

The City Council of the City of Charlotte, North Carolina convened for a Budget Retreat on Wednesday, March 3, 2010 at 3:17 p.m. in Room 267 of the Charlotte-Mecklenburg Government Center, with Mayor Anthony Foxx presiding. Council Members present were Michael Barnes, Nancy Carter, Warren Cooksey, Andy Dulin, David Howard, and Edwin Peacock.

ABSENT UNTIL NOTED: Council Members Susan Burgess, Patrick Cannon and James Mitchell.

ABSENT: Council Member Warren Turner

Mayor Foxx called the meeting to order at 3:17 p.m. and said this is the first Budget Retreat for the City Council for the upcoming budget year and this is going to start a process that is going to run over the next couple of months of workshops, meetings and receiving information and making suggestions on how we move forward as a community in what is a pretty tough time. Revenues for the City are south of what was project with sales tax revenue being the most sensitive to the economy, leaving about an \$8.5 million gap in the current year budget and a predicted gap in the next year budget. I want to applaud our City Manager for helping to shepherd us through these times in a very skillful way. We have experienced pain, but not of a magnitude that other levels of government have, so it is testament to very good budgeting.

This year is going to be very challenging for all of us because we are going to have to do what every business and every family in our community is doing, which is to make some very tough choices. I think we've got to make those choices being mindful that we still have a responsibility to try to help this community move forward, not to tread water, not to get behind, but actually to move forward. That is going to be difficult, but it is not impossible, given where we are. We have a tradition in this City of AAA bond rating and it is something that we have zealously guarded and it has allowed us to borrow money on favorable terms and it is one of the real strengths of our City Council. I think even that is going to be challenging given some of the bond rating agencies approaches to long-term investments and the fact that we are entering the 5th year of our five-year capital plan and looking out into the future years don't have capital projects laid out for the next five years yet. We can still work our way through it, but that is something that we need to keep our eye on. Secondly, I am personally committed and I feel like all of us in this room are probably committed to making sure that we do not raise property taxes this year. Citizens across this community are having difficulty making bill payments, etc. and I think the last thing they need for us to do is raise property taxes. Of course there are some things we don't control, which is how the state balances its budget and in the past there has been some concern about the state dipping into revenue sources that we count on to make our budget work. The Governor, last week in front of the Metro-Mayor's Coalition, reiterated her commitment not to do that. I'm hopeful that stands over the next several months as we work through our budget.

Council Members Cannon and Mitchell arrived at 3:25 p.m.

The final point is that as we are trying to work our way through some of these challenges, we also need to look for the opportunities and I had a meeting this week with Eric Davis of the School Board and Jennifer Roberts of the County Commission and they are interested in talking about areas where there may be some opportunities to consolidate effort. Whether it is in some of the communications, television stations, whether it is looking at some opportunities to work together on after school. I don't know what all the opportunities are, but I think it is worth exploring and as we go through this having some of our staff working with some of their staff to look at ways to consolidate effort. Those are some thoughts I wanted to share with you at the outset of this conversation and I'm looking forward to working through all of this with each of you.

Councilmember Burgess arrived at 3:26 p.m.

Council Member Barnes, Chair of the Budget Committee, said I want to recognize the members of the Budget Committee. They are Council Members Dulin, Howard, Peacock and Carter. The committee has just begun its work as well. We are aware of the shortfall that we have to deal with and we are committed to representing the full Council well and making recommendations and asking questions and trying to have everyone be as informed as possible so that we are all very much aware of the nature of what we are dealing with in this year's budget. I am confident that with the help of Mr. Hall and Mr. Walton as well as others, that we will find a way to

provide the level of service that we have provided to the people of Charlotte over the years and also have minimal negative impact on the City. Today's presentation is primary informational.

City Manager, Curt Walton, said all good points that I won't reiterate. The only thing I will say about our retreats is our goal when we started this format a good while back was to avoid any surprises for you by the time we get to May. It is probably more relevant in a year like this than any other year in the 14 years or so we have been doing budget retreats because it is going to be a year where we will have to have some reductions. We will get those to you through this process as quickly as we can. Point Number two, it could be a lot worse. We are in a manageable position and we will get there together by the time we adopt the budget in June. Unless you have any questions we will continue with the agenda.

We talked at the retreat about our revenues and expenditures and it is still early from that perspective, particularly the revenues perspective, but we wanted Gregg Gaskins to give you a brief update on what is different from where we were at the retreat. Knowing that in any year, even a normal good year, the revenues get firmer as we move from March to April to May to June so it will probably even more so this year.

REVENUE UPDATE

Gregg Gaskins, Finance Director, said I don't have a slide but I'm going to go over just a couple of things. We talked a lot at the retreat about the declining revenues, particularly sales tax and certain of the fees that were the number one things that were concerning us. One of the situations that the Manager and I talked about was that we wanted to try to give you a pretty good accurate number that the current year's revenues, that we were not going to be too optimistic with you and actually not meet those. We were giving you a decline, but I wanted to make sure that we were very confident that those revenues would be at least that when we got to the end of the year. That is very important for the kind of planning that the Manager has been doing in terms of the cuts that we make. We believed that we were starting to see a slight up tick in the economy and we had counted on that. Recently, if you have been reading the news paper or any of the financial journals, you are hearing comments like potential growth in the second half being better, slow recovery, no longer worried about a double dip. That is where you have a drop and increase in the second dip. You are seeing people talk about recovery, all be it very slow recovery. Over the last few weeks that is what we are seeing in terms of the numbers. We are not in a particularly better position than where we thought we were in February, but in fact we are about where we through we were in February and that is actually good news. It could be worse than that. What does that mean in terms of revenue? When we get to March 24th I think we could have slightly more revenue in the current year than we projected, maybe as much as \$1.5 million, probably not quite that much, but somewhere in the \$900,000 to \$1.3 million range of additional revenue this year. That is not bad news, that is good. That would also mean that we would have slightly more projected revenue in terms of FY11, again not a huge amount, but still not lower than what we projected for you. If you will remember we looked at the charge that showed the dip and the fact that we were coming back up. We still think the chart is going to look about like that. The property tax is something that we are watching very closely. I don't think it is going to be dramatically more, but a little bit more. Sales tax, very, very, slightly more than we projected. It is not horrible news, it is just not great news. I will be happy to answer any questions.

Council Member Peacock said Gregg, where would the increases be coming from in the revenue category?

Mr. Gaskins said property tax and sales tax. On the sales tax, we are just making an analysis of the reports. There were some switches with Medicare where they shifted articles of tax. That is very hard to do in terms of projections. Just by doing comparisons we think we are going to need about \$300,000 more there. In property tax, that is basically the fact that they are pushing very hard to gather information about new properties and the basis of that, we think we are going to get about \$1 million more.

Mr. Peacock said in February at the Retreat, you projected \$2.4 increase and you projected an \$8.5 decrease in sales tax, so we will see a little bit more in property and maybe a little bit less.

Mr. Gaskins said your shortfall will be a little bit less in sales tax.

Mr. Peacock said no changes in Business Privilege Licenses, Solid Waste, nothing is altering there, just those two variables.

Mr. Gaskins said right.

Mayor Foxx said do we know typically what the amount of uncollected property tax revenue is?

Mr. Gaskins said by percentage it is 97.5 and point of fact that is understated because subsequent efforts beyond that year continue to increase those collections up to the point that it is virtually 99.8%, but just not in the year of the collected tax. We are very successful in terms of collecting property tax.

The Mayor said is there any effort to try to be a little more aggressive about it?

Mr. Gaskins said yes, we just have one tax collector for the City and County and there are major efforts on their part to be aggressive in the current year related to those collections.

Mr. Peacock said you said on March 24th we should know more.

Mr. Gaskins said yes, at the next Budget Retreat.

Mr. Peacock said I didn't know if there was something specifically you know in revenues on that date.

Mr. Gaskins said no, although I will tell you that we will have one more set of numbers on sales tax. Those are the numbers that we generally use to make the final projections for the budget.

Mr. Peacock said sales tax revenues, as it relates to the CIAA, will those be in those numbers?

Mr. Gaskins said no, there is a two and a half month lag in our sales tax number.

Council Member Dulin said between now and March, does that mean when you say you have more sales tax revenues, does that mean that December will have rolled in which should be a pretty big hit for us.

Mr. Gaskins said Christmas sales are usually the thing that we like to see before we make the final projections and we will have those next time.

Mr. Walton said as you recall we have \$7.4 million in a reserve for reduced revenues this year. We talked about that at the retreat and that appropriation will be on your agenda Monday night to go ahead an appropriate that. If we do better it just falls to the bottom line again and we will see it again next year. What we know now it looks like what will be necessary to offset the revenue shortfall. We have expenditure savings of \$4 million or so, but the revenue losses are greater.

Mr. Dulin said that \$7.4 million will tap that account out won't it?

Mr. Walton said for that year.

Mr. Dulin said then it gets rebooted in your budget that we will vote on in June.

Mr. Walton said exactly. It is the derivate of the \$16 million from two years ago and we knew that at the end of last year. What we recommended earlier was to set aside the money from the last close out to technology, so if we can't afford to do that we won't do that, but right now it is geared for technology.

FINANCIAL PARTNER AND OUTSIDE AGENCY FUNDING REQUESTS

Ruffin Hall, Budget Director, said I would like to add one additional comment for the Council, really just as a reminder. Along with these three Budget Retreats prior to the Manager's

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recommendation on May 3rd, the Retreats give us an opportunity to share information about a variety of topics that really rise in terms of significance of making decisions about the budget, but by no means does that mean that those could be the only topics. Again, I would just like to remind folks that if you have anything related to information pieces or things that you would like for us to talk about or see, please feel free to let us know that. There is always a category of other topics that are desired by Council, so I didn't want you to have the impression that the agenda simply is driven by staff. If there is anything you would like to talk about please let us know and we will be happy to get that in the form of information or bring something forward to you.

Mr. Peacock said I'm glad you brought that point up. I would like to add one subject that I did e-mail the Chairman about several weeks ago and it was an article about the Municipal Bond Market and some concerns in the market place, particularly some comments that came from Warren Buffet that sort of seemed to get a lot of attention. I will forward that article to you and maybe if we can hear from Mr. Gaskins who I know is our expert on that subject. My feeling and my comments to the Chairman were simply that as a Council I think it is a subject that we don't know a whole lot about, and based on some of the fears and concerns that were alluded to there, I would certainly rather know more about it and have nothing happen than the opposite. I thought as a Council, it would be beneficial for us to learn a little bit about it, maybe just a little one on one from you Gregg if possible.

