

The City Council of the City of Charlotte, NC, convened for a Workshop on Monday, October 4, 2010, at 6:08 p.m. in Room 267 of the Charlotte-Mecklenburg Government Center with Mayor Anthony Foxx presiding. Council members present were: Michael Barnes, Jason Burgess, Nancy Carter, Warren Cooksey, Andy Dulin, David Howard, Patsy Kinsey, Edwin Peacock III.

ABSENT UNTIL NOTED: Councilmember Warren Turner

ABSENT: Councilmembers Patrick Cannon, James Mitchell

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ECONOMIC DEVELOPMENT: EASTLAND MALL

Mayor Foxx said this is our first meeting in October, our Workshop, here on October 4th. We have been in Closed Session up until now and apologize for starting a little late, but we are here and looking forward to a lot of interesting topics on discussion tonight. I'm going to shortly introduce Andrew Segal of Boxer Properties, who I have asked to come to the Council meeting tonight. He is here at my invitation, and I want to kind of frame a little bit about sort of why that is. I don't have to say a whole lot to those of you in this room about Eastland Mall and what a tremendous icon it was for many years on the east side of our city and the fact that it has been undergoing transition for a number of years, and we now have a new owner of the central part of that mall.

While there has been a lot of conversation in the media about it, we actually haven't had a presentation here at the dais to understand what his vision for the mall is, so part of the idea was to have him come do that. Now, that's what this discussion is. What it isn't is an action item for this Council tonight. It is a presentation. We are going to receive information, staff may cogitate on this some and come back with some thoughts at a later point, but tonight we just want to listen and try to understand what the concept is and see where we go. So, with that, Mr. Segal, welcome. He has the distinction of going to NYU Law School. There have been some people who have been successful there.

Andrew Segal, Box Retail, said I wanted to introduce myself. I am the president of Boxer Property. We are a real estate firm that focuses on turnaround properties. While I grew up in the northeast, we are based in Houston, Texas, now. We do projects in various parts of the country. We have 500 employees. We own about seven million square feet right now, and we manage another five million square feet for third parties very often banks, lenders, and various funds. One of the things that brought us to Charlotte was a project that got in some trouble just south of the border – the Fiesta Carolinas Mall next to the Carowinds Amusement Park. There was a lender who asked us to intercede on that property and try to stabilize it. The property was built with an Hispanic theme in an area that didn't necessarily support it, so the project is kind of going through some changes, but quite frankly it gave us a re-exposure to Charlotte.

We have always had a very positive reception here whether it's passing through your amazing Airport or meeting with all the bankers or however bankers are left here, and when this project came up, we were extremely excited. This is very similar to some troubled mall projects that we had done in Texas, and I'm going to talk a little bit about it.

The good thing in Charlotte is I never have to tell you where the mall is. Everyone knows. The mall is about 35 years old, and like a lot of malls in the country, it started off as a preeminent mall in the neighborhood. It had all the anchors, all the stores, a lot of excitement, things going on. They had a skating rink, movie theatres, you know, they really kind of checked all the boxes. But over time, the mall stopped reacting to the community. I think malls in general got a little bit complacent with the anchors. They expected the anchors, the Sears and the Belk's, Penny's, to draw tenants and they stopped focusing on what was going on inside. Then as the neighborhood went through transition the mall didn't. They kind of clung to their traditional stores and really lacked a sense of place. I think by the time Eastland closed we could have looked at the directory of the mall and really not been able to tell what city this mall was in. It lost touch with Charlotte, and it certainly lost touch with east Charlotte where it is a real anchor.

So, we purchased the mall on the eve of its closing. It was literally a week before closing. It was a distress sale in every sense of the word. The mall continued the closing cycle, which had already started, and we ended up with this vacant mall. But it's important to understand – let me go back for a second – that we did not buy the whole mall and certainly not the whole property. The part that I'm here to talk about today is the heart of the mall. It is what we would call in the business the in-lying stores. So, this does not include the anchors. Those are owned by the various companies. We don't own them nor do we control them. The interior of the mall – and this is where the big, open walkways are, the food court, the skating rink is. It's about 500,000 square feet. When it was configured as the center of a mall with big boxes, it had about 360,000 square feet of retail space there.

Our feeling about the mall, and I would also kind of just preface this by saying that we don't have a final plan or a real lock-in vision. I thought it would be interesting, and Mayor suggested to just kind of share where we thought the mall is going. I'll just briefly talk about two different directions that the mall could have gone at this stage. One is what is commonly known in town as the ULI model. This is the company that did a research report and talked about some of the potential reuses of the mall. This included tearing down the mall and building something completely new in its place. I think the disparate ownership and the economy quite frankly is going to make that virtually impossible at this point. Ironically it's probably one of the few times when there are no tenants on the property where you could do that, but I think it's more interesting from our viewpoint is to look at this as not an asset that needs to be scraped. It's very easy to say that about a building, but an asset that can be reused as we have done elsewhere.

In spending some time in the community and talking to people, we really focused on a multi-ethnic sense of this neighborhood – a literal United Nations of representation in the east side of town. The theme that tends to predominate as far as we could tell is the Hispanic theme. I want to be very careful in talking about that because we are talking about a theme and not a customer. As Taco Bell has an Hispanic theme, it doesn't mean you have to be Hispanic to eat there. Disney's Cinderella Castle is from Bavaria. It's a theme. But here we have a very dynamic part of the neighborhood, and I think that it is an appropriate theme to use as a catalyst to reopening the mall.

Our initial feeling about the mall since we can't go to the shopping center convention and tell everyone to come back in is to start off with an entrepreneurial base where we would call it Mercado. This is taking part of the mall on the first level, and if you look, the bottom part of the picture would be where the transit center is. The back side is a parking lot. But to take about 100,000 square feet of this mall and turn it into effectively an instant incubator for businesses to have a series of very small stores – some of them a little larger. You can see in the purple that in the purple, and some of them very small in the orange where literally for a few hundred dollars someone can start a business. The idea here is to create an anchor ourselves. It's not trying to wait for a Sears or Penny's to come back, but to create a destination for the neighborhood and a place where we are looking to build a merchant class – a very local merchant class of literally several hundred business owners where before there were very few.

The thing that has worked very well for us in the other cities where we have done this is it has created an incubator of sorts. Sometimes they start off with literally 10x10, almost enough room for some goods and a person, and then they add another space and another space. The next thing you know they move into the mall. So this is not a place that would sell items; it's not just a once-a-day. This is open seven days a week, all new items, services. We find everything from obviously clothing, hair salons, sign makers, insurance, real estate agents. It's very dynamic group that comes in there.

The idea here is to also incorporate some public spaces. One of the most important things to us is attracting the families. In order to attract families to a mall like this besides the obvious safety issues is you have to make the bathrooms friendly. There have to be lots of places to play, lots of new things to see, and the Mercado is a very good catalyst for those. I have brought some pictures. Obviously these are just an architect's rendering, but I have brought some pictures of some actual scenes in Ft. Worth to give you a flavor of what we did. Ft. Worth was an interesting project. It was a 1.2 million square foot mall that was literally left for dead. It was about 10% occupied at the time that we purchased it. The city decided they wanted it to be something more than what we had initially planned, and we spent some time with them

incorporating a lot of their vision and their needs into this 80-acre property. As you can see, we have an 8,000 foot bathroom complex with a seating area that is literally the size of this room full of leather couches and big screen TVs. The idea is a place where you can go and hang out, go spend the day. You don't feel like shopping – watch the soccer game. Again, we are trying to really differentiate the experience from walking into a chain store, walking into a Wal-Mart. No one walks into a Target and goes and hangs out – very few people anyway. A mall is a place where you want it to be a destination without regard to what you are actually going to do there.

