

The City Council of the City of Charlotte, North Carolina convened for a Budget Retreat on Wednesday, May 12, 2010, at 3:05 p.m. in Room 267 of the Charlotte-Mecklenburg Government Center with Mayor Anthony Foxx presiding. Council members present were Michael Barnes, Patrick Cannon, Nancy Carter, Warren Cooksey, Andy Dulin, David Howard, Patsy Kinsey, James Mitchell and Edwin Peacock.

**ABSENT UNTIL NOTED:** Council members Susan Burgess.

**ABSENT:** Council member Warren Turner.

Mayor Foxx called the meeting to order at 3:05 p.m. and said this is a point in the budget process in which we have shifted the burden of producing a budget from the staff to the Council. The Manager has submitted his recommendations and today we will consider budget adjustments. He asked Budget Director, Ruffin Hall to share the rules and regulations.

**Budget Director, Ruffin Hall,** said certainly, although they are your rules and regulations. This is your budget adjustments meeting and consistent with Council process, today as the Mayor indicated, the burden of budgeting is shifted from the staff to the Council. By practice you need five votes to take an item and send it to the staff for costing and impact statements and we will take that adjustment and work it through and bring it back to you in a more formal format for your straw votes meeting which is on May 26<sup>th</sup>. This is really the first step in a multi-step process. Also on May 24<sup>th</sup> is your formal vote budget hearing as required by law. Once you go to your straw vote meeting, that requires six votes to approve an amendment to the recommended budget and then we will take that amendment and put it into the formal budget adoption ordinance for your consideration on June 7<sup>th</sup>. One thing I will remind you of today is if you have some ideas you want to talk about and put them forward, specificity is good, but there will be a staff calculation process away from here so if we are off a little bit we will refine that into a specific number away from the table.

Mayor Foxx said I think a word of appreciation should be extended to the City Manager, the Budget Director and to Greg Gaskins, our Finance Director and the whole team of people in the departments and in our offices who have worked on this budget. It has been the longest budget review period I think the Council has had in quite some time. We started looking at this very early on and the staff has worked extremely hard to help us work within the means that we have and I don't think any of us around the table are here to have any conversations about a tax increase which is welcomed news to the people we serve. That is a testament to the work the staff has done to this point. Second, our Budget Committee has done a good job of working us through and helping and I want to thank all those who served on that Committee. The Third has to do with some observations about this budget and the context of the community. For ever the City, County, the School System, all of us have kind of played in different lanes and this year in particular the school system and the County are facing some even more severe budget reductions than they did last year and I do have some concerns that those reductions will have a permanent impact in ways that we can't quantify. As we think about things that may a good city, it is not just infrastructure, it is not just good neighborhoods, it is not just the things that we touch on like public safety, it is the whole mix of things. The schools are part of that, the libraries are part of that. All of that makes a good community so at the outset I want to share with you some thoughts I have about it and we can talk about it as we get through.

The first one is that our City Manager has made it very clear that he wants to support the staff who have worked very hard and over at least the last year has not received any increase in their compensation. That is an understandable position to take and I share the appreciation to the staff that has actually worked very hard. Our crime rates are relatively low versus the trend line. We've seen people take on more responsibility with fewer people and it is clear. At the same time we are looking at some reductions in this budget that impact some of those other things that I think are important in this community, including children. We are going to be discussing net reductions in after school. We are going to be looking at renegotiating the school resource officer dollars with the school system over the next year, cutting out crossing guards in the second part of this two-year budget. I think we need to think about whether those reductions, I don't mind negotiating with anybody over something, but in terms of those net reductions, whether those end up having more of a permanent negative impact on the community than positive. The second overlay is that I'm learning more about how Charlotte is counter-trend as it

relates to large cities dealing with issues on affordable housing. We have a \$10 million allocation in the capital budget in the Manager's proposal for the Housing Trust Fund. Looking at some of the other cities that we compare ourselves to, some of have better success in reducing the numbers of homeless people, at putting roofs over heads, etc. We've done a great job and we've had a great success with the Housing Trust Fund, but as you all know there are three initiatives that are moving their way through the Council right now, one looking at reframing the way we deliver housing generally, secondly locational policy. A third critical component is the amount of money we put into the bucket to try help us deal with those challenges. We've got \$5 million in unallocated capital dollars that I think we should put into the Housing Trust Fund while those other pieces are working their way through. As we look at this budget I think we need to really strongly think about what signals we are sending to the community, clearly public safety is important. We hired 125 new officers and we are still working to integrate those officers into our on going budget. Clearly infrastructure is important. I think the Manager has put in a significant amount. It is not the highest we've done in the last five years, but it is the second highest, to support infrastructure to continue neighborhood improvements. Those are important things, but as we look at what we take out and what we put in we are sending signals to the community and I look forward to the discussion and welcome all of your thoughts. This is your opportunity to suggest changes to the budget.

Councilmember Carter said you made a statement about the salary increase for our employees and I understand your concern, particularly about the message, but I had asked our staff to review the impact of the 401K elimination for this year and the increase in healthcare costs. When looked at, particularly at the lower range of our pay scale they offset or do not entirely offset the increased costs to our employees. For me, I think it is an important thing to look at as holding our employees whole and making sure that they are compensated for a higher degree of excellence in their work, a greater commitment to this City, particularly as they take the place of those frozen positions and the work demands that have increased with an increasing population in annexed areas. I am very supportive of at least trying to hold our employees whole and by calling it a pay increase it gives something of an erroneous picture to the public because I don't see it as an increase. I see it as holding our own.

**Councilmember Burgess arrived at 3:13 p.m.**

Mayor Foxx said thank you, I understand the point and I think we can talk about the language we use, but I do have that concern and we just need to keep that in the forefront. Typically we ask you to suggest additions and deletions and if you are going to make a suggestion that you figure out a way to pay for it.

Councilmember Barnes said my efforts now will be to save us money potentially. I asked a couple questions of Mr. Hall and I wanted to see if I could get one of them answered. Regarding the \$25,000 for the Citizen's Review Board, I believe Ms. Carter had the same curiosity, our notes indicate that the funds are for operating expenses. Did you find out anymore about what that money is used for?

Mr. Hall said it is primarily related to the use of attorneys to help staff the meetings and actually Mujeeb Shak-Khan staffs that group. Oh, I'm sorry, you don't?

**Mujeeb Shak-Khan, Attorney's Office,** said our Citizen's Review is actually staffed by an outside law firm.

Mr. Hall said so the costs are directly related to the amount of activity, the number of review they are going to have to go through in a particular year.

Mr. Barnes said for the current fiscal year did they spend all of the allotment or did it carry over?

Mr. Hall said I did not have a chance to check that. They generally don't go over budget, but we would have to find out whether or not they spent it all this year. Obviously, that is not a predictable event because the number of reviews is dependent on the number of filings. There has been more activity in the last year, but I will be happy to check for you what the balance has been over the last five years.

Mr. Barnes said Mr. Manager, regarding Community Link, we've funded them this current fiscal year and you are proposing to continue that funding. Did we get any data regarding their success meeting targets, etc. that you could share with us. I would like to see that and I may respond with a cut or increase later. Also Charlotte-Mecklenburg School After School Enrichment Program, something that I have appreciated since I have been on Council because that program, of the all the programs that we have reviewed, tends to be, at least in terms of raw data, the most successful after school program and I don't think they have ever asked for more money. Is there a need for money that they could demonstrate for us and what would your opinion be of that if so?

**City Manager, Curt Walton,** said I think on Community Link and the after school program, their performance data was provided in one of the earlier retreats so we could get that for you. On Community Link I believe we also identified that we were going to put that service out to bid in the coming year so no change this year. Next year hopefully a reduction with at least no drop in production. For the CMS after school, that data was there earlier and I don't believe they ask for a request. I don't remember in the past. At this point I wouldn't recommend increasing any of the outside agencies when the overall budget is continuing to decline. They have had a fairly good success rate over the years but I wouldn't give them more than they ask for.

Mr. Barnes said I want to eliminate the CBI funding for \$49,000.

Councilmember Dulin said what page are you on?

Mr. Barnes said Page 117, Operating Budget Tab.

Mr. Dulin said that is Community Building, to which Mr. Barnes replied yes sir.

