meeting Summary
July 22, 2019

COMMITTEE AGENDA TOPICS

Municipal Service District Policy Research: Property Owner Engagement
Audit Summary FY 2019
City Clerk Evaluation Process- Closed Session

COMMITTEE INFORMATION

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

Staff Resources: Sabrina Joy-Hogg, City Manager's Office

Meeting Duration: 2:00 p.m. – 3:30 p.m.

ATTACHMENTS

1. Agenda
2. Municipal Service District Policy Research: Property Owner Engagement Presentation
3. June 24 Budget and Effectiveness Committee Question and Answer Packet
4. Audit Summary FY 2019 Presentation

DISCUSSION HIGHLIGHTS

Municipal Service District Policy Engagement: Property Owner Engagement

Budget Director Phil Reiger lead committee members in a continued discussion about the Municipal Service District (MSD) topic referred to the committee which considers options for policy guidance that ensures property owner engagement regarding future requests of City Council to increase MSD property taxes. Reiger provided a summary of the MSD legal framework and recommendations from Charlotte Center City Partners and University City Partners. The recommendations were to use the existing statutory framework for evaluating proposed tax increases such as a written report, mailing notification, and public hearing.

Reiger reviewed findings from the peer city comparisons used to determine the practices for engaging district property owners. The emerging practices across peer cities included public hearings, voter referendum, limitations on tax rates, and no defined procedures. Reiger highlighted the advantages and disadvantages of establishing a policy that defines the process for requesting MSD tax rate increases.

Council member Mayfield requested legal review of the MSD policy and adding language that provides increased Council discretion. It was recommended to establish a policy that requires a formal engagement process when increases in MSD property taxes are requested of Council with major policy elements such as: a written report, notification to property owners, structured opportunities for property owner feedback, Council review of feedback, and a public hearing.

The next steps include a draft policy review period through September for committee members to provide feedback prior to the next scheduled committee meeting.

Audit Summary FY 2019

City Auditor Greg McDowell reviewed the FY 2019 completed audits and the FY 2020-2021 work plan. McDowell provided information on the audit website as a tool to retrieve audit plans, reports and peer reviews. In FY 2019, Internal Audit completed sixteen audits that included a total of nine in house full audits, one performance audit conducted by a consultant, and six limited scope audits.

The FY 2020-2021 Audit Plan includes audits of Enterprise Resource Planning/Munis and terminated employee electronic devices, which were completed in July 2019. Current audits in progress were reported as: CIP project management, airport rental car agencies, FY 2019 revenue collections, and parental leave and educational reimbursement. The new initiatives scheduled to begin by December 2019 are focused on construction, IT security, and accounting controls. Additional audit initiatives mentioned were Council threshold compliance and controls, procurement, airport concessions, cost allocation plan, and fraud awareness and prevention.

McDowell provided an update on the employee hotline's expansion to online reporting capabilities and concluded the presentation with information about past and future construction audits.

City Clerk Evaluation

The committee went into closed session to discuss the City Clerk evaluation.

Meeting adjourned at 3:30 p.m.



Municipal Service District Policy Research: Property Owner Engagement

Budget and Effectiveness Committee
July 22, 2019

- Recap: What We Heard From Our Partners?
 - Charlotte Center City Partners (CCCP)
 - University City Partners (UCP)

- Peer Cities Comparison Findings

- Advantages and Disadvantages

- Policy Recommendations

- CCCP and UCP recommended using the existing statutory framework for evaluating proposed tax increases:
 1. Written report
 2. Mailing notification
 3. Public hearing
 4. Minimize administrative burden

PEER CITY COMPARISONS

- 25 cities contacted, 20 cities responsive
- Cities use a wide variety of engagement methods ranging from traditional public hearings to voter referendums
- Emerging Practices Include:
 - Public Hearings (12 of 20)
 - Voter Referendum (4 of 20)
 - Limitation on Tax Rate Increase (3 of 20)
 - No Procedures (3 of 20)

Engagement Efforts of Cities	
Type of Public Outreach & Reporting	Total Peer Cities
Standard Public Hearing	12
MSD Tax Rate Voter Referendum	4
Limitation on Tax Rate Increase	3
Report to Council	2
General Public Notice (newspaper, website, etc.)	2
Mail Notification	2
Survey	1
No Procedures	3
Administrative Fees (imposed by city for sending public notices)	2

Advantages:

- Defines a process for requesting MSD tax rate increases
- Formally documents the reasons for an increase to MSD tax rates
- Provides Mayor and City Council feedback from district
- Organizes the process within the budget process timeline

Disadvantages:

- Prescriptive process that may diminish City Council discretion
- Actions to adjust the policy midstream to respond to unforeseen circumstances may be poorly received
- Constituents may misinterpret engagement as a vote
- Requires additional administrative work

RECOMMENDATIONS

- Consider establishing a policy that requires a formal engagement process when increases in Municipal Service District property taxes are requested of City Council

- Major Elements:
 - A written report describing the justification for the tax increase
 - Notice to all impacted
 - Structured opportunity to provide feedback
 - City Council discussion regarding the feedback received
 - Public Hearing giving the public opportunity to weigh in on the issue

- Engagement must be designed to fit within the budget process timeline

- Review draft policy
- Provide feedback for vote at September Committee meeting

If vote is affirmative:

- Present to City Council at a future Strategy Session

QUESTIONS?