Mr. Hall said with regards to Financial Partners, this is just a reminder in terms of the process. The purpose of this conversation is to communicate the request that we have received from your existing financial partners and let you know if there are any additional requests. The deadline for submittal of financial partner and outside agency requests is about the middle of January. We compiled those applications and put it into a summary format, which is included in your book today. This is not an indication about what we might be recommending in May. Literally, this is just an information summary transfer about what the requests are because of the external and public nature of some of those requests. My purpose today is to let you know what people have asked for and it is too early in the process to have any indications about where we might land.

Applications are submitted in January and there is a summary information in your book. You may recall last year that we did recommend some reduction to the financial partners and some of those were put back as part of the budget process, but in terms of some of the conversations that some of the partners may be having with you, that context is related to some of the decisions that we made last year related to cuts. Again, as a reminder and one of the things that can get awfully confusing in the budget process are sources of funds for the financial partners and there are really three types of financial partner funding sources. One is general fund which is general money, tax revenue. Second is municipal service districts that are funded by the service districts one through five and then there are neighborhood development type of financial partners which have four categories and they are funded by a combination of innovative housing which comes out of your pay-as-you-go capital account, which could be considered general type of money, and three or four different types of grant funds, primarily community development block grant and home funds. Those funding sources can get entangled in some of your discussions, but that is just a reminder.

General Fund Financial Partners, these are the ones included in the general fund. Rather than spend a lot of time on details, in your book by page, there is a description on the bottom for any of these differences, why they have asked for additional money. I'm not sure it is valuable for me to go one by one and explain all of that unless you really want me to. Arts and Science Council, Charlotte Regional Partnership, Charlotte International Cabinet, Victim Assistance and Community Building Initiative.

Municipal Service Districts, there are only really two, Charlotte Center City Partners and University City Partners. Their request is not really a very relevant number because what they will end up receiving is related to the final property tax estimate that they will receive. For example, University City Partners, I think that is really just a plug number of the current and when we get close to the recommendation it will match what we are going to recommend in property tax growth in that particular district.

Mr. Barnes said question for you regarding the Charlotte Regional Partnership and their request of \$149,034. I wanted to get some feedback regarding the return on investment that we get from their activities in the film industry. It strikes me that they seem to generate a lot of business and I would like to know the amount of money they generate from Charlotte, not just the region, but Charlotte in particular, and also want to know if we might want to further target our funding to film related interest. Additionally, I would like to know whether the recent efforts by the Governor to create and provide more tax incentives for the film industry might help us in attracting more film projects to Charlotte in particular and the region in general. Can we target the money even further and what is our current return on investment in Charlotte and do the state incentives have any positive impact on our region in particular the work that the Regional Partnership is doing for Charlotte?

Mr. Hall said we can certainly do that.

Council Member Carter said to partner with what you were saying, Mr. Barnes, I was looking at the Charlotte International Cabinet and wondering if there were a partnership possible there with the Charlotte Regional Partnership regarding film making. International film making here or components back and forth we can provide as we grow that industry. I think the International Cabinet might be a good source of information and contact and I think that is a potential that we could perhaps from our budget target even more specifically to the International Cabinet.

Mr. Hall said we can certainly ask that question.

Mr. Dulin said I pretty much understand what is going on here. Today is the day when you are just sort of laying this out to us. We will dig into this deeper on other adds and deletes, etc. is that correct?

Mr. Hall said traditionally that is a topic that you have chosen to cover in your adds and deletes, yes.

Mr. Dulin said I have read every word of it and I've made notes. I am more that willing to talk about it all afternoon, but if it can wait for another day then okay.

Mr. Hall continued his presentation with Housing Related and Community Development, the relocation, the partnership, Community Link, Consumer Credit and Lakewood CDC. There is a portion through September 1st of funding for the three other CDC's that is ending in this particular fiscal year. Lakewood is the remaining CDC that is funded at 100% for fiscal year 2010 with a request for an additional amount in 2011.

After School Enrichment, I think you are all fairly familiar with these. They are funded from different sources, including grant funds, some innovative, some CDBG. There is detail associated with the programs in your book.

Ms. Carter said in some of the presentations to us people alluded to performance last year, or this immediately past year and some did not. It is remarkable when people do not and I find that very telling and it prejudices my feelings about their application. If that could be stated to our partners I think that is a valid statement because we don't have any performance based data before us as we go into our debates. I need more information from those partners who didn't provide us with targets, benchmarks, goals and whether those goals were reached.

Mr. Hall said why don't we get back to you on that. I'm not sure if some of those were not summarized in the materials in the same format for each one of them. I need to check to see to what level of detail the applications were provided. If I interpret your question, you would like a list of the performance indicators provided by the after school programs come back to you.

Ms. Carter said all of our partnerships.

Mr. Hall said the application materials are quire elaborate so what we try to do is summarize information here and we can certainly provide you with performance indicators. Would you like to see all of them?

Mr. Carter said if they are not provide here and many of them have been provided. So just the ones that are not.

Mr. Hall said we can do that.

Council Member Cannon said by way of trying to understand the additional requests on the plus side from the partners, there is at least one that has laid our why or rather what the funds would be used for. I would like to know from the rest of those partners the same information. What will this money be applied toward if at all possible. Since one has done it and it set the precedent, I would like to know it for the remainder.

Mr. Hall said as a part of the application, they have to fill out a section that says what they intend to use the money for. Most of the summary pages have summarized their comments about the increases. You have to sort of pull it out of that summary highlight of agency request at the bottom.

Mr. Cannon said I have looked at it and some would say the additional funding is requested to do X or to do Y and that is not in there related to some of the other partners. It would just help us because some of these are HR requests, or they are funding for jobs to be able to keep those things in place. For clarity it would help us.

Mr. Hall said they have said we need it for salary increases or salary costs, but you are interested in more than that?

Mr. Cannon said yes.

Mr. Hall said we will go back to them and ask them that question and get it for you because in some of the cases, as you can imagine, their level of explanation is more limited than others. We will push them on that question.

Mr. Dulin said Ms. Carter, on your request, we need to be more specific because we throwing a lot of information or request at staff. In my opinion if you've got one that you would like, they need to know which ones they need to go back and look for more information because it is a very broad question.

Ms. Carter said when you look at the write-up there are frequently targeted goals stated and then percentages achieved. That is what I was looking for, a uniformity of reporting. Community Link on Page 33, that has numbers, but we don't have the goals to see if they achieved their goals. We have St. Paul on Page 39 and we don't know how many children, if there were an increase in percentage and if they were on target for numbers there. On Page 41 POST, the percentage achieved last year of out-of-school suspension. The target was stated but we don't have whether they met their targets or not. Page 45 WISH, we don't know if the goals established that year were met or not.

Mr. Dulin said to try to make this more efficient for Mr. Hall's staff, would it be more efficient, instead of having to go to each one of these individually, go back to the entire group and say this has been requested of each of you, if you've got that information please provide it by Monday and if you don't please let us know that you don't have that information so we can publish that to the Council Members. I'm just trying to figure out how we can make it easier for somebody in your staff that has got to start digging into this.

Mr. Hall said we will chew on it and we will get you the best information that we have. We used to produce a full book on all of the material and one of the pieces we got from the Council was that is too much information, we don't want all of that detail. Help us digest it by giving you a summary so there is a balance there of detail. We could literally just give you all of their applications and you would have everything that we have. We will be happy to get you whatever you want. The other thing is some of them have a greater sophistication in their performance indicators than others. We are at a little bit of the mercy of what they give us. We will give you the best information we have.

Council Member Kinsey said on Pages 38, 39 and 40, under the summary highlights it says funding request includes X number of dollars in personal services. What are those personal services? Should it have been personnel services?

Mr. Hall said yes it should be. Thanks for the edit.

Council Member Burgess said I'm not interested in volumes of paper and anything you can give to us electronically would be appreciated.

Mr. Hall said would you like to get that information electronically?

Ms. Kinsey said not I.

Mr. Peacock said not I.

Mayor Foxx said maybe Ms. Carter and Mr. Dulin want the details.

Ms. Carter said as we move to performance based evaluation I think that is a very important thing. Having the information before us I think is a good thing, but I could take it electronically if it is a general consensus.

The Mayor said I think you have a difference of opinion about who wants it.

Ms. Kinsey said just leave a copy on my desk.

Mr. Walton said these were due in January, so either we have it or the window has closed. I think it is a matter of either extracting from the application or the answer is that they didn't provide it.

Mr. Barnes said I've probably said this in the past, but just for the purposes of you sharing feedback from me, it always concerns me when our outside partners have not met their goals and are asking for more money. I don't find that to be terribly acceptable and in addition to the request you made, which I wanted to make as well, I think we should communicate to people that in light of our budget situation it does not help us that they are asking for more money when they are not meeting their targets.

Mr. Peacock said Mr. Hall, if you could add to your list under the Financial Partners After School Enrichment, the Mayor's opening comments reminded me to ask a question that goes a few more data fields beyond this. Bethlehem Center, Greater Enrichment, St. Paul's and Partners in Out of School Time, I am curious where they are physically located, addresses, zip codes. I don't know how close they are to one another. The Mayor had mentioned possible discussions of consolidation of services. I would like to know if any of them have been talking among themselves about consolidating. It would be helpful information for the Council to know if they have been having discussions with one another.

Mayor Foxx said I'm glad you brought that up because between what we do and the County does and what the school system does in after school, there is a lot of investment in it. At a time like this I think it is incumbent upon us to try to figure out how to make our investments reach the most people and get the most impact. One conversation I alluded to was with the Chair of the School Board and the Chair of the County Commission about whether we should get our staffs together to sort of have that conversation. I think it would be worthwhile to do that. I know we are adding work for you guys, but I think it is a conversation we ought to at least explore. Unless there is an objection I think we ought to let them have it.

Mr. Dulin said I'm not quite sure as to County Manager, City Manager, School Board Superintendent discussing how they can get their groups together?

The Mayor said it is my understanding that there is something on the order of \$7 million to \$8 million between those three bodies that is going into the after school program programming. We struggle with measuring effectiveness and also measuring how many kids we could reach versus actually how many get reached. I don't know where this conversation goes. I don't have an

outcome in mind, but what I'm saying is that if we let our staffs talk about how we might work more in unison to try to get the best reach and the best outcomes through after school we might come up with a better model.

Mr. Dulin said I agree.

The Mayor said alright, can I write that down?

Mr. Dulin said yes, go ahead and right that down. I agree with you on a lot of stuff and you all know that. But, a couple of things. Number one I'm not sure if in budget season that group has got the time to get on that and number two, there is an opportunity to have a panel, but I think that is sort of what the catalyst fund is up to and we might get some of that work done for us. It is not free and there is a relatively substantial ask there for us in this season, but that group is pulling itself together to make their philanthropic dollars more efficient. I don't know if after school is on their radar, matter of fact, it is not on their radar, now that I think about it. It is omitted from what they are doing.