Councilmember Cooksey said in addition to the words that have been said about the respect we all have for our City employees who do work hard and I have the pleasure of working with them and defending what they do on a regular basis. Ultimately, I think we've got to recognize that our accountability and our responsibility is to the 700,000 citizens of Charlotte for whom the cost of living in Charlotte under the recommended budget is going to go up. It is great and it is wonderful that we are not proposing any kind of property tax increase, but we are proposing an increase in utilities and we are proposing an increase in storm water. As it stands the cost of living in Charlotte is going up July 1 because of our action so what I would like to propose is that we try to mitigate that somewhat by going with a slight property tax cut of ½ cent. I think we can manage that and I've got the proposal right here for reference. The reference point is the PowerPoint presentation presented on April 14<sup>th</sup> about where we got from being about \$2 million in the hole to having an additional roughly \$9.2 million in additional money to spend. I've replicated the Manager's recommendation in a column and a column on this proposal as well as a substitute offering that shows the parallel tracks. We start with as we were on March 24<sup>th</sup> retreat, looking to fill a \$2 million gap and then as of April 14<sup>th</sup> we saw additional revenue and reduction. The first item don't propose a change. We are \$1.6 million in cost allocation plan revenue. That is basically revenue into the general fund from our enterprise funds. It is all the same wallet to our citizens and it is all the same government to our citizens, but we here on the inside understand it is one fund versus another fund, so \$1.6 million shifted there. No change proposed there nor to the property tax transfer from PAYG. It is a .15 cent proposal from the Manager to shift from a capital side of our property tax allocation to operating, not proposing a change to that with this. We also learned that we are going to get another \$800,000 in unexpected revenue from video programming franchising, not proposing to touch that or the decrease general fund contribution to risk fund. Where the changes start, where the proposed \$900,000 transfer tree trimming removal to PAYG. I can't help but think that tree trimming is an on going expense that we do. Tree maintenance is an on going expense and I'm not philosophically wedded to the notion of shifting it into a capital side even it is a PAYG side of things, so take out that \$900,000. I'm very concerned about the decreased general fund to storm water, particularly since we are asking our citizens to pay more for storm water, and I recognize that it is tax revenue from our citizens that the City pays for that, but our impervious surface has increased because we've annexed. So to propose paying less to storm water to accommodate the streets, roads, sidewalks impervious surface that the City has to contribute to storm water runoff I think is a poor message to our citizens so I propose not decreasing by \$500,000 there. The decrease contribution to 401K, that was \$1.8 million, I propose returning that, reinstating the full

401K contribution of 3%. Then no change proposed on the \$1.1 million decrease budget line items and the \$400,000 decreased synthetic TIF payments. You can see that whereas the budget proposal has found \$9.2 million in additional revenue reduction, I've reduced that to \$6 million. That creates a revised budget position with that \$2 million in hold of \$4 million instead of \$7.2 million. What you do with the \$4 million and what you do with the \$7.2 million, the Manager's recommendation was the employee pay adjustment of \$6.1 million. I propose no pay adjustment. The Manager proposed a general fund operating reserve of \$1 million, frankly I had \$100,000 left over so I put that as an operating reserve of \$100,000. No change to the Public Records Attorney. I think the case was well made about the need for a Public Records Attorney, given the volume of requests. That leave \$3.8 million that can fund a ½ cent property tax cut to in some way shape or form offset the increased cost of living in Charlotte that we are going to propose with our utility increases and our storm water increases. I would offer that for Council's consideration.

Mr. Dulin said while everybody is looking at Mr. Cooksey's work I'm going to continue along with some thoughts on his proposal, that is not yet a motion but a proposal, to make ½ cent property tax reduction for the citizens of Charlotte. I have to say that as much time as all of us spend with the men and women of the Police force and men and women of our Fire Department and the men and women that work with us in this room and the other 5,600, it would be nice to be able to give them a pay raise this year Mr. Manager. I appreciate you looking into that and working on that. I am supporting the no pay raise motion this year and when it gets to a motion I will gladly second it if somebody else doesn't. Mayor, you are right, the pay raise just isn't sitting well with me this year when all is said and done. The logic of giving ourselves a pay raise particularly doesn't sit well with me because we are part of the City employees. If this body moves forward with the pay raise I will make a motion to omit the City Council and Mayor from that motion and we can break that out later. We all know both the teachers, the Fire and CMPD are equally important. How could one ever suggest that by paying a Cop or Fireman a little bit more will keep them from leaving us. I don't agree that we will lose employees. I understand the sentiment of wanting to pay the cops more. We've recently recruited and I feel that they are going to have to hold down and hold the line on their pay raises for another 12 months. I don't know if the Chief is here or not, but Chief and his officers know that I love them and I support them but I'm not able to support the pay raise for them now. Chief Hannan, I understand from Council member Cooksey that he had 2,000 applicants in his latest pool for firemen in his latest class and I believe that class is something like 43 or 73. Business is pretty good in the fire business these days and that says something for people being unemployed and looking for work, and it also says something good about our Department. People want to come to work for us, but it also says there are plenty of folks, and the ones that have jobs aren't going to be leaving the Fire Department anytime soon. I just don't feel comfortable paying these folks more when our citizens in this community are struggling out there. They are not going to just quit struggling, as we all know this year is harder than last year and next year is going to be harder than this year. My friends at the County are learning that and they will continue to hurt Mayor. By the way we can get back into the philosophical conversation about our pot and their pot and where it needs to go. This is really a good day to have that conversation. We are not the private sector. Everything we do is funded by somebody else's money and we get that money by taxing our citizens. Through some really hard struggling work we've come up with an opportunity to give some of it back to the citizens and as we all know little bits of money add up to big bits of money. If we can give a little bit of the money back to the people when it is their money, not ours, I would like for us as a body to talk about that. I'm not buying into the logic that supporting these facts that we need to give a pay raise because the private sector is giving a pay raise. I don't agree with that. When we were freezing and suspending our spending the private sector was cutting. I want to bring the Council's attention to the response we got from HR Director, Tim Mayes in the April 30<sup>th</sup> memo on Page 15. If you recall the staff is showing us the data that shows the 2.1 average of pay increase, however on Page 15 it tells us that Council needs to note these words. It says only 1/3 of private sector companies plan to freeze or reduce hiring in 2010. Only 1/3. That is down from 65% that we are going to freeze or reduce in 2009, but what that is telling us that while everyone else was releasing, freezing and reducing meanwhile we haven't done anything to reduce our workforce.

Mr. Mayes said we did a little bit.

Mr. Dulin said we can talk about that. If anyone would like to discuss it we can. The next bullet on that says a full 21% of the companies polled planned to increase hiring. That translation is 79% of the companies are not planning to increase hiring. We just can't afford to continue to do business the way we are in my estimation, top heavy in some our departments who are making work for themselves. The Zoning book that we've been handed today is a pretty good example of that. This is a five-year low for zoning of what we are doing. This is our zoning book for this month. Obviously, I haven't read it because it was just delivered to us, but there are people who are inventing work for themselves. It is not a badge of honor to sacrifice and these are difficult words that I'm speaking, but it needs to be said and we need to discuss these. The time of a pay increase is not today and I think this is the time for us to have serious discussions about using that money for a tax decrease. We've got the documentation that Mr. Cooksey has put together that supports the way we can fund this and this is the adds and deletes. One of the things that always happens at this meeting is that people add things and they don't delete. We have figured out a way to hand back ½ cent to the citizens and I want us to have that discussion. Our turnover is virtually zero at the City and people aren't leaving these government jobs. I don't suspect there is going to be a big whirlwind of folks leaving if we do what is right for the citizens outside of this building with some pain on the citizens that are on the inside of this building. It is tough for me to say that because I love you, but our pay packages and our benefit packages and our retirement packages are still second to none and it is a pretty good living. I'm going to support the no pay raise this year and I look forward to discussing it with you all.

Mayor Foxx said we going to be pretty informal so we don't necessarily need a second and all that. We just need five hands to go up on any given proposal to carry it forward.

Councilmember Barnes said the opportunity that Mr. Cooksey has presented is almost a Budget Committee type opportunity because we didn't have an opportunity to discuss it before this time today. I actually have had a conversation with the Manager and Mr. Hall about the potential for a tax cut. The Mayor and I talked about it, whether there was some way to fashion a tax cut into this budget. One of the concerns that ultimately arose for me is that if we cut taxes this year, will there be that need in the next budget year or the one after that where we may have to raise taxes in order to cover some of our essential costs. There are a lot of costs, as you are aware, that we are going to be inheriting with respect, for example, public safety, that we need to be prepared to pay for. The concern I have is that we cut taxes this year, which I would like to do, but in another budget or two, have to raise them in order to meet the needs of the City. As you are aware we do not have a funding source currently in place to generate a bond program in 2012. That is something we have to be mindful of because we've either got to cut something to finance it or generate new revenue to finance it. There are several things long-term that make me reluctant to do that, even though I really want to find a way to cut taxes. As I said, Mr. Mayor, this may be a Budget Committee type opportunity to explore this. Our Committee's work is done, but because of this new idea I would be happy, if the Council wishes us to do it, to have a meeting to review this proposal to see if it might work for us as a body.

Mayor Foxx said I appreciate the thought that is going into it. A lot of times we get into these budget cycles and we start arguing over pennies on the dollar and this is a proposal that I think does merit some study, so we will figure out a way to do it.

Councilmember Peacock said I just want to echo your sentiments Mr. Mayor. Mr. Cooksey has done an excellent job and clearly demonstrated it. I think he has been giving a lot of thought to some of the adjustments we've had. Mr. Hall and I have had a number of discussions. I didn't know it was possible to have an hour and a half conversation during the business week, but somehow I ended up doing that with you. Mr. Barnes, I guess I'm hearing you say we need to refer this to the Budget Committee?

Mr. Barnes said yes sir. I'm proposing that as a methodology to study it.