Audit Summary FY 2019 Audit Plan FY 2020-2021

Budget and Effectiveness Committee
July 22, 2019

PURPOSE

- Internal controls and process improvement
- Proactive and preventative measures

REVIEW FY 2019 AUDITS COMPLETED, AND FY 2020-2021 PLAN

TYPES OF INTERNAL AUDIT EFFORTS

- Performance audits – full
- Performance audits – limited scope (LSA)
- Agreed upon procedures
- Investigations



Front Row: Marie Marsicano, Hien Tran, Tina Adams, Craig Terrell, Lynette Stover

Back Row: Greg McDowell, Kyle Sutherland, Cheryl Ramsey, Harry Graham, Will Pellisero

Charlotte

AUDIT REPORTS OUR AUDITORS

City of Charlotte > Internal Audit

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The Internal Audit Office provides reasonable assurance that the City has an operating and effective system of internal controls and assists members of management in evaluating the efficiency and effectiveness of operations.

[Meet Our Auditors](#)

[Audit Reports](#)

Documents

[Monthly Audit Report - June 2019](#)

[Audit Plan 2019 - 2020 @ 6/30/2019](#)

[Audit Plan 2019 - 2020](#)

[Audit Plan 2018 - 2019 @ 6/30/2018](#)

[Audit Plan 2018 - 2019](#)

[2017 Peer Review](#)

[2014 Peer Review](#)

[Audit Charter](#)

COMPLETED – 16 Audits

- 9 In house Full Performance Audits
- 1 Performance Audit conducted by consultant
- 6 Limited Scope Audits (“LSAs”)

CATEGORIES

- Construction
- Internal Controls
- Follow-ups

2 - Completed in July

7 - In Progress

2 - Follow-ups planned

- CATS Blue Line Extension (BLE)
- Citywide Overtime

3-5 new initiatives to begin by December 2019

- Focus: Construction, IT Security, Accounting Controls

Completed in July 2019

20-1 Enterprise Resource Planning (ERP)/Munis (City's Financial Accounting Software)

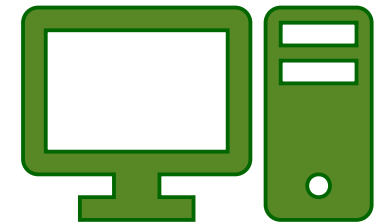
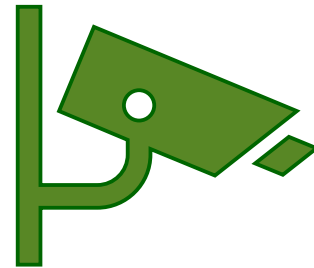
20-2 Terminated Employees' Electronic Devices

Audits in Progress

1. CIP Project Management
2. Financial Consultant Contract Management
3. Airport Rental Car Agencies
4. Revenue Collections FY 2019
5. Limited Scope – Parental Leave, Educational Reimbursements

FY 2020 Focus

- Construction – Citywide and Project Specific
- Information Technology Security
- Financial Accounting Controls



Additional Initiatives

- Council Threshold Compliance and Controls
- Procurement
- Airport Concessions
- Cost Allocation Plan
- Fraud Awareness and Prevention



Employee Hotline – expanded to online reporting capability



- Initiated September 2014; third-party contractor (\$7,200/yr)
- Averaging two calls/month, most referred to Human Resources
- Online reporting capability begun April 2019

Recommendation Status – report tracking online

Past Construction Audits

- June 2019 CATS BLE – RSM Report (#19-16)
- March 2019 CATS BLE Professional Services (#19-13)
- January 2019 Construction Change Orders (#19-10)
- December 2017 CATS Civil Segment BC (#18-8)

Future Construction Audits

- Citywide controls re. capital expenditures–process improvement
- Project Specific – CATS, Aviation, Water, Engineering

Why we audit?

- Internal Controls and Process Improvement
- Proactive and Preventive Measures

Future Focus?

- Construction – Citywide and Project Specific
- IT Security
- Citywide Accounting Controls

QUESTIONS AND ANSWERS



***Questions and Answers
From June 24, 2019
Budget and Effectiveness Committee Meeting***

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Municipal Service District: Property Owner Engagement

Question 1: Provide the total number of residential and commercial properties within Municipal Service Districts 1-5.

District	Total Parcels	Commercial	Residential
MSD 1	855	344	511
MSD 2	306	302	4
MSD 3	149	145	4
MSD 4	900	593	307
MSD 5	641	537	104

Municipal Service District: Property Owner Engagement

Question 2: Provide an example of how property tax rate calculations work for Municipal Service District's 1-3, including districts with overlapping boundaries and rates.

	<u>Property Value</u>		<u>Tax Rates / \$100</u>		<u>Tax Bill</u>
MSD 1	\$250,000	X	.003481 – City .000136 – MSD1 .003617 – Total	=	\$870.25 – City <u>\$34.00 – MSD1</u> \$904.25 – Total
MSD 2	\$250,000	X	.003481 – City .000136 – MSD1 <u>.000183 – MSD2</u> .003800 – Total	=	\$870.25 – City \$34.00 – MSD1 <u>\$45.75 – MSD2</u> \$950.00 – Total
MSD 3	\$250,000	X	.003481 – City .000136 – MSD1 <u>.000289 – MSD3</u> .003906 – Total	=	\$870.25 – City \$34.00 – MSD1 <u>\$72.25 – MSD3</u> \$976.50 – Total