The City Council of the City of Charlotte, North Carolina convened for a Budget Retreat on Wednesday, March 23, 2011 at 3:11 p.m. in Room 267 of the Charlotte Mecklenburg Government center with Mayor Anthony Fox presiding. Council members present were Michael Barnes, Jason Burgess, Patrick Cannon, Nancy Carter, Warren Cooksey, and Andy Dulin.

Absent Until Noted: David Howard, Patsy Kinsey and Edwin Peacock.
Absent: James Mitchell and Warren Turner

Mayor Anthony Foxx called the meeting to order at 3:11 p.m.

City Manager Curt Walton, said we continue to work through the process because of the revenues are coming in a little more slowly than usual. I think we are a little bit behind where we would ordinarily be in the balancing process, but we are fine working through it. The only thing I wanted to point our specifically in the introduction, if you will look on page 41 of your material, last week when we were in DC we talked about Community Development Block Grants (CDBG) and the President recommended a 7% reduction in Congress, I think in House Bill 1, has a 62% decrease in CDBG. There are other federal programs such as HOME and the monies are somewhat interchangeable so you don't need to lock into the exact numbers. Just to say that we are going to have to pick a number somewhere between 7 and 62, the reconsience that Holland and Knight has done for us, the prevailing number they heard from Congressional representatives was 20%. That is probably the number we are going to build our budget on and we will talk about that in April because the CDBG money is part of the Capital budget. A 20% reduction is most likely what we would see and it falls into the major categories of Housing Partnership, Housing Rehabilitation and then outside agencies that are funded by Neighborhood and Business Services, everything from Crisis Assistance to after school to the housing support programs, such as mortgage counseling and things like that. I don't have an answer for you or a recommendation for you yet, but to say that number is going to be smaller and we will have to decide what we are comfortable with. We are working with 20% right now and it falls in these major functional areas.

Councilmember Dulin said Curt, that is not the first time or the fifth time I've heard those numbers, but does it make sense for us to go more conservative than 20% and have good news rather than bad news if it comes down at 38%, and I just made that number up because I have no idea.

Mr. Walton said I think we will have contingences either way with whatever number we pick. Either way we would put the money, if we are too conservative, or where more cuts or more funding would come from if we are not conservative enough. There are things that we will look at, like program income within this fund that maybe we can soften the impact for the coming year, but they don't even have last year's budget done yet. The chances of us knowing this anytime soon, I imagine we will be half way through our fiscal year before we know. We will need contingencies either way.

Mr. Dulin said we've done a very good job of being conservative in our numbers over the last 20 years, not four years.

Councilmember Carter said you are indicating Curt that there are more commitments for the CDBG funds then are listed here on page 41, correct?

Mr. Walton said no, not for CDBG, but there are other programs such as HOME and our own innovative housing money. You can put all of those into a pot together and they are somewhat interchangeable. We will have to have to look at the sum of all of those parts, so where in the current year CDBG is allocated are to these programs. The $5.4 million is distributed among these programs. There is notability in those numbers, but it still means the sum of those parts are going to have to come down, at least for the CDBG portion.

Ms. Carter said if you could indicate to us what parts of these budgets are hard commitment , in other words, interest or contracted or specifically contracted from federal funding, somewhere along the line, that would be helpful for us I think.

Mr. Walton said we will do that and as I look at it, I think all of these numbers are within the annual control of the Council.

Budget Director, Ruffin Hall said yes, that is correct.

Mayor Foxx said this HR-1, that is a mid-year budget adjustment bill in Congress? That is for the current year?

Mr. Walton said I'm not sure.

Mayor Foxx said I don't think it is for the next budget. I think it has impacts in the current year. That is what I was told at least.

Mr. Walton said okay, we will verify that.

Councilmember Cooksey said the key part that makes HR-1 that much stricter is as Curt pointed out, there is no federal budget for the current year. They are doing everything continuing and HR-1 was one of those attempts to tinker around with what the continuing resolutions were carrying on and that is what makes it so squirrely.

Mayor Foxx said our year is July 1 through June 30 if they keep doing continuing resolutions through that period of time, I assume that means zero impact from this. If HR-1 passes before then, there is an impact.

Mr. Walton said yes.

Property Revaluation and Property and Sales Tax Update

Councilmember Peacock arrived at 3:16 p.m.