Mr. Peacock said the other point I wanted to make just really echoes what the Mayor said in his opening comments, what the signals are to the community. I had a chance before this meeting, and I got his permission to mention it, I was talking with Commissioner Harold Cogdell who has served on this body and he said my message to Council would be just to simply be aware of the signals you are sending out to the community. He said it in almost the exact same words that you did. I think to Mr. Barnes' comments certainly there is an impact of what could occur down

the road, but essentially what has occurred here in the way that the budget teams has worked is that we've found the money to be able to afford a pay increase. The question is really is this the time to do that. Mr. Dulin, we are in fact giving ourselves a pay increase and that is the part that really makes me uncomfortable, because we are part of this 2% increase. I second Mr. Cooksey's sentiments here and will continue the discussion. If there sentiment to have it referred to the Committee so we can look at it closer so be it, or we just move forward in the budget adjustments toward straw votes.

Councilmember Carter said I think I've made very clear my stance that I don't consider this a pay increase. I think it is holding our employees whole when we look at the expenses that we've added to their salaries. The increased health costs, the increased deductible in healthcare, the reduction of the 401-K and I think we are piling on costs to their salaries versus trying to hold them whole. I'm very concerned about the ImaginOn funding and I am very anxious to see if at least we can give them one year's notice if we have to go the route of addressing the maintenance and operation expenses that we used to cover when we at one point owned the building in which the operated. I have been doing some math and I've tried to find other points of discrimination. We have \$30,668 in our discretionary fund remaining. I would propose that this one year we reallocate that discretionary fund to ImaginOn and Mr. Dulin and Mr. Peacock, I thoroughly agree with you about our pay increases. I would like to see us allocate those pay increases to supporting the children, but supporting the children through the Children's Theatre and the Children's Library. I think it is a very important issue that we keep these buildings open and active when children are not exposed to experiences beyond their school walls. That would be my proposal that we take away the pay increases for the City Council and devote the remainder of our discretionary fund to funding for one more year that \$92,000 compliment that we have contracted with ImaginOn Children's Theatre.

Councilmember Kinsey said I actually wanted to say something about the tax. I don't believe we should balance the budget on the back of our employees so I would not support not giving a pay increase. Obviously, we always want to, if we could give a property tax decrease that would be great, but I think Mr. Barnes is right on, what we give back this year we may have to take back and even more in the coming years because we don't know how bad it is going to be next year. I'm thinking while it would be nice to have a tax decrease, at least we are not increasing taxes this year. We've got a balanced budget and there may be ways we can tweak it a bit, but I think it is a good budget and I could support it just the way it is, but I think there is some tweaking to be done. If I may just hop over to what Ms. Carter was talking about with the Children's Theatre. I asked yesterday and I don't have the answer, but I know there was some discussion about the County taking over maintenance of that building. Right now the public library does it. They are separate and apart and there has been some discussion of that. I don't know if that is happening. I think we should know if that is happening because that might make a difference in what is going on there. I don't necessarily agree with your funding mechanism. It doesn't cover the whole thing. I think that whatever we do we need to make sure that they know this is coming in the future, if indeed that is what we intend. I'm okay with it this year, but I don't know where it is coming from and I guess that is what we will hear from staff.

Mr. Barnes said I wanted to offer a couple of words about a children's theatre and a friendly amendment or proposal to you Ms. Carter. I have been trying to determine precisely what happens with the \$283,000 that we give to the Children's Theatre in terms of a line item budget, something to show us what we are spending our money on and I have not seen that yet. I would like to see it because if it is for maintenance I still want to know is it buying toile paper or paying for janitorial services or what the uses are. Having said that, I do believe the theatre serves a wonderful purpose in the community and would like to find a way to at least provide one more year of funding and give them that notice, as you suggested, that we are going to be eliminating the funding going forward. I would suggest, Ms Carter, that we take the \$30,000 that you indicated, take the \$49,000 that I took out up top there and take \$15,000 and whatever the change is from the 2011 discretionary, which has \$150,000 in it, to give you the \$94,000. That is my proposal, friendly suggestion and the reason why I'm suggesting it is the pay issue may or may not happen. In order to avoid that totally, if you get it from CBI 2011 discretionary number you get to your number. Is that friendly enough?

Ms. Carter said both very good suggestions and there are some others in the mix and I will take my turn in the queue to address those. Thank you for a friendly amendment. I don't agree with  
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it and I think that is an issue that could be sent to the Budget Committee. I would love to work on it and I think we have potential. I will come back in the queue.

Councilmember Mitchell said on the City Council increase, I thought that we only received 50% of what the City employees received. Is that correct?

Mr. Walton said it was until 2007. In 2007 it changed to the same percentage increase because it had really gotten out of whack. It had gotten behind your peer cities as far as Mayor and Council pay.

Mr. Mitchell said okay, thanks for that clarification. Secondly, let me say that I agree with Ms. Carter about restoring the ImaginOn funding. I'm open to any type of scenarios that we can make that happen, and particularly taking away our Council pay increase. I am struggling with not rewarding some of our employees who work hard day in and day out, who provide great customer service to our citizens. I just want this Council to keep in mind that they don't get stock options, they don't get bonuses so I want to make sure that we send the right message that we appreciate talented employees who sacrifice what they could be making in the open market, but they sacrifice a lot just to make sure that we look good. It is more important that this City is functioning at a very respectable high level nationwide. It is amazing to me that when it snows, the County closed down and all the businesses close down, and what entity is always open. I want us to think about that. I know that I'm in the comfort of my room and I'm sitting here going it is really bad outside but somebody is still picking up the garbage, someone is still answering the phone. Symbolic, yes it is a tough time but you are going to send a stronger message to the symbolically. We like to reward those who really work hard for our citizens and that is the message I want to send this year to our City employees during these tough times.

Ms. Carter said to respond to the allocations of funding and what we give to ImaginOn, \$140,000 goes to the personnel dealing with janitorial, security and maintenance efforts. \$90,000 goes to utilities and then the remainder of \$50,000 goes to maintenance and supplies. These are designated in the contract as appropriate expenditures. The Children's Theatre pays only 50% of the building costs and that amount is \$400,000 so you can see that our \$283,000 does not cover the entire costs of those particular expenditures. The maintenance supplies, we have a specific service, US Communities, their buying power is open to non-profits as well. As I understand it, ImaginOn/Children's Theatre are not taking advantage of that. That could cut some of their costs so I think that is an appropriate investigation point as well. I would offer that for any other non-profit that wants to buy into municipal government supplies. It is a very important cost savings entity at no costs to us, but a great advantage to them.

Ms. Kinsey said I'm just curious. We keep talking about sending this back to a committee. Do we really have time to do that?

Mr. Hall said it would be problematic.

Ms. Kinsey said that is sort of what I was thinking.

Mr. Walton said as you go through the process on the five votes, it is something that really holds you up. That is certainly an option, but it would be problematic.

Mr. Cooksey said to return to the substitute item I offered and particularly because of the way Ms. Carter addressed it. I do want to point out it restores the 401K contribution to 3%. The proposal the Manager gave us cut that and I have put it back, so the 401K part is back under this proposal. My concern remains that the choice here is, and I'm sensitive to the whole than pay increase side but I find it difficult to look in the face of a citizens who has been laid off and say I'm going to increase employee pay and increase the cost of city government to you. We are increasing the cost of city government to our citizens and what effort are we going to make to hold them whole? We are going to charge them more for sewer service, we are going to charge them more for the bills they receive from utilities and we are going to charge them more for storm water maintenance. I'm trying to offer something that mitigates that within the framework of the fact that our enterprise funds have to stay whole within the enterprise fund. We have to find \$13 million for utilities. We don't actually have to find the additional \$2 million net for storm water but we are choosing to do so because we don't want the problems to get further

backlogged. Speaking of backlog issues, taking \$500,000 out of what the city government contributes from the general fund to storm water, is going to create a backlog that we will continue to deal with in storm water. The proposal for a ½ cent property tax decrease returns a little bit to citizens in an atmosphere where we are asking them to pay us more. That is my motivation and that is what I'm trying to keep in mind because ultimately I view our responsibility to the 700,000 citizens of Charlotte and the cost of government to them, which leads me to suggest that we ought to do something about that. I have done this proposal without suggesting a single lay off. Find me a major company that hasn't laid people off. I've done it by not asking anyone to take a pay cut and non-profits and government organizations and previously private businesses have been asking people to take a pay cut. I figure this is as medium based a way as possible without reducing the headcount of city government. In fact I believe we will have more employees in FY11 than we will have in FY10. Am I remembering that correctly?

Mr. Walton said because of public safety.

Mr. Cooksey said it was on line a few weeks ago. The County is going to have fewer employees in FY11 than they had in FY10. The School System is looking at fewer employees in FY11 than in FY10. That is the impact of the economy on them. The impact of the economy so far in our decisions is that we are going to have more employees and I can't look in the face of someone who has been laid and say yes I voted for a pay increase for city employees.

Mr. Peacock said do you anybody who has been laid off?

Mr. Cooksey said yes, but I'm not going to personalize it.