Mayor Foxx said I think we are going to have some conversation about the catalyst fund. The conversation I'm talking about is maybe not free because we are paying our Managers something, but it is really more of an exploratory conversation.

Mr. Dulin said if we can get efficient, that is great.

Mr. Foxx said if there is no objection, and you can find the time and it doesn't take away from other things.

Mr. Walton said we can certainly find the time. As you know historically, our most uncomfortable discussions are about after school programs. There needs to be a safe zone to bring those things back. Mr. Jones, Mr. Gorman and I have talked in the past and we are by far the very smallest of the three that do after school. I don't know about the \$7 million number. It is probably at least that so we will have those discussions.

Mr. Hall said the only new request you have for an outside agency, which is actually really not an outside agency request in the traditional way, is the Community Catalyst Fund. You have behind your power point a copy of the letter I believe you have all received from Michael Marsicano, and I'm here if there are any questions. I was just going to summarize that request for you. The request is for \$500,000 one time for in effect a grant fund that a group of citizens and community leaders would allocate out to applications in order to provide ... Foundation of the Carolinas is allocating from its discretionary account \$500,000, which they actually only have about \$2 million a year to allocate and they are allocating \$500,000 to us. Their goal is to raise \$5 million and they have raised about \$3.25 million so one of the things that makes this different is that the Foundation of the Carolinas is not making a request for money themselves. What they are asking for is contributions to a grant fund that they would allocate out to applications. So what would those be for? For community non-profit agencies to support major restructuring activities to address long-term sustainability. The partners included in that are the Arts and Science Council and the United Way. Some of those questions have to do around consolidation of multiple non-profit agencies. I'm not an expert on what those opportunities are. I think there are some really good examples that have been discussed in terms of multiple non-profit agencies out in the community. It could be after school. It could be housing related. It could be cultural related that they need assistance in either the planning or a transition or costs associated with that transition. For example, if you wanted to merge two agencies together, that could be for the legal costs it would take to merge those two organizations, maybe a facilitator to help those two boards be merged. It could be back of house operations which is join accounting or HR services or benefits to help try to increase the efficiency of the non-profit sector. This is really the carrot approach, a grant fund that would give them an opportunity. It is your only new request and outside agency doesn't really fit with what the Foundations of the Carolinas is, but it does fall under the rubric of this particular request.

Mayor Foxx said have we evaluated the request to sort of identify opportunities within our line of business where we think it goes. You mentioned after school and housing. Are there others?

Mr. Walton said for full disclosure, I'm a member of the Catalyst Task Force and as of January I am also on the United Way Board. Just so you know. If I can get on the ASC again I will have the hat trick. I think those are the two primary areas. Housing support programs and after school, those would be the two that I would suggest we look at.

Council Member Burgess said regarding the Community Catalyst Fund, as I recall on their presentation they were also making a similar request to Mecklenburg County.

Mr. Hall said I'm not sure.

Michael Marsicano, Foundation for the Carolinas, said we are in conversation with the Commissioners, trying to figure out whether the right place for them is the Critical Need Response Fund or the Catalyst Fund, trying to figure out the right place for them.

Ms. Burgess said when I met with representatives of the foundation, it is my strong belief that the people of Charlotte are asked to not share the burden, but to bear the entire burden of programs like this and there was a time when that was completely justified when our six neighboring towns were in deed small. But now our six neighboring towns are large and wealthy and I believe that if we were to consider this the request should be made of the towns as well.

Mr. Peacock said I'm glad Michael is here and perhaps the question should be directed to him. Michael, we have not gotten to this part in the budget cycle to decide and debate whether we are going to pay you \$500,000 or not for this one time, but have there been discussions among the group that Mr. Walton is a part of on the Board? Is there some type of deliverable that you are going to be able to make to us that you know you are going to be able to consolidate or focus on two or three areas, so we can say that if you don't get this done in 24 months that you give us our money back?

Mr. Marsicano said we have done a significant study on the rightness of each of the different sectors for this. For instance, in the Arts Community we have done a lot of mergers already, Spirit Square Performing Arts Center merger in the 90's. We know that they are right for consolidations of HR, finance, back office etc. so we are pursuing that with the Arts groups. In the area of housing, human services it is out right mergers that are available to us and you have already seen by the first round of grants we negotiated the merger between the two shelters that are going to bring forward the emergency winter shelter going to full time, 500 beds, more every night. A perfect example of what we are trying to do. This is a process of working and nurturing groups into a place, and we don't always know whether it is going to come from after school, whether it is going to come from the Arts, whether it is going to come from housing, but we are looking for the ripe opportunities as they present themselves over this 18 month period. So, can I specifically say to you the outcome is going to be major change in after school time, I cannot. Can I say to you we are going to be opportunistic in each of the cells of work that we know what needs to be done? We are going to be very opportunistic, so you are having to go a little bit of a leap of faith with the first round of work that I think stands for itself and that the full round of work would be what you would have liked to have done. It is in fact a leap of faith.

Mr. Peacock said you are reminding me of the questions that I asked your representatives when they came and visited with me. My question is, is it possible that we could see more agencies and more programs come underneath your support, meaning that we see a growth of new things from this catalyst fund? What I'm hearing is that you are going to be focusing on this to help get it down to a better end product that is the hope of the catalyst fund and to consolidate and help to make a much more efficient deliverable to the community that needs this service. Is it possible that new partners could be entering to say they are trying to fill a new need and you are now the money source?

Mr. Marsicano said I think the Committee would never vote, from what I've seen them doing, for something new in the sense of which you are talking about it. Everything they have done so far is an rubric of consolidation. For example, we've got nine Habitat different organizations in the region, three within Mecklenburg County alone, we've got them talking about consolidation. All of it so far has been directed toward consolidation. If there is a new revenue opportunity, we might fund something that could produce more revenue to get more service delivery, but primarily, it is for the notion of efficiencies.

Ms. Carter said I heard you say first round. Is this the first request of many?

Mr. Marsicano said no, this is meant to be a for granting of the funds cycle over 18 months, of which the first one was in December. It is to be a one-time request. In fact, as you know, it is not the Foundation's purpose to get into business of government support and as Mr. Hall said, this is not about us. It is a one-time, if you can match it with one-time revenue source, that is great, but it is not our anticipation that this would be ongoing in any way shape or form. They are already calling me merger mania Mike. It is not a role that I relish. Some of the Council Members that were here in the 90's know that we took the Arts Community through eleven mergers so we have track record in how to go about doing this. That does come with my leadership at the Foundation, but it is not out attempt to be into this in any way for the long haul. If I could make just one comment about after school. In the study that we did about each of the delivery service areas, after school was the one area that the views of the consultant who did the study was that it needed a major look as an industry. It wasn't as easy as consolidating back offices and arts groups or merging housing organizations. That it needed this kind of pull up with everybody involved to make it happen. The Catalyst Fund is not opposed to playing that role in this, but if it does it probably would not be the Committee we have. It might be overseen by that Committee with a subset in some way of other citizens that might be involved, but it is a big undertaking and you already know that. It is not as easy as identifying a couple groups that could merger here, some that could consolidate here. It is not that we are not willing to be a part of that, it is just that it is not as opportunistic in the way that these other agencies are available to make it happen.

Mr. Dulin said back to my conversation, it was not in the first wave and it is not planned in the second wave. It will have to be an add and if we add that I assume that there will not be another ask for the add. That this is one-time ask and one time only because as far as I understand the groups that have put the Catalyst Fund together, they want out. They want to get more efficient with their dollars and then get out.

Mr. Marsicano said they are already seeing how tough this is. They are in for the 18-month to two-year cycle, but this is not easy work.

Mayor Foxx said I have a couple questions, but first I want to thank you and the Foundation for thinking of a way to help guide the community through a tough time that may land us in a spot where we are getting more effectiveness with the dollars that we are using, which I think is the point. What happens if the City doesn't make this gift? Does it mean that that is a signal that the support level isn't strong enough to actually carry through with the work, or does it continue?

Mr. Marsicano said thank you for that question. It is a request or an invitation. We know what you all are dealing with with the budget cycle. It is an invitation and opportunity in the spirit of public/private partnership with the public as a minority partner at this time around that would send a good signal to the non-profits of the importance of the work that the City was invested. It is also being created as a challenge fund for the Levine Foundation to put the full \$5 million together. The Levines have pledged \$1 million with matching requirements of \$4 million. I would be less than candied if I didn't tell you that given we are running the Critical Need Response Fund to try to get folks through the winter, we are trying to help United Way and ASC through another task force that we are in partnership with them on to move their campaigns back up. It is not going to be easy for us to meet the \$1 million to \$4 million or \$5 million on the private sector alone. The Levines have been very generous and they have responded by saying we will do \$500,000 for the first \$2 million you raise and \$500,000 for the second \$2 million. You would help us greatly to get to the goal line.

Mayor Foxx said in terms of how this actually plays out, is there an openness by the Foundation if public money is committed to allow the public sector to help populate some of the committees that review this stuff?

Mr. Marsicano said I don't see why that would be a problem at all. In fact in the work that we are doing right now we have Mr. Walton on the Catalyst Fund, it could certainly be a Council Member as well. We have Mr. Jones on the Work Place Giving Taskforce to try to figure out what is happening in those two sectors, as in fact ties that we through were appropriate. Especially when you consider the County is talking about merging the campaigns into one,

which could be, if the community were to go that way at large, devastating based on other community's example. We are trying to work and study those two issues and having representatives of the government bodies at the table. If we need more representation that would be fine.

Ms. Burgess said have you or will you commit to make a proportionate request from the six towns in Mecklenburg County?

Mr. Marsicano said I think I would need to go back to the Catalyst Fund folks and see. This is about voluntarism too. They would have to help advocate with those towns. I am not philosophically against that but I think that is a decision that is more than mine to make. I would certainly be willing to put that on the table. I don't know if we have missed budget cycles with them at this point. I would need counsel on that, but is there a conceptual reason why I would not be supportive of that, no.

Ms. Burgess said please let us know their response.

Mr. Cannon said Michael, I'm looking at your Board of Directors and have you all exhausted every avenue possible to try to come up with \$500,000 before coming here to make that one-time request?

Mr. Marsicano said we are working very hard. I don't know right now fully see the \$5 million on the private sector side. I am working very hard to make it happen and also trying to keep people alive through the winter on that fund drive and other things.

Mr. Cannon said I understand clearly. Thank you.