There is a tremendous amount of live entertainment. These are some pictures of some local groups – in-house music – in this case Hispanic, although we have hosted the opera. Any group that needs an audience, we put up on the stage and give them rehearsal space. The Mercado again is kind of the first thing we did. We actually did it before we got a lot of the big stores into the mall. We ended up getting Burlington and Ross and Radio Shack and a lot of names – Chase, Sonic – a lot of names that you will recognize, but also had a place that was very unique. I will show you some pictures of that. Again, areas for kids are extraordinarily important in this concept.

This was an interesting day. This is a singer who came, and for the first time we think in 55 years at this mall in Ft. Worth we filled every single parking spot, and it was a watershed achievement for us because we had brought the mall full circle from a place of great relevance in the Ft. Worth community. Everyone had a story about going to this mall, my first prom dress, my first date, you name it to a place where now we are kind of creating a history and becoming part of the new generation's experience growing up.

The outside of the mall – this is a bit of a challenge in this mall in this case because the whole thing with a colonial architecture, again, a real sense of place, a sense that something exciting is happening inside. The sign might say Chase Bank, but you can see at the top it is going to look unique. It is going to look like no other Chase Bank certainly in the state of Texas. CVS is a drug store. The inside, quite frankly, is like most CVS's, but the outside we are trying to differentiate ourselves in a world where you could shop in any neighborhood or in some cases different cities. Why would you choose this mall – because it's different? You can see the T-Mobile there as well.

We are very excited. We don't have a full plan, but we are feeling at this point that this is a very viable way of going forward, of adding this merchant class, of massively changing the security reputation of the area quite frankly. We do our own security in the malls, and something we are talking together with various representatives of the neighborhood today is that I know we have succeeded from a security point of view when I see parents walking in front of their children. This is a sign that people are comfortable in the mall, that they don't feel they have to have their children in their site at all times. They probably should. I might have more rambunctious kids than some other people, but this is a big sign of success. We are able to really do some things in this mall that changed the neighborhood. We have a 40,000 foot college that teaches people how to be dental assistants, nursing assistants, various professions. We have all sorts of city services from the Parks Department. We have a WIC clinic. We have a group that helps with immigration. We even have code enforcement.

A new grocery store. This was one of the big game changers, and I think that one of the things that certainly the politicians in Ft. Worth found they were getting the most feedback from was to be able to build a brand new 60,000 foot full-service grocery store in the neighborhood. It was something that these parts of town just had not seen for a long time. It was literally like bringing a Whole Foods into the neighborhood. We are just extremely excited. We are kind of buoyed by this success that we have had in changing this neighborhood in Ft. Worth. We are doing a similar project in Houston. One of the reasons the Houston project was successful is because of the support from the people in Ft. Worth who were able to articulate the changes that this made to the neighborhood.

This is our contact information but not as interesting as the last picture, so I will go back to that. Anyway, I don't want to take up too much of your time. I just want to thank everyone for a great reception from top to bottom with all the people in the business community and various places in the government who have been so helpful in telling us about the area and being very open to some new ideas.

Mayor Foxx said, thank you, Mr. Segal. I know there are going to be some questions from Council members, so if you have a few minutes.

Councilmember Peacock said, Mr. Segal, thanks for coming. Good to hear from you and good to see some things in color here. You said it was Plaza Fiesta that brought you to this marketplace that reintroduced you back to Charlotte. First question about that. What is different about Eastland versus Plaza Fiesta, and you were not the owner of Plaza Fiesta; is that correct?

Mr. Segal said that's correct. Plaza Fiesta was developed. It had a lot of debt on it, and the big difference, and I think there is a place for Plaza Fiesta. If you have been there, it is a little bit of an odd bird. It's kind of on the side of the highway in the parking lot. The thing that is the most different is Plaza Fiesta is not a part of a community. When people who live in that part of the city say I'm going to the mall, they are not talking about Plaza Fiesta. We want this to be kind of a centerpiece, a meeting place, something that is unique to the community and not just something on the side of the highway that looks like a lot of other things.

Councilmember Peacock said so it's certainly a difference you are saying between Plaza Fiesta and Eastland to you is Plaza Fiesta is not a part of a community because it straddles South Carolina, it's off a highway. Eastland, of course, obviously very much is. The next question I have for you. You are having an Hispanic theme, but this isn't an Hispanic destination or location. I guess probably the two biggest questions I had coming in might be the same thing the public has had, which is who are you, and the second thing is what are you going to do? What do you want to do? Is this what you want to do? Do you absolutely want to go down this path because you haven't shown us any other choices, so I'm curious if this is going to definitely be an Hispanic-theme mall or will it be different?

Mr. Segal said I'm not going to say definitely because until we are literally ready to submit a plan to the city things change. There are suggestions and things get incorporated, so I will preface with that statement. Who am I? I am someone who has had great fun and really personal satisfaction doing this. Quite frankly, a lot of the projects that I do are office buildings. That's where I started coming to Charlotte looking for commercial space. These are really unique pallets, these malls. These are malls that the reproduction cost to get a canvas that looks like this is literally \$100 million and to be able to come in with that reset that gives you the flexibility to do something interesting, to not be beholden to the financial market and only have to sign up the national brands and have the best tenants. To be able to take a chance with an entrepreneur and with a local business is really exciting and it's really interesting, and quite frankly, it's the kind of things that I like to travel to see. I don't want to go travel somewhere and go to the Gap. I like to go to places that have a sense of place, and Charlotte has really accomplished that downtown. Charlotte has an identity. There are functional identities like the Airport and the highways and the trolley and things, but there is also a feeling that you have downtown there. It's a financial center that is different and unique, and, therefore, resilient. It's not a me-too mind of place. That's why I think this is such an interesting opportunity to do this at this mall.

Councilmember Peacock said thank you for your clarification on that. You have clearly been successful in Ft. Worth, and I imagine you had to engage the community a lot there in order to come up with what you have developed there. Tell us about your meetings with the community. You mentioned you had one or you are going to have one, or are there going to be a series of them to find out what the whole east side of Charlotte is interested in? I see here you have Everest College as a partner. You mentioned a school partner. Do you have a school partner in mind that you have begun discussions with here in Charlotte?

Mr. Segal said the communication with the community is ongoing, and, quite frankly, never ending. Malls just don't finish. A good mall is always evolving. There is always something new there. There is new input from the community, and the community changes with the mall, so there have been discussions and meetings and a lot of information exchanged, which I value tremendously. There are some extremely well developed community proponents in that part of town, and I think those are the seeds of success. In terms of a school, we have lots of tenants. I mean there are 100 tenants I would like to engage in this project who have had a good experience in the last one. It's too early to tell.

Quite frankly, the thing that is going to drive the names that we will recognize is traffic. We can't show them the statistics anymore as no national chain is going to look at the current statistics on this part of town and say I need to open an 80,000 square foot store there. What they will react to are getting the people out of their houses, out of their cars, and to stop driving far away and start coming to the mall on foot, by bus, and, of course, by automobile, and they will come and see. If they see people, as was the case in Ft. Worth, then they are extremely open to opening businesses.

Councilmember Carter said, Mr. Peacock, you asked many of my questions. Communication to me is the most important issue. Thank you for being here, Mr. Segal. That indicates the interest in communicating with us, and that is a crucial part here. I heard that you met with some of the neighborhood leaders, and that, to me, is another crucial part. Will you have someone on ground here in Charlotte with whom we can communicate, or is there an easy way to establish a pipeline to you as things occur in the neighborhood or if there's change or as your interests perhaps change or your vision? Is there a way we can interact with you?

Mr. Segal said yes. First of all, this is a significant project. This is not just a suburban small office building somewhere. This is a significant project, and it will have a very big local staff. At our mall in Ft. Worth, we have 50 full-time employees on the ground – not counting anyone who supports the mall from outside. So, it's a big commitment. We are a vertical company. We tend to do a lot of things in house and not just find a vendor who kind of comes and goes. The communication, as many of you know in this room, I am available to talk about this. I love talking about it – sometimes too much, and we have people I would like to introduce – Jose Lagaspe, who is with me. He is based in Los Angeles. He is the president of the entity that we run our malls in Ft. Worth. Also, Michael Perez is here based in Dallas. He is the president of the Boxer Retail Group, so there are literally lots of people to talk to and a lot of people who are very interested in talking about this.

