Charlotte City Council

Budget Committee

Meeting Summary for February 22, 2012

COMMITTEE AGENDA TOPICS

I. Review Budget Committee Charge
II. Review February 29th Budget Retreat Agenda
III. Discuss Possible Community Budget Meeting
IV. Set Future Committee Meetings
V. Next Meeting: Wednesday, March 28, 2012 at 1:30 p.m. in Room 280

COMMITTEE INFORMATION

Present: CM Barnes, CM Dulin, CM Fallon, CM Kinsey and CM Mayfield

Time: 12:05 p.m. to 1:26 p.m.

ATTACHMENTS

1. Charge
2. Draft February 29th agenda
3. Mayor's Efficient & Effective Government Review Task Force – Public Safety Pay Plan Findings and Recommendations excerpt
4. Public Safety Pay Plan process update
5. Proposed Meeting Options

DISCUSSION HIGHLIGHTS

Committee Discussion:

Council member Barnes welcomed everyone to the meeting and asked those in attendance to introduce themselves.

I. <u>Review Budget Committee Charge</u>

Harrington: I just want to take a few minutes and highlight some of the components of the Budget Committee Charge and Curt Walton maybe has the distinction here of maybe being the only person in the room that was here when it started back in 1996 when he was Budget Director and working with the Manager at that time and the Council to develop a Charge for the Budget Committee. I

thought I would just highlight a couple areas if you have questions for myself, or Curt we can answer those.

You will see Attachment 1 is the Charge and the first one relates to the Committee recommending an annual calendar process for review. One of the things that has happened in the last couple of years is that we incorporated that piece in December when we vote on the full Council calendar for the year, but that is a role for the Committee to play. Reviewing major budgetary issues and options prior to the half-day retreats which is what we are doing here today. Providing feedback to the Manager as well as myself regarding any agenda items and the topics to be discussed and give feedback on those. The last two relate to referrals. The fourth bullet relates to Council referrals that occur from the Budget Adjustments meeting in May to the straw votes meeting which occurs two weeks after that. If there are referrals during that time the Committee can convene and make any recommendation as directed by Council. Outside the Budget process periodically we are having times when a referral has come from the full Council and that is a charge for the Committee to provide recommendations. Curt, I don't know if there is anything you would like to add in particular to that.

Walton: There really wasn't any interaction before the budget was presented in mid May, so when Council got it in mid May you basically had to learn everything about it in two weeks and also prior to this the practice had become that the Council would informally pick two Democrats and two Republicans to go off after the budget was presented and come back with a revised recommended budget. That started to work overtime less and less well so Mayor McCrory actually put this into place, his first year, 1995-1996. Those were the two main things that are different.

Dulin: I normally bring this up at the end of this meeting, but it is appropriate for me to go ahead and bring it up now. The Budget Committee, the five of us, really need to take a strong leadership position just among ourselves and among the other Council members to show up for the upcoming meetings. We rarely have a full house so to speak of the Workshops, etc. so I think as we move through this process, let's just keep in mind if we get fired up about the work we are doing and we can pass that leadership down to the others that everybody is busy, etc. etc. to be here and to make a full house because it really does present a better budget to the community.

II. Review February 29th Budget Retreat Agenda

Harrington: The proposed February 29th Budget Retreat Agenda is Attachment 2 in your packet and one of the topics, public Safety Pay Plan Recommendation and I'll make a couple references to the work of Mayor's Efficient and Effective Government Review Task Force and then we'll invite Cheryl Brown, Human Resources Director, and she will talk a little bit more about the process and give

you an update on that and more preparations for next week. Attachment 2, some of the topics that we have proposed for the Retreat, Property and Sales Tax Revenue Update is probably more of a verbal update from Greg Gaskins to work with the County and try to get an update. It is kind of a slow process, but he may have some additional information at that time and at least update the Council on where we are and if there are any new trends or any new directions in the wind so to speak that we are hearing at this point.

CATS Budget, Carolyn Flowers will talk about their operating and capital budget and the proposed 25 cents fare increase. She will talk about those items and any major service considerations for CATS. As you recall CATS budget goes to the MTC and the first one done in the late fall so they are ahead of the game.

Dulin: The CATS Budget and the fare increase, Council gets that fare increase, we get it while it needs to come up because we see all the numbers. To the 16,000 people per day that are riding the light rail and who by in large I think can afford to right the light rail, but light rail is just a small portion of what Carolyn does. The folks that are getting on and off the bus we really need to sell that quarter to the community and I heard a pretty good example of that. Just recently my son and a car load of his high school buddies went over to the Woodlawn Station where we typically go to catch the light rail into town, and I was happy that they were using it, but they came back and his round trip ticket was on the kitchen table and I just happen to notice it, and I looked at it. It was $3.60 round trip, which is okay, but those are high school kids and regardless of whether they were high school kids or folks trying to catch a bus to their work, that quarter is a big deal and I think we need to a good job of telling them why. I think it was $2.30 or $2.60 when I got elected in 2006 and I am a user of that product so we need to be able to tell folks why.

Kinsey: This may not be the right time to discuss it, but I'll throw it out anyway. Does CATS have a regular schedule for fare increases? Are we trying to get back on that schedule or has the economy knocked us, I know the economy knocked us off and we had raise the fare last year so where are we?

Walton: They do have an every other year policy and I think was it last year, we had to do one extra from what I recall and I don't remember it that is the current year we are in or the year before.

Hershberger: It was the year before there was a 20 cents extra increase for fuel.

Walton: I think we are back on the every two year cycle.

Kinsey: So this is a regular year?

Walton: This is a regular year.

Dulin: Eric do you recall what the fare for the bus in 2006 was? Of course the light rail didn't open until 2007.

Hershberger: It was $1.20 in 2006.

Dulin: So $2.40 round trip.

Walton: For local.

Dulin: So we've gone now more than $1.00 higher.

Kinsey: When you get to be my age you can ride for half-price.

Fallon: How many raises have we had since 2007 when it started?

Harrington: I think we've had 3 or 4.

Fallon: When did it start 2007?

Walton: Yes

Harrington: It would be two in regular years and in the odd year …

Fallon: In five years we've had 3?

Harrington: Yeah, I believe so.

Dulin: For instance, Ms. Fallon, it was $2.40 for a round trip when we were elected and that is bus, then they added the light rail, so the bus and the light rail was the same price. Now it is $3.60 so it is $1.10, but there are a lot of high school kids. I use the example of the bus stop at Myers Park High where I ride the same line as the Myers Park High School kids. They ride that bus to and from school and they more than likely have a pass. They can buy a pass but that is $3.60 per day for their school commute.

Fallon: Don't they get a reduced rate?

Hershberger: Yes, they do get the same as the senior rate.

Mayfield: The concern that I have is this is the third increase in five years. I'm not as concerned about the seniors for this particular issue. I'm thinking about working class from that 20 to 50 age and them having to budget that and the fact that we just added on so we should have skipped this year because we just added

on last year. Back to what Mr. Dulin was saying the community doesn't know that every two years there should be an increase. The only thing they know is that every year I'm getting an increase, and that is more than I'm having to account for and if we've gone from less than $2.40 round trip to now $3.60 round trip and we're talking about adding another 25 cents onto that. That is going to be 25 cents each way, so another 50 cents to that fare trying to tell someone that is already working minimum wage, if they are even making minimum wage, that your transportation daily is $4.00 per day. I agree that we need a lot of communication and education with the community if we are really going to consider or just move forward with this 25 cents increase.

Dulin: Good point Ms. Mayfield and exactly what I want to do and the way this is going to happen is Council will okay the increase and I just think we need to let folks know because if we don't gas prices are always going up, the communication and contracts with the drivers, the maintenance folks are always going up and the first place that they get cut are the outlying routes. They know exactly who is getting on and where because of their technology. They will lay out a very specific reason why they need that increase to keep up with what is going on and their rank and costs or the program goes away and I've been down in the trenches fighting for different routes and that is not fun at all. In the end we are going to end up okaying and I just want us to communicate with those folks that are that are down there and say get on the bus because we need the numbers to keep going up.

Harrington: I'll just add for background, the two key drivers over the last 4 or 5 years is fuel and sales tax. The fuel price is increasing and the sales tax is decreasing.

Dulin: We do a good job of buying that fuel.

Fallon: I think everybody will understand that the fuel is going up and you have to have fuel to run it.

Barnes: On that issue, Mr. Manager, does the 25 cents anticipate diesel fuel costing $1.00 more that it cost then?

Walton: It assumes an increase but I don't know off hand how much it is. I doubt that it is $1.00.

Barnes: Could we find out, because for example there is anticipation that regular gasoline will be $4.50 by the summer and diesel may likely be higher than that. I want to make sure that we are not going to have to come back later this year and raise fares again.

