

PA 780 - Urban Budget Memo: Charlotte, NC

Introduction

The City of Charlotte budgets on a biennial basis, therefore the “Strategic Operating Plan” contains recommended expenditures and projected revenues for fiscal years 2006 and 2007. In an effort to focus on what is achieved through spending, the City of Charlotte includes performance achievements for each of the city’s “operating units”. Within the City of Charlotte these operating units are called “key business units”, those which provide direct services to citizens, such as Police, Fire, and Airport; and “support business units”, those which indirectly support those services such as Finance and Human Resources.

General Budget Priorities

The city’s combined operating funds total \$870 million in FY06, an increase of \$70.1 million over FY05’s total of \$803.9 million. The city’s combined operating funds total \$912.1 million in FY07. “The next step is to incorporate community needs and objectives in the formal document that allocates financial resources – the city budget” (Morgan, England, and Pelissero p.313) The Mayor and City Council of Charlotte identified focus areas to serve as the framework for allocating funds and resources. These focus areas include housing and neighborhood development, community safety, economic development, restructuring government, and transportation. The budget reflects a continued commitment to these priorities.

Service Ranking

The Mayor and City Council undertook a services assessment process which resulted in a ranking of General Fund services. The Mayor and Council ranked 39 General Fund services according to priority. These ranked services were provided through a web-based survey and reflects the community’s preferences. The top ten service ranking is as follows: community policing, 911 communication, police and fire investigations, planning, fire control and suppression, garbage collection, street repair, street resurfacing, police and fires special operations, and traffic control respectively. Six of the top ten

services can be best categorized as public safety services which demonstrate the community's desire for these services to be emphasized in the budget.

Debt Service

The city's debt service expenses represent a major driver in the operating budget. For FY06, these expenses are \$183.9 million, an increase of \$5.5 million above the FY05 total of \$178.4 million. FY07 debt service expenses are \$189.6 million.

Modification of services

The City of Charlotte has introduced three service modifications for the FY06 and FY07 budget such as the 311 Call Center, Zoning Services, and Economic Development reorganization.

Operating expenses v. Employee costs

Of the \$414.5 million total general fund budget, 25.3% or 104.8 million went to operating expenses, while 74.7% or \$309.7 million went to pay and benefits.

Capital Improvement Priorities

According to Morgan, England, and Pelissero, "cities need to anticipate and plan for the construction and financing of large-scale public improvements. A capital facilities plan is supposed to ensure that these projects are carried out according to a well prepared program that reflects the city's needs and ability to pay." (p.309) The City of Charlotte's Capital Investment Plan is a five-year infrastructure plan, which matches the City's highest priority capital needs with a financing schedule. The plan includes investments in neighborhoods, housing, storm water projects, roads, transit, water and sewer projects, the airport, and government facilities. General government capital projects are funded through the following sources:

- Debt capacity: 7.37¢ of the property tax rate
- Pay-As-You-Go: 1.51¢ of the property tax rate
- Capital reserve
- One-time revenues
- Interest earnings
- Asset management property sales
- Grant funding

Financial Weaknesses

Morgan, England, and Pelissero proclaim that “cities continue to struggle to keep expenditures from outpacing revenues.” (p.299) This is demonstrated by the City of Charlotte’s inability to develop more innovative means to generate revenue. For FY06-FY07, the City of Charlotte introduced determined eleven ways to cut substantial expenditures but the City only proposed five strategies to create additional revenue. The city’s budget for FY06 totals \$1.42 billion, a decrease of 10.6% from FY05 of 1.58 billion. For four straight years, the City of Charlotte has made significant cuts in the General Fund Budget in efforts to recover from an economic downturn. The city’s Key Business Executives were asked to submit a ranked list of budget reductions totaling 4% of their respective operating budgets for consideration during the development of the FY06 and FY07. Although the exercise of identifying specific reductions was limited to the business units that rely on property tax revenues, all of the city’s enterprise related business units are experiencing limited revenue growth due to factors associated with economic conditions.