Ms. Kinsey said just an observation, if we were to go with Mr. Cooksey's suggestion obviously, the people who work for city government are citizens and they would get the tax break, but also they would get any increase that we have. I still would not support this. Also when you say we are going to have more employees, we voted to get those police officers. When you don't say public safety, police officers or firefighters, then it does sound like we are putting more people in the building. We may have one or two more, I don't know, but predominantly they are public safety officials and I think we need to keep that in mind.

Mr. Barnes said I wanted to respond briefly to the question that Ms. Kinsey raised. We've got 12 days before our public hearing on the budget so if you all ask us to do something we would find a way to get it done. If you want to do it we can make it happen if you don't, but we can make it happen.

Councilmember Howard said I want to stay with this issue of rewarding the employees for just a second because I had this question come up on the campaign trail about how we treat employees. I just had to remind the people that I talked to, the private sector is totally different from the public sector. It is just not the same thing. When the economy is in a downturn, the public sector employees have to do more. They don't do less. People are calling more because they are dealing with issues of public safety and dealing with issues that run the gamete of what the public is in charge of taking care of. It is not the same thing so what we've essentially asked the employees to do in the downturn is do more with less because we didn't fill vacant positions. Salaries do not grow as quickly, you do not get the stock options that the public sector gets. You don't get a lot of the same things so I want to do like Ms. Kinsey and just throw a little caution at trying to make apples to apple comparison between a private sector employee and a public sector employee because they often feel it worst during the downturn because of the increased amount of services demanded from government. Let's just be careful about making them sound exactly the same because it is not.

Ms. Carter said still addressing the issue of not having a pay cut for our employees, we are. We are asking them to pay more for health insurance. We are asking them to pay of the deductible. We are increasing their expenses so we cannot say that we are holding them whole. If we choose to address the 401K that is a future benefit and not a current benefit in an economy where living day to day is problematic, particularly for those who are at the lowest pay grade. Conversely, the pay increase is an immediate situation, consequently, I would favor a pay increase versus a 401K holding whole. I really respect the work that has been done. It is truly thoughtful, but I disagree with the concept because you are targeting the immediacy. You are saying tax cuts for our



citizens and I'm targeting our employees, saying it is important to try to hold them at least in a stable position in a threatened economy.

Mayor Foxx said I know we are spending a lot of time on this proposal but it might be good to keep getting the ideas on the table and then we can have a little more discussion and vote on these items.

Mr. Dulin said I would like a little bit of clarification for the group on ImaginOn. The city doesn't own that building, we pay to clean that building.

Mr. Walton said we pay for the maintenance of it yes.

Mr. Dulin said right, at our expense and no anyone else's expense but the citizens of Charlotte paying to clean a building we do not own. That comes to \$200,000 plus a year.

Mr. Walton said that is what we've been contributing. I think Ms. Carter said it was more than that, \$400,000 or so, but that is what our amount is, yes sir.

Mr. Dulin said I don't know why we are doing that. We are doing it out of the goodness of our heart for how many years we've been doing that.

Mr. Hall said since the 2006 budget.

Mr. Dulin said we are more than \$1 million into the maintenance of a building that we don't own. The Children's Theatre has done a very good job of contacting all of us. Everybody from my college roommate to my seventh grade buddies have been calling me. It is hard to say no to those folks and this is a tough deal, but what I've been telling them is that this is a tough year and a tough economy and it is time this year we really need to pay attention to what our core functions are. We are not going cold turkey over at ImaginOn. Granted we might have thrown it on them a little bit late in their process, but we are on a work out plan to be able to use those dollars that we are now spending to clean a building we don't own, on other things like potholes. \$243,000 fixes a lot of potholes around this town and this is a workout plan that the Manager has come up with to get us back to our core functions. I'm ready to support the Manager's recommendation on the workout plan and take the heat from my college roommate and my buddies from elementary school and even worse their wives are calling me and those are tough ladies to say no to, or say thank you for calling me, I appreciate your input, we are still working on it. We are indeed, but this ImaginOn, some of the things on Mr. Cooksey's list, returning money that is not our money back to the people whose money it is, are things we need to talk about. We are going to have to rotate back to it, it is too big. This is the first time in five budget seasons we've ever talked about a property tax decrease that I can remember. The \$140,000 for something, the \$90,000 for chemicals, the \$50,000 – we can clean this building for that much money, and we are already cleaning it.

Mayor Foxx asked if there were any more ideas on adds and deletes?

Councilmember Burgess said I hope we can find a way to continue funding ImaginOn maintenance. This is really tough year for the arts and to hit them this year is just very difficult on what they are trying to do. I would like to go down my list of adds and then give some suggestion of how to pay for it. The discretionary fund sounds very reasonable to me. I would like to continue funding Lakewood at some level. I think there is a potential source of one year revenue to do that and maybe some other things and that is Justice Technical Grant that we set aside for the court system that they can use. They can use it because they are waiting for the state and they have to be compatible with the state so they can't use it, probably for a few years. In the meantime the state has bumped up their funding for technology so it may be that they don't even need this money. The Manager has recommended \$750,000 from that fund to police operating budget, one time expense, and I think we could, at least buy a year for ImaginOn or Lakewood with that money. The other two items that I would like to take off the chopping block because neither one of them are applicable to this year. I'm not sure about school crossing guards, would that be immediate?

Mr. Walton said that is a year's notice.

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Ms. Burgess said both of these have a year's notice and what I would rather do is take those out of the Manager's recommendation for a year in advance and instead have the Manager have some discussion with the County, the Police and the School System. As we all know the School System is in deep distress about funding. I don't know how they would find the funding for that even in a year because like us they are going to get worse instead of better. They may come up with something, another model, so I would rather not have them on this list and make the decision right now that we are going to cut, but rather take it off the list and have the Manager continue discussions with the principle players and funding those two things. Those are my hot buttons, ImaginOn and Lakewood really head the list for restoration and there are several options to pay for that including that technology fund that is just going to sit year and that is not a good thing to happen. We don't know yet what the 2% of the City Council and Mayor's salary is. What is the impact on a typical \$200,000 house with a ½ cent decrease in the property tax.

Mr. Walton said \$10.00. A penny on a \$200,000 house would be \$20.00.

Ms. Burgess said that is a very powerful symbolic meaningless measure. Ten dollars of course is important to everybody, but it is really important to government right now. I just don't support that and I don't support the tax decrease at all if it impacts our employees because they are paying more for health and for their 401K and we did it to them last year. They are working so hard so if we could do 2% I think, and I wish we could do more, but we can't. The 2% to me is justifiable. The last thing want to say is I would be very cautionary about sending anything to the Budget Committee for review. I think if it gets 6 votes it goes forward and if doesn't then it doesn't go forward. If it is a 5-5 split then maybe we ought to think about the Committee.

The Mayor said I get to vote if there is a tie.

Ms. Burgess said okay, that is fine, but I do caution about sending this to Committee. We've all studied this and I don't know what good that would do. It could possibly slow down the process because we are on a tight calendar. I would say five or six votes and it is gone. I think the Manager has done a suburb job with his staff in putting together this budget. When I first looked at it I thought, I could live with it. It is that close and right now I'm saying I could live with it except for two things which are not big ticket items. I would like to take those school related things out of this book and ask the Manager and his staff to either initiate a conversation or something with the school system and the county. I am absolutely blown away by the fact that the school board hasn't called us. I guess they don't know. Somebody is not telling them that we are even considering this because we haven't heard a peep from them. Maybe they are waiting for the hearing. I do want to add the 2% to our employees to make them whole and it would be terrible not to do it.

Ms. Kinsey said I want to respond to what Ms. Burgess said because I do want to support, first of all, I agree that we should avoid sending this back to the Committee. We just need to go ahead and made a decision and move on with it. Also for the Lakewood, Mr. Manager, did you tell me that we could pay that with PAGO?

Mr. Walton said the CDC's live in PAGO so Lakewood is in the PAGO fund. You wouldn't have to find something in the general fund, you could go to PAGO fund balance.

Ms. Kinsey said I would suggest that would be good, although I really would like to avoid this last minute plea from Lakewood. This is the second year in a row so I think we either need to tell them this is it because this is nerve wracking for them it is nerve wracking for us, and I'm perfectly willing if we can do that out of PAGO, let's do that and then let them know that this may be the last year. I think it is difficult for them to have to come in at the last minute and ask. Anytime we are starting to tell people we are cutting back, I think we have to give them as much notice as possible.

Mr. Howard said I actually agree with everything that Ms. Burgess presented. I'm in total support of the issues she put up. What Ms. Kinsey was talking about with the CDC's I'm wondering Mr. Manager if you could talk about where you are with the CDC's. I know that there was a Charlotte Neighborhood Fund that a lot of this support came from at one point, and kind of your thinking of even putting it on the list.