Harrington: If I recall correctly in their budget requests they are budgeting fuel at $3.15 and I think that is a 5% increase over last year.

Barnes: Also, Mr. Manager and Mr. Harrington, it might be wise to as part of the PR campaign, explain to people what a fare really would cost if we charged it at cost. I had an interesting experience with Carolyn Flowers at a Blue Line Extension meeting where someone was complaining about the price of the transportation system and I explained to her that if we charged what we should be charging it would be about $5.00 for the public.

Walton: It would be four times higher.

Barnes: Okay, so if you say well the round trips that Mr. Dulin talked about should really be $12.00 and people go okay. I'm not saying that is the way to placate folks, but just to explain realities because of the fact that transit is always subsidized. It is never a profit center.

Fallon: You have to make them understand that the roads are subsidized too because they think they ride on the roads for free, and that they have to pay for the bus and train. The roads are heavily, heavily subsidized.

Harrington: To continue on, I haven't mentioned the Storm Water Budget and Jennifer Smith is the Storm Water Engineer, giving Council an update on that and then the Public Safety Pay Plan which we will touch on in just a couple minutes. The Financial Partner and Outside Agency Funding Requests and this piece will convey their request and what the recommendations are for financial partners and simply what they requested in any new requests that we've received.

Barnes: Will the Storm Water Budget include CMU?

Harrington: No, that is currently scheduled for the last retreat on April 11th. To that point if you turn over on the back side of the Attachment 2, this gives you a heads up and some proposed possible topics. At this particular point we are planning to put this up on the CIP, and the second Retreat on March 21st, then you can see on April 11th the proposed topics and of course any other that come from Council to review.

Kinsey: Are we anticipating increases everywhere like Storm Water? I know CMUD is not coming back.

Walton: Your Storm Water policy assumes 7% a year so I don't expect anything different from that, but it does presume an increase every year.

Fallon: I know that is the only thing I get letters on.

Walton: Storm Water is still one of our biggest problems so we are more aggressive with the funding in the current year, which I think is a good thing and we are seeing good results with that. That is something that Charlotte didn't pay a lot of attention to for the first 180 years or so.

Dulin: Along those lines Curt, Ms. Kinsey is gone, but the two ladies here and the new members to the Council and to this committee, you all are doing as good a job as I've seen in boning up on what is going on in your due diligence. You all are quick on the uptick and I've been impressed with that, but we've been ramping down Storm Water and Transportation as we've been cutting budgets and Curt has asked his Key Business Executives to do that and they've done it with stuff like Storm Water and CMUD and Danny Pleasant, etc. are we now playing a little bit of offence with what we are doing instead of defense?

Walton: Yes, our strategy isn't complete yet, but it is time to play offense, particularly on the capital. The operating is lean, and we play offense there too in the critical areas, but I think across the board on the capital budget we've got to because the public process takes a long time so to get it going we've got to ratchet that up.

Dulin: The folks that we've got in play and it has taken us, has it been two years since Barry Gullett took over?

Walton: It will be two years in June.

Dulin: That is turning around an aircraft carrier and those bad boys just don't turn real quick. I'm pleased there, but is Barry capable of playing offense with what he's got now?

Walton: Absolutely. I think the issue with Utilities particularly and probably more so than anything else is how much less offense to play because development isn't occurring at the same rate that we had projected and we are going to have to make some assumptions about when the economy truly turns around and we need those capacities. The General CIP will take a long time. Water/sewer takes particularly a long time because to design a Treatment Plant can take 3 or 4 years. He is definitely capable of playing offense and it is at just what speed.

Harrington: Let's take a view of the proposed topics.

Barnes: To the committee, is there anything we are not including in Attachment 2 that you all think we should include?

Mayfield: This is more for clarification as I have some questions on some specific items in the budget. Are we actually going to go through this or is that a conversation for a later day?

Barnes: That would be a conversation for a later date. If there is time at the end and people want to do that we could certainly do that, but typically we do those full blown discussions at the Retreats. If there is something you want to talk about today and we have time today, you can do that.

Harrington: If I could I will tee up a little bit on the Public Safety Pay Plan Recommendation piece, and I'll invite our HR Director, Cheryl Brown to come on up. In your packet I included an excerpt from the Mayor's Efficient and Effective Government Review Task Force report, just the section related to the Public Safety Pay Plan. As many of you recall the Task Force puts out a variety of budget structure issues throughout the entire city and in particular they looked at pay and benefits compensation and within that the Public Safety Pay Plan. In a typical year that pay plan involved a 5% step and a 3% market adjustment so a typical year prior often times you would see about an 8% increase for public safety personnel who are in that particular step plan. Given where the economy is, where revenues are, one of the findings from the task force was that type of pay plan is simply unsustainable with where we are in the world today. From that the Manager charged HR and the two Chiefs that convene a committee to review other options for public safety pay plan, so an inclusionary approach of getting front line staff and the two areas and Cheryl is going to talk about that in just a minute. But a real collaborative process to engage staff so those are going to be rolled out in more detail next week.

Brown: We do have a great process for the public safety pay plan review. We hired an external consultant because we felt we needed an objectivities included in the review. The Chiefs were great, they very quickly appointed a committee, an equal number of Fire personnel and Police personnel and DeLane Huneycutt, who is our Compensation Manager, worked with the team in a great way. They really developed a relationship with DeLane and a trust in DeLane and looked to her to help to prompt some thinking for pay plan redesign. Our first meetings were in March and Curt addressed the group initially and they had lots of questions about the overall budget process. Ruffin Hall, the Budget Director at the time, was also part of the discussion so we were able to give him that information and they met several times and really for the most part the first few meetings were brain storming sessions. I don't know if you know Deputy Police Chief Katrina Graue and Deputy Fire Chief Rich Granger, they were the lead folks from the two departments to assist in the review so they were also part of the discussion. The consultant in August worked with the team to develop a salary survey so we went to the market to around 30 cities across the country and we surveyed the positions of Police Officer, Police Sergeant, Fire Fighter I, II, Engineer series and the Fire

Captain and we determined that we were a little bit low on minimums for Fire Fighters and Police Officer so the team worked to design a pay plan to make the adjustments to make us comparable with the market and we took that recommendation and subsequent recommendations to the Manager and we feel like we've got a great product. It was for the most part a very strong consensus vote by the members of the group and we had representative from both union and non-union representatives included in the review.

Barnes: On both sides, Police and Fire?

Brown: Yes, Police and Fire so we got a good cross section of information from those.

Barnes: Was it your impression or conclusion that the proposed plan is the same like beyond ten years?

Walton: I think so Mr. Barnes. The step plan that is something that is in the public safety industry and it is really, really important to them. We didn't expect to make a lot of headway there so the major component we knew going in wasn't going to change very much. What we did have issues with were the market adjustments that bumped it up too high and they made some major changes in my opinion for the good, the financial good, that I believe are going to be more sustainable. When I met with them last week one question was can I guarantee that this is going to be funded every year and the answer is no for anything in the budget. We just can't guarantee that, but I believe it is sustainable and something that we probably would want to look at on the periodic basis because it has been close to 20 years since we had really looked at it. I don't know if will last for ten years, but it should at least last for a good part of those ten years and I do think it is sustainable.

Fallon: Are the new people that will come into the Fire or Police going to be making more than people that have been there a couple of years because that is what's happening with teachers when they change the schedule. There are teachers that have been teaching for a while that are making less than brand new teachers. Is that going to happen with the Fire Department and the Police Department?

Brown: No Ma'am that should not occur and the only way that would occur if we were to bring someone in at a lateral level within Police who is an experienced officer from another part of the country. That is an established process in the Police Department, but they all started at the minimum of the range and then progress.

Fallon: What happened with the disability payments for the Fire Department? They have changed where they have to pay for their own when the City paid for it before.

Walton: No, there hasn't been any change to the disability that I know of. We changed Worker's Compensation to get them back to work faster.

Fallon: I understand with the disability if they paid for it themselves and they have a disability it is not taxed as income. If you pay for it is taxed as income.

Walton: I don't know what that is. It sounds more like Worker's Comp.

Brown: I can certainly look at that and try to figure out what we are talking about.

Fallon: I know it was something that bothered the firemen.

Kinsey: Are we keeping the step plan and just revising the compensation?

Brown: We are keeping the step plan and the way the plan has been structured for so many years is a 5% step and typically a 3% or 3 1/2 % to a 4% market adjustment. They wanted to focus the attention on those folks that are new that haven't benefited from those types of increase over the years so in the earlier parts of the range, from the minimum to the mid-point they are going maintain those 5% steps, but from the mid-point to the max they've dropped those back to 2.5%. That is going to be a way, in addition to a different way of applying the market adjustment, the change in how they administer the step plan is different.