Finance Director, Gregg Gaskins, Mr. Gaskins used PowerPoint for his presentations to Council. (A hard copy is included in the material.) The residential bills were mailed on February 7, 2011 and the appeals deadline was extended to March 14, 2011. In that period of time there have been over 35,000 appeals, just on residential. The commercial and condominiums bills were mailed on March 21, 2011 and therefore there has not been a lot of time for those to come in. You will remember that when Garrett Alexander from the County Tax Office, met you, he said the appeals could be up to 40,000 and now we believe it could easily exceed 40,000 total appeals so that is valuable information for us to know. The Senate Bill 216 has been introduced that would raise the elderly exemption from $25,000 to $35,000 and this would also have to be calculated in as a potential impact on the revenue that we would foresee coming out of this. The following factors are the ones that this revaluation could affect the City's cash flow. The high volume of appeals that are anticipated would obviously make us have a higher tax equivalent rate. The appeals value loss, if it is greater than anticipated, and let me explain that one for a second. We mentioned this one time before. Because we have many, many, many less homes sales that are making the determinant for these values, that increases the possibility that homeowners could be successful when they appeal. We could have a higher success rate of appeals this revaluation than we've had in past revaluations. That is the reason that is a potential issue for us. We also have the issue of the fact that property owners who are appealing values are not paying the full assessed value. Normally what they would do is simply pay the value that they expect to pay. That would mean less proceeds than you would normally receive. That is particular important if you consider the fact that it can be a long time with over 40,000 appeals before some of these appeals may be heard. In other words it could go into the next fiscal year. That wouldn't be unprecedented. That would have an impact in terms of trying to measure what the ultimate tax equivalent rate would be. We are continuing to work with the tax office with what the appeals are and what the estimate is going to be for what the final dollars are that are coming in to the City coffers. We believe that we will have the final estimates on the new tax base, and I say final estimates, the final estimates that we can effectively use in our budget process, around the end of the first week of April. As you will remember, the City Manager told you that we work with the County Tax Office and the County Budget Office in trying to do that so we are operating off the same approximate date. We have been in contact with them and have been working with them to make sure that we come up with that best guess and use the same numbers in terms of where we are with appeals that the County is also using. The final rate recommendation to Council will be part of the May 9th Budget presentation, but we will actually be using numbers that are determined in April. That is unfortunately just the nature of the beast. That is typical and that is the way it has virtually always worked out simply because of the fact that we need the information in time to make the calculations.

Councilmember Howard arrived at 3:19 p.m.

Mr. Dulin said commercial and condo just out?

Mr. Gaskins said right, just out. I think we have only gotten 91 appeals on that in just a short period of time.

Mr. Dulin said we knew that the appeals were going to be up this year and 40,000 was the number we had estimated. We are clearly prepared for that or the County is prepared for that. It is lagging back to us as we expected so we really shouldn't be thrown off much by a high, or slightly higher number of appeals should we?

Mr. Gaskins said remember that when Garrett Alexander talked to you, he told you that the total appeals which would be from commercial and residential combined, he thought might reach 40,000 so we are not looking at it exceeding 40,000.

Mr. Dulin said I'm one of them.

Mr. Walton said Mr. Dulin, the problem is you have to make an assumption on each of those, which ones will be overturned and which ones will be upheld and those that are overturned, where the value is. It is just going to be a moving target for those 40,000 tax bills this year.

Mr. Gaskins said the worry really is that the data that we used before may not be accurate on how often we will win or lose appeals. That makes it harder to actually estimate the numbers.

Mr. Dulin said one reason I'm asking these questions is because this body has to be able to answer to people we work for so it is good for us to know that we are approaching 40,000 before we get to commercial and condo. We are prepared for that and there is going to be a little bit of a lag. That is important information for Council to have because we answer those questions every day.

Mr. Gaskins said on the revenue side I think we are not going to see a lot of surprises. The Economist that did the presentation for you at the Retreat basically talked about growth, but relatively slow growth compared to the way we typically come out of recession periods. Everything that we are seeing now supports that. There is some good news in there in terms of things that we would like to see. We've continued to have people come to Charlotte because there are job opportunities here even though we have high unemployment. There are expectations that a number, a UNCC presentation that was given last week, expects 8 of the state's 11 economic sectors to increase. That was also mentioned at your Retreat, but what you are not seeing is, you are not seeing across the board the kind of return to overall employment that you would typically see. That is the weakness that is still in the economy and that will affect revenues. On our retail sales side, we are seeing an increase in retail sales. There is not a direct translation between this chart and what the County's retail sales are and the way revenues are. That is the black box factor related to the collection issue and the fact that it is not month to month possible, they actually track the sales to what the revenues are. Nevertheless on both sides there is some enhancement in the revenue. If you will remember the real issue there was that we had projected some increase in what those revenues were going to be and it is a matter of whether we achieve what the estimate was in terms of what those revenues are. We are approximately on target, we are not better or worse than where we were so there is no great news to forecast to you there. We are just about on target with what we thought we were going to be when we talked to you at the Retreat.