Councilmember Carter said the timeline to us is important obviously. Having blank space is like having blank space in a conversation. People become anxious, concerned, and anything that you can project for us that suggests a future will be important to all of us so that we see the activity, so that we underline that transit center that is very precious to us and people have a destination. The key to all of this perhaps as repositioning the mall is unique offerings, and that is what you somewhat targeted. We are very unique, and perhaps titling us by a concept of one culture doesn't grab what is more important for the whole area, which is like you mentioned the U.N., and that, to me, might be an even more positive statement for Charlotte. I'm not invading your proclivities as a private developer, but when you look at who we are we are the folks who built the homes around there, we are the folks who have had wave after wave after wave of people (inaudible), and it's an exciting area, and as you visit the restaurants, as you put on the Taste of the World this coming Thursday to see the variety, it's an exciting place, and incorporating that sense in this area can be very positive.

I love the idea of mixed use. You mentioned that in using this basic plan as a catalyst of moving into mixed use. I think you would optimize your approach to that key and significant development of the streetcar (inaudible). I'm grateful to you for being here tonight. I welcome any communication as I know all the eastsider's who are here as well as Council. We are in an economic state right now that is somewhat preclusive, but we are all looking to the future. I hope that is a very positive statement to you as well as to all of us. I am grateful.

Councilmember Kinsey said actually I want to do a little piggyback because Nancy referred to the timeline. What is your timeline? I know you are a little vague about what is going inside, but what kind of timing do you have?

Mr. Segal said the answer is I'm not sure. Essentially from our point of view the process has started. There are a lot of things that sometimes special uses, special tenants that intercede, so I would expect – this is not a multi-year thing before the first tenant is there. I would like to see the mall open before the Christmas season of next year. Now, it won't be the whole mall, but at least where a member of the public can walk into that building for the first time in quite a while.

Councilmember Howard said thank you for being here tonight. I have a couple of things. I want to expand on the question that my colleague, Mr. Peacock, asked a little while ago – not so much who you are, but I would love to know more about Boxer Property. You mentioned office space. This one obviously falls under the retail part of Boxer. Just a quick minute about Boxer's whole operations, and then I have a couple of other questions.

Mr. Segal said Boxer is a company that I started when I graduated from law school in 1992. The name – it's a long story. We needed a clearing house because we had two projects all of a sudden, and there was a pub down the street from the law school that was called Boxers, so that became the name. We didn't think we would use it in public, but then when we got three buildings and people started referring to us by the name. So that's where it comes from before anyone thinks about fighting or undergarments.

We have 500 full-time employees now. We have been active in various parts of the country. We only start with problems. We are not people who buy full buildings on cap rates. We kind of stay away from some of the deals that don't require any special attention. We really walk into any project like a puzzle that has been strewn on the table. We have spent a lot of our careers on historic buildings notably in Baltimore; Hartford, Connecticut; Tulsa, Oklahoma, which was kind of an art deco collection, so we own buildings that were built in the 1800s; we own buildings that were built in the 1990s, actually even later than that.

We get very involved and engrained in our projects. We don't go to a general contractor and turn over a project and come back in a year and find it finished. In Ft. Worth, for example, we have a carpentry shop. We built a lot of the things by hand. A lot of the people who built the malls were local people. They were artisans, they were trades people. We keep a very unusual vertical sense of control. We have the people who work on the air conditioning, who run the security, who do the design, and who do the leasing. So we have a retail group that is separate. This is one of five malls. They are all enclosed malls within the retail group. There are two malls in Houston that are both about 630,000 square feet, almost double the size of the part of Eastland that we own. Our mall in Ft. Worth is 1.2 million square feet where we had the luxury of owning all four corners of the property. Then we have the mall in Houston that is very much like Eastland where we have a joint venture with a lender where we only control the inline stores. What was interesting is by starting and really kicking off this Houston project we got activity in the empty big box stores. Local people bought two of them. One of them is already open as a multitude of stores, grocery and laundry facility there.

Councilmember Howard said that's a great segue to my next one because the pictures that we have seen so far seem to be more of a super center; not the traditional mall with the anchors. It sounds like the one in Houston is the one that has anchors, so I guess my question is how do you plan to deal or have you thought about how to deal with other property owners on this one, or just examples of how you did that in Houston? Is the goal to eventually have those, pull them into what you are doing? I mean purchase those and pull them into what you are doing, or how do you handle having four other property owners on the same property?

Mr. Segal said I see the center of the mall as like the heart and the body. Right now the heart is not beating. To get the arms in shape and the legs in shape really requires the heart to start first. So our plan quite simply – we have reached out to the various property owners.

Mayor Foxx said I have a few questions. We have actually been on this longer than I thought, but there is a lot of interest in it, and it's an important part of our community. You have been asked a question about the anchor stores, and I want to make sure I'm clear on what your thoughts are/intentions are with respect to the anchor stores.

Mr. Segal said we have talked to the various owners. Quite frankly we don't have a plan that really incorporates them at this early stage. Our general feeling is that if we do something interesting in the middle then either we or someone else – it really doesn't matter to the whole development – will do something interesting with those stores.

Mayor Foxx said regarding the timeline I want to clarify that I understood you to say that you would want to be open by Christmas of 2011; is that correct, or are you talking about Christmas of 2010?

Mr. Segal said not 2010. I would hope that at least some aspect of this mall could be reopened by basically 14 – 12 to 14 months from now. It might be a small part of it. We have maintained the mall in very good shape. I walked it today. It's not crumbling. All of the equipment works, all the systems are in place. It looks like we got there early in the morning and we just haven't turned on the lights. It really is a pretty resilient piece of real estate.

Mayor Foxx said you showed us some ideas on approximately 100,000 square feet of the mall. Are there other parts of the in-line part of the mall that you have other ideas about?

Mr. Segal said I think the other ideas will come depending on the tenancy that arrives. One very important thing to us is a theatre. I think a development like this needs a theatre, needs some community rooms, which it has, so there some other aspects that – the food court, which will have to be reactivated, but right now we don't have as broad a concept that is different than the original layout.

Mayor Foxx said, first of all, I want to thank you for coming and being here today and being willing to hear questions and feedback from the City Council on this. As I say, it's a critical part of our city, and we take a vested interest in what happens in the future with it. As I said at the outset, we are seeing these pictures and having this conversation literally for the first time without having any sense of what your thoughts look like, and I just suggest that given this is a presentation that maybe we have our staff cogitate on this and maybe circle back with you and obviously keep the lines of communication open as we go forward into the future, and we'll see what happens.

Councilmember Dulin said one other real quick clarification, sir. When you say the theatre, does that mean like a production theatre for shows or movie theatres that are there now?

Mr. Segal said the answer is yes. There is a movie theatre where we would like a place where we could show traditional films. There is a community room that has a stage, which in other malls we have been able to use for community shows – some open to the public, some private uses or rehearsals. Then there is inevitably a place out in the open where again sometimes there are professional musicians, sometimes it is community school groups presenting, so it's really all three of those things.

Mayor Foxx said Mr. Peacock just slipped me a note to ask me a question I think is pressing on all of us, which is what about the ice rink?

Mr. Segal said the ice rink I'm not sure. I'm a Canadian by birth, so that's one of the few things I could do that is different which is skate, but we'll really have to look into it and see what is there. I don't want to take away one of our great big show areas if anyone knows how to play an instrument.

Mayor Foxx said I don't know if anyone does, but we really do appreciate you coming, and, again, this is information for us and we'll kind of cogitate on it as a group and continue to keep the dialogue going, but we really appreciate you coming by. You have taken a special trip to be here with us today, so thank you very much, Mr. Segal.