Mayor Foxx said Michael, I really appreciate you coming down and as we get through the process we will continue dialoging with you. I think what you are trying to do with this is needed because we really could see a big fall off in the non-profit sector and in the service delivery if we don't figure out something.

Mr. Marsciano said thank you for your questions and for your consideration.

Mr. Hall said I was just going to wrap up with reminders on the rest of your process and to Mr. Dulin's point earlier, recommendation on May 3rd for the recommended budget, including Financial Partners and then you have your adjustments and straw votes process which is a part of your overall calendar.

Mr. Dulin said I would like to rotate back. I didn't think about this until we are sitting here today, but the Moore Place is in the Charlotte Mecklenburg Housing Partnership number. Is that right?

Mr. Walton said no, it is a separate fund.

Mr. Dulin said have I missed Moore Place in here somewhere?

Mr. Walton said they don't have a request to us.

Mayor Foxx said that is the Housing Trust Fund. It is not a partnership request.

Mr. Dulin said so we will see that later?

Mr. Walton said you would see that as a normal agenda item when we come to the allocation of the Trust Fund dollars.

Mr. Dulin said which will be when?

Mr. Walton said I don't know that cycle. I think you do it about twice a year, so probably sometime this spring.

REVENUE/SERVICES REPORT

Mayor Foxx said we have a great group of citizens that meet all the time and help us try to come up with smarter, better, more efficient ways of doing things.

Trent Gustafson, Chair of Privatization and Competition Advisory Committee, (PCAC) said we are PCAC and I currently Chair PCAC and I want to thank Mr. Walton for coming to us back in December of 2008 and he had asked the Committee to take on a special assignment, that being to brainstorm and generate a number of revenue ideas as well as shared services, research those and report back to him. Thank you for giving us an opportunity to speak to the Mayor and Council as well. I think everybody has the actual report that was put together by PCAC and within the report there is a lot more research and ideas so I'm not going to read this to you, but basically go over some of the highlights.

The Committee is 11 members and how we set ourselves up is within various sub-committees. Traditionally the sub-committees are aligned with a Key Business Unit. This being a special assignment, we created again a separate sub-committee which was Chaired by Lee Johnson. Within that sub-committee, the results of an additional two members and my self, and what had come out of these multiple meetings over the last 12 months was a very large list of over 30 ideas generated both by the sub-committee as well as the full PCAC Committee. That list of ideas is in the back as an appendix of the final report. After some feedback with the City Manager's Office, the sub-committee narrowed the list of ideas and then really prepared more research on each of these ideas. That is really a short list of about 10 ideas where the research that was conducted was discussing with various municipalities, learning from them as to what other services they are either sharing to reduce their overhead expenses or help share those overhead expenses, as well as other ideas that they have already implemented to generate revenue because they are certainly in a precarious situation right now. In any event, the final report that you have, keeping with the process of PCAC, the sub-committee brought it back to the full Committee and at that time the full Committee approved to forward the report on to the City Manager. There has been a lot of discussion as to how best present this report, whether it back through the KBE, whether it was as City Council forum such as this, or strictly back through the City Manager. Timing is everything so Mr. Walton was able to put us on the agenda and here we are. One KBU that we had talked about, and again this an idea that a lot of different municipalities across the United State have already implemented. Some municipalities are larger than Charlotte, like Los Angeles and San Francisco and certainly have quite a number of parking meters. Other municipalities like Wilmington is smaller than Charlotte, but again, a couple of the ideas, expand parking meter hours, raise parking meter rates and fines, bring back the red light traffic cameras. Certainly as PCAC we did not recognize and research all the different implications of trying to implement these ideas. For the most part they are suggestions with some research as to other municipalities implementing those to generate revenue.

Ms. Carter said I would like to ask our City Attorney if we are making progress at the state level offsetting expenses, fines with CMS and that whole process and also if we are in that situation could we also let them assume costs that the City is covering at this point with those generated funds.

City Attorney, Mac McCarley, said there is no change in the state law and the State Supreme Court has made it plain that we are welcome to have red light cameras, but we have to pay the complete cost of that operation and give over all of the fines to the School Board. Mr. Walton may know whether we still have ongoing conversation with the School Board about some other arrangement.

Mr. Walton said it hasn't been recent, but they have not been willing to administer the program or to allow us to administer the program with the differential going to them. There is really not much change at either the state level or local.

Mr. Barnes said I've been very passionate about those red light cameras because they have saved a lot of lives and prevented a lot of accidents. I recall that you told us that the School Board met in closed session and outright rejected our proposal. Has there been anything that they would be willing to say publicly as to why they are refusing to help us protect the people of this City?

Mr. Walton said I don't know.

Mr. Barnes said and while I'm at it I'll go back to talking about the School Resource Officers (SRO's). We are picking up that tab and they are not willing to work with us on what is essentially a life saving tool and a public safety tool. We are picking up the tab on those SRO's, school crossing guards and we could easily say we are going to yank all our School Resource Officers and if you need 911 you can call them, but we are not doing that. I really want you guys to get us an explanation from one of those people as to why they will not work with us on that program, especially when you say we will give you the difference between the cost and what we bring in. We will give you the money in compliance with the law. That is ridiculous!

Mr. Walton said we will try Mr. Barnes, but that is asking the staff to get a response from another political body. But we will give it a shot.

Mr. Barnes said maybe the Mayor could do it, or maybe I will do it myself.

The Mayor said if you want me to write a letter, I will write a letter.

Mr. Barnes said yes, and we will all sign it.

The Mayor said do you want me to use the phrase "you people"? We will work on a letter and send around for folks to sign.

Ms. Burgess said might I suggest "our colleagues across the street" instead of "you people"? That has actually been discussed recently in regard to communities and schools and a potential revenue base for them. I did ask our City Attorney for complete information that the Director of Communities and Schools discussed with the superintendent. I haven't heard anything back and I'm assuming it went nowhere, but at least it has been brought up once again. I do think that since it is a political situation that maybe we can work with our friends on the Board of Education and see if we can come up with a more satisfactory result.

Mr. Barnes said Ms. Burgess I understand and respect what you are saying. I don't feel like they are being partners. I don't feel like they are treating us as fellow elected officials and colleagues as you said and that is why I have some issues right now. That is not how they are dealing with us.

Ms. Burgess said in the past we really haven't talked political body to political body to be fair, and I think we should just start over and see if we can make some progress.

Mr. Peacock said I would remind the Council that we have five new members there, so it is a new day.

Mr. Walton said more of this is coming back to me now. At the time, one of the things we were told was that the County told them the County would keep the differential so the schools were not willing to go through the trouble and it really is a three-legged stool that if we are going to approach it we would need all three legs.

Ms. Burgess said the County has reconsidered and they are willing to be a partner too.

Mayor Foxx said so we need to write to two "you peoples"?

Mr. Cannon said I don't know why I have parking on my mind, but because there is no detail here, and that is my real question. Is there any level of detail that you all may have come up with regarding times on parking meter hours per se or what rates and fines might be. I see some upsides and I see some downsides on the second bullet. I wonder if you have put together any times and any numbers.

Mr. Gustafson said there are some details in that report that I alluded to and that is really based on some of these other municipalities as to what we were able to research. You will see in the last slide a kind of take away as to what we are suggesting is that these ideas be worked through

the KBU as well as PCAC to do the further analysis of both qualitative as well as quantitative in terms of the numbers.

Mr. Cannon said you also researched how we are doing already in collecting fines and things of that nature?

Mr. Gustafson said specific to Charlotte we had not. I guess that is the point when we take away after this we want to continue that research with the KBU, knowing that they are better resource than us as citizens. Most of our research was done through other municipalities with a little bit of dialogue with the KBU, depending on which idea.

Mr. Cannon said I would really encourage you to seek how we are doing in the way of collecting finds. It may be that you come up with some other thoughts and/or ideas. While I appreciate you bringing this forward, we also have to be careful on what we are imposing on our visitors and those that reside in the City of Charlotte. At the same time, this was an issue to that we raised about Arts and Science a long time ago about how we potentially fund some things.

Ms. Burgess said is parking fines part of our debt set off agreement with the state? We collect that right? We get it, thanks to the State of North Carolina. I think our signage about when parking meters are in effect is very confusing and you cannot tell if you are supposed to put money in the meter or not until the meter will not accept your money. I hear that from a lot of folks and we do need to clarify our signs and maybe we can do that and extend the hours at the same time.

Mr. Gustafson said another idea was through advertising. I know the Airport has budgeted revenue as it relates to advertising so we want to expand on that. With regards to Engineering and Property Management, this is a KBU that we have worked with over the years since PCAC was first initiated. One of the services that the KBU provides is property management and we have found through working with Mr. Blackwell and his group, as they benchmark against the private sector, which is Building Owners, Managers, Association, (BOMA) the operating expenses for the Government Center here is consistently less than what the private sector's operating expenses are. We took that as an opportunity if that KBU has the skills and the wherewithal and the expertise, knowing that some of those comparisons may not be specifically apples and apples, but they do have that expertise and consistently benchmark and consistently are below BOMA which is a recognized benchmark in the private sector. There might be other opportunities with other related agencies should they be doing property management services for the County, or for their general office buildings. Should they be doing property management services for the Convention Center in terms of just general property management? Again as PCAC we didn't take a look at all the different implications or complexities of that. We've had just brief dialogue with Mr. Blackwell and his folks about it, but we really think there is an opportunity there because of the success they have had with the benchmarking against the private sector. In the report itself, coming from the private sector we just gave an example as to what kind of revenue could be generated if we did share those services with the County, whether it be Freedom Center, Walton Plaza, the Education Center, just to name a few buildings that are owned and managed by the County or managed by the private sector. The second bullet, review City of Charlotte real property assets for disposition based on market versus use values, again PCAC has worked with Asset Management over the years and have really done a great job of cataloging all of the assets or real property assets that the City owns. In that exercise obviously a disposition list has been created and we have at least twice a year met with Mr. Blackwell and his group and discussed asset management, but then part of us too take away as to whether these assets are meeting the market value versus the use value. From the private sector if you look at real estate as an investor versus a user, there is opportunity, whether it be repositioning an asset, reusing an asset or if you have additional office space can you sub-lease it, can you take conference rooms and lease those. What the private sector is doing now as you can imagine because the real estate market has certainly taken its toll, there is a number of opportunities that landlords are taking on to generate revenue whether it be taking conference rooms that aren't used 5 days of the work week and trying to rent those out. We hear of medical practitioners, dentists and other physicians leasing out examination rooms that they are not using at its full capacity. We just felt that because we are so entrenched with engineering and property management, an opportunity is to review all those assets to see if they can be utilized better,

more efficient and maybe even disposed of, knowing that working capital is probably the next concern if not already the concern in the coming years.