Barnes: What will be the new starting salary for Police and Firemen?

Brown: The new starting salary for a Police Officer with a high school degree will be $40,073 and for a fire fighter with a high school degree with be $38,164. What is interesting about those numbers, the way the step plan was previously constructed, it was step 1, step 2, step 3, step 4, etc. and the new starting pay for both the Police Officer and the Firefighter was pretty much equivalent to what our step 4 was so in order to get where we got with our new starting pay, we just basically lopped off steps 1, 2 and 3 and made step 4 step 1.

Barnes: Can you tell me what the current starting is?

Brown: The current starting pay for a Police officer is $37,233 for high school and for a Firefighter $35,461. Those were rates that were set in FY11.

Kinsey: I know in talking with the Fire Chief that they really want to have somebody with a more advanced degree, do they still start at that?

Brown: No ma'am they sure don't and for several years now we've had in place if we have a uniform personnel to come with a two-year degree they start 5% higher

than someone starting with a high school and someone coming in with a four-year degree starts 10% higher than someone with a high school. Subsequently they go out farther by 5% or 10% of the end of the range.

Kinsey: If they come in with a high school and then get their degrees while they are Firefighters, are the bumped up?

Brown: Yes ma'am.

Kinsey: I know a lot of our firefighters do that two-year and four-year degrees and also our police officers too.

Brown: Absolutely, we've got a very well educated total on both the Police and Fire side. Some are going for their Masters now.

Kinsey: I'm not real happy about this, but how much are we paying the new Lieutenants from the Police Department?

Huneycutt: I think it is 7% higher than a top scale Police officer, a Sergeant.

Brown: It will be 7% higher than $79,297.

Huneycutt: It is 7% higher and the max of the Sergeant, which is $84,800.

Kinsey: There are a bunch of Lieutenants.

Brown: I think there are 39.

Walton: The same number of the response of the Commanders. They basically just changed the title.

Kinsey: The Response Area Commanders weren't making that much.

Brown: They actually did not get any pay increases to move from a Response Area Commander to a Lieutenant.

Kinsey: Explain to me with this new pay plan what the difference is, how much are we saving?

Barnes: We would like to know that Mr. Manager for the Retreat.

Mayfield: Going back a little bit to the current rate, those that were hired prior if they were at step 1 of step 2 they were automatically bumped up to the new step 4?

Brown: They will, yes ma'am.

Mayfield: But it hasn't kicked in yet?

Walton: It hasn't been approved yet.

Kinsey: It may cost us more this year, but in the long run it might even off.

Walton: There are some transition costs but it will still be cheaper than if we hadn't changed.

Dulin: I just want to bring up that business is booming at the Fire and Police Academy. We have more applications than we can handle at the Police side because it is a good career. On the Fire side we typically have more than 1,000 applicants per class and the class is 30 to 40 firefighters. We are not driving people away with low pay and long hours and danger. It is probably bringing, not the low pay, but the others are bringing folks in and the people we are getting we are able to pick the very best and we've really got some good kids out there. You will be hearing from the Fire folks and the Police folks but know what we have to offer them is a career that folks are moving toward, not away from.

Fallon: In this economy, as it gets better that won't happen. I understood from one or two people that they didn't get a raise when they went from Sergeant to Lieutenant. Is that a different pay scale or a different step or it just wasn't given to them and they just got the title?

Brown: They did not get a raise when they went from Sergeant to Lieutenant?

Fallon: It was Sergeant to Lieutenant, but it didn't have a raise with it.

Walton: There was an interim step because they went from being a Sergeant to Response Area Commander, and the Lieutenant took the place of that title so they wouldn't have gotten a raise because there wasn't anything different.

Fallon: It was just a change of title basically.

Brown: They've moved to Response Area Commanders last summer or two summers ago so they would have received an increase at that point and then they've been at that level when they went from Response Area Commander to Lieutenant there was no additional increase at that time.

Barnes: We are very interested in seeing a presentation about the Public Safety Pay Plan because most of our operating budget goes to Police and Fire and it is our responsibility to try to figure out how to pay people well, pay them fairly and also

maintain the financial health of the City so that we are not spending every single dime that we have on the Police and Fire and nothing else, so we have the best Fire Department and the best Police Department in the world and everything else is shabby. We appreciate that and I look forward to seeing more about it.

Fallon: Did their benefits package change? It didn't go up and they don't have to pay more?

Walton: That is not determined yet. You mean like health insurance?

Brown: We will have a recommendation at the April 11th meeting if we are going to make any changes. We don't have that yet.

Walton: All employees are in the same package.

Dulin: Which includes us. If you are on the City's health insurance we fluctuate and everybody is in the same boat. There is nothing special.

Kinsey: I've made this comment before and I'll tell it to anybody. We've got the best the Fire Department and Police Department as far as I'm concerned in the Country and people come to work for us.

Barnes: I did some secret shopping like Mr. Dulin does among Police and Fire and go by the stations and stop in and talk and most of them say it would be nice to get a raise, but they will say I would not turn down my career at CMPD or CFD for any other place.

Kinsey: There have been fire departments that have had to close down and fire their employees. We didn't have to do that and I think we are fortunate.

Mayfield: Even though there is no one in there representing the CMPD I did have the opportunity to attend the last graduating class and listening to the promotions and listening to the accreditations as far as receiving their Masters, working on their Bachelors and watching the pride of the family and the officers as they were promoted and were able to go up on the stage and looking at their children and seeing the pride in them, as you said these are the careers that people look forward to being a part of. These are the salaries, but I do agree we need to balance this out to a place where we can sustain it going forward and not have to keep revisiting this every 3 to 5 years.

Fallon: I do what you do Michael, I talk to a lot of the police and the firemen and when they got the raise to Lieutenant what they said to me was, it doesn't matter that we didn't get the money, we're not unhappy. Where most people say I want the money, they don't feel that way, but I think it is because they feel they are

really a part of the community and they know that if taxes have to go they are going to pay them too.

Barnes: That is what I was going to ask you about. Was the residency requirement successfully implemented by Chief Hannan and Chief Monroe?

Walton: You all have to approve that and we haven't brought it to you yet.

Kinsey: When is that coming?

Walton: Sometime this spring because they would like for it to be effective with those hired after July 1. Whether we bring it as part of the budget or whether we bring it separately, sometime this spring.

Mayfield: So the others will be grandfathered in if they live outside the limits and this would just be moving forward after July 1?

Walton: All existing Police and Fire.

Kinsey: Also Chief Hannan really wants to begin recruiting out of high school, and getting high school students involved to encourage them into a career.

III. <u>Discuss Possible Community Budget Meeting</u>

Harrington: Back at the second Business Meeting in January Mr. Barnes brought up with the full Council about possibly exploring this area and I characterize that as a referral.

Barnes: The idea was that because this budget is going to be far reaching and fairly bold, it might behoove us to have some time with the public. We have a fairly broad impact on what happens in Charlotte so what I thought about it and I wanted to get your thoughts on having one big meeting in the Chamber or one meeting in the northern part of the City or southern part of the City, some way to say to the general public, the committee is working, Council is working and we are going to have a fairly bold budget for 2013, please come share your thoughts. The concern I have is that it turns into one of those free for alls where you get the school issues and you get the Iraq war stuff and all those issues that aren't really related to our operating and capital budgets. We could make sure it doesn't become a security issue, but I wanted to hear your thoughts.

Mayfield: Is there a possibility of expanding that thought as far as the District Representatives with upcoming town hall meetings that they have and wanting staff to come in along with the larger one, but that way it gets closer in the community, for example, I'm looking at my first town hall meeting on March 24th.

I had already reached out to the staff in the Budget Department so this would be great information until we plan that March one for us to have the meaning conversations.

Barnes: In years past I have invited Ruffin to come my town halls which I think is fine. The idea for this agenda item was to have the five us there in addition to staff.

Kinsey: And not the whole Council?

Barnes: Obviously, we would invite them all, but since we are the appointed members of the committee. But again I'm open to whatever thoughts you all may have. I thought it may be useful to get public input directed to this committee.

Dulin: Can you describe to me your definition of fairly bold?