Mr. Dulin said I read this over the week-end and I read it again today and I still didn't pick up that this says Wells Fargo reports national retail sales and then the chart says Mecklenburg Retail Sales. Are those lines the same or why are we talking national above?

Mr. Gaskins said because I wanted you to see what is happening. What is happening nationally and what is happening in Mecklenburg County are the same thing. They are both going up, they are just not going up …

Mr. Dulin interrupted to ask if that is the national line or the Mecklenburg line?

Mr. Gaskins said this is the Mecklenburg line and that statement is telling you what is happening nationally. (Referring to page 8 in the PowerPoint)

Mr. Dulin said it would be interesting to see that and if you are going to talk about both, we ought to see both. If we are beating the national our community would like to know that and the retailers would like to know that.

Mr. Gaskins said here is another one that will confuse you even more, the General Fund Sales Tax. (Referring to last slide on page 8 of PowerPoint). This is only a portion of the sales tax, but the same trend line is there. You are getting growth, it is just relatively slow growth in sales tax. It is about what was projected. You are not exceeding the projected and therefore the results we gave you at the Retreat are basically still the same. We haven't improved. What we really expect to happen with the property tax is something very similar. We are looking at relatively slow growth in the property tax. As you know property tax lags the general downfall in the economy. Housing prices are certainly lagging and we know that. Our community never had a bubble in terms of what was happening with housing prices, and yet on the other hand we've had an impact and a depression in those prices. We are expecting low growth in property tax. That was basically what we were projecting back as far as December and there is no real change in that issue. One thing over here that is very concerning is the fact that Senate Bill 27 places a one-year moratorium on annexation. There is an annexation that was planned in this period so that annexation would be impacted if that passes through the House and we will be impacted by that.

Councilmember Barnes said on that point, how much money have we expended on the annexations that were to take effect this summer?

Mr. Gaskins said I will defer to Budget.

Deputy City Manager, Ron Kimble, said we are somewhere in the area of around $5 million on the water and sewer side of it. We haven't had other monies gearing up because we have to be in a position to be ready for June 30th.

Mr. Barnes said in the event that HB 9 and SB 27 pass is there a plan to address our output for those corresponding assets?

Mr. Kimble said there is. The money that you have on water and sewer, we will still have those customers as water and sewer customers when we take over the system because we are a regional water and sewer system. What we would be foregoing is the property taxes that would be coming from those residents in those areas if we are not allowed to move forward on that annexation and we will have to chart our progress on the expenses all the way until the time the Legislature might take action.

Mr. Barnes said we haven't started paving any roads or spending any other money have we?

Mr. Kimble said we would not do that until June 30th came and went.

Mr. Gaskins said this chart would indicate the same thing that I just indicated that there is slow growth relative to property taxes. This is basically following in line with what we had generally projected was going to happen as far back as December. No real change there. I think this next chart might help you with the annexation issue. Here is the current estimate related to property and sales tax revenues in dollars and what I would tell you is if we don't have the annexation, that would be about a $1.5 million hit in terms of revenue that would show up on these two lines (page 10 of PowerPoint.) So the additional revenue of $700,000 that has been the only improvement since the last time we talked to you, that would be a negative $800,000 instead of a positive $700,000.

Mr. Hall said I would like to add one piece to that, we would also then reduce the expenditure side as well of the annexation which is about four positions so the net negative impact for the first year is about $400,000 if you take away the revenue and you take away the additional expense. There is still a negative impact to the budget but it is not the entire $1.5 million.

Mr. Gaskins said the last thing I would point out to you, and we will mention it later on, there is still tons of questions related to what the State is going to do, which is unknown related to their budget and impacts, but as of my information, most recently there is no clear indication as to what those impacts are going to be. The only Bill that I know if it did pass, it would have some direct impact is the Senate Bill 350 which is really a Bill that was introduced which would be an unfunded mandate related to fire and the provision of a separation allowance for fire. I do know that Bill was introduced and that would be an unfunded mandate impact on us, but other than that I don't know of another specific thing that has been presented to this point.