Mr. Gustafson continued with Business Support Services, investigate the consolidation of Aviation and Business Support Services fleet maintenance. This was an example that came up in our research with another municipality where they consolidated and we actually quantified or got from them how they had quantified their savings. The second bullet is centralize and increase the monitoring activities of procurement services. This is one in which PCAC has had a lot of dialogue with Business Support Services and we recognize that there has been a lot of discussion about the enterprise resource planning tool which I guess is an all encompassing financial tool. But coming from the private sector a lot of the members who work for very large corporations, who have very automated procurement type of systems, they see minimum 10%, 20% savings with such platforms in terms of various procurement opportunities whether it be bundling with different vendors or just the ability to monitor and have good data to pull from and see where there is opportunities to create efficiencies or reduce expenses.

Mr. Barnes said is it true that we are budgeting \$2.4 million for maintenance of County vehicles?

Mr. Walton said we provide the fleet maintenance for the County's small vehicles. We do the work, but they pay us. That is not a \$2.4 million revenue. It is the cost of providing the service.

Mr. Barnes said we know what the revenue is? Is there a net in our favor?

Mr. Walton said the net in our favor is the spreading of the overhead to a larger fleet. It saves the County \$700,000 or \$800,000 when we went to it a couple years ago. For us, we do get the additional use of the facility, which is over near the Music Factory, so it is a good location and it allows us to spread our overhead.

Mr. Barnes said so we are not really saving anything?

Mr. Walton said no, it is a cost avoidance. I guess you save some, probably the tens of thousands, but not a great deal.

Mr. Barnes said but they are saving quite a bit of money?

Mr. Gustafson referred to the first slide on Page 4 and said these three ideas go along the lines of further consolidation with the County. We've looked at the City of Charlotte and the County have done over the years, whether it be in the 80's and 90's and how they separated, whether it be Parks and Recreation or some other services. We felt that there are some other opportunities, the first being merging City and County Geographic Information Systems (GIS). The second being the feasibility of merging the City and County Human Resources (HR) and lastly, City and County Information Technology (IT). It sounds like that is the theme, consolidation, sharing of services so we felt the County would certainly benefit, as well as the City, if we took a hard look at those. The next steps is for our group, PCAC and the appropriate City staff to continue to assess each idea and see what the pros and cons or the qualitative and quantitative details. What we have suggested is that the shorter term recommendations, work with those at a PCAC level for the 2011 budget and than more longer term, PCAC recommendations that we refer them or work with the new Effective and Efficient Government Review Task Force, as well as staff in that research.

Ms. Carter said that is excellent work and really good recommendations for us to think about. I thank you and the Committee so much. The one area that you did not discuss that is in our brochure is the merger of Human Resources area and I was interested to know if it is payroll or the insurance or some of those monetary factors versus hiring when you all were discussing the merging of the Human Resources area.

Mr. Gustafson said you mean specific to merging with the County? We haven't gotten to the level of detail that you are describing in terms of specifically is it hiring, is it insurance, is it one of those expenses or services. We recognize that it does need to be exhausted and that is where our recommendation is to work with staff to do that.

Mr. Peacock said if the City Manager or Mr. Hall could respond back maybe in a Manager memo, his comments under the City of Charlotte – Mecklenburg County, there is certainly a long history, about every 20 years or so, we go through this discussion and I would like to know, if you could report back what the history is, as it relates to possibilities in the HR Department like Ms. Carter asked about and particularly on technology. I know we've got Mr. Stovall here who has come to us and presented as well also. I would be curious as to what the history is of attempts prior to this and what stopped us from moving forward.

ENTERPRISE FUNDS
CATS Budget

Mr. Walton said just to remind you of the process, the MTC started looking at this in February and they will approve a budget in April. That approval then comes to the City Council for incorporation into the budget. Should you disagree there is a conference process that I think we have maybe used once in ten years, but the MTC will be the first to make a recommendation on the budget and Ms. Flowers and her staff have presented twice to the MTC and they have a couple more times to go. We just wanted to bring you up to where we are with them.

Carolyn Flowers, CATS CEO, said I would like to start out by saying that as part of this budget process we are trying to focus on our core responsibility in CATS and our core responsibility is to provide mass transit and meet the ADA mandates. Public transportation is a life line to our community and it is critical to this economy for the employed and the unemployed. We look at our core responsibility as getting commuters to their jobs, getting transit dependent transportation who have no other options, getting students to school and getting discretionary riders to events and other services. We are also focusing on maintaining the state of good repair, maintaining the system assets and the level of quality to insure that we have safe and reliable transportation. Before we get into the CATS budget we just wanted to provide an overview of what the public transit industry is going through. Throughout the nation the economic trends have created a downward spiral in funding and service delivery for public transit systems. We are having the same trend here in Charlotte. We are suffering from higher budgetary pressures and declining revenue sources. This is actions that have been taken by other transit agencies and this sets the stage for our discussion today. We are also faced with making difficult decisions and have been required to assess our cost structure and we have a combination of some of these actions as part of our budget. We are looking at fare increases, looking at transferring funds from our capital use to operation and we are trying to put a budget together that does not look at proposing additional service cuts at this time.

The next slide was the state of CATS in FY2010. Ms. Flowers said we are projecting a \$350 million deficit over the 10 years and this has an impact on our long-range trends and capital financial plan so we are going to be down 8.1% in revenues this year from the mid-year. We are looking at a reduction from the state on assistance and that is due to the methodology the state is currently using does not take into account our rail ridership and miles. As the only provider of rail transportation in this state, this modal ship in Charlotte has an adverse impact on us. It has resulted in less funds for us from the state. Ridership has also declined from the peak in 2008. We are down 10.3% and we also have a delay in federal apportionment and we are looking at actions by the Feds to see whether or not they are going to continue extensions on the budget. They have done so today, but it is only a one-month extension. We have benefited from some mid-year budget reductions and we have \$1.8 million projected savings in our fuel from hedging and forward purchasing. We have cut our maintenance expenses and we've also cut our inventory expenses.

Mayor Foxx said can you flush out what that means because I get around in the community enough to hear people saying what is the City doing to cut expenses. Can you flush that out as to how that is impacting you in terms of delivery of service.

Ms. Flowers said we are looking at whatever we can do for operational efficiencies and as we are able to reduce our cost structure, it allows us to maintain a level of service that we are providing now. We have really looked at what we can do to bring down our costs structure and fuel has increase like 148% over the last five years so anything we can do in terms of our procurement activities where we are able to look at ways of leveraging the costs of fuel, do hedging activities

or purchasing forward, we have about 14% of our fuel purchases on forward purchases right now. We are able to basically get an advantageous market price by taking some of these actions.

The Mayor said I want to applaud you for your proactive effort along the lines of trying to figure out ways to cut cost without overly impacting service delivery.

Ms. Flowers said our staff appreciates that.

Mr. Cannon said on the previous slide, the revenues from fares are down 10.3% from the budget, and I understand you are working to make your case, but the loss of ridership due to lower gas prices. Gas is pretty high today. Tell me when you concentrated on the whole gas prices bid to factor in that 10.3% down because of that.

Ms. Flowers said ridership had a peak in 2008 as the price of gasoline rose and that was seen across the entire transit industry. When gas prices were averaging around \$4 per gallon the entire transit industry saw a significant rise in ridership. This year we have the cost of fuel has gone down and unemployment has increased. Those two factors have had a significant impact on ridership.

Mr. Cannon said so you are benchmarking when it was \$4?

Ms. Flowers said right.

Mr. Cannon said unemployment is another category and everybody is working real hard on trying to get that number up and I think we are excelling. I just don't know about that 10.3% but okay.

Mr. Dulin said when gas prices started to spike I became a frequent bus rider, once a week or more. My sons and I were riding the bus to all the Panther games and we got pretty good at it. Gas prices came down and now I am riding it once a month. I still ride the Lynx pretty frequently. I am pretty good example of people that have other options as the gas prices dropped, I'm in my car more and there is probably a couple thousand of us.

Mr. Cannon said that is why ridership should be up in terms of what you are talking about.

Mr. Dulin said I'm driving more now that prices are down.

Mr. Peacock said I hope your answer to this question might make us feel a little bit better. Tell us about your former City of Los Angeles in a quick snapshot comparatively.

Ms. Flowers said we are doing well here. If I compare this to Los Angeles, the State of California has cut off all transportation assistance and most transit properties in the State of California are looking at 25% to 30% service reduction plus fare increases. You go in a downward spiral and you basically start the spiral down, you can't provide convenience and a high level of service plus you are raising fares so the value to the rider is diminishing. What we are proposing here is a moderate fare increase, maintaining the same level of service that we had in the prior year and even though we have a decline in the sales tax revenue, because it is volatile based on the economy, we don't have some of the issues that I see in California, New York, D.C. Those markets are having serious problems.

Ms. Flowers continued her presentation with the first slide on Page 69 and said as we are going forward today, our budget proposal was developed with these premises to maintain our core mass transportation services and a fiscally constrained balanced budget due to reduced revenues and we are targeting actions to reduce our cost. We do have an impact on our 2030 Plan and we are looking at the long-range impact and will be going back to MTC with some recommendations for an action plan to review and revise our long-range plan. In regards for task for completing the budget cycle, we will be going back to MTC to get their recommendations for funding within the revenue parameters and we will continue this process through February and March. We do have a fare hearing at the end of February with our proposals for fare increases. The last slide on Page 69 is a snapshot of our budget summary. Revenues are down 3% from our 2010 mid-year estimate. Our revenues for FY11, we are proposing \$120.5 million for operating
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and expenses of \$101.9 million with operating balance of \$18.6 million. On the capital side it is a revenue source of \$67.7 million which basically includes our federal grants and expenses of \$66.2 million which is for purchases of new revenue vehicles for bus service, STS and our van pools and for our park & ride lots and continuing work on the Northeast Corridor preliminary engineering.

Mr. Dulin said no where in there budgeted money for streetcar work, correct?

Ms. Flowers said no, we have no funding in our budget for streetcar.

Mr. Dulin said it doesn't look to me like the state will have any appetite for helping us with streetcar at this time either. Is that correct?

Ms. Flowers said we have not discussed the streetcar with the state. We did visit them about two weeks ago and were primarily taking about the Northeast and North Corridors and the high speed rail projects.