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EVALUATION OF UTILITIES CUSTOMER SERVICE

Curt Walton, City Manager, said just a reminder before I turn it over to Barry Gullet that we have been looking for about a year now at our customer service functions within Utilities, so we wanted to give you an update on where those stand. I will turn it over to Kim Eagle rather.

Kim Eagle, Budget and Evaluation, said we have been working since January with a team of staff and consultants on trying to address challenges facing customer service for Utilities. Before we jump into the presentation, I want to do some introductions because we realized very early on that this was not just Utilities' work; that there was a core team that impacts customer service for

Utilities and then support folks, too. It didn't take long for us to figure out that we needed to get aligned and have all those folks at the table. So I want to take just a minute to introduce some of those folks because they have put in many, many hours and have done some really good work.

I'm going to start with the manager of the customer service division for Utilities. That's Steve Miller. He's back in this corner. With him is Jimmy Harris, the meter reading manager for Utilities. Beside Steve is Doug Gross. He is the technology manager for Utilities. That core team that I mentioned includes not only Utilities but City Finance and Char-Meck 311 --City Finance because of the management of the utility billing system. They do that for Utilities, and Chip Harris is here. He leads that group of folks for City Finance. Then that third leg of the stool, if you will, is Char-Meck 311. I don't think Kimberly Laney is here with us tonight. Saskia is here, but they have been with us throughout the entire process as well, so that has been a good thing. In addition to those folks, we have had support from Corporate Communications -- Kim McMillan; Greg McDowell from Internal Audit; and then we have had two consultants helping us along the way as well, and I do want to recognize them. We have had McKim and Creed. They are a local engineering firm -- Joe Stowe and Linda Vaughn. Last but not least, we have had Sue Breckenridge with us, and she has added lots of value and been beneficial for us in helping us keep the customer center perspective because as staff sometimes we lose that. I want to thank those folks. It's been a real pleasure for me working with that group, so I wanted to recognize them.

She said for discussion tonight we have divided it up into four segments. I will give some brief background on the project. She began a PowerPoint presentation entitled, "Utilities Customer Service Evaluation Update," a copy of which is on file in the City Clerk's Office.

She said we started with nine initiatives. You probably remember hearing about the list of nine. Out of that that actually turned into a framework, which has evolved into a list of 40 recommendations. Out of that 40, we have already put seven in place, and we are monitoring impact from those seven. We have another 15 that will be in place by December, another 15 that will be in place by July, and then a handful that you will see come back to you in the spring as a part of your budget process. So out of the list of nine initiatives, we have 40 things to do. So, that's where we stand. Barry Gullet will talk about those specifics. He'll get into those recommendations with you and also talk about next steps moving forward.

Just as a reminder I mentioned we started in January at the request of the City Manager. We were back with you in May and then again in June, and we have been on a very aggressive schedule since then to be back tonight with the actual recommendations. I mentioned our cross-departmental team and our consultants, and here is a list of some of the key initiatives that we have been working on -- that list of nine, if you will, and just very briefly let me make a statement about each one. We did do a benchmarking looking at comparable cities across the southeast. We did look at many, many business processes. We looked at what needed to change in the process, we looked at who was doing the process and where it should best be located, and we looked at documenting the processes.

The meter reading equipment audit -- I know you are well aware of that effort. That is a part of the work. A billing system audit was conducted by the Internal Audit group in parallel with this work, and the recommendations coming out of Internal Audit on the billing system are a part of the 40, and they do compliment what we say in the meter reading equipment audit as well. We did take into account the recommendations from the Cornelius taskforce report, so you will see that reflected in the recommendations.

Customer assistance program -- This is the area where we look at as a city how we work with our customers who had difficulty paying their bill, and we found as a part of this process that there were some areas for improvement not only in how the utility worked with those customers but how the utility works with Crisis Assistance Ministries because that is the group that we have the primary relationship with. So we are looking at strengthening that relationship and the processes we use to work with that set of customers.

The meter route or billing cycle re-sequencing effort -- Barry will talk about that a little later. That's a piece of this effort. Then finally the rate methodology study. It was not initially on our list of nine, but it did evolve out of your budget conversations and the work that Restructuring

Government Committee did. Because the outcomes from that process relate so directly, we have added it to the list. We want to make sure everything travels in connection.

So, I would like to call the list of recommendations the 40-Point Plan. We are working that plan, and the plan is addressed to really focus on the root cause of the challenge; not to treat the symptoms but get to that root cause, and that's why for some of our recommendations it is going to take us longer. But the plan is designed around some very simple goals. First of all, consistent customer centered philosophy for how the utility interacts with the customer. Documenting processes so that employees can be very clear and consistent when they are carrying out those processes. Improved training for field staff, and along with that, adequate equipment so that when the field technicians are out in the field trying to serve the customer they are best equipped and best trained to be as efficient and effective as possible. Finally, an ongoing evaluation process so that maintenance programs can be put into place specifically for equipment so problems can be avoided in the future.

For purposes of implementation and discussion, we took that list of 40 and we divided it into three sections. There are things on the list that are pre-billing activities -- work that happens before the bill goes to the customer. There is a second set of activities that are post-billing -- things we do after the customer receives the bill and we have some issue to address or something to work through. Then the third category is other improvements, and other is high impact, as you can see -- equipment monitoring and maintenance. All of the results and outcomes from the meter equipment audit will be grouped into this category. The customer assistance program that I mentioned and the relationship with Crisis Assistance falls in this category, and finally the rate methodology study. So that's our framework for dealing with the list of things that lie ahead of us. With that being said in terms of framework, I will turn it over to Barry Gullet, the director of Utilities, and he will give you some specifics.

Barry Gullet, Utilities, said point number one -- you can relax. I'm not going to go through all 40 points, but it's really a kind of a rare opportunity for an organization like ours to be able to dig as deeply into our customer service process as we have been able to do over the last several months. While it might not have started for the best of reasons, the outcome, I think, is really good. It has allowed us to learn a lot about our customers. It has allowed to learn a lot about ourselves and our staff and the tools and the way we are doing things. So I'm really pleased that we have such a good study and also that Kim has done such a great job in leading this. She really has, and we have good staff.

We have good people involved all the way through Utilities, through 311, through the Finance Department, all the organizations that Kim mentioned, and these folks all want to do a good job; they want to provide good customer service. We just simply haven't given them the direction and the tools and the guidance to allow that to happen, so that's what we are working on. I want to start by talking about the billing cycle. It kind of sounds straightforward, okay, you use water and you get a bill and you pay it. It's not quite that simple behind the curtain. The first thing that has to happen is we have to read the meter, so we have about 250,000 meters or so that we have to read every month.

So we do that by a guy in a truck riding around collecting electronic meter readings. He brings that data back in at the end of every day, and it's uploaded into a billing system. The first thing the billing system does is looks for things that are probably wrong. It looks for bills that are higher or lower or bills that aren't expected. It kicks those out, and they are called exceptions. So that's what the first line up here is the resolved meter reading exceptions. That's done manually by a staff of people who are sitting there reviewing every one of the approximately 30,000 exceptions that get generated every month. That's a lot that they have to look at those. We have worked a lot on how to do that better.

Once we have resolved those billing exceptions, it gets kicked back into the process again. We have all these bills to print. We mail bills 19 days every month. We have 19 billing cycles, so we have a group of customers that get a bill almost every day of the month. The customer receives the bill, and they are going to do one of two things. They are going to either pay their bill or they are going to call to complain about their bill. So that generates another level of work. Potential high bill inspections is what we call them that we have to work with, and then that sort

of starts the cycle all over again. It happens every month. Those same 250,000 meters get read every month.

Councilmember Kinsey said is this fully operable now because I'm getting complaints from constituents of really high bills. Well, I forward it to you. Her bill did not get kicked out in other words.