Mr. Walton said before we transition to Utilities, this is an issue that is kind of a cousin to annexation. There are 16 volunteer fire departments in Mecklenburg County and two of them are going out of business on June 30th and they are pretty much back to back, Newell and I can't remember the other one. They are on the eastern side of the county, sort of in the wedge in between District 4 and 5. The County has asked us to consider providing fire service in those areas until they can get legislative approval to have fire tax district. We told them we were willing to consider that as long as the residents in the unincorporated areas that we would be servicing paid the same cost of service that the City residents pay. That is working through the County process now. There are more of the remaining 14 after June 30th that will probably go out of business in the next couple of years. That is something that is related to annexation and a driving reason why people in the future may want to be annexed. We need to figure out how that fits into our strategy, but more immediately, they would probably be a pass through from Mecklenburg County to us to serve those unincorporated areas. One last point, it kind of brings up the old tax equity issue again. If is paid for out of the County General Fund, 80% of that comes from City residents. It is kind of a circle story that we keep going back around with, but that is an issue that has just come up in the last few weeks. Fire and the volunteer fire departments have been talking about it for some time, but it has only made it up to us in the last week or two. We will keep you posted as we move through on that.

Councilmember Kinsey arrived at 3:29 p. m.

Councilmember Cannon said relative to when they may be getting these fire tax districts, is there a timeline that they have so that we can understand and operate off of something knowing where this could end up and how long we might have to be in this game?

Mr. Walton said I think the earliest would be July 1 of 2012 so there is a year of no man's land and there are some of these happening around the different towns as well but the only ones that are immediately impacted are these two. They have law enforcement service tax district authority but they don't have fire tax district authority and I don't think they are seeking it in this session so that means if they are not or if they don't get it they will have to seek it in the short session. That may be unlikely so that could put us back to 2013.

Mr. Cannon said can you get some clarity on this Eric, if they are already seeking this?

Councilmember Howard said are the two going out of business because we were annexing the areas? It didn't sound like in this one between 4 and 5. Why do they normally go out of business?

Mr. Walton said I think it is the difficulty of getting staffing and for the most parts and the volunteer stations in our region are staffed by Charlotte Fire Department people off duty. So getting staffing and the debt service cost on trucks. I think the County payment to them has been fixed for some time and I don't know what the dollar amount is, but not too much. I think just the cost of doing business has caught up with them.

Mr. Howard said do you know how many others out there that if they get this authority to do the fire districts, I would assume they would all go away potentially.

Mr. Walton said they would either go away or they could use the tax districts to fund their own operation. Those are the only two I know of on the east side. On the west side over toward the river there is a bunch that come and go over there and I don't know their status except they are not contemplating going out now.

Mr. Cannon said in terms of proximity of where our current Charlotte Fire Departments are relative to these two, I would like to find that out and be able to know exactly what that locational proximity might be.

Mr. Walton said the location of other volunteers?

Mr. Cannon said no, who would serve these areas. In other words we have our own Charlotte Fire Departments and I need to know how close in proximity would the nearest Charlotte Fire Department be to these volunteer fire departments.

Mr. Walton said we can do that and the answer is very close because when they do a station location model it assumes our whole sphere of influence.

Councilmember Peacock said I recently had someone complain about the service they were receiving near or around the White Water Center. Is one of the two closing over in that area?

Mr. Walton said no sir, I don't know which one that would be, but it is not one of those two.

Mr. Peacock said but you are saying that others could fall potentially?

Mr. Dulin said I agree with Mr. Howard and you know it is hard for them to raise money, it is hard for them to get folks that want to do it as people are busy doing other things, but those of us who grew up in the country outside of Highway 51 was deep country back in the 60s. There were volunteer fire departments within what is now what we consider the outer loop in east Mecklenburg. Can we get to them some sort of letter, at the very least we owe them a letter saying thank you for your, and I bet some of them have been there 60 or 70 years. Seventy years of service to our community. Let it come from the Chief. We ought to do something to say thank you very much, we appreciate it. It is just a thought but it would be a nice gesture on our part.

Mr. Walton said when we annex into their territory we always to pay them economic loss so they have gotten in the past some cash if they have gone away. These two would not because we are not annexing.

Mr. Dulin said in my lifetime I have sat on Mr. Rea's porch at Rea Road and what is now Rea and Colony and talked about volunteer fire departments. We were down there to borrow a tractor because he had a better tractor than we did. Those of us that lived in the country, it was a big deal to know where those guys were and to support them when I was a boy, so I'm sorry, but that is the way the world is now that we are eating them all us.