Barnes: For example, Mr. Dulin we know that we have some fairly substantial infrastructure deficits from a road perspective, from a sidewalk perspective and it may be necessary for us to strategize how we as a City, north, east, south and west figure out a way to address some of those needs. Now is the time to do it because as you know we've got about $5 million in bond capacity left and so we are going to have to make a decision about whether we do one more road and keep things as they are for the next 20 years or whether we say we are going to try to address a number of issues all over Charlotte and move the city forward. What I'm saying to you is that I think the budget will impact all parts of the City and I think it will impact all parts of the City in various ways. There are some significant capital deficiencies, for example farm to market roads. I've got a ton of them in my area, there are some out toward Dixie River so there are number of infrastructure deficits that we hope to address, paying for the new pay program for Police and Fire will be an issue that we will have to confront in some fashion. If we are going to ask people to deal with paying more taxes or losing some services, I wondered whether it would be a good idea to have that discussion with the public.

Fallon: If you do Michael, to expedite it, why don't when you send out the notice you say these are the topics to be discussed so they don't come with schools and everything.

Barnes: I would define the subjects.

Dulin: Every budget meeting we have is open to the public and we advertise them to the media and to the public and they are welcome to come.

Barnes: So we shouldn't plan to have it at the Morrison Library?

Dulin: There is not enough room, but I'm all for community meetings and town halls but the town hall you can easily add a budget agenda on there. You don't have to have a separate meeting, and I don't have one planned for the spring, I probably should, but those of you who have town halls planned, you go over the Police and everybody wants to know how come somebody kicked in Jim's door next door. You want to go over the Police, the fire, the storm water, the transportation needs, add the budget, but it will be the least interesting to all of them. They are more interested in what they are doing at Animal Control and why some stupid dog keeps jumping out of Jim's backyard.

Kinsey: I think if this was done, it would have to be after we have an idea what the budget will look like because I understand your comment about the boldness of it, but you probably would need a tax increase to pay for it but we don't know that so how far are we willing to go out and say this is what if we did this you would get this, this, this. These are our plans and are we ready to do that? I think it would be rather late in the process for capital improvement budget.

Barnes: Right, Ms. Kinsey and I think in terms of time frame it would be after the full Council hears the basics of the CIP and gets an understanding of what would be proposed in the CIP. It would not be something that would happen in March, more likely in late April. I'm hearing enough reservation from the committee not to try it and believe me I don't want to force that and I think if folks want to do it at the town halls and have Mr. Harrington show up that is fine. I don't want to force it on you guys, I just thought maybe this was the time to do it.

Kinsey: I don't have town meetings, but I go to all the neighborhood meetings. No-one comes to a town meeting so that wouldn't work for me. Frankly, I think if we are going to do it, it needs to be the full Council because the full Council votes on the budget.

Barnes: The reason why I talked about doing it as a committee is I would not want to say that we are having a City Council meeting at the University City Library or at the Harris Y.

Kinsey: Alright do it here.

Barnes: Then it becomes a matter of having the regular public hearing on the budget. In other if we are saying it is going to be full Council and the Mayor and we are going to do it at the Government Center we might as well just wait for the public hearing and you know how that can be for the budget.

Kinsey: Don't we do that on a regular meeting night, so if we are getting rid of the first Monday night meeting, just do it on the first Monday.

Barnes: What I'm saying is there is already a public hearing on the budget set into place.

Kinsey: Well, in lieu of that maybe do it. I'm just saying if you want a lot of input we don't get very much input on a regular board meeting and if we start getting a lot of input and we are here all night.

Mayfield: With more clarification I like the idea that you just mentioned with that Monday because I do think we need to have an opportunity for the community to be educated. A 12:00 noon meeting is extremely difficult. Think of all of us around the table and how difficult it is to make it here so it would be difficult for the community to really be a part of this meeting. Going back to my fellow Committee member and saying we already have it and no-one is here, it is difficult for the community to be a part of that, but I do think we will have support because at the end of the day the first thing I hear is questions about our Police and Fire. You are right the question is going to come up regarding Occupy and how much was allocated because we are in charge of that budget. I think it would be a great idea for us, the Committee to have an evening meeting on that Monday.

Barnes: I guess I failed to do one thing and that is to say that it would be a defined agenda, but it won't be a free for all, one where you could come and talk about Occupy Charlotte and the dog in Jim's back yard, nothing close to that.

Mayfield: You know the Occupy people were here because of the Police. What was printed in the paper was that X number of dollars was spent on this piece and people just have an idea, here is the agenda and this is what we will talk about.

Barnes: I'm fairly good at telling people that we are not going to chasing that rabbit, we are here to talk about the new Police Division Office, not about what some officer did.

Mayfield: I like the idea Ms. Kinsey and I'm okay with the Budget Committee, not the full Council, but that Monday.

Fallon: I think we need to get out in the communities because people in our area don't come down here and they are always saying there is no transparency, they don't know what is going on. I think you have to get out into the communities. You said something that I can't believe; we only have $5 million more on bonds for all of Charlotte?

Barnes: The 2006 tax increase funded a bond referendum in 2006, 2008 and 2010. There is only $5 million in revenue left to finance another bond referendum.

Fallon: When do we pay off the next one?

Walton: Most of it is either 20 or 30 year, depending on the rates. We will be paying off like in 2010, maybe something we borrowed in 1990 and that is factored into the $5 million.

Fallon: That is a little bit of money for the whole of Charlotte.

Dulin: What happens to that staff if we quit building roads?

Walton: The staff would have to go away. In 2006 we didn't have a referendum in 2004, we went to 2002 so we had to make pretty hefty reductions in engineering and C-DOT and those places. We would do that again if we are not to have a capital program.

Fallon: Who fills the potholes?

Walton: Street Maintenance. That is part of the operating budget.

Fallon: I know you know that the refuse guys are organizing. Is that factored into the budget too?

Walton: No, because we don't deal with unions by State law so they can organize, but it is just another piece of information for us.

Fallon: You better be careful because you know everything can get privatized too, and then you are all out.

Barnes: If I might Ms. Fallon, in years past we've had Solid Waste Service Employees come to us during the budget cycle and asking for increasingly higher raises. They are some of the lowest paid people who work for us and we have tried to address it. We started under Pam Syfert trying to address it and tried to increase the minimum and people were still concerned. We will see that so be prepared for it.

Dulin: This is an open meeting today and nobody is here, but these budget workshops coming up, starting next week, the media will be there and we'll be in Room 267 and there will be spectators there and people will be watching what goes on there. This is a prelude to that, but these standard ones that will be picked up. I don't know how we advertise those to the general public so people could come down and listen, and if we do that we ought to give them what is on the agenda for that night so they don't miss it. It is a 3 or 4 topic series that we've got going on and we don't cover the same thing. The Fire, the Police, the EU 150 is the Sanitation folks and they will all be coming and you will hear from each of them.

Barnes: They come very respectfully. I've never had them come and not be respectful.

Fallon: Curt, didn't we privatize Sanitation for a while?

Walton: Yes, we've gone through a number of different iterations and our current system is City forces pick up garbage and yard waste and bulky items and we completely privatize recycling.

Fallon: Why did we take away the regular pick-up from privatizing?

Walton: They defaulted. BFI got the first contract in the south and I think it is a five-year contract and after the fourth year they threw up their hands because they couldn't meet their costs so we took it over. We privatized other areas and ones which are currently doing the recycling have had pieces of the City and we kind of help grow that company over the years. They did an okay job on garbage collection and they've done a really good job on recycling.

Dulin: We were at one point one vote away from privatizing the entire east side of Charlotte for Solid Waste collections and this has been since Michael and I have been on Council and that vote failed that night so the City has continued now the whole City and we were saving money by we've changed the way the lines are drawn for the pick-ups and then by privatizing the recyclables, which I think has worked fabulously and we worked on that for 2 ½ years so it didn't just happen. I couldn't be more happy about that big chunk of privatization and I don't mind looking at more of it for savings and getting stuff into the private sector, but you get push back from the garbage collectors, what they were saying at the time when we were going to do the east side, during budget season they come and complain about their low wages and you start talking about privatizing they say no, no, no, we love our City job because the City comes with different perks and the private sector doesn't. We were telling them there were going to be plenty of jobs available, you are just going to work for a different company it is just not going to be government, but they love that city paycheck. The folks that are doing the recyclables are coming through with their part of the bargain.

Kinsey: I voted against privatizing for the east side, but with this new system, we may not be saving a lot of money, but we're not spending any more money with our pick-up since we've taken over everything within the City for the garbage, yard waste etc. Hasn't that been economically satisfactory?

Walton: We are saving a lot of money on both.

Kinsey: I remember the private company and that wasn't very satisfactory.

Walton: No, they were speedy and they stuck to the ordinance, so if there was a bag setting beside the garbage they didn't get it and they weren't suppose to, but we do.

Kinsey: We had to go back and get didn't we?

Walton: Right, we went to get it.

Barnes: And we're projected to save $40 million over the life of that recycling?

Walton: Yes and participation is way up so it has gone very well.