Mr. Gullet said, well, it may have gotten kicked out. I'm going to talk through the process about what we do with those high bill exceptions and how they might get kicked back in and then what we do with the post-bill inspections and how we treat those. But the bills that get kicked out get reviewed, and we are working on what to do with those that get reviewed that are still high. So we don't have all the fixes in place yet. The study we have done has identified things that we need to do and things we are working on. Like Kim said, we have already implemented a number of them, but there are a lot of them that are yet to come. We are winding up right now with about 20 or 30 bills per month that get what we call "escalated" – 20 or 30 bills per month out of the 50,000 that generate calls that haven't been able to be resolved through the normal channels and still need a little extra attention, and those are the ones that a lot of you are seeing. So you need to kind of understand the scale we are working at there and the fact that of those 20 or 30 that come in we are resolving those. We are taking care of them and finding resolutions to those.

That pre-bill exception is where we are going here. What we are looking for on post-exceptions is whether we need to send someone out to check on it or not. Is it something we can review in the office using the data? We are looking at billing histories, we are looking at that customer's history, we are looking at everything we know about that account to determine can we decide by looking at that on a computer screen is it probably right or is it probably wrong. There is a human judgment involved in that, but we try to give the best data we can.

One of the improvements we have already put into place is that until recently for our technician to make that decision they had to go look at about four or five different computer screens of data for that one customer to make that decision about whether it's probably right or probably wrong. We have made some programming changes and pulled that data together onto one screen so they can see it a lot easier, they can compare it and see it all at the same time, and they can make those decisions about whether it should be billed or whether we should send someone out to check on it.

So, when we send someone out to check on that exception, they are going out to confirm the meter reading is the number that was recorded in the data that came back from the field the first time. They can do that one of two ways. A lot of them are done manually. That means someone goes out. They open the meter box, and they look at the meter, and they write down a number on a piece of paper, and they bring it back in. Some of them are done electronically. If you remember, we read the meter electronically the first time, so some of them we go out with a handheld piece of equipment, and we get an electronic reading, and while we are there, we will get the visual reading, too. A lot of times that will show up a problem, if there is one, just right away.

One of the issues that we have found is that by doing those paper reads we lose an opportunity, and oftentimes that causes us to have to go back again to get the electronic reading, so you are going to see us – coming up on a later slide – you are going to see a contract coming before you in a few weeks for us to add some of the electronic data recorders, the hand-held units, so we can do a better job of interrogating the meters the first time we are out there, eliminating some trips, and hopefully getting things better the first time out. We think automating these will help us cut about 500 field trips every month and should work a lot better and eliminate some of the errors that are caused by just the paper process.

We use sort of an electronic filter to trap the meter readings in the pre-billing process to determine which ones gets kicked out as exceptions. One of the things we have been doing for the last few months is we have been doing field investigations of more of these bills to be sure as we make those decisions about is it probably right or is it probably wrong we are sending more out to the field. We have gone from about 8,500 a month up to about 13,000 per month. That has a workload impact, and we have been moving people around within our department to fill

those gaps and to make that happen. It will become a little more efficient when we get the new equipment in, but actually it will take the person longer on site to do the work, but it will eliminate the need to go back a second and potentially a third time, so overall it's an improvement.

We are doing more training with our staff and what to look for, and then we have some things to come. We are working on notifying customers about high bills that are potentially coming to them. When a customer gets a bill that they are expecting because they know they have been watering their grass, that they just re-seeded, or they know they have had guests, or they know there was some reason they used a larger amount of water, they are expecting that. Where we get tripped up is when we send the customer a bill they aren't expecting. So we are working on a process to be able to communicate better with the customer as soon as we know there was an unusually high reading. It could be something that they want to pay attention to right away. It could be a leak under their slab. It could be a leak in a wall. It could be a leak in their front yard and something they want to deal with sooner rather than later. So we are working on a way to do that.

We also need to work on reducing that number of exceptions. Like I said, it's about 30,000 a month. A lot of those are misreads, they are reads when the mobile meter reading truck drives by it simply doesn't communicate, it doesn't get a reading from that location. Some of them are instances where it reports zero consumption. In other words, it's the same reading we got last month. That could be correct; it could be wrong. It could be because the house is vacant; it could be because the people were on vacation. We don't know those things, and we spend a lot of time going to check and check and check on those zero read meters. The leak adjustment processes we do have ways that we can adjust customers' bills when there are leaks particularly when the leak is caused by something on the City's part of the line, which is really just on the back side of the meter, but also for customers who have leaks in their private systems. There are ways we can make adjustments there.

So, that's the pre-billing side. The post-billing side – this is after the customer has gotten the bill, and they are not satisfied with the bill; they believe there is an error. Again, we have been working on automating that. That's part of what we talked about before – same equipment. If you think about it, what we will be doing is in some ways we will be doing this post-bill inspection before we send the bill. We will have all the information that we would have obtained on the post-billing at the pre-billing stage, so we'll have better information to share with the customer if they call. If they weren't expecting that high bill and they call us, we will know more about what we are doing and what we can talk about with them.

Then payment arrangements and delinquencies – this is one of the things that we benchmark against other utilities. One of the things we have learned is if you look at turn-on's and turn-off's for move ins, move outs, delinquencies, that type of thing, 1% of our customers generate 60% of our phone calls and 40% of our field work. So we are working to reduce those numbers the best way that we can. One of the things we have also learned is that we are very lenient compared to other utilities in terms of how we deal with delinquent accounts and payment arrangements. We are very sympathetic towards customers who are having trouble paying their bills, and we want to be that way, but it generates a lot of work, so we have to figure out a better way to manage that work.

Some of the opportunities for that – our bills now if you are in a delinquent state with your water bill it tells you that it's subject to be turned off, but it doesn't tell you when. So particularly some of the assistance agencies really need to know when, and the customers need to know when, so we are working on trying to get that printed on the bills. The payment arrangement procedures we are working on how to make that a little smoother. The deposit requirements – most cities we found require a deposit to establish service or a track record of good history, good payment history with the utility or a good credit rating, and we don't do that. We don't require residential deposits, so that's another piece we will be looking at.

The meter equipment audit – we have done some presentations for Council about this before, so I'm going to kind of move through some of this quickly. We talked before about what its purpose was in establishing a baseline and really trying to determine what is the performance level of our metering equipment. I want to introduce the lady that led this meter equipment

audit. We pulled her out of her normal job and asked her to take this on, and she gladly did it, and she did a wonderful job, and her name is Regina Cousar. I don't know how the equipment audit process could have gone any smoother than it did, and Regina really did a very professional job in helping us find the contractor and consultant to do the work and then in managing it and being sure that everything was done in a very professional manner. So, anyway, the field work was completed in July. A lot of things have taken place since then. The final report for the meter equipment audit should be wrapped up this week. We are hoping to distribute it to Council with your packets on Friday. We had hoped to get it out by tonight, but there are 40 pages, and there are a heck of a lot of numbers in there, and we are trying hard to be sure that we have all of our own Q/A, Q/C work done and that this thing is going to be first class when it comes out. I think you will find it interesting.

We sent a crew to visit the manufacturer's site. We wanted to observe their quality assurance, quality control plans. We wanted to see what they were doing with the equipment that we were sending back to them to be tested because when we took out equipment that we found to have some issue we sent it back to the factory. We wanted to know what the heck they were doing with it when it got there, so we sent three people up there to Minnesota, and I understand the mosquitoes were pretty large, but the trip was worthwhile, and they came away very impressed with the level of effort that was going into analyzing the equipment we were sending back and also with the quality assurance program that our meter supplier has in place and is using. We kept our hands on about a dozen or so of those meters, and we set them up in a loop. We just created a pipe loop at our shop with a pump in it, and we pumped water through those things for days and days and days. We pumped water through there fast, we pumped water through there slow, we started and stopped – just bang, bang, bang. We were trying to make those meters misbehave. We were trying to recreate whatever was going on in the field that the perception was they were wrong. To be honest with you, we put a lot of effort in that, and we couldn't make them do anything. They kept doing the same thing they had been doing. We couldn't make them get better or worse. If they didn't work when we brought them in, they never started; and if they were working when we brought them in, they didn't stop. So that didn't really reach a whole lot of conclusions, but it was a good thing to do, I guess.