Ms. Flowers continued her presentation with the first slide on Page 70 and said this is our financial policies. We are showing that we are complying with the financial policies that MTC has adopted and this is a summary of all of the financial policies. If you want me to go through them in detail I will, otherwise I will just let you absorb that. For public transit the critical driver for cost are our revenue service hours. We wanted to provide you an overview of the trends of our revenue service hours and you can see that we peaked in 08 and 09 and we have shown reductions in FY09 through FY10 and that we are holding steady as a proposal for FY11. Riders make decisions about using transit based on convenience and this is a critical link to independence so the bus hours have declined but we are proposing to keep FY11 stable to continue to provide value as we propose to raise fares so that the transit dependent, low income, seniors, disabled, students and commuters will continue to have access to jobs, medical and education.

Mr. Dulin said I'm sorry I was one page behind and you got through the financial policies. The Administrative overhead is creeping up on us each year. Can you talk to us about that going up.

Ms. Flowers said Administrative overhead is being driven by increased cost in pension, health and welfare, those factors are increasing our cost. We do have in our budget a reduction of 29 Administrative positions so we are trying to insure that we control those costs and look at our structural issues in the future. We also have frozen the hiring of our Administrative positions and we are going to continue look at that and continue to try to drive down that cost.

Mr. Dulin said would it not trend down with the loss of 20 positions?

Ms. Flowers said our cost base is trending down also. We reduce hours, we've reduced direct service and we probably are not trending down our Administrative cost as quickly as we trimmed our direct cost.

Mr. Dulin said and those are estimates, to which Ms. Flowers said yes.

Ms. Burgess said has there been any dialogue with the School Administration about high school students riding CATS buses rather than school buses?

Ms. Flowers said not yet, but that discussion will be had. I was slated to meet with Dr. Gorman last week, but unfortunately I had to cancel all of the meetings that were on my agenda last week, but I have rescheduled with him and we have had some preliminary discussions with other staff members at CMS. That is a balance between the services that they are providing also with their yellow buses and the services that we can provide. We have prohibitions on providing school trippers directly just for school systems through the FTA, but we can provide services as long as it is available to all of the rest of the public for school services. I know there are probably places where we don't have services that are near schools, but in places that is near schools, we certainly provide a great option and we can provide services to those students.

Ms. Flowers continued her presentation with the first slide on Page 71 and said as we move forward to FY11, on the operating side we have indicated that our revenues are at \$120.5 million. Sales taxes are projected to be \$59.7 million and that is basically back to our FY05 level. We have basically lost five years of growth in sales taxes. We also are proposing a fare increase of 25 cents which would yield \$2.4 million of revenue to our budget. If we are not able to get that fare increase the equivalent reduction in service hours would be 37,000 hours we would have to reduce to make up that \$2.4 million. The expenses are back to the 2007 level and we have continued risk in the volatility of fuel costs. We have eliminated 29 positions and we are looking at a change in our security model. We are moving 8 CMPD Officers back to on street duty and we are hiring nine private police to specialize in fare enforcement. We are working with CMPD for continued support and response to criminal calls. We think this model provides an option for both of us to optimize our services. We also have an increase in employee benefit costs. Overall there is a 3.5% increase and it is basically coming from the health and welfare and pension side. We do have upcoming negotiations with our unions for the bus operators and mechanics. We have not factored in any increases at this time, but we will be going to that negotiations process. We have \$3.6 million in other operating costs reductions that we have on the table to discuss with the MTC.

Ms. Burgess said have you considered increasing the light rail fare more than the bus fare?

Ms. Flowers said that has not been discussed here. That is an option in most cities. In most smaller systems you see that the bus and rail costs are the same. There is a perception that rail is a premium ride and that the fares should be higher. We would have to work out a fare structure and a way to monitor that where you could have people transitioning between the two systems, bus and rail, on a seamless manner. Those are the things that you have to work out and you would probably have to put in more enforcement also because someone transferring from bus to rail has to pay more and a lot of people do transfer between the two modes.

Mr. Walton said I just want to make sure that on the eight CMPD Officers you understand what that means. Eight officers would be transferred back to Police and placed into existing vacancies. The number of City employees would go down by eight and the number of sworn officers would go down by eight. Eight of 12 CMPD officers would be off transit, that would keep you four and would save CATS about \$300,000 in addition. It is a financially driven decision, but you will see when the budget is presented that Police would have 8 less bodies than they currently do. Nobody would be laid off, but it is those 8 there.

Mr. Cannon said have you factored in any costs that may go to the Police Department? I know this is CATS proposal, but in the way of costs and services and things of that nature.

Mr. Walton said it would be a wash for Police. They would go into positions that are already funded in Police and everything related to that cost is already in there.

Mr. Cannon said I would like to talk to you about that at a later time.

Ms. Carter said could you more closely define non-core service programs?

Ms. Flowers said it is a combination of proposed reductions of \$80,000 in marketing, discount passes and other marketing programs. A reduction of MTC payments to the City by \$20,000. Elimination of redundant cell and land line, telecommunication costs of about \$16,000. We have some proposed reductions in the DSS services. This is services that we provide for the taxi cab program and we are looking at whether or not we have overlapping or replicative services for seniors and disabled. We are working with DSS so those are our primary areas.

Ms. Carter said thank you, no heartburn over any except the last one.

Ms. Flowers said okay, we are working with DSS on those. What we are trying to do is optimize our resources. We do have services that we offer to senior and disabled and we do have programs already that we are continuing to fund so we do want to look at the taxi cab service because we can provide bus service at \$65 per hour that serves on the average of 24 passengers an hour versus a taxi cab ride that services one person for \$25. Those are the things that we are trying to weigh and we are working with DSS to come up with eligibility requirements that

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basically parallel what we do on the Special Transportation Services and make sure that there is parameters on the number of rides so we are definitely trying to make sure that we have programs that we are funding that optimize the dollars we have. We do have a constrained budget right now and that is what we have to look at. We do have some core services for seniors and disabled and we are also trying to insure that we put programs out like Seniors on the Move where we actually train people to use fixed routes and that way they can use the services that we have out there. We are going to be working with the community and we have talked to some of these programs, daycare centers about going out to do that training because if we can get more people on fixed services that allows us to optimize the dollars that we are using for Special Transportation. I will be going out on April 30th to the State Symposium on Special Adult Daycare Services.

Mr. Dulin said that is the biggest nut there, over a million bucks. That seems to me it would be a lot of the County's responsibility. Is there any chance we can get them to help us pay it back.

Ms. Flowers said we are trying to work in coordination with them to see if we can get those costs at a more reasonable level. That way it will help both of us. That is the objective of this program, to look at that.

Ms. Flowers continued her presentation with the last slide on Page 71, and said this is the Sales Tax History. I indicated that we are back down to the FY05 level and during this same period our operating expenses increased by 39%. We did open the rail line and the cost per hour for rail is higher than bus so you can see that our cost structure is changing but our revenues sources are diminishing. We are going to be having a public hearing at the next MTC meeting. We are proposing a 25 cent increase on the local fares and that is incorporated as one of our budget assumptions and it will yield \$2.4 million. If we do not get that we will have a reduction of 37,000 hours to offset it.

Mayor Foxx said I think it is really important to share that cost benefit with the public and I mean maybe explicitly laying out which routes you might end up cutting if we don't have that fare increase because there will be a reflexive negative reaction to a fare increase. The reason you are raising the fare is so that people who need to get to work or whatever have a way to go there.

Ms. Flowers said exactly, and 37,000 hours and how many riders that impacts and I think it is about 244,000 riders that would be lost with that. We will make sure that is part of our presentation in the fare hearing.

Ms. Burgess said also if you could include the percentage of the real cost that the fare box brings in.

Ms. Flowers said it brings in about 24%. The fare box recovers about 24% of our operating expenses and the rest of the system is subsidized.

Ms. Burgess said the public understands it in those terms and I think that is a good way to frame it.

Ms. Carter said could we perhaps lobby for a temporary tax credit from the Feds for public use of public transit to work. In other words could we be proactive for our citizens in that arena as well as saying we have to increase fares?

Ms. Flowers said that would be a policy decision, but that means you would probably be reducing other revenue sources because once you give that tax credit you have to find the funding somewhere to offset our costs.

Ms. Flowers continued her presentation with the last slide on Page 72 – Fare in Comparison to Transit Properties in North Carolina and peer properties throughout the country. You can see that our fares are not that high compared to other properties. As I indicated before fuel costs is one of our critical cost drivers and you can see the volatility even though we have taken actions to hedge and how our market rates are fluctuating and we have to insure that we continue to take action to control that costs. We also have increasing costs in our inventory because we have

brought on rail operations and rail operation inventory costs are typically higher than on the bus side. These are the details of cost reductions that Ms. Carter was asking about. This goes through some of the programs that we are doing. We have taken some one time action by flexing over funds from the grant side to the bus preventative maintenance side and we are reducing special incentives and doing some freezes on our hiring while we look at our overall overhead structure. The last slide on Page 73 are other options we are talking about doing. I do want to add on the Special Transportation Services, when we met with the North Carolina Department of Transportation they had suggested that they would do a mobility management study and look at what we are doing at CATS in the County and looking at ways that we can optimize the delivery of those services. They are willing to hire an outside consultant to look at that. We are also looking at offering alternative discount media to seniors and looking at other sources to make sure that we ease that transition over to fixed services. In summary, I want to go back over our budgetary trends, ridership is regressing back to the 2009 level. Our service hours have been cut back to the 2008 level. We've taken our operating expenses back to below the 2008 level, but our revenue is back below the 2005 level. I am just showing you the trends that we are actually moving back in time in terms of everything we are doing here. We have to basically balance what we are doing to these lower levels of sales tax revenue. The last slide on Page 74 is our Capital Program and basically most of our funding sources here are from the Federal Government and these are the major projects that we are going to do over the next five years. They are basic amenities and facilities and bus equipment, some technology, safety and we are continuing to work on the Northeast Corridor. Regarding debt financing we are retiring issuances over the next five-year period and we are continuing to make sure that we monitor this aspect of our cost and we will continue to do so to insure that in the future we have debt capacity when we need it for future projects. In summary we are fiscally constrained like everyone else and as the sales tax regresses we continue to widen the gap for our future long-range plan and we will continue the process of getting this budget adopted in time for implementation in July.

Council Member Howard said has it been two months yet since you came?

Ms. Flowers said this is the beginning of the 9th week.

Mr. Howard said that was very well done and you seem to be definitely on top of all of the subject matter dealing with CATS. That was very impressive. One of the things that came up during the Budget Committee meeting was the fact that we have to maintain \$100 million fund balance and just a little interest in FY on that. One of the reasons why we have to maintain such a high fund balance has to do with the amount of debt we are taking on to build the system, but it is also from what I understand, it has to do with the way we have the sales tax came through referendum and because it has the repeal clause that makes it not necessarily a stable source for the folks up there in New York. I'm not suggesting we talk to Raleigh about that now, but if for some reason that repeal clause was not there, we wouldn't have to maintain such a high reserve and that is more money that could be put out to do other things. It was news to me that we maintain that in part because of the repeal clause. I want to get rid of the repeal clause.