Harrington: Did I hear you talk about an earlier meeting instead of what we would have had on Monday, a Workshop?

Barnes: To that point does the Committee want to have a separate community meeting or just stick to the normal process with the full Council, the full public hearing with the full Council. Is that the pleasure of the Committee?

Mayfield: I like the idea of a community meeting.

Fallon: Me to.

Kinsey: Well, I don't have town meetings and I don't need to because nobody comes. I just as soon stick with what we are doing now.

Dulin: I concur with Ms. Kinsey.

Mayfield: I'll remove mine and I will focus on adding it to my community meeting.

Barnes: So we are on for next Wednesday at 3:00 in 267. I know you all sent out a reminder to the full Council, but I'm going to send out something as well asking people to be here so we can start on time.

Fallon: We have an Ethics Fair at the University. They will let us go early and give us our certificate I understand, but we may not be here exactly at 3:00. It may be 3:15 or something, so you know we are coming.

Dulin: What is it?

Fallon: You have to take a two-day ethics fair and get a certificate.

Barnes: No I didn't.

Kinsey: I think they work it into some other meetings.

Powers: Per State Law you are required to actually be at this class after every election. So after you are elected to a position in the State of North Carolina, you are required to do an ethics class. There may have been a training class in the Government Center at one time, but I know that you are required to take that ethics training.

Barnes: I'm on the Governor's Crime Commission and we have to take this ethics course as part of that. I'm doing it on line, do you know if that is any way related?

Powers: I'm not sure whether or not that would count for your local government ethics.

Mayfield: We might want an answer to the process to insure that all of us are in compliance.

Barnes: No.

IV. Set Future Committee Meetings

Harrington: In the light of Attachment 5, I'm going to bring before you some special opportunities for your future meeting dates. We've got two retreats, the March 21st and April 11th Retreats that we would meet and on the first option there for the March 21, the preparation for that Retreat, four options there and one of the things I will point out on the first option, No meeting, that is something that the Committee could consider. At this particular point we are just planning for the general capital investment plan would be the only discussion item for that Retreat. The material won't be ready prior to that so it is up to the committee as to whether or not it wants to meet, but I'm not sure how much we have to talk about.

Barnes: It doesn't seem like it would be useful.

Kinsey: Which date is that?

Harrington: The Retreat on the 21st.

Barnes: And it is in preparation for that Retreat. Would you all prefer Option 1 which is no meeting in advance of the March 21st meeting?

Dulin: I move in the affirmative for that.

Kinsey: Seconded.

Barnes: So no meeting?

Harrington: For the final Budget Retreat on April 11th, the prep meeting for that there are four options there. The first option follows a HAND Committee and you can see two options there for March 28th and then two for the following Thursday, March 29th.

Dulin: I have on my calendar an 11:00 North Carolina League Legislative meeting here in the Government Center in Room 280 on April 11th.

Barnes: I think we could find another room, but I think it would be either 1:30 or 3:00. Would you all prefer to have the advance meeting on the 28th or 29th of March? The 28th is HAND at12:00. Could we say 1:30 on Wednesday. It would either be at the end of HAND or it would be our first Committee meeting that day.

Dulin: And we will be doing what that day?

Barnes: We will be prepping for the April 11th Budget Retreat.

Dulin: It is possible that I will have to miss, but please do not cancel because of my conflict.

Barnes: We've got four minutes. Is there one question Ms. Mayfield, you would like to ask about the budget Ms. Mayfield?

Mayfield: I will pull one. Neighborhood and Business Services. We are looking at the budget where the anticipated increase, as staff was reduced I'm trying to figure out what the increases were and if some of those funds could be reallocated to one of the other places where we have a shortfall.

Looking at this in year 2011 $11,709,680 with a vote to $11,915,587 and then a big jump from $11,915,587 to $11,967,000. I'm just trying to wrap my mind around what this anticipated growth is going to be used for opposed to it staying where it is if we reduce 8 staff and those as far as being allocated somewhere where we are obviously going to have a shortfall if we only have that $5 million.

Barnes: That is a Budget Retreat discussion or follow up with Mr. Harrington.

The meeting was adjourned at 1:26 p.m.

Attachment 1

Budget Committee Charge
(Revised January 2007)

City Council's Budget Committee was established in 1996 and modified in 2007 with the following charge to guide the budget process:

- Recommend an annual calendar and process for review and approval of the budget
- Review major budgetary issues and options prior to the half-day budget retreats
- Provide feedback to the City Manager regarding the agenda and agenda items to be addressed at budget retreats
- Make recommendations on referred items from Council at the budget adjustments meeting prior to straw votes; and
- Make recommendations on referred items throughout the year to the full City Council

The goals of the Budget Committee are:

- Provide early and formal communication:
  - Between City Council and Staff;
  - Among Council Members; and
  - Between City Council and citizens
- Provide more time for policy development
- Provide more time for Council review of budget materials
- Facilitate Council's budget decision-making process between budget adjustments and straw votes
- Provide for a more public process

Attachment 2

City of Charlotte

February 29, 2012
3:00 p.m. – 6:00 p.m.
Room 267

-DRAFT-

		Page	
I.	**Introduction**		Curt Walton
II.	**Property and Sales Tax Revenue Update**		Greg Gaskins
III.	**CATS Budget**		Carolyn Flowers
IV.	**Storm Water Budget**		Jennifer Smith
V.	**Public Safety Pay Plan Recommendation**		Cheryl Brown
VI.	**Financial Partner and Outside Agency Funding Requests**		Randy Harrington

Additional Information

- Questions & Answers from February Council Retreat

Distribution: Mayor and City Council
Curt Walton, City Manager
Leadership Team
Key Business Executives
Budget and Evaluation Staff

Future Budget Retreats and Possible Topics

- March 21, 2012 Budget Retreat
    - Draft General Capital Investment Plan (CIP)

- April 11, 2012 Budget Retreat
    - Draft General Capital Investment Plan (cont.)
    - Utilities Budget and Rate Increase
    - Compensation and Benefits
    - Property and Sales Tax Revenue Update
    - General Fund Update (including Multi-family Collection)
    - Other topics identified by City Council

V. Findings and Recommendations
b. Structural Budget Issues

Public Safety Pay Plan

The Task Force spent a significant amount of time reviewing potential long term budget structural issues related to employee compensation and projected revenues. One of our most notable findings is that the current structure of the Public Safety pay plan is unsustainable for the future. Current forecasts predict that the cost of the Public Safety Pay Plan will be significantly larger than available revenues in the future. Because the costs of the plan are growing faster than revenues, the existing structure of the Public Safety Pay Plan is likely to lead to budget deficits beginning in FY2013. If actions are not taken to change the growth rate of this pay plan, the size of the annual deficits will continue to increase in the future.

Historically, the City has managed this differential rate of growth between expenditures and revenues by cutting the non-Public Safety sections of the General Fund operating budget or using service delivery savings to balance the bottom line. For example, budget savings resulting from changes to Solid Waste service delivery through managed competition helped balance the General Fund – including covering the increased costs in Public Safety. Given the demands for service in the other areas and the prior year budget cutbacks, the Task Force does not believe depending on more budget cuts or more service delivery efficiencies to fund Public Safety is a sustainable long term strategy.

For clarification, the Task Force believes that Public Safety is one of the most critical priorities for the City and provides tremendous value to our citizens. We were impressed with the professionalism, sophistication and quality of Public Safety from our limited opportunity for review. Our findings and recommendations make no comment on the value or priority of Public Safety services since that was not our charge. Our charge was to examine the City's budget for any budget structural issues over the long term. So, while our findings and recommendations speak to the budget impacts of the Public Safety Pay Plan, they in no way suggest that Police and Fire are not a high value or priority for the City.

Our review of the structural deficits resulting from the Public Safety Pay Plan covered several categories:

- Property tax as a stable revenue source;
- Structure of the Public Safety Pay Plan;
- Current benefits for Public Safety employees;
- Rate of salary growth between Broadbanding and Public Safety Pay Plan; and
- A comparison of salary and benefits to future projected revenues.

Finding #7: The current Public Safety Pay Plan is financially unsustainable without large budget cuts or increased taxes. Minor changes to the Public Safety Pay Plan will only delay the onset of the deficit but will not solve the problem.

Revenues – Stable Property Tax

The main revenue source for the City's General Fund is the annual property tax. Real estate has historically remained relatively stable in the Charlotte-Mecklenburg region. Charlotte home values over the last thirty years have experienced tremendous growth, although the last three years' property values have taken a hit due to the slowdown in the economy. Currently, little permit activity suggests little growth in FY2011 & FY2012. Property reassessments occur periodically (at least every 8 years) making FY2012 the next opportunity for property reassessments.