Mr. Walton said Lakewood is our last CDC. The other three were eliminated last year. I agree that Lakewood is the highest performing of the four that we had. It is not really a performance issue in my mind. I think there are two issues. I think we are having to restructure our budget so that we look towards when those stimulus officers come due for example, and future bond referendums. My greater concern is the CDC model gives me some concern. On the one hand it is great to push resources to the grass roots. On the other hand we are left with the accountability for that so it is very difficult to monitor and insure that accountability which is not a Lakewood issue. It is more of a structural CDC issue because they are making the decisions, they are extending the fund, but Lakewood hasn't given any reason to give us concern, but some of the other hadn't either until something went wrong. It is more of a model of the CDC's that I have a concern about.

Mr. Howard said that is what I was trying to get at, what Ms. Kinsey was talking about. That is the conversation to have and if we are successful in keeping it in this year, to me that is something the HAND Committee should talk about. It goes back to when Mr. Mumford was on Council and it was talked about a lot but for some reason it stays. We should try to support the Manager in what his concern is. This may be the exact Committee that figures it out, you never know.

Mr. Walton said I think housing is also a very hard activity for a grass roots organization. There may be others in that reinvention, after school or job training or whatever the case may be. I'm not sure that bricks and mortar is the best thing.

Mr. Howard said from what I understand about this process, this is where we kind of throw it on the wall. I'm going to throw the request from the Foundation of the Carolinas up there as one for me. They are requesting \$250,000 for their catalyst fund. This is more just to see what the feeling of Council is and to have conversation about it. I don't think we should take the request from a good partner like the Foundation lightly. I just want to make sure we put it up there and that would give the Manager a chance to respond to that. My conversation with them last week was that they thought they had worked out something with the Manager on a source potentially and I talked with you last night and asked what your thinking is. It is up there and gives us an opportunity to talk about it and my offset would be some of the money from the Criminal Justice Technology Reserve.

Councilmember Cannon said I want to propose how monies may be spent. This will be with regard to the Children's Theatre and I would hope that what we could do, the \$49,000 Mr. Barnes brought up on CBI, for FY10 out of the Council discretionary fund, that that amount would be \$30,668 and then for FY11 that amount would be \$63,886 so CBI would remain in unless there is some real need to continue to do away with that and to earmark those dollars towards something else.

Mayor Foxx said Mr. Barnes is that friendly or unfriendly?

Mr. Barnes said I shouldn't say unfriendly but it gets its own independent suggestion.

Mr. Cannon said on the Lakewood issue it is going to be important Mr. Manager to further define how the money is going to be spent. I think if the Council is looking to do that, then we may want to have a change of the charge of what they are to be doing. Right now we obviously know that there is no market, well I won't say no market because we know something is existing because I know of a few closings that are taking place, but there is no new construction. It would seem to me that if we can better understand and formulate what the charge is we can better determine if we want monies going toward that or not. Largely in part because we just don't know what it is going to be earmarked for. That would help me and maybe the rest on this body. I want to caution us on our spending out of the Criminal Justice Technology Reserve. I will tell you that there are quite a few things that are going on with regard to technology as it relates to Criminal Justice. We've had some discussions in Washington with regard to the importance of technology and how we need it for criminal justice. We will be seeing a change probably in several areas regarding leadership in this community, regarding criminal justice and how technology is needed there. There are some things happening across the state relative to technology and we need to be able to have the appropriate dollars to be able to participate in meeting the need for criminal justice technology to take place. Hitting our reserves for that is

probably not the way we should be going. I can tell you for the money that is there is can get used very quickly when you are talking about technology. It can be here today and gone tomorrow because that is something that is not cheap. Yet I am sensitive and understand where the other asks are coming from with regards to trying to keep some other items afloat. I just want to caution us on that issue of taking from that reserve.

Ms. Carter said I'm very concerned that we are implying a second year of funding for Lakewood because I think the discussion of their purpose, their mandate is very important. If they are in housing then we should be looking at more than three houses a year. They had a successful rate of 8 completed homes in 2008, which I think is something that should be active for them, but three houses in one year I think is a low number. If someone else is performing better, providing housing at that rate, so be it. If they are in community building, if they are in crime prevention I think we need to look at other budgetary sources such as CMPD, Neighborhood and Business Service or CDBG. I think it is important for us to define who they are, what their mission is and then look at their funding if we look another year. I do support their inclusion this year particularly if it is from PAGO and does not threaten anything else.

Ms. Burgess said I think we ought to increase our Housing Trust Fund Bond to \$20 million. The reason is that the Foundation of the Carolinas is doing a terrific job with studying our growing and shameful homeless situation. We know that is going to lead to some expenses for the city. Right now the Housing Trust Fund, the funds that are dedicated are to Oaklawn and Boulevard Homes. I just don't want to have no money to participate and partner in programs like that and provide the gap that makes those possible. I think that there may be a balance in the Housing Trust Fund right now. There may be money that can't be spent, but I do know that all of us have expressed our deep concern for the homeless and I personally think that is where our first dollars should be spent, with housing. But there are other needs to that we just can't eliminate because that homeless may actually draw in on that money. I just wanted to throw that out, increase from \$10 million to \$20 million.

Ms. Kinsey said I want to respond to that. I believe I read that we have \$5 million left that we can increase this to \$15 million. We have capacity to do that so I would suggest that unless we know exactly where that \$5 million is coming from that we make it \$15 million rather than \$20 million. I do agree that we should bump it up. I'm skeptic to express my concerns because I really didn't realize this until now, that part of the bonds that we are putting on the ballot in the fall are already designated. We talk about \$10 million, but we really don't have \$10 million available. I could support the \$15 million unless the Manager comes up with a way to do the extra \$5 million.

Mayor Foxx said Curt to you have a way.

Mr. Walton said Mr. Mayor there are three ways. You can add more revenue, you can delete a project or you can slow the cash flow of multiple projects to generate more capacity. Those are really the only three ways. There is a letter at your place that is a late addition. What Ms. Burgess and Ms. Kinsey said was true that \$7.5 million of that \$10 million was allocated. \$2.5 million has come off the table that is not needed for Double Oaks now so \$5 million of the \$10 million is allocated and \$5 million is available. There is \$5 million in unallocated capacity.

Mr. Dulin said where are they with their money? We've had a problem with trying to give them so much money in the past they can't spend it all.

Mr. Walton said I think that is something we would need to report back to you on because the economy is an impact, for example, Brooklyn Village, Second Ward. There is a carve out in there from the Housing Trust Fund that was approved by both the Board and by the Council that isn't going anywhere anytime soon. It would be worth looking at the earmarks within that fund to see how likely they are to move forward.

Mr. Dulin said I want us to be careful not to overstep and bite more than we can chew, borrow money we can't pay back. With all due respect, did you just make up \$20 million because it was a round number? I think the Manager was putting money in there that he knew he could handle and the community could chew on. That was a workable number without making stuff up. I don't know if we can do the \$5 million. We've got Lakewood who has been funded, but they've

had trouble building houses in this economy. I was in that neighborhood today and by the way I think it is really admirable that David lives in that neighborhood. I was in front of his house today and he has lived there for 15 years. I don't know if we ought to just start making up numbers because it makes us feel good about ourselves to increase those dollars if we can't do anything with them.

Mayor Foxx said I want to make sure as we are talking right now, we're going to have some opportunities to discuss these various proposals, but I will say it again, we need to focus on getting everything on the table so that we can have the discussion that I know everybody wants to have.

Mr. Peacock said my question was for Pat Mumford because the letter is addressed to him. Pat, tell me how this affects and impacts your discussion on the ten-year plan to end homelessness which is now the seven-year plan as far as timeline from the time it was first brought out. You talked about being more efficient and more effective and speaking to the ultimate scenario. Ms. Burgess just mentioned she would like to see the first dollars spent towards the homeless. I don't think that is an agreed upon sentiment across the board from what you are hearing from your audience is it? I'm not trying to create any discord or debate to what she is saying.

Ms. Burgess said that was my opinion.

**Pat Mumford, Neighborhood and Business Services,** said what that letter represents is Trust Fund money. You all should always have the ability to direct those Trust Fund dollars to whatever type of housing you deem appropriate. It could be chronic homeless, it could be for multifamily housing. The Housing Partnership was looking ahead at money it had already received and feels pretty confident that they can take future obligation at Double Oaks with the money they already have. They were putting it back in the Trust Fund and how that is used is up to you all. We're discussing the broad objective to address the ten-year plan is a very comprehensive look from chronic homeless all the way to ... income housing. It is up to your discretion how you would handle those freed up tax dollars.

Mr. Howard said when I brought up the catalyst fund a little while ago I was really asking the Manager if he or Mr. Hall would expound on where it is. When it started they asked for a half million dollars and they have come down and now they are trying to focus. Just for the sake of when we get to the point of asking for five votes I want to make sure everybody knew what they were requesting.

Mr. Walton said just as a reminder I'm on the Community Catalyst Committee so they are doing really find work. It is something that I think gives a lot of value to the community, what they are doing and focusing on what they have proposed was to focus on after school. I think why it didn't ultimately wind up in my budget recommendation, I was looking for a more direct return on investment in this kind of budget for our future budgets than the Catalyst Fund could commit to. I understand why they can't commit to that going forward, but whatever field they were going to take, and it was again after school, I was looking for a way to use that money to leverage a similar amount being decreased out of our budget in future years. We just couldn't get to an agreement on how that would work, which I appreciate and understand, but that was why it was not included.