We have also talked with a lot of other utilities who have a lot of different types of metering systems, and what we found from that is that all of them have issues, and there aren't any out there that are 100% accurate that we have been able to locate. We have actually determined that our system isn't performing that poorly. In fact, it's performing quite well. What we also found thought is that people are learning that automated meter reading systems require a lot of maintenance, and that's where we probably dropped the ball is that we haven't maintained the installations as well as we could have, and that's what a lot of our recommendations are aimed at going forward.

You all have seen this before. I had the real thing in here a time or two. We talked before about how we picked the areas that we audited. You have seen that before. We wound up auditing 9,011 meters. That was the final tally. We have been through the process before with you about how we find the meter, we locate it, we read it, we run some water, we read it again, and we collect the data, and we leave a door hangar, and we come back in and we do a lot of work with that data.

Councilmember Howard said, Barry, going back to the meter, you are right; we have seen that up close and personal. What is replacement process for those – not once you have found a problem, but what is the life expectancy of one of those, and is there a program to replace them before that time is up, or do you just wait until they are bad to do that?

Mr. Gullet said that's a really good question, and there are multiple components to this installation. The brass part of the meter – the prevailing theory, and there are some people challenging this now, but the prevailing theory is those brass parts of the meter are good for somewhere around 12 to 15 years depending on how much water is going through them and the quality of the water and that sort of thing before they start wearing out, and when they start wearing out, they slow down. That's been pretty well understood for a long time. The other parts of it are more related to technology, and they are marketed with a life expectancy based on battery life, and the claimed battery life on this equipment is typically 12 to 15, maybe as much as 20 years. What we are seeing in reality is that the technology changes much faster than that,

and we installed our first ones in 2003, and we are on the third generation seven years later. So, I'm not sure that it's really the matter of the functional life expectancy as much as it is the technology life expectancy, and whether we want to upgrade to bring new features on board.

One of the things I can't wait to get our hands on is a meter that captures not just a reading at a point in time but that actually stores data points. There are meters being developed that we can go back in at 15-minute increments we can interrogate the meter and find out if there was a large water usage during this time period; when did it happen, what time on what day did it happen, and that will help us work with the customer to answer questions about why their bill is high or why their bill is low or what their usage patterns were and ultimately giving customers the ability to tap into that and see it real time on their computer screen at home. Now, that is still out there a little ways. The technology is developing. There are some systems that will do that. They are expensive. It's cutting edge technology. We would like to see that work for a little while before we start putting them in, but it's coming. So that's a long answer to your question, but mechanically the life expectancy on these is a long time. It's ten, 15 years, but technologically it might be shorter than that.

These are just some pictures of the guys out doing the audits. This is one thing we found a lot more of than we expected. When we were reading meters manually, someone had to go by there every month and find the meter box. Now we don't do that, and people have hidden them. They have covered them up, they have buried them, they have planted bushes on them, so it's hard to find them in a lot of cases. So this is just a picture of this guy stuck a screwdriver in the ground where he finally was able to probe and find it, and then he is uncovering it, and you can see it was buried under three or four inches of sod there. Does a couple of things – hard to find when you need to find it for some reason, but that dirt on top of it tends to inhibit the radio transmitter. Remember, these things are actually very low powered radio transmitters, and they are powered by what amounts to two AA batteries and they last 15 to 20 years, so you can imagine that they don't have a real strong power output. So if they get covered with dirt or if they fill up with water or have something that is obstructing that radio signal, it tends to give us a misread when we ride around and do the reading. It doesn't mean that it reads incorrectly. It just means that it doesn't transmit a signal at all.

Mayor Foxx said does it miss high or miss low because I have got some sod in my back yard.

Mr. Gullet said we have found damaged equipment, we have found the antennas that are supposed to be in a little bracket holder pointed in the right direction – these are directional antennas. If they fall off, if they get knocked off, and they point in the wrong direction, they don't work; they don't transmit. Again, not collecting bad data, just not transmitting data, so it's a case where we have got to go send somebody out to fix it and get a reading. The wires that connect these devices we have found to be much more sensitive than anyone had thought before. They can be damaged during handling, during shipping, during installation, and the problem won't show up initially. It's a situation where you might have cracked the insulation. They get moisture in them, and it deteriorates over time, and then it starts to become a problem.

So we have talked about the categories of the observations. We did find some cases where the electronic and the mechanical register didn't match. We found a number that the radio transmitter wasn't transmitting. We found some that were physically damaged, and physical damage includes things like the meter box – if the lid is busted, if the box is cracked. We picked up that sort of stuff in the audit as well, as well as installation issues where they probably just never were put in correctly to start with.

We have seen physical observations, we have seen operational issues, and that has to do more with the format of the bill. We talked about the cut-off date and things like that. And, inventory control – we haven't been keeping a very detailed inventory of the electronic part of the meter installation, and that's something we need to do so we can track those a little closer. These are just some pictures of the visit to Minnesota, of the pilot system we set up in our shop to run water through these things and test them and just some shots of the meters in general.

Four categories of findings – the first one is it's full conformance, everything was right, there were no physical problems, the meter and the mechanical register and the electronic register matched within two cubic feet. Remember, there is an important distinction here. Our billing

units are 100 cubic feet. We bill in units of 100 cubic feet or 200 cubic feet or 300 cubic feet but nothing in between, so anything that is less than a 100 cubic foot discrepancy doesn't affect a bill because we bill in units of 100 cubic feet. One hundred cubic feet is 748 gallons, so this is not a terribly precise measurement. We aren't measuring this water by the drop. We are measuring it by 750 gallon units roughly. So, that's the first category – everything conformed.

The second category is that the transmitter responded but there might have been some other issues like a meter box that was broken or something like that, and then we had a third category where there might have been physical issues, there might have even been a radio transmitter issue, but the mechanical register and the electronic register agree within that 100 cubic foot unit. Then the fourth category is where they didn't agree within the 100 cubic foot discrepancy but they still didn't have a billing impact, and I'll explain how that could be in just a second.

So, here are the numbers: 78.4% fell into that first category of full conformance. In other words, everything was there, everything was like it should be, no issues, nothing to fix. It's kind of like taking your car in when there is nothing wrong with it. You just don't know what to tell them to do. The second category where the transmitter responded to the handheld units almost 94% of the installations that we audited, the meters that we audited, the transmitter responded to the handheld unit. Now, this is a little different than the monthly drive-by readings. I explained this before, I think, but the monthly drive-by readings, it's like a blip. I mean the electronic communication takes place. It's been compared to texting on your cell phone. You don't have to stay on the phone for ten minutes talking to someone. All you have got to do is get a split second of communication and you get a number. The same way here. To do this audit, we had to establish a conversation between this hand-held unit and the meter that required a different signal strength and a different sustainability level than just getting a reading. So every one of the meters we audited read fine the month before. In other words, it communicated just fine with the drive-by reading, but with the handheld units, we found about 94% of them that talked.

Then we get down to the category of where the mechanical and the electronic registers read within 100 cubic feet, 1ccf, and we found about 98.2% of our meters fall into this category. The interesting thing was that about a half a percent are reading high and about 1.3% are reading low, so it goes both ways. Let me just say that in every one of these categories if we found anything at all wrong, whether it was a cracked lid or a meter that wasn't working at all, we fixed it. We replaced everything we found that had any kind of issue with it at all, and that work has already been completed.