Ms. Flowers said it is really a cash flow. You have to make sure that your are able to maintain a reserve that allows you to cover your cash flow also. We get advanced federal grants and we have to advance the money before we get the federal grant funds so we have to make sure that we have adequate funds to cover those costs as we spend money. There is a lot of reasons for that.

Mayor Foxx said I want to echo Mr. Howard's comments. You are obviously a quick study on our specific situation here in Charlotte.

Ms. Flowers said I would like to thank all of our staff for all the work that they do also.

Mayor Foxx said I appreciate that and I thank all of you but you are the one under the hot lamp right now and you've done a great job and we are glad to have you here and we appreciate all the work that you and your entire team are doing to help us move through this time.

STORM WATER BUDGET

Jennifer Smith, Storm Water Services Division Manager, said I'm here to talk to you briefly on the history and the long-term plan, our fee model and what we have projected, the types of work we do, recap FY10 and what happened last year and also to talk about FY11 options. She used Power point for her presentation. Back in the 70's and 80's the USEPA mandated that localities must reduce pollutants flowing to streams. City Council decided that we would start a Storm Water Utility in 1993 in order to fund some of the projects that were needed. At that time a task force was established to evaluate the storm water utility and how that should be set up and how it should work. They decided to charge a fee that is simple and based on contribution to the problem. Impervious surface was what they felt was the contribution to the problem. Impervious surface is your roof tops, your asphalt, your concrete, those things that won't allow water to absorb into the ground, but ends up running off into the creeks and your pipe systems. After decades and decades of lack of maintenance throughout the City of Charlotte, we had a huge backlog of problems, both water quantity and water quality. In order to deal with that backlog, because initially when the fee was first put into place there were not fee increases and the backlog just continued to grow. We were not making any headway on that backlog so fee increases started in 1997 and were projected to increase. For the first three years of the program there were no fee increases, the next 5 years we had a 10% fee increase and the next five years after that we had a 7.5% increase and then four years of a 7% increase. Last year was supposed to be the last year of the 7% increase and this year we are to start with a .5% drop, so this year we projected to do a 6.5% increase and each year after that it would drop another .5% until we got to about the cost of living.

The types of work that we use that fee for is our flood control projects, both large and what we call small or minor. They are somewhere in between our neighborhood wide large projects and our maintenance work. Right now we have about 18 of the large flood control projects in progress and 55 on the books that still need to be done. We are currently working on about three of the smaller flood control projects and we have 24 of those still on the books. Our maintenance and repairs program is where we have our high, medium and low priority requests for service. Our high priority repairs are street flooding and house flooding. The medium priority repairs are crawl space flooding and what we try to do on both of those is to maintain that high priority backlog to about 6 months and the medium priority backlog to about 12 months. Last year we did about 240 projects to take care of those types of requests. This year we have over 400 projects in the cue for that maintenance program. Also just to give you an idea of the number of requests for service that we've seen come in, in 2007 we had about 2,300 request for service from residents. In 2008 there were about 1,800 requests for service. In 2009, with all the rain, we had about 3,000 requests for service. This year we already on track to hit that 3,000 number and will probably go over it. As of December we had 1,566 requests. About half of those qualify for service in any given year. It averages out to about half, but that is still a lot of requests.

Mr. Dulin said how many people have you all hired over the last two years to help you with this increase in request for service?

Ms. Smith said I don't know right off the top of my head. She asked a staff member who said less than five.

Mr. Dulin said our request for service has tripled and we hired less than five additional people to help us get through it.

Ms. Smith said I can get those numbers.

Mr. Dulin said the point is the people we work for don't care. If somebody's backyard flood it is a small deal in this community unless it is your back yard, and then it is all you've got. Ms. Smith has helped me with a number of homes that I have that every time it rains these people are up all night long on flood watch and I'm over there at 4:30 a.m. on flood watch with them. It comes into their crawl space and we can't do anything for them. They are just out of luck and it is awful. This is a pretty good example about where we need to be trying to find these folks some help.

Mayor Foxx said one of the things that has happened in the last three or four years is the Post Construction Controls which are ultimately designed to try to mitigate the additional flooding problems that occur. It is a mandate to do most of what is in there, but it is trying to attack the problem from a frequency and water flow standpoint.

Mr. Dulin said for instance I'm standing the front yard of a lady's house last week with Ms. Smith and every time it rains there is a foot of water in this lady's garage. We said we are not sure if we can help you, but if we can help you we can come start design work in three years and you just see the color go out of her face. She said please help me Mr. Dulin, please help me. We all have that problem, it is citywide and not just south Charlotte.

The Mayor said that is bringing it home.

Ms. Smith said the other types of work we do is with our Water Quality Program. In our Stream Restoration Program we are going out and improving streams and the stream credits and the work that we do on streams end up going into a stream mitigation bank. Probably several of you have seen those request come across the board to build stream restoration projects and that money or those projects go into our stream restoration bank and what happens we generate those credits and put those in our bank. When there is another city project, whether it be a storm water project, a transportation project, the Airport's new runway, and they impact a stream they are able to pay Storm Water Services those dollars for the impacts in that stream. If we didn't have that bank in place that money would have to be paid to the State and those improvements could go anywhere across the state. Now since we have that credit set up and that bank set up we are able to provide those improvements locally where the impacted stream is here in the City of Charlotte or Mecklenburg County we are able to provide those improvements locally with those dollars. The other thing that is in there is our pond retrofits and BMP's. It is much easier for us to go in and retrofit an existing pond to improve the water quality that is draining from that pond rather than try to purchase property, tear down houses, trade in a new pond that receives runoff from parking lots or roadways to try and improve that water. It is a much better costs to utilize that existing pond. Generally the property owners are very willing to donate that easement. We don't have to go buy property, so that is one area that we have really tried to coordinate with property owners that are having problems with their pond, to increase the benefit of that pond so that it is for the entire city.

Another area is our collaboration area. What we try and do with the Neighborhood Improvement Projects, Economic Development, Transit or Transportation projects is go into one area at the same time and not only widen that street or put in that left turn lane, but if there is storm drainage problems in that area we try and do them all at once so the transportation project or the left turn lane isn't there once and a few years later we are back again. We are trying to do that all at the same time.

Ms. Smith continued her presentation with the last slide on Page 97, Recap of FY10. As I mentioned before we had requested a 7% fee increase to continue with the model, a 5% fee increase was approved and we had also talked about going to multiple tiers, but we ended up staying with the two-tier program for the City of Charlotte. You can see that the City rate for those single family detached homes with less than 2,000 square feet of impervious is \$4.21 and for tier two, three and four it is \$6.20 for the City of Charlotte. Mecklenburg County chose to move to a four tier system so they charge four different rates depending on the amount of impervious area. You may ask why does the County charge a fee and why do the residents within the City of Charlotte think they are on a four-tier system. The county is responsible for the FEMA regulated floodplains, even within the City of Charlotte limits so any resident within the City is charged both a City fee and a County fee, so when the County went to four tiers, essentially every resident within the City of Charlotte went to four tiers, even though our rate is the same for tier two, three and four, the County is charging four different rates for the residents. The other thing is the commercial/multifamily, they are charged on the actual amount of impervious service they have on their property. It is a per acre charge and this really includes anything that is not single family detached, so your duplex, multifamily, commercial buildings, industrial, your schools, your churches, that is their fee. That fee is determined based on \$6.20 that is normally out of that tier two rate and we use the equivalent residential unit of \$26.13 which is the average impervious area of a single family house back in 1993 to calculate that rate.

Mr. Howard said how do you determine that impervious area on every property?

Ms. Smith said we use aerial mapping so we look at the actual property.

Ms. Burgess said what would a four-tier system rate look like for the City? Instead of the \$6.20 about what would it be?

Ms. Smith said last year we had numbers that were around \$8 plus for tier three and the tier four was around \$14 plus. I have numbers based on the 6.5% if you want that. The same amount of revenue that was generated from a 6.5% fee increase, the tier one number would be \$4.00, tier two would be \$6.00, tier three number is \$8.85 and the tier four number would be \$14.62.

Mr. Cannon said tell me about the 85 cents. Who does that go to?

Ms. Smith said that is to send out the bill, to maintain the system that all of the billing is generated from. That is our portion of the fee.

Council Member Cooksey said in researching and looking into different tier structures, have you had any conversation at the staff level about a tier structure based on percentage of impervious surface rather than absolute number? If so, why have we wound up with suggestions that stay with the absolute amount of impervious surface rather a percentage basis?

Ms. Smith said we actually looked into that and also hired a consultant that is nationally known for setting up storm water utilities throughout the country. One of the first things they looked at was our data, what do you have available and what don't you have available. I said wow, are you already mapping impervious surface, like yeah. Well most of those communities that don't map impervious use some sort of per set impervious to figure out their fee because they don't have that data. The other thing they looked at was what is the average per set impervious across the entire City of Charlotte, so we looked at all the single family sites and their gross area and their impervious amount. The average per set impervious across the City was 20% impervious. We broke that down a little bit further into the four tiers. Tier one had about a 15% imperviousness, tier three had about a 21% or 22% impervious and tier four was around 19% to 20%, so actually the thinking is if you have more impervious you probably have a bigger lot but that wasn't really the case where the average impervious was less on the smaller amounts of impervious.

Mr. Cooksey said one of the things I continue to struggle with on this is the notion that if the fee structure is supposed to be based on the contribution to the problem, if citizen A has 3,000 square feet of impervious on ½ acre of land and citizen B has 3,000 square feet of impervious surface on an acre of land, they are paying the same fee but I can't wrap my mind around the science that says 3,000 on ½ acre contributes to the same degree as 3,000 square feet on the acre does.

Ms. Smith said what we are seeing is there isn't a huge difference between the amount of impervious from the bottom to the top of the spectrum. The average is right around 20%. You have a few that are really high and a few that are really low and if you try to put some system in place for those two highs and lows then your system gets very complex, then your billing gets very complex and you need additional staff to manage that and the cost ends up going up.

Mr. Cooksey said one of the things that I have come across is a rate structure that essentially was built on quintiles. There was a rate for 0 to 20% impervious, 20% to 40%, 40% to 60%, 60% to 80%, 80% to 100%. I haven't had the time to delve in further and how that actually gets managed, but I came across it and thought that makes more sense to me even though hearing the actual data on how our percentage of impervious surface, that is something I also find interesting given that we have heard recently that 20% of the surface area of Charlotte is roads. We know that our overall impervious surface is about 20% is interesting too.