Mr. Cooksey said this isn't an add or delete, but it is an invitation to see if anyone else is interested in tossing it out there. One of the open decisions still before us with regards to utilities is the question of utilities CIP. We were presented three options, the proposed CIP, a moderate CIP, and a no growth CIP. The proposed CIP will have a bond issue required July of this year, so if we want to take an action that diminishes the increase in utility rates that would be required in FY13, this would be the time to do it. If there any interest among Council about changing or tinkering around with utilities CIP and just going forward with the one that is proposed, which will have a significant impact on rates in FY13, then let's just do it consciously rather than be surprised in two years.

Mr. Mitchell said I would like to add one item, the Disparity Study. If Council can remember last year I brought this topic up and staff felt like we need five years of data to have an accurate

Disparity Study. Initially it was a three-way split between the County, CMS and the City of Charlotte. What was that cost initially when we did a Disparity Study.

Mr. Walton said I think it was about a million dollars for the three.

Mr. Mitchell said that was a full blown because we had a lot of the data in place. Do we know how much a new Disparity Study because we don't want to go through what we went through in 2003 when our program got attacked because we didn't have things in place. I think now after five years of living with the SB program it would be very key to us if we could prevent having that 2003 issue. It was just embarrassing to the City and I think it caused a lot of tension. Do we have a cost or do we know what a Disparity Study will cost us if were to do one this year?

Mr. Walton said we really don't. It would depend on the scope but it would be in the hundreds of thousands, probably \$200,000 or \$300,000 would be my guess.

Mr. Mitchell said let me just add that and I will echo Ms. Burgess and I don't think the number she threw out was just a number from the hand. We see homelessness is taking a lot of funding. The prime example, think about the Moore's Place. That was a \$9 million project and the Housing Trust Fund only funded \$500,000 and the public sector raised the rest. If we are going to continue address the homeless we will have to play a larger role. I do think to Ms. Burgess' point, homelessness is going to be very key and we still need to provide roof tops which we have been doing so successful. It has been a great balance. The Housing Trust Fund has identified 60% AMI and 30% AMI so I will second trying to increase the funding to \$20 million, but let's be very cautious. I think we've got a track record. The citizens think we are a very credible organization when we have them to vote for our bonds.

Mayor Foxx said do you want to go to the top and start working through this. We are going to be looking for, five people at this can point can move this forward. What will happen is that staff will go back and look at the impacts and do a write up and we will have an opportunity in a couple weeks to do another vote.

Mr. Howard said is Mr. Cooksey's proposal one vote or are we going to do that line by line?

Mayor Foxx said one vote, one single proposal.

Mr. Walton said regarding Mr. Cooksey's proposal on the trees, we shifted the funding from the general fund to PAGO, so as I read that it would double the funding because it would be in both places or did you intend to move it back from PAGO?

Mr. Cooksey said deleting it from the PAGO. That is why I went with the word maintain. Maintain is intended to suggest no change in stead of shifting it from general fund to PAGO. Back to general fund out of PAGO.

Ms. Kinsey said if we raise our hand to vote for something today, it means we will get more information back?

The Mayor said that is all it means.

Ms. Kinsey said I just don't want my vote to be misunderstood.

Mr. Dulin said this is the first tax reduction this Council has talked about in more than five years. This is my fifth time and this is the first time we've ever discussed it. That is a big deal.

Mr. Peacock said while we are on the proposal subject, one of the things the board needs to recognize here is that Cooksey's proposal is being packaged as a property tax decrease and while I enjoy the conversation that we will all have after this of the partisan element of how that is viewed and how it can be spent, I don't really feel comfortable with the way this has been presented from this standpoint. Mr. Hall and I talked before this and Council can do anything we want with the issue of the \$6.1 million as far as the pay increase is concerned. The question I think the Council has to decide is, and given my other previous comments, is that we've gone through the budget process very deliberatively. Mr. Mayes over here to my right has followed our Council's pay philosophy. He has brought a recommendation to our City Manager to make a

pay increase. It is as simple as that so I think the issue really before us right now is do we think it is the right time to pay ourselves more. I included ourselves, and I realize we can exclude ourselves, I realize we can include public safety or can exclude public safety, but what I hope that this body will recognize is that I feel like we are losing some grasp of the reality of where we're at right now with this recession. I've said in a previous budget retreat here that we obviously have massive unknowns from the state. We have 12% unemployment, we have libraries closing. I know before I got here earlier I understand that there are proposals or things that are brewing right now about asking the City and other various different towns to support the libraries. We have a bus fare increase and I'm just most concerned about not phrasing we are trying to, as Republicans, get a property tax decrease, but what I'm trying to fight for it is not the right time to pay ourselves more. It is simply not. Twelve more months will not equal lower retentions in this building. In fact my argument is that we will lose no-one. The Cooksey proposal also speaks to the fact that part of the deliberations we had prior to this together is that I was looking for more cuts, looking for more ways we could look at where are we having the lowest activity and could possibly have some payroll changes to this. The Mayor may not have gotten this and I know I talked to Chairman Barnes about this, he hadn't gotten a chance to look at it, but Mr. Hall was kind enough to send back to us in this last April 30<sup>th</sup> memo, I asked the question about the Land Development Department. We heard in the February Retreat that we had 97 positions, 31 had been shifted to CIP, 56 remain where they are in place. As Mr. Dulin just pointed out we have a very thin schedule and unfortunately we don't have a lot of activity there. To Mr. Hall's point before, we've got to be ready when this thing turns around, well absolutely. We are not proposing in this proposal to return \$6.1 million either to the full Council to use in anyway that they want, it could be to fill in potholes, it could be to fill in things that we want to do in Housing and Neighborhood Development, perhaps some transportation projects or wherever we decide that we want to use it, Mr. Hall, I'm understanding that we can do that. Is that correct?

Mr. Hall said the \$6.1 million?

Mr. Peacock said yes, we can create a contingency fund, we can park it, we can do nothing with it. These are the options that are there, but going back to an area where we have a lot of staffing and not a whole lot of need, I counted 8 positions where we have people in, and this was all provided to us, it is census information. We have Plan Review Engineers to Assistance in the Planning Department, 8 employees that are less than 3 years service with us, meaning they were hired during the boom. We have 3 or 4 employees that have been here more than 30 years. When you look at do we have a need in the Planning Department going forward, it could be arguable the board to ask the Manager, who has already asked each department to give us a lot of cut, is there more opportunities there? My sentiment is that Mr. Cooksey has been very thoughtful in kind of pulling his numbers together here. If we want to repackage this not as a property tax decrease, but as a way that we can hold the money, weigh things out. You mentioned that earlier Ms. Kinsey, are we certain that we can hang on to this. If we give it back could we have to take it back. We can essentially do nothing with the money, but I'm just most concerned about the sentiment of paying ourselves more right now when there is just not any data in my opinion to support the fact that we need to do something for Police and Fire, we need do something for ourselves. It is just not ringing true with me right now on that. This is with all due respect to staff, we are a board of directors, public companies out there I know that Mr. Howard mentioned that we are not like the private sector, but in many respects our charge as a Council is to act, we are a board of directors and if you are looking at a public company, Mr. Howard, they are behold to stock holders and the stock holders interest are represented by their board, so their interest are in those share holders and in our case the analogy is the citizens. If we are looking out for all of the citizens right now I think we need to look across both party lines and say is this the time to spend \$6.1 million on ourselves. I think the answer is no. I think we can direct that toward other priorities whether it be other public safety initiatives, do nothing with the money, possibly give it back in the form of a symbolic property tax decrease which has been proposed. We know it is not significant, but the message across all the other bodies, the School Board, the County Commission, they are struggling like a sinking ship right now. We are in a light raft and are we going to have a life preserver back to them. I see that as what we are facing right now. They are really struggling and there is a lot of people struggling right now. I can't support paying ourselves more in this type of economy. My proposal would be a ditto, cut and paste all of Mr. Cooksey's proposal and just call it a Council contingency fund. We can vote on that item whether we just want to park the \$6.1 million.

Mr. Cooksey said the Manager's recommendation for the overall \$7.2 million net that was found was for \$6.1 million to go toward employees pay adjustment. You could simply add a \$6.1 million contingency fund and delete the \$6.1 million employee pay increase and make no change in the property tax rate or anything else that the Manager and Budget Director had found for the components of that \$6.1 million.

Mr. Howard said the different is when the citizens can't get to the services and there is nobody to pick up the phone when they stay on hold for a long time when they are not getting the services they are looking for, especially when the economy is bad. That is when the service delivery needs to be something that we care about. We heard during the Retreat that morale was down, we heard during the Retreat that customer service was already slipping. We heard that we were not filling positions and that was making the workload on other people increase. This is about doing what we need to do to make sure that we are serving those 700,000 people you are talking about. Right now that service delivery is going in the wrong direction. This is making sure it is going in the right direction while the economy is bad and making sure that capacity is there when it gets better.