For the City's FY2011 budget, property tax revenue makes up 64.3% of General Fund operating revenues. The General Fund is used to pay for police, fire, solid waste, transportation, technology, and other services. During FY2011, 64.6% of General Fund expenditures were for public safety. So, public safety is effectively funded by the property tax.

The stability of the property tax revenue for the City of Charlotte enables us to forecast future revenue with a high degree of confidence. The budget forecasts used in this report assumed a five year property tax growth rate of 1.5% as recommended by City staff.

In the past decade the annual growth rate averaged 3% net of annexation. In the turn of the century decade, there was substantial growth in the urban core as well as a residential and commercial real estate boom. That development boom has completed and the City is seeing declines in real estate values, falling automobile and personal property values and major declines in applications for building permits. The property tax base will grow in any given year by 0 to 5%. Based on current conditions and projections for the next few years, City staff does not expect to see a great deal of new value coming on the property tax rolls. Even with a strong rebound in the future, several years of very low growth would keep the average low.

The Task Force examined property tax growth rates higher than 1.5%. Even with a higher revenue growth assumption of 2%, the more aggressive assumption did not materially impact the outcome of the budget forecast used in the comparison of salary to revenue growth section. The forecast was still negative beginning in FY2013.

Other factors that indicate an estimate on the lower-end of the range are as follows:

- the higher the tax base, the higher the value has to increase to get a percent change;
- areas available for annexation are diminishing (growth rate quoted is net of annexation); and
- the trend toward to smaller, low cost/fuel efficient automobiles.

Public Safety Pay Plan structure

The City uses two pay plans for employee compensation – Broadbanding and Public Safety Pay Plans. The Broadbanding Plan compensates employees with annual merit pay increases based on an individual employee's performance. The merit increase has ranged from 2% to 4% over the past fifteen years (Appendix B). The majority of City employees, including 23.7% of Police employees and 13.8% of Fire employees, are compensated by the Broadbanding plan.

Members of the Police and Fire department who are compensated by the Public Safety Pay Plan receive an annual step adjustment or increase to their salary plus a market adjustment. Those employees at top step receive only the market adjustment. In FY2011, 76.3% of all Police Department employees and 86.2% of all Fire Department Employees were in the Public Safety Pay Plan (see Appendix C).

Over the past fifteen years (with only three exceptions), the step salary adjustment has been 5%. A typical market adjustment to the Public Safety Pay Plan has been about 3%. (see Appendix B). Thus, using those numbers as an example, an employee in the Public Safety Pay Plan not at top step would receive an annual adjustment of 8% (5% step plus 3% market adjustment). For employees in the Public Safety Pay Plan at top step, they would receive just the market adjustment of 3%. For FY2011, approximately 36% of sworn Police positions in the Public Safety Pay Plan are at top step while almost 60% of sworn Fire employees in the Public Safety Pay Plan are at top step. (see Appendix C)

The philosophy of the Public Safety Pay Plan is based on the use of step increases until the Public Safety employee reaches the top step and thus is fully trained in the position. The result is that a Public Safety employee's rate of salary growth is typically faster than other entry level City employees.

Public Safety employee benefits

The Task Force reviewed the budgetary impacts of the benefits available to employees in the Public Safety Pay Plan. One of the largest benefits to public safety employees is a state mandate that entitles sworn law enforcement officers to a "separation allowance" payment until age 62 as a bridge from City retirement until Social Security. Additionally, local governments are required by State law to contribute 5% to the employee's 401(k) for sworn Police – approximately $5 million for FY2011. For the FY2011 budget, the City contributes 2% to 401(k) for Fire and all other non-sworn employees – approximately $5.2 million in the General Fund for significantly more employees.

These two items contribute to a higher budgetary impact for sworn police employees as compared to all other City employees. For the City of Charlotte, Firefighters have their own retirement system and do not participate in State retirement or Social Security. For comparison purposes, the estimated benefits amount of "full retirement" (30 years of service) for sworn Police is 90% of final gross income, for sworn Fire it is 78% and for all other City employees it is 55%. Please see the next table for a comparison of benefits.

RETIREMENT BENEFITS COMPARISON

	N.C. Local Governmental Employees' Retirement System (General Employees)	N.C. Local Governmental Employees' Retirement System (Law Enforcement Officers)	Charlotte Firefighters' Retirement System
Eligibility Criteria for "Full Retirement"	- 30 years of service, or - 25 years (age 60), or - 5 years (age 65)	- 30 years of service, or - 5 years (age 55)	- 30 years of service, or - 25 years (age 50), or - 5 years (age 60)
Eligibility Criteria for "Early Retirement"	- 20 years (age 50), or - 5 years (age 60)	-15 years (age 50)	- 25 years (before age 50)
Benefits Formula for Basic Retirement System	1.85% of "average final compensation" (highest 48 consecutive months) TIMES years and months of service	1.85% of "average final compensation" (highest 48 consecutive months TIMES years and months of service	2.6% of "final average salary" (highest 24 consecutive months) TIMES years and months of service
Average Benefit Amount for "Full Retirement" (Assuming 30 Years of Service)	Approximately 55% of final gross income with 30 years of service	Approximately 90% of final gross income (including 401k and Special Separation Allowances mandated by State) with 30 years of service	Approximately 78% of final gross income
Contribution Rate (As a Percentage of Pay) to Basic Retirement System	City - 6.35% (+7.65% for Social Security) Employee - 6% (+7.65% for Social Security)	City - 6.41% (+7.65% for Social Security) Employee - 6% (+7.65% for Social Security)	City - 12.65% plus 1.45% for Medicare Employee - 12.65% Note: Firefighters are not in Social Security System
Contribution Rate (As a Percentage of Pay) to 401(k) Plan	City - 2% Employee - Voluntary	City - 5% (mandated by State) Employee - Voluntary	City - 2% Employee - Voluntary
Other City-Funded Sources of Retirement Income	None	Special Separation Allowance mandated by State-City must pay eligible law enforcement officers monthly benefit to age 62*	None
Benefits Adjustments to Retirees	Possible adjustment to monthly allowance, based on actuarial gains from investments	Possible adjustment to monthly allowance, based on actuarial gains from investments	Possible adjustment (lump sum, once per year), based on actuarial gains from investments

*Special Separation Monthly Amount =.85% of base monthly compensation times years of creditable service

Updated 10/2010

The comparison of benefits listed above does not include estimates for overtime or opportunities for off-duty pay as potential sources of supplemental income for Public Safety employees.

<u>Finding #8</u>: The Task Force finds that the benefits available to employees in the Public Safety Pay Plan contribute to a higher budgetary impact for sworn Public Safety employees as compared to all other City employees.

<u>Rate of salary growth</u>

A comparison between the Broadbanding and Public Safety Pay Plan reveals a higher rate of salary growth (on average) for entry level Public Safety Pay Plan employees. The philosophy of the Public Safety Pay Plan is based on the use of step increases until the Public Safety employee reaches the top step and thus is fully trained in the position. The result is that a Public Safety employee's rate of salary growth is typically faster than other entry level City employees such as Solid Waste Equipment Operator, Automotive Parts Technician, Water Service Technician and Street Crew Members (among many examples).

Over the past 15 years, the average budgeted increase for Broadbanding increase has been around 3 to 4%. For Public Safety Pay Plan, the budgeted increase has been between 2.5 to 10% depending on if the employee is at top step. Please see Appendix D for an illustration.

In the past, the City's budget has managed this differential rate of growth under limited resources by cutting the non-Public Safety sections of the General Fund operating budget or using service delivery budget savings to balance the bottom line. For example, budget savings resulting from changes to Solid Waste service delivery through managed competition helped balance the General Fund – including covering the increased costs in Public Safety. Given the demands for service in the other areas and the prior year budget cutbacks, the Task Force does not believe depending on more budget cuts or more service delivery efficiencies to non-Public Safety programs in order to support Public Safety services is a sustainable long term strategy.

Comparison of salary and benefits to projected revenue growth

The Mayor's charge to the Task Force included direction to "examine long term sustainability in the context of future revenues". The Task Force asked City staff to run several simplified expenditure to revenue projections to help determine whether the existing Public Safety Pay Plan was sustainable.

For revenues, staff used the following revenues in the projections:

- General Fund property tax (37.73¢ of the City's 45.86¢ property tax rate);
- the Law Enforcement Service District (LESD) Tax;
- Revenue from Charlotte-Mecklenburg Schools;
- Public Safety grant revenue (including federal stimulus funding).

For FY2011, property tax represents approximately 64.3% of the City's General Fund revenues while Police and Fire represent approximately 64.7% of the General Fund expenditures. Since Police and Fire represent the City's most basic General Fund services, the projections assumed property tax would be the primary revenue source when looking at the projection.