The next category we found that 99.3% of the meters that responded to the handheld unit there were no billing impacts. In other words, they either agreed within that 100 cubic foot tolerance or if they were out of sync they have been out of sync since the day they were installed so all of the same numbers consistently during their lifespan. So as long as we are always getting the electronic reading, the bill is correct. It just might be 100 cubic feet or 200 cubic feet different than the mechanical register, but all indications are that it has always been that way, so there is no billing impact. Then where we wound up is that only about six-tenths of a percent of the 9,011 meters that we audited – it was only in that few cases, and I think that's 58 out of the 9,011 did we find any indication that there was a billing issue that was related to the equipment. Again, we haven't found any systems anywhere in the country that can say they are at 100% there.

We talked about some of the next steps in earlier presentations, but we are going to do an ongoing audit program. We are going to make this a part of our ongoing quality assurance, quality control program. We are not going to do 9,000 a year. To be statistically significant, we only need to get about 300 or so meters audited per year. We are going to do a little more than that. We are probably going to target something around 500 or so meters per year – a couple a week or ten a week rather to kind of keep us as a baseline here. We need to do more ongoing maintenance. We talked about that. We have some bill formatting changes we need to make to help our customers. The inventory control program we talked about, and we talked about ordering the handheld units to help us with the field verifications. Internal audit reviewed the billing process, and they found three things they suggested we record and maintain the retirement date back to the inventory and consistent with that as is monitoring the replacement of the equipment in history and the serial numbers. So it's basically an inventory management recommendation, and we agree and are planning to do those things.

Moving away from the bill audit to the billing cycle realignment. This has kind of faded on the screen, but as I said earlier, we have 19 billing cycles. They have evolved and grown as the city and county have grown, and that hasn't created a very logical or a very efficient meter reading process. We have of those 19 cycles some of them have as few as 5,000 meters in them and some of them have 25,000 meters in them, and what that does is creates spikes in our workload. When we hit one of those 25,000 meter cycles, you can imagine this creates this big spike going all through those different processes – through the exceptions, through the field investigations, through the high bills, through the mailing, through the printing of the bills. Every piece of it has a lot more work to be done, and they are not contiguous. They are scattered all over the county. A billing cycle might literally reach from Cornelius to Pineville with different pieces of it. That's what all these colors represent on this map up here. So it's an unbalanced workload, and it's just really causing some problems.

What we want to do is realign it so the billing cycles look more like the math that is up here on the screen now. This is quite an undertaking to do this. There is a lot of back office work that has to be done to prepare for it. We have started that work. We are going to be continuing to do that back office work through this winter. When we get ready to actually start implementing the regrouping, it's going to probably mean that some customers' billing cycles will be affected. There may be a long bill and a short bill to get them moved into the right cycle, so we are working on how to do that and have the least impact on the customer and the least impact on the overall operation. So it probably needs to be done during the winter months when our consumption is lower, when people aren't using as much water to help make the process go smoother. We are not going to be ready to do it this winter, so we are targeting to have everything in place, all the processes worked out and be ready to do that in the winter of 2011-2012.

Payment assistance – this is financial assistance. We have payment arrangement plans now. We work with Crisis Assistance Ministries now. We believe we can do both a lot better than we are doing today. We believe there are two things we need to look at in working with Crisis Assistance. We believe we need to evaluate the feasibility and whether we have the authority to do this or not, which I don't know yet, to fund a pool that Crisis Assistance can use to help people who are having difficulty paying their water bill. So that's one piece of it. A similar program but funded a little differently would be one that could be voluntarily funded by our customers. A lot of you are probably familiar with the Share The Warmth program that Piedmont Natural Gas and I believe Duke Energy might also use where customers can add a dollar or add some amount to their monthly bill, and then that money is used as a separate fund and used to help customers with delinquent issues. A similar type program is called a round-up program where customers could be given the opportunity if your bill is \$40.25 it would round up to \$41, and that extra 75 cents would go into a pot.

Water is something you can't do without, and people can't do without it. There are a number of people in our community who really struggle to get by, and it doesn't feel right and I don't think our community wants to deny those people service, but we need to have a way that we can help them. We need to have a way the community can help them that works, so that's what we are working with. Even without getting to that point, there are things that we have identified we can do in working with Crisis Assistance to help them help their customers and to better communicate with us and with their customers and make things work a little better.

Councilmember Turner arrived at 7:42 p.m.

Councilmember Howard said, Barry, what you just expressed about the need to protect our citizens especially the most vulnerable is one of the reasons why I'm a little concerned when you talked about deposits earlier. That is the same sensitivity I wish you would have on that one as well.

Mr. Gullet said we understand and agree. There are a lot of pros and cons to deposits, and that is something that we are really not to the point of having a recommendation on. We need to work through that from a lot of different perspectives before we decide which way we need to go to bring back to you folks. He continued with the PowerPoint presentation and said the rate methodology study, we have talked about this before, too, so I'm going to hit this kind of

quickly. The main point with this is that it's well underway. We have met with Restructuring Government Committee once already. We will be going back to them at their next meeting, which will be our second round of public meetings. We had one round of public meetings already. We have had two stakeholder group meetings. The consultants are off right now developing alternatives that could be looked at for our rate methodology, and we hope to be bringing those out for the public to see by the end of October, first of November type timeframe. Again, the goal of this project is to have a recommendation about any changes that need to be made to the rate methodology by February.

We have been through these before, so I'm going to keep going here. Next steps for Council – again, we will have a contract. Planning November 8th to purchase the handheld reading devices. Rate study recommendations coming forward, and payment assistance program options that we'll be evaluating and bringing to you, again, as Kim said, as part of the budget process. At the staff level, we are going to be slogging through those 40 points, putting those in place. Seven down, a lot to go, but we are working. That's it.

Councilmember Kinsey said point of first contact, of course, is 311.

Mr. Gullet said yes.

Councilmember Kinsey said I have had some complaints about that lately. Where does that fit into your customer service continuum?

Mr. Gullet said we understand and have a strong partnership with 311. The burden is on Utilities to help train and prepare 311 to deal with our customers' issues, and we have some areas where we can improve that. We are working hard on that. The partnership between Utilities and 311 has improved a lot in the last few months, and I see it getting stronger as we go forward. One of the decisions that we made actually last week is to create a Utilities' escalation pod within the 311 environment so that we would have a small group of customer service reps who have more in-depth training to respond to the more difficult customer questions that come in about utilities. So that will be implemented within the next few weeks.

Councilmember Kinsey said does that mean there will be a direct number that a customer can call?

Mr. Gullet said, no, it does not mean that. It means they –

Councilmember Kinsey said because then they call me, and I call you.

Mr. Gullet said the process will be that the customer should call 311, and if the customer service rep needs assistance then this would be a resource that the 311 Center can use to help better answer the questions.

Councilmember Kinsey said I'll still call you.

Councilmember Dulin said, Barry, thank you for the presentation tonight. Really good work everybody. You guys are professionals. All these meters that we are buying and replacing and checking and getting ready to buy are they warranted at all? We are probably a pretty good customer of theirs?

Mr. Gullet said actually we have got a good partnership with the meter and the register manufacturer. There are really two companies involved. There is a company that makes the brass part of the meter and then there is the electronics piece. We have a good working relationship with them, and they are replacing these meters at no cost to us. We haven't been paying for these replacements.

Councilmember Dulin said they have been coming through with their portion.

Mr. Gullet said they certainly have.

Councilmember Dulin said keep that relationship up with them, and one other thing.

Mr. Gullet said they are trying hard to do that, and we are looking forward – I really never finished answering the question about the replacement cycles. One of the things that we need to do is as these technologies evolve we need to be building into our process a way to pilot some of those new technologies and learn how they work in relatively small installations before we start rolling out 100,000 of them at a time or something. So that is something we are working to do as part of our 40-step process is looking at a replacement program that incorporates that kind of look ahead.

Councilmember Dulin said one last thing, Mayor. During the heyday of the problems we were having – all Council members and all of us were just flooded daily with folks, and it's still happening. What do we have in place now though as they trickle in to get to those people, touch those people, communicate with those people, and then help them; and then in some cases, do we have anything in order, in line to help reduce their bills once we find out it's on us?