Mr. Cooksey said I want to address some things that have been said about the proposal on ultimate ways of looking at the found money and perhaps supporting the ½ cent property tax cut. First of all with regards to the government is different from the private sector, I agree in general but the first stock options were thrown about rather casually. As we have talked about since the election and since December, the backbone of private employment in this city is small business. Small businesses aren't stock issuing companies so we are not talking about stock options for the vast majority of the private sector in this city. I tried to avoid it, but personalizing it a little bit I work for a stock issuing, fortune 50 company for quite some time and the last time I had options was 1998. Even working for a big company is no guarantee of having a stock option so let's not simply wave a hand and say well everybody in the private sector gets stock options. I would contend that the majority of privately employed folks aren't getting those kind of stock options and bonuses that we tend to think of connecting to the private sector. That comparison I think is flawed. With regards to the actual amount, \$10 on a \$200,00 home, it is a very small amount, but I would point out it is about 25% of the total increase in the cost of city government to the typical household. We are going to be asking them to pay, roughly 75% of our households, anywhere from \$40 to \$50 more in FY11 than we are this year. When you talk about a \$10 property tax cut, yes it sounds small, but it is less than half, 25% or less of what people will be writing checks to this city for in terms of utilities and in terms of storm water. Do keep that in mind when you talk about how small \$10 is. It is small, but it is a small percentage of what we're going to be taking from our citizens next year that we are not taking this year. As far as balancing a budget on anyone's back, for what it is worth we always balance our budgets on the backs of the residents of Charlotte because that is where all the money comes from. That is why I'm trying to keep in mind in this time of double digit unemployment, asking them to pay more for the cost of government. Whose is going to keep the residents of this city whole? We're not. Not even my proposal keeps them whole. They are going to pay more to us next year than they did this year. I am concerned for them because they are the ones who are looking to us to run this city. Finally, with regards to service level, I think service level needs people. We are adding people to utilities to address service level there, but if we have service levels falling with the same number of people, then there is another issue there beyond the simple service level. Ultimately we are going to need to come back and talk about adding folks like we are in utilities so that we can get those leaks fixed a lot faster. Service level to me is adding people, not necessarily paying people more. With that Mayor, I conclude and continue encouragement for the proposal I offered.

Ms. Carter said two points with regards to the property tax decrease. If you decrease the property tax I contend that a good portion of our citizens will not see the benefit because they live in rental housing. When you are in rental housing you don't see a decrease in taxes, those amounts stay the same, so the benefit is not passed along to the citizens on the street who rides the buses, etc. Also if we are looking at fee increases versus the tax decrease, I've heard from citizens who are comfortable in their means, increase taxes, don't increase fees because you can deduct your taxes and get a tax credit when you look at your federal taxes. You can't do anything with your fees. If you want to really attack what we are paying in fees, let's go after the fees and not a tax deduction.



Ms. Kinsey said I've always held that position with fees. Mr. Cooksey mentioned earlier about CMUD and the bond referendum. I would like to know what that is going to mean in increased fees. I think that is important because it has worried me all along that we pass these bonds and do all these things and all of a sudden we've got this huge increase in fees. I would like to know that ahead of time.

Mr. Cooksey said on April 14<sup>th</sup> we had a presentation from Utilities. Page 10 of it talks about the CIP debt service comparison. It is way too early to talk about what the actual fees would be, but under the proposed CIP our debt service will go from FY11 approaching \$140 million to FY13 exceeding \$160 million and we know that is going to have an impact on rates, we just can't quantify it right now.

Mayor Foxx said me insert this one thought before we get into this vote. First of all, I have a great appreciation for the discussions we are having because we are trying to chart a course here in a time when the economy in my opinion isn't going to return in what we would have thought 3 or 4 years ago was a normal state. It is going to be different. We are struggling with how to spend or not spend money within the lane that we are in and with the exception about the conversation about the school crossing guards and the resource officers and after school where there is the potential for us to take funding away, that then imposes cost on other levels of government that they can't afford to pay today. We are still not talking, in my opinion, about do we have a role to play right now in trying to help these other levels of government get some of the water out of the boat. I think what we are talking around in my opinion is the fact that we sit in these silos and I'm not a big proponent of the silos we are in, I'm actually someone who thinks that we need to be looking at some functional consolidation, which will bring up at the end of the conversation and perhaps long-term looking at some full consolidation. I'd like to have some kind of conversation about the willingness of this body to look at something we could put up if the towns matched it, if the County matched it, to try to address some of these other issues on a one-time basis, not an on going 3 to 5 year basis. Is there a willingness to even open that conversation? I'm just throwing that out.

Ms. Burgess said are you talking about libraries?

The Mayor said I'm talking about county needs which would fit libraries, schools, whatever. Do we have a role to play in trying to at least try to create some momentum around doing something to plug the holes that are out there?

Ms. Burgess said I'm all for studying consolidation, not just functional, but political consolidation. We can't find money from now until we vote on this budget to do that. Quite frankly, I love libraries, my children love libraries and I support it all the way, but that is a County function, not a City function. For a request to come for a vital need of the County when the City is cutting basic services is just fair to the people of Charlotte. I would encourage discussions about consolidation, functional or whatever, but not as part of this budget.

Mr. Peacock said my reaction is positive Mr. Mayor, to your sentiments about what would be our role in this and I think it simply speaks to the very proposal that we have here from Mr. Cooksey. Whether we spend the money or not on ourselves or would there be a possibility with the contingency fund to spend it in other directions where a need is greater. We all know that people view us on Channel 16 and Channel 3 that everything really is one and they don't know the difference if they are driving through Charlotte that this is a County Library. They just know that they are going to pick up a book and when the hours are cut and services are cut back they are concerned. They are asking why couldn't you find the money here and move it from here to there? I know that those silos do exist. The question is in a time of desperation, necessity is the mother of invention so I think we could be creating some new normals here and I support the Mayor's idea on that. There has been some conversations, I know Chairman Roberts and I have been working on trying to consolidate an advisory committee which is just purely a volunteer scenario, but it has staff support. You mentioned permitting and maybe you could elaborate more where you think, if we were to spend money somewhere else, what could be some possibilities?

Mayor Foxx said let me try to untangle the ideas a little bit. On a functional consolidation basis, and I've had some conversation with Mr. Walton and Chair Jennifer Roberts, and we've sent a  
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joint letter to both bodies about this. There are some opportunities for us to open those conversations. It is clear that it will not happen between now and the close of this budget cycle so this would be discussions that would initiate after the budget is approved. But, here are four areas that we have identified, and actually have gone back and looked at the PCAC recommendations that we've gotten and there are some additional ones there. Permitting, television programming, which you mentioned Mr. Peacock, Medic and Fire and Human Resources and Benefits. Looking at ways to consolidate efforts around those issues may be saving dollars, creating efficiencies, etc. What I would ask is that, without objection, we would direct staff to pursue those discussions after the close of our current budget cycle and let those conversations move us from July of this year to hopefully the next budget cycle. It is actually a process that we used in 1996, a staff driven process where the Managers worked together and came back periodically to the boards to report on their findings. They prioritized based on what they thought was low hanging to degree of difficulty that were higher, but I think that would be a good process to work through and I guess now is as good a time as any to see if there are objections to having that process move forward.

Ms. Burgess said I misunderstood what you said. I thought you wanted to functionally consolidate in this budget. What you are talking about sounds perfectly realistic. The only thing I would not want to do is assume that we would dedicate all of the savings that we might find to the County. We should be very open and functionally consolidate and benefit all three political bodies and we should consider that. On the other hand if the school system needs are at a crisis when we have that money it seems perfectly reasonable that we consider dedicating it there, but I wouldn't go into the process assuming that the County would go ...

Ms. Carter said I think that is an idea for very serious consideration. I truly would support the movement toward it, but I would also like to add another area to the four that you have delineated and that would be IT, Purchasing and Business Support. I think those areas could fall readily into a cost savings efficiency movement.

Mayor Foxx said has that been looked at by PCAC?

Mr. Walton said yes, Purchasing is consolidated. IT is very problematic because of the different systems and the different platforms that we have in place. We could certainly add that to the list, but already the four will be very difficult to accomplish in a 6 to 9 month period. I think it would extend the period on out a little bit.

Ms. Carter said I withdraw.

Mr. Cannon said obviously, an efficient government is an effective government. I think what you bring up Mr. Mayor is a very good point, something I talked about even during the campaign. Several of us did as a matter of fact. When we looked at full consolidation once before between City and County, what we saw was there was going to be a savings of about \$4.5 million. Many of us around the table thought at the time that was not a significant enough amount that would really be meaningful. Obviously, in today's time every ½ cent counts and while I think it is important for us to, while we look at functional consolidation, we really need to concentrate wholeheartedly more so on looking at full consolidation and if there is a place for it. In the past what we did not address in those conversations happen to be around representation in terms of diversity, the size that we could kind of get our arms around.

Ms. Burgess said this is really not about the budget.