Ms. Smith said those folks that have the per set impervious are generally based on the land use type, so if it is single family the land use generally has X amount of impervious and then they are thrown in that category because the communities aren't measuring the actual amount of

impervious. It is less maintenance of the data, single family is generally this amount of impervious and that is how they are charging rather than measuring the actual impervious.

Mr. Walton said we agree that is a reasonable question and that is one of the reasons we are recommending not going to the tiers this year. We will try to do that next year and it may come back something similar to what we presented last year, but it is worth a look, we agree.

Ms. Smith continued her presentation with the first slide on Page 98 – FY11 Program Options. What are the options for FY11, first we could do the 6.5% fee increase that is slated in our fee model. The second would be to not increase fees, but increase our bond sales and the third option would be to not increase fees, but reduce our program. One thing as the City Manager mentioned, the tiers are not up here to bring that back this year. We do want to work with the County to get in more of alignment and also as I mentioned that ERU, equivalent residential unit, that was determined back in 1993. We want to re-evaluate that. We do think that the average amount of impervious has changed in the City of Charlotte so we want to look at that and work with the County a little bit more before we bring that back. So the 6.5% fee increase ends up being 40 cents increase per month for that tier two. That is the majority of the residents within the City. I think it is 84.3% of the residents are in that tier. The increase for tier one would be 27 cents from \$4.21 to \$4.48 and the commercial/multifamily rate would go from \$103.27 up to \$109.98 or \$6.71 per month increase. The other option was a no fee increase, but increase bond sales. What was in the model for the 6.5% fee increase was actually issuing \$90 million in bonds over a ten-year period. If we don't increase the fee then we would need to issue an additional \$35 million in bonds and right now I think the last time we sold bonds we were at about a 1.9 payback so that \$90 million would end up costing us \$171 million. The additional \$35 million would cost us another \$66 million so we would end up with \$125 million in bonds over a ten-year period and the payback would be \$237 million. Just to look at the debt payments as a percentage of our fee revenues, from 2000 to 2009 we are at about 20.8%. If we end up with the 6.5% fee increase and the \$90 million in bonds we would be at 21.5% for the next ten-year period. If we end up selling the additional \$35 million that same ten-year period we end up being about 25.5%. I think this year we were at \$11 million in paying our debt.

Mr. Dulin said those are staggering numbers. The \$90 million is going to be sold anyway, correct? So we are still looking at \$171 million over ten years.

Ms. Smith said the \$171 million would be paid back over 30 years.

Mr. Dulin said it is still our plan to sell \$90 million worth of bonds sometime within the next year?

Ms. Smith said it is over ten. That is a ten-year period.

Ms. Smith continued her presentation with the last slide on Page 98 and said if we don't do a fee increase, but reduce the program, we would still have to make up that \$35 million and what that \$35 million is is 6 large flood control projects, three years of maintenance program or about 2,300 requests for service, 7 years of our water quality program or ten years of our collaboration projects.

Mr. Dulin said can you go over that list again please. Those are major programs.

Ms. Smith said it would one or the other.

Mr. Howard said can you explain the collaboration projects and what that means?

Ms. Smith said when there is a neighborhood improvement project in a certain area and they are going in and doing sidewalks and maybe curb and gutter in that neighborhood, if there are storm drainage problems in that same area we are trying to resolve those at the same time they are in there so that we don't disturb that neighborhood today and in five years disturb them again to fix the storm water problems. It is the same way with roadway projects.

Mayor Foxx said reducing the program by \$35 million over a ten-year period you calculate that based on if we didn't raise fees in this one year and then picked it up and had a fee increase next
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year and in subsequent years. We would lose \$35 million over ten years by not doing that this year.

Ms. Smith said this year that 6.5% fee increase could generate about \$2.5 million so that \$2.5 million with a fee increase on top of that continues to grow about \$35 million over ten years.

The Mayor said I was just trying to think how much we have explored having some break in the action for a year or two years and picking back up on a plan following that.

Ms. Smith said this makes the assumption that if there is a 0% this year, but a 6% increase next year, which is in our model, you would still be down about \$35 million after ten years.

Ms. Burgess said basically we did break our plan last year and not do the 7%. We did 5% and even if we do 6.5% it is only 40 cents per month and look at all that we save. I know it was a struggle last year and not to raise fees in that economy, but it is pay me now or pay me a whole lot more later, so for 40 cents I think we ought to stick to our plan at 6.5%.

The Mayor said this is one of those issues where the art is not making a short-term decision that has adverse long-term consequences, but also trying to figure out the best way to navigate short-term so we can have a long-term.

Ms. Smith continued her presentation with the first slide on Page 100, the 6.5% fee increase generates about \$2.5 million more revenue per year. That is 40 cents more for your tier two residents per month and 27 cents increase per month for your tier one. The commercial ends up going up about \$6.71 per month per acre. If you look at Option 2, Increasing Bond Sales you will end up going from \$90 million to \$125 million. The cost of those bonds is from \$171 million to \$237 million and the time when we projected to sell our last bond would be from 25 years out to 45 years out. Option 3, if we choose to reduce the program, instead of starting three projects per year and our backlog on the current flood control large projects of 19 years, we would start about two and a half and would probably end up being two one year, three the next year, but it ends up pushing that backlog out 22 years on the current projects that we have. These are either or and not all of these would have to happen. Either the flood control or maintenance on water quality. On the maintenance it would go from a six month backlog and every year we would increase another month because those projects we didn't get to this year add onto next year and the only way we would ever catch up is if we had a year where we didn't have as many requests come in. The medium priority goes from 12 months and you would add three months each year onto that for 15 months in 2011 and another 3 months the year after that because the backlog just continues to build. On our water quality projects instead of starting four projects per year we would start two. I know Jeb Blackwell talked a little bit about the Post Construction Controls and that impaired list of streams that the state maintains. That list grew from 2006 to 2008. We are also seeing a draft list in 2010 and it is going to be bigger than the list from 2008. The streams continued to be impaired and on a list. I think eventually we will get mandates from the State that you have to do more and more projects, not less and less projects. That is something that is coming and other communities are seeing that. Our permit renews in 2012 so we are just crossing our fingers that we don't have more, but we have a feeling it is going to be in there.

Mr. Howard said you have seen that map over and over again, at anytime in the future do you see with the activities that you are undertaking, and the increases we are talking about, do we get in front of those impaired creeks and start seeing that go down. Is there anytime in the future, 20 years from now, where we would think that all of what we've done to catch up the backlog and what we will be doing in the future will help that at some point?

Ms. Smith said we certainly hope so. We don't have that projection. What we have looked at is the cost to improve the creeks and it is hundreds of years out.

Mr. Hall said if there is no more conversation about storm water I have a different question. I sent around an e-mail related to your start time for the March 24th Retreat. Right now you are scheduled to go from 3:00 p.m. to 5:00 p.m. The MTC backed up their meeting by 30 minutes to accommodate MUMPO changing their meeting time by 30 minutes. I've got three pretty heavy topics for that meeting and you are already at 2 hours so I would suggest that you back up

your Budget Retreat Meeting start time on the 24th from 3:00 p.m. to 2:30 p.m. or even 2:00 p.m. if you are really interested in getting an extra 30 minutes in there. That is just a suggestion in terms of getting your work done on that date.

Mayor Foxx said I think 2:00 p.m. is good. Let's say that 2:00 means 2:00 because we did have some folks that came in right on the dime today and it really helps us along if we can get started right when we say. If we want to say 1:45 and start at 2:00 I'm happy to do that, but if we say 2:00 let's make it 2:00.

Ms. Carter said I have to be out of town that day, but could we do a telephone connection so I could listen. I wouldn't want to make comments I would just like to listen in.

The Mayor said I have no objection to that if others don't.

Mr. Howard said you are not going to Hawaii are you?

Ms. Carter said I'm going to Brevard, the North Carolina League Board Meeting.

Mr. Dulin said we have talked about tight budgets this year and reduction of services. One of the things we've done a good job on in my tenure on Council is ramp up 311. This body has heard me say that I am a frequent user of 311 and they do a good job. They do a good enough job where I feel comfortable about advocating for what 311 does. We are going to lose some of that customer service at 311 as we have to reduce services, but a good example of how that can hurt us happened today on Twitter. A lady I follow on Twitter has said multiple times that she was very frustrated with 311 because she would call and no-one would answer and people were actually interacting about the 311 service today on this Twitter Universe. This gal, every time she hits the send button thousands of people see it. It is amazing how quickly a bad experience can get out there now when we've worked very hard to ramp that up. I just wanted to bring that up to this body. I almost think that 311 is a new subset of a core city service communicating with our constituents, our bosses really is sort of a new core city service I think and we really got to think long and hard about spending money on wants instead of needs and what we need to do.

Ms. Burgess said from our Workshop, I've really given a lot of thought about the impact of Post Construction Control Ordinance on Affordable Housing. We knew that was going to happen. We had to do PCCO with the mandate and we did the right thing. I sure don't want to revisit it, but I was trying to think of a way, Mr. Howard's suggestion, how can we mitigate the effect on our affordable housing providers and the disproportionate hit on our lowest income people. I just want to throw this out for some thought. Maybe we could increase our housing trust fund and have a special fund within that to help our affordable housing providers with that increased costs. As we build our bond for this year and I'm assuming we will do that for affordable housing, that that might be something that we would consider increasing our affordable housing bonds to some degree to help mitigate the increased costs on our partners. Chew on that and see if it works. They have a serious point, but I don't know a better answer other than to find another way to help them.

Mr. Howard said saw something similar just a few seconds ago with the storm water, where you set the fees all the same and it is not that tier system. The affect on the 2,000 square foot house is the same all the way down. They are talking about the same thing on the construction side. That is why doing a bond is one way, but looking at just a slide scale when it comes to some of those fees is what I was talking about. I'm not sure what the effect is on the bottom line and I would be real careful with that one, but something more of just sharing the cost. That is one of the things that I fully agree with what Mr. Crosland has been advocating for and he is talking about sharing that more equitably depending on what size home. Either that way or just looking at the fee structure and making it a sliding scale of some sort is another way to do it.

Mayor Foxx said it sounds like there is more to discuss on that front. I thank the Council Members for being here and staff for the work you have done.

The meeting was adjourned at 5:58 p.m.

March 3, 2010
Budget Retreat
Minute Book 130, Page 239

Stephanie C. Kelly, City Clerk

Length of Meeting: 2 Hours, 41 Minutes
Minutes Completed: March 17, 2010