For revenues, each of the five year projections assumed the following:

- 1.5% growth per year for property tax as recommended by City staff;
- No annexations;
- A constant property tax rate (meaning no adjustments as part of property revaluation);
- A constant ratio for the Law Enforcement Service District (LESD) tax;
- The decline in federal stimulus funds for the additional 50 police officers; and
- Increased revenue from Charlotte-Mecklenburg Schools based on the City's proposal of moving to payment of 80% of 100% of fully allocated costs for School Resource Officers.

For expenditures, each of the five year projections assumed 0% growth in operating costs for FY12, 0.5% growth for FY2013 and 1% growth FY2014 through FY2016. The projections assumed no increases the number of Police and Fire staffing (i.e. no additional Police Officers). The salary and benefit expenditures were projected based on different assumptions to determine various projected budget gaps.

The Task Force examined multiple versions of the five year Public Safety projections. For illustration purposes, two are presented below. Changing the assumptions around Public Safety steps, Public Safety market adjustments, Broadbanding pay, and revenue growth projections (specifically property tax) impacts the budget gap but does not eliminate the projected budget deficit without significant changes.

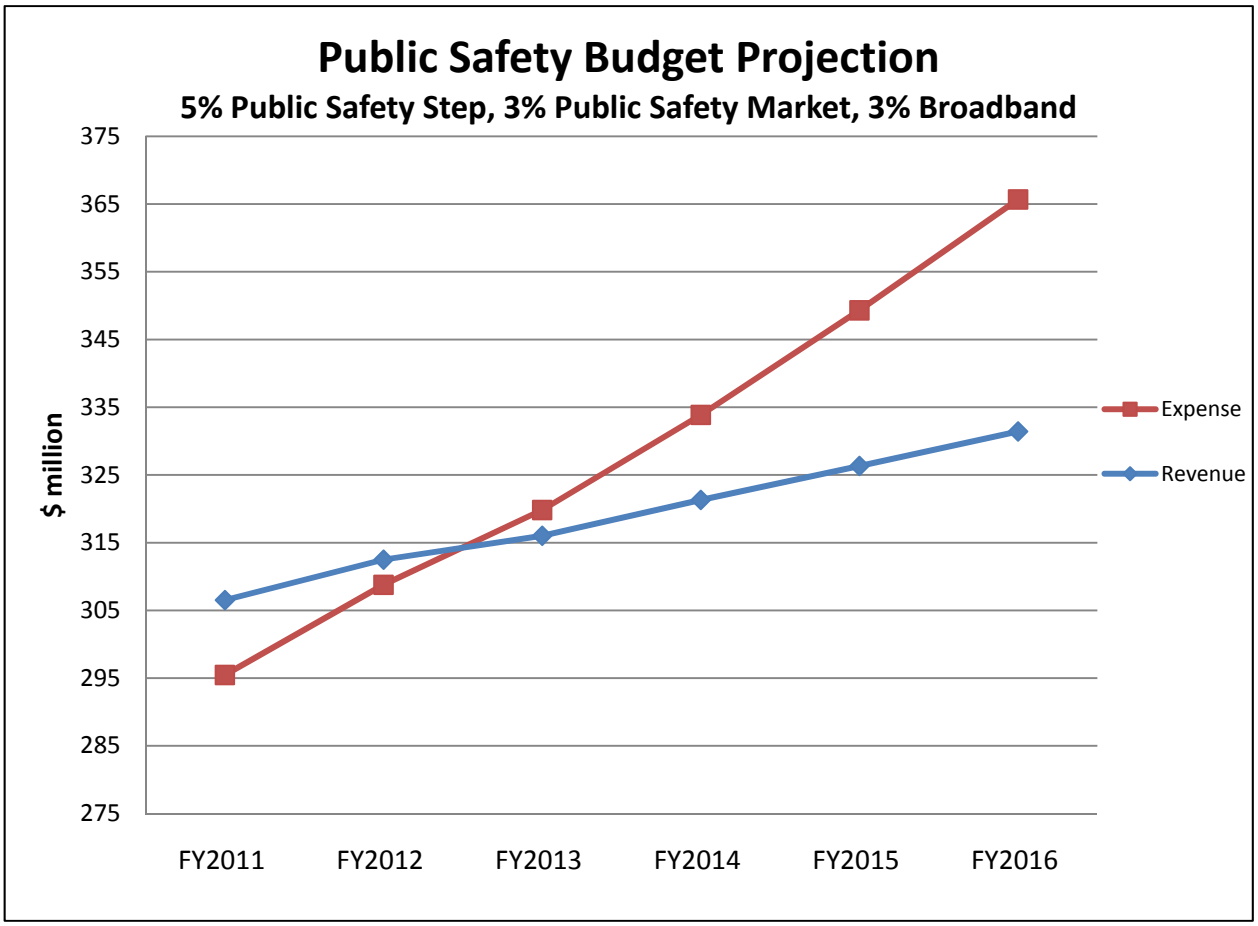
It is critical to note that while changes to certain assumptions might reduce the deficit in any specific year, these changes only delay the onset of the deficit. Unless the growth rate of the Public Safety Pay Plan is reduced, this plan will result in a significant budget deficit at some point in the future.

Please note, these projections are intended to serve as simple illustrations of potential future budget issues, not as a replacement of the formal budget projections conducted as part of the City's annual budget development process.

Finding #9: The Task Force determines the growth rate of salaries in the Public Safety Pay Plan exceeds the growth rate of available resources and will lead to budget deficits for the City. Even reasonable assumptions for economic recovery do not solve the budget sustainability of the Public Safety Pay Plan.

Chart 1 - 5% Public Safety Step, 3% Public Safety Market, 3% Broadband

This chart reflects a compensation plan of a step 5% step increase for eligible public safety pay plan employees on their annual review date, 3% market increase for all public safety pay plan employees on a common date at the start of the fiscal year, and 3% broadband increase for all other non-Public Safety Pay Plan (i.e. Broadband) employees on their annual review dates, staggered throughout the year. These assumptions closely mimic the historical rates of increase for the Public Safety Pay Plan.