Mr. Cannon said it is not about the budget, but of course you were asking the question about what our thoughts were and I just simply let it be known that if we are to address something in the way of consolidation, while I wouldn't shy around from functional consolidation, I just think we would be better served looking at full consolidation and the impact that it means for the City and even the small towns.

Mayor Foxx said I don't disagree with that, but I do think it is a conversation that we probably need to have in a different setting.

Mr. Dulin said I want to remind Council that in trying to help the School Board last year and get the books right, we gave them \$4.5 million we owed them and we zeroed out our debt to them from the Safe Light Program. We gave them \$4.5 million and it was like giving my sons \$5 to go to the food court with. It was gone! We gave them \$4.5 million last year, what do you want to do this year, do you want to double it? I don't know what we can do, but at some point we are going to have to sit back and see if those folks can swim. It is not the people that I represent in District 6 responsibility right now on the City side to take care of what is going on. We all care for them because I've got kids in the public school system. I proctored the end of grade classes today. It is a long day, try to tell me to be quiet for three hours, that is tough. We made a big effort that way once.

The Mayor said I'm not hearing objections to moving forward with that.

Mr. Peacock said a point of clarification, Mr. Mayor, you said the PCAC document, which we got in February 2010 which came from Trent ... is that the document you are referring to?

The Mayor said yes.

Mr. Peacock said number 2 was permitting, number 3 was HR, number 4 was Fire and Medic. My question to the Manager, is there a cost associated, you have been through this before. What kind of cost do you associate with staff time to go about beginning this dialogue. My questions behind you is to Mr. McCarley because I know he has dealt with David Lowrance and the School of Government. He is apparently the guru on this subject since the 70's so is there a process that we follow Mr. McCarley?

**City Attorney, Mac McCarley,** said there is a process laid out in the statute once the City and the County have agreed to start it. It involves a joint commission and a time frame.

Mr. Walton said was that question on political or functional? On functional there is really nothing that governs that. But, as the Mayor said, there is a City Council/County Commission approved process that basically has the two governing bodies approving the candidates to be looked at. The Mayor suggested four and Ms. Carter just suggested another so however many are approved they are also ranked kind of in order of either difficulty or importance so that shifts back and forth. It is a labor intensive process, but I think it is a good process to go through. It only has a cost if we get stuck and need a consultant to decide which side is right. That hasn't happened in a long, long time so I wouldn't anticipate that happening again. I think building permitting and medic, fire will be gorillas to wrestle with. The other two are probably a little bit easier.

Mr. Peacock said which ones?

Mr. Walton said medic, fire and building standards, I think are way harder than the other two and have a long history.

Mayor Foxx said there also may be some work with worker's compensation involved.

Mr. Cooksey said as we are winding to a close here I just want to say to the point about what votes mean. I'm going to go ahead and vote yes on moving forward with every suggestion for a couple of reasons, one of which I think there are not so many that it will bog us down at the straw vote session, but secondly, to allow for the greatest flexibility of our citizens to speak to us about budget matters come May 24<sup>th</sup>. Technically, one of the things that has bothered me a little about this process, although clearly not enough to do something about it, is that we establish what changes we are going to make and then we hear from the public. If we hear something on May 24<sup>th</sup>, we technically, although we can do so, have to go outside our process to follow up with it. In the interest of getting the maximum possibility for discussion, I will support all of these to go forward to straw vote and I will look forward to hearing from the public on the 24<sup>th</sup>.

Mr. Barnes said with all due respect to my colleagues, the wheels on my bus will be turning shortly because I've got to pick up my son. I would like an opportunity to vote on these so that I'm not voting yes automatically.

Mayor Foxx said Mr. Barnes' proposal to reduce Community Building Initiative, all in favor of that.

Council members voting in favor of the Community Building Initiative were Barnes, Cooksey, Dulin, Kinsey and Peacock.

Receiving five votes, Community Building Initiative will move forward to straw votes.

Mr. Cooksey's proposal – Cooksey, Dulin and Peacock. Did not receive five votes.

Ms. Carter's recommendation on restoring ImaginOn - Burgess, Carter, Cooksey, Howard, Mitchell and Peacock.

Mr. Barnes' proposal to restore ImaginOn, a different version – Barnes, Burgess, Cannon, Carter, Cooksey, Mitchell and Peacock.

Ms. Burgess' proposal restoring Lakewood, restoring ImaginOn and restoring the school resource and crossing guards, using the technology balance to do so – Burgess, Carter, Cannon, Cooksey, Howard, Mitchell and Peacock.

Ms. Burgess said I want to clarify when we get down to school resource.

Mayor Foxx said it is negotiating and talking further about it.

Ms. Kinsey's suggestion on restoring Lakewood from PAGO – Burgess, Carter, Cooksey, Howard, Kinsey, Mitchell, and Peacock.

Mr. Howard's recommendation on the catalyst fund – Carter, Cooksey, Dulin, Howard and Peacock.

Mr. Cannon's ImaginOn proposal, using discretionary funds – Burgess, Cannon, Carter, Cooksey, Kinsey, Mitchell, and Peacock.

Ms. Burgess' Housing Trust Fund Bond proposal -

Ms. Burgess said could I ask the Manager how much given what has been turned in, what is available now, how much more would it take us to get to \$20 million?

Mr. Walton said \$5 million. I interpreted the \$5 million as the unallocated. You still would have to address the \$5 million missing dollars to get it to \$20 million. That is where you add resources, you cut a project before you elongate the whole program.

Ms. Burgess said the program is really being elongated.

Mr. Walton said that is what generated the additional capacity for the new projects.

Mayor Foxx said what kind of length of elongating are we talking about?

Mr. Walton said I would say 6 to 9 months. That means your road projects, neighborhood projects, not just housing projects, but to generate additional capacity you would have to look at your whole capital package.

Ms. Carter said can we divide the question please, the \$10 million item and the \$5 million item?

Mayor Foxx said actually all of the projects will get done, it is just extending the time it will take to do them all. It won't be cutting a project.

Ms. Carter said they are both towards housing. I would like to separate them.

The Mayor said you want to look at a \$15 million proposal versus a \$20 million.

Ms. Kinsey said that is what I want also.

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Ms. Burgess said I amend my placement to \$15 million.

Mr. Dulin said what does that do to the time schedule?

Mr. Walton said there was \$5 million unallocated capacity so that doesn't change the schedule.

Mr. Dulin said we need to move on forward with these road projects we've been promising.

The vote was taken on Ms. Burgess's revised proposal - Burgess, Cannon, Carter, Cooksey, Kinsey, Mitchell, and Peacock.

Mayor Foxx said the Disparity Study, we don't know how much it costs and where we are going to get it from.

Mr. Mitchell said he would just ask that they have a show of hands and let staff come back with different options so we would have more information. Even staff is not aware of how much a Disparity Study will cost.

The Mayor said there is a task force that is looking at these issues and they are going to be recommending some changes to the program as well as potentially a Disparity Study. I don't know what the recommendations are actually going to say. Manager, depending on what the recommendation is, if they do come back and recommend a Disparity Study would there be an ability to shift resources to pay for it?

Mr. Walton said I believe you would have the same options available to you that you have now which would be fund balance, the criminal justice technology money, those two so I would suggest that you wait and hear from the task force and they will help with the scope. I think if we gave you a number now it would just be a very wild guess.

Mr. Mitchell said let me make sure on the timing when they bring the report back. What I would hate to do during our budget discussion, to come back after the budget because I think we would be missing an opportunity. Do we know when they are reporting back to us.

Mr. Walton said I'm suggesting to you to consider it outside of the process because the same resources to fund it will be the same afterwards as they are right now. An item that large, there really aren't cuts there to handle it right now, so that means fund balance or some other reserve pot such as the technology money. I don't know their schedule but I would say at least summer, July or August before the task force came back. I'm not suggesting you drop the idea, I'm suggesting you postpone it until we know more what the task force would recommend and we can scope that out.

Mr. Cannon said I think it is really going to end up being inside of that window. It is probably not going to be as far out as August or even July. I think it will probably be early June. There will be some other information I think coming back and as the Mayor has indicated I think the task force is looking at it. We may want to wait until we get that back and even propose some things to some folks that have done a study in the past to see if they would be willing to do something less than, or not at all, but we can have some options come back at that particular time.

The Mayor said do you still want to do a vote on it?

Mr. Mitchell said he would still like to do a vote on it.

Add the Disparity Study as a place holder – Barnes, Burgess, Carter, Cannon, Cooksey, Howard, and Mitchell.

Mr. Peacock's suggestion to do no pay adjustment and hold the \$6.1 million in contingency – Barnes, Cannon, Carter, Cooksey, Dulin and Peacock.

Mayor Foxx said I have to say that in my time on Council this has been probably the most low stress, thoughtfulness back and forth on how we deal with the budget and I appreciate everyone's

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work on their ideas. We've got some things to go forward with. I want to make sure I'm clear, there was not an objection to having the staff go forward with the functional consolidation ideas, correct? Post budget.

The meeting was adjourned at 5:15 p.m.

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Melissa T. Johnson, Deputy City Clerk

Length of Meeting: 2 Hours, 10 Minutes  
Minutes Completed: May 25, 2001