Mr. Gullet said let me answer the last part first. If we find an error in the bill, we correct those. If we find a leak on the customer's side, in the customer's private plumbing, we have programs in place where we can share that cost. We can adjust those bills. In terms of how we are reaching out to try to better serve the customers, we talked about some of that. We are doing more field investigations of those exceptions. We are trying to catch more of it before the bill goes out. We are trying to reformat the bill to make it clearer. One of the things that has flared up in the last couple of weeks that has caused a lot of calls is that one of the unintended consequences of the meter audit was that we pulled out a number of meters in a couple of neighborhoods in the north end of the county to do sort of – we added them to the audit basically.

When we did that, they kind of got out of sequence, so instead of winding up with a billing period of 30 or 31 days, 32 days maybe like they should have, they wound up with a billing period of 39 days. A number of customers who use more water wound up – their bills indicated that they were using water in the higher tiers because the 39 days they used more water than they would have used in 32 days. What isn't apparent on the bill is that their bill has been adjusted to correct for that already, and the bill doesn't indicate that. That's part of that bill formatting issue we talked about. It should have been indicated on the bill, but the programs, the software that are used to generate the bill, just simply didn't allow it to be done. We are working with that trying to make the programming change, but unfortunately it's generating a lot of calls and a lot of misunderstanding, and quite honestly, a lot of ill will that we earned ourselves that we shouldn't have.

Councilmember Dulin said thank you for stepping up in front of it.

Councilmember Turner said I want to follow up with one of the questions that Ms. Kinsey asked you. In regards to 311, I spent the latter part of four hours today with a customer of ours, and I'm not going to tell you publicly the company, but the problem here is I looked over a year's worth of their bills. I left a message for you today as well as one of your field supervisors. I had brought this to their attention, and I was hoping to have been able to resolve this matter before I had to meet with them, but I went out there because they were very adamant about it. Most of their frustration stemmed from the 311 response. For some reason we are still telling people if you don't pay your bill we are going to cut you off even when there are great discrepancies in the bill.

So when I got there, as I indicated, I looked over a year's worth of bills. The average bill use per cc's were 20 to 40 cc's. In the month of July/August that use went from 20 to 40 to 438 cc's. Their bill was over \$4,000. I couldn't answer the question for them, but what I did ask to see though is the history. To me, that is very obvious that something is wrong. I walked through this company and examined different things they were told to do. They found no visible leaks. They paid for a plumber to come out and inspect their property. They have no record, but what's really interesting about this story is that this company is basically closed down with eight employees still there. That is a lot of water based on the billing, and they chose to pay what they normally pay per month, and we sent them a letter, and I have a copy of it, basically threatening them again that we are going to cut their water off. It was a rude letter. The letter was in a tone this is the way it is, and that is the way it's going to be without any consideration of their concerns. That bothered me because this company has been here a very long time, and I think

the communications could have been a little better, and I apologized for 311 and I apologized for us not responding back to them because at this point no one has, but they showed records where they reached out to us. I am going to provide you that information as well as the City Manager so we can look at that and try to resolve this because they have a cut-off date, and they are past due today. So if I could get you that, I would love to hand you over that information tonight and allow you to make copies of it because I have it with me.

Mr. Gullet said I'm sorry that it happened, and I will be glad to take a look at it, and we'll do what we can to resolve it as quickly as we can.

Councilmember Turner said the close out with that is that for whatever reason it seems like July and August was a month where I received a lot of calls, and there were discrepancies in people's bills for that month. Everybody billed that called me doubled, and I thought it was because I knew ruling that we voted on to pass that our sewer fee would go up, but when you look at that I think that went into effect July 1.

Mr. Gullet said correct.

Councilmember Turner said that bill doubled as well, but their use again – their cc's, the amount of water they used for the month doubled. I don't know what's going on or how that happened, but I hope we are looking at that. I read your report, and I thank you for that in this report tonight, but I think there is still something that we still need to look at there and try to find out exactly what caused that glitch for us to see such large bills in just that one period, which is very inconsistent with the entire year billing.

Mr. Gullet said understood.

Councilmember Carter said when the drought came through, we had a collaborative time of working with the State Legislature and multifamily areas to break down the multifamily billing into individual accounts. Has that moved forward at all?

Mr. Gullet said yes. A couple of things about that – part of the issue that came to Council was a sub-metering issue for apartments, and I believe that legislation was approved, and I believe most of the apartments now are – I don't know about most. I think a lot of the multifamily apartments are doing sub-metering. The other aspect of that is how we apply the tiered rate structure to multifamily, and that is being studied as part of the rate study that we are doing right now. That is one of the issues that has come up in the public meetings. It's one of the issues we pointed out to the rate consultant that needs to be addressed. It's an equity issue.

Mayor Foxx said, Barry, first of all, thank you for focusing on this. It's obviously an issue that we are all concerned about. I do want to echo some of the comments about receiving some feedback from citizens. If you get 200 cases right, the one that someone is complaining about is the one we tend to hear about, and I know that things have improved dramatically over the last several months, but I know you know we have still got some work to do there, and I think the most important thing is the person that people talk to on the phone is the most important person in the world because when that contact doesn't go extremely well it creates a customer service issue on this end. You know that, and I know you are working on that, and I know the City Manager is working on it, and we thank you for your efforts.

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Mayor Foxx said if it's okay we are going to probably move the Urban Street Design Guidelines to next week, so those of you who have come for that part of the presentation, we are going to hold that off for another week and move to our Citizens' Forum.

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CITIZENS' FORUM

PROPOSED GREENWAY PARKING LOT AT REA AND BEVINGTON

Mayor Foxx said, Mr. McCarley, is there an issue on this one?

DeWitt McCarley, City Attorney, said we're working on it.

Mayor Foxx said, okay, we'll let y'all confer.

Mr. McCarley said we are going to try, and I'm going to stop it (inaudible).

Aimee Burns, 10118 Victoria Mills Ct., said I live in south Charlotte, specifically down in the Ballantyne area, so I am outside or south of the 485 loop. I understand there is a plan for a parking lot to help alleviate some of the parking issues along the greenway that was recently constructed down there.

Councilmember Howard said that is part of the public hearing.

Mr. McCarley said that is part of the zoning petition. Your comments will be great and need to be at the public hearing on the zoning petition.

Councilmember Cooksey said November 15th.

Ms. Burns said I just wanted to put an alternative plan out there as far as putting a pedestrian bridge in next to the Ballantyne Corporate Park since there is already existing parking.

Mr. McCarley said my suggestion would be speak to the staff prior to the meeting and communicate with Council through email.

Ms. Burns said that's fine. I saw it on the news today that I could speak tonight, and I called the City Clerk and got on the list, so I'm fine with coming back at a more appropriate time.

Mr. McCarley said you need to get your comments on this issue inside the public hearing for that.

Mayor Foxx said I'm sorry. It's very technical, but when we do a public hearing on zoning cases there is a whole set of law that applies to those, and if we hear you outside of it, we really can't do anything with it. When you do it within the confines of the public hearing, that allows us to consider your views.

Mr. McCarley said the Planning director, Debra Campbell, is going to speak to her right now.

Councilmember Dulin said, Mr. McCarley, Council members meet with citizens all the time, so this is a public meeting here. A Council member can speak with this lady after our meeting tonight, and that's okay, correct?

Ms. Burns said, Mr. Cooksey, you are my district rep?

Councilmember Cooksey said what do you do Friday mornings at 7:30?

Ms. Burns said I can meet with you. I'm already up and everybody is out of my house.

Councilmember Cooksey said come over to the Gallery Restaurant.

Councilmember Dulin said please don't run off.

Mayor Foxx said we'll take care of all of that. That concludes our speakers for the night.

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ADJOURNMENT

The meeting was adjourned at 8:08 p.m.

Stephanie C. Kelly, CMC, City Clerk

Length of Meeting: 2 Hours, 0 Minutes
Minutes Completed: November 2, 2010