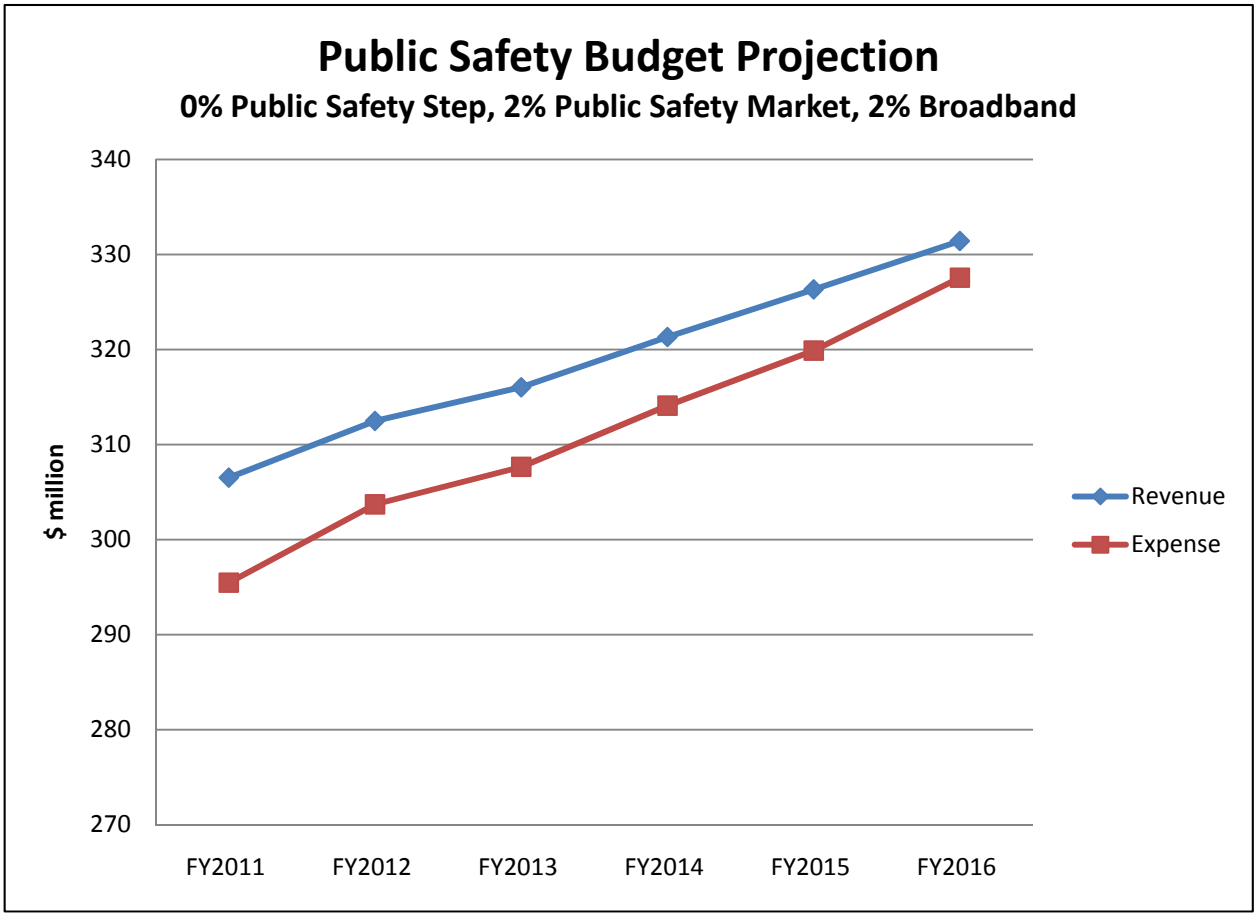
Public Safety Budget Projection

$ in millions	**FY2011 Budget**	**FY2012 Projection**	**FY2013 Projection**	**FY2014 Projection**	**FY2015 Projection**	**FY2016 Projection**
Revenue	$306.52	$312.49	$316.03	$321.31	$326.33	$331.42
Expense*	$295.47	$308.78	$319.82	$333.86	$349.31	$365.68
Difference	$11.05	$3.71	-$3.79	-$12.55	-$22.98	-$34.26

**personnel and operating*

Chart 2 - 0% Public Safety Step, 2% Public Safety Market, 2% Broadband

This chart reflects a compensation plan of 0% step, 2% market increase for all Public Safety Pay Plan employees on a common date at the start of the fiscal year, 2% merit increase for Broadband employees on their annual review date.



Public Safety Budget Projection

$ in millions	**Budget FY2011**	**Projection FY2012**	**Projection FY2013**	**Projection FY2014**	**Projection FY2015**	**Projection FY2016**
Revenue	$306.52	$312.49	$316.03	$321.31	$326.33	$331.42
Expense *	$295.47	$303.72	$307.66	$314.10	$319.89	$327.56
Difference	$11.05	$8.77	$8.37	$7.21	$6.43	$3.86

** personnel and operating*

Other Public Safety budget findings
The Task Force reviewed several other components of the Public Safety Budget to develop our findings and make our recommendations.

Recruitment and retention - The Task Force recognized the importance of recruiting and retaining the best people possible for public safety positions. And we understand the role that the Public Safety Pay Plan plays in recruitment and retention. However, as illustrated in Appendices E and F, Police and Fire have a low rate of turnover and currently a high number of applicants for entry level positions. The voluntary turnover rate for Public Safety is 1.2% compared to 3.2% for Broadbanding. Police recently had 1,550 applicants for 111 positions while Fire had 1,569 applicants for 90 positions. Also, the separation allowance and mandatory 5% contribution to 401(k) for sworn law enforcement give an additional benefit to recruitment and retention of Police Officers.

Appendix G shows the current market rates for Police and Fire as the final comparison data point for recruitment and retention.

Finding #10: As part of the review, the Task Force considered the issues of recruitment and retention with the Public Safety Pay Plan. For Public Safety, recent voluntary turnover rates are 1.2% and applicants have submitted over 1,500 applications for approximately 100 vacancies each in Police and Fire.

Benchmarking - The Task Force reviewed a large amount of benchmarking data for Police and Fire to determine if current resources or staffing were out of alignment with other comparable Cities. While Public Safety could certainly use additional resources to better address citizens' demands for service, we found that staffing levels were appropriately comparable to other N.C. and national cities (see Appendices H and I). The Police Chief has indicated the need for additional police officer staffing that is addressed below.

The Task Force reviewed benchmarking survey data from other cities (both state and national level) related to Public Safety pay structures. Other cities in N.C. and nationally do not have step based pay plans. While the Task Force is not making any specific recommendations related to alternative Public Safety pay structures, there is evidence that other cities have successfully implemented alternatives to the use of Public Safety steps.

Finding #11: The Task Force finds that Public Safety staffing levels are appropriately comparable to other N.C. and national cities. Additionally, other N.C. and national cities do use Public Safety pay plans without steps.

Federal stimulus grants for COPS - In August of 2009, the Charlotte City Council approved receipt of a federal stimulus COPS grant from the U.S. Department of Justice under the American Recovery and Reinvestment Act (ARRA). The federal grant funded 50 Police officers beginning in FY2010 over a three year period. At the same time, Council added an additional 75 police officers funded by General Fund sources for a total of 125 positions. By FY2014, the federal stimulus grant funds expire and staff projects a budget gap related to the lost revenue of approximately $5.6 million. The loss of federal stimulus

grant funds contributes to our concern about the long term budget sustainability of funding for the current Public Safety Pay Plan.

<u>Finding #12</u>: The loss of federal stimulus grant funds of $5.6 million by FY2014 contributes to the concern from the Task Force about the long term budget sustainability of funding for the current Public Safety Pay Plan.

Future Police staffing - For the future, Police staffing will be an issue as the Police Chief has expressed the need for additional police officers beyond the 125 added in August of 2009. The Task Force did not feel it was appropriate to comment on the appropriate staffing level – that is better left to the Police Chief, City Manager and Mayor and Council. However, the Task Force recognizes that an increasing Public Safety Pay Plan and associated benefits costs impacts the City's budget and can make it very difficult to add additional positions without increased revenues or budget cuts. Appendix J lists staffing changes over the past 15 years for comparison purposes.

<u>Finding #13:</u> The current budget structure, including the normal Public Safety Pay Plan adjustments and the associated benefits, does not allow for increased Public Safety positions (such as an additional 125 Police Officers) under current budget resources without increased revenues or budget cuts.

<u>Recommendation #2</u>: The Task Force recommends City staff work with representatives of Police and Fire to develop a new Public Safety Pay Plan that is sustainable. The new Public Safety Pay Plan should be in line with realistic and conservative projected revenue forecasts and staffing estimates.

Attachment 4

CITY OF CHARLOTTE

Public Safety Pay Plan Process Update

Public Safety Pay Plan (PSPP)

History

- The 1992 Mayor's Compensation Task Force recommended step ranges for uniformed public safety positions : streamlined and simplified; market-competitive plan. Plan implemented July 1994.
- In December 2009, the Mayor appointed the Mayor's Efficient and Effective Government Review Task Force to evaluate the City budget for opportunities to improve efficiency, productivity and cost effectiveness.
- The Task Force spent a significant amount of time reviewing potential long term budget structural issues related to Public Safety Pay Plan compensation and projected revenues.
- The Task Force Report contained a number of findings and recommendations, including: The current PSPP is financially unsustainable without large budget cuts or increased taxes. Recommended development of a new PSPP that is sustainable.

Since the Task Force Report

- Police Chief and Fire Chief appointed an employee review committee. The committee worked with City Human Resources, Budget, the City Manager's Office, and an external consultant in performing their work.
- Department teams met separately and then held combined team meetings beginning in March 2011 through December 2011.
- The Consultant conducted a salary study in August 2011, of national/regional municipalities of similar size.
- Additional team meetings were held to review survey findings and begin work on a proposal.
- Recommendations are being finalized and will be presented to City Council during the February 29th Budget Retreat.

Attachment 5

Set Future Budget Committee Meetings

The Budget Committee needs to schedule two additional committee meetings to prepare for the March 21st and April 11th Budget Retreats. Please bring your calendars to the Budget Committee meeting on Wednesday, February 22nd from 12:00 – 1:30 in room 280. Proposed future meeting options are as follows:

Budget Committee Meeting in Preparation for March 21st Retreat
(proposed meeting options)

Option 1:	No Meeting*
Option 2:	Wednesday, March 7th 12:00 – 1:30
Option 3:	Wednesday, March 7th 3:00 – 4:30
Option 4:	Thursday, March 8th 3:00 – 4:30

*Committee can consider not meeting prior to the March 21st Budget Retreat, as the only agenda item for the Retreat is the Draft General CIP, for which there will not be preliminary materials for the Budget Committee meeting.
Note: The NLC Congressional Meeting is Friday, March 9th through Wednesday, March 14th.

Budget Committee Meeting in Preparation for April 11th Retreat
(proposed meeting options)

Option 1:	Wednesday, March 28th 1:30 – 3:00
Option 2:	Wednesday, March 28th 3:00 – 4:30
Option 3:	Thursday, March 29th 1:30 – 3:00
Option 4:	Thursday, March 29th 3:00 – 4:30