Utilities Budget

Utilities Director, Barry Gullet Mr. Gullet used PowerPoint for his presentation. He said before we get into the numbers with the Utilities Budget, I need to kind of set the context and tell you how decisions that were made during a different time are continuing to impact us for the next couple of years and how that is impacting our revenue requirements in our budget going forward. I want to start off by a reminder of the growth mode that Charlotte and Mecklenburg County have been in for the last 20 to 30 years. Everybody can see how things are going on above ground, you can see all the big buildings and see all the new roads, the widened roads and all of that, but to think about it there is just as much or maybe more that runs underground with the water and sewer system during that time period than there was above ground. Everyone of those new neighborhood streets that was a built has a water line and a sewer line in it. A lot of the streets that were widened has new water lines and sewer lines in them. We had new plants and expansions and all kinds of things going on that supported all this growth. We got very good at it and got very efficient at the way we financed it and the way we budgeted for it and the way we planned for it. The assumption was that we would continue in that growth mode or it would start to gradually slow down. Well, that isn't what happened. What happened was it run off the cliff and the growth stopped, slowed down dramatically at least and we haven't finished all the assumptions. All the things that we started during that high growth mode, a lot of them are still in progress so we are still dealing with some of the after effects of that. We need to give you an illustration of that with some of these indicators. If you go back to 1980 and compare that to our water and sewer system today, only about 15% of what exists today existed in 1980, which is to say that about 85% of our utility system has been built in the last 30 years. (Page 14 of PowerPoint). It is pretty amazing to me and you can see we installed over 100 miles of pipe per year to our system and now we are down to next to nothing. All of a sudden it just stopped. If you go back to the last water supply master plan that we did, and some of you have heard presentations about that in years past and we've tried to forecast our demands going out. The forecast we made are about right in here, that is where the projections were made and you can see where our projection line was and you can see what actually happened to our demands, even though they have picked back up just a little bit, they are lower than we projected just a few years ago.

Mr. Howard said do you have any idea about the population growth? Has it been proportionate with the amount of capital you've had to put in these utilities?

Mr. Gullet said I don't think it has been exactly proportional. I don't have the data here in this presentation, but water use has been actually increasing faster than population growth and a number of reasons for that, the transient population, the business people, the people that come in during the day to work here, that number has grown tremendously over the last 30 years and we have to provide them water here too. Things like that have impacted it so I think the investment in utilities is probably grown faster than the population. You can see in the number of water accounts that fluctuates quite a bit in new accounts added. So far this year we've added around 900 water accounts for the whole year. We've had months before when we added more than that so it is a whole different world that we are living in now and planning for and trying to administer than we've experienced in the past. We are transitioning. We are trying to reposition our utility so that we can sync things back up. We need to sync our capital program back up with the need reality and we don't know how long that will last either. We don't know whether we are going to stabilize at a very low growth rate or whether things are going to pick back up and we are going to be in a high growth mode. We are trying to retain flexibility. We need to leave the options open, we need to be able to ramp up and down more quickly and not have big impacts on our water and sewer rates as we do that. To help us with that, what we are trying to do are really two things, we need to get our capital spending under control a little more. We need to get it synced back up so what we need to do is, the last bond sale we had was in November of 2009 and it was a very large bond sale and we had projected that we would need to sell bonds again this year and then it would be a $200 million bond issue coming up in just a few months. We have stretched that 2009 bond sale, we've slowed projects down, we've pushed them out into the future and we've stretched the need to have another bond sale out to November of 2012. The impact that has won't really be felt for a couple more years because what we are doing is deferring debt service. We can't change the debt service on anything that has already been sold and built, but we've got to start working toward the future and when we do sell bonds in 2012 we've reduced the projected amount of that bond sale down to about $81 million so that will have a big impact on future debt service payments coming up in the next few years. The other thing we have done is for the last two or three years we have absorbed a tremendous amount of cost in our operating budget. The way we have absorbed cost in our operating budget is we've cut positions, we've held vacancies, we've had hiring freezes and our service level has declined very much. We have way too many water leaks out there, we're not able to respond so we are paying the price for that. What we are proposing in going forward is that we need to recover a little bit of that. We need to fund some increases that we've absorbed in chemical cost and power cost, but even more coming that we are not proposing to budget for, but that we expect will happen. We are proposing to fund 37 of the 87 unfunded positions that we are carrying now. In essence what we are doing is giving up about 50 positions from where we were just a few years ago. We need to address our system maintenance needs as we go forward.

That is the background and now we will get into the process. The process is, and I used this slide last year when we went through our budget with the Restructuring Government Committee and then with Council.

Mr. Dulin said before he gets too far away, he mentioned water leaks. Gosh knows we hear about water leaks a lot and we hear that this has been running for two weeks or one month and nobody is on it. By the time they get to us about it as everybody around this table knows, they are frustrated. I'm just trying to think about where we can find money to help you with your water leaks.

Mr. Barnes said you will find out in a moment.

Mr. Dulin said things that we are spending other monies on Mr. Manager, the $12 million we've spent on our portion of the Street Car one mile uptown, could we have spent that money on water leaks all around the City? We need to get that out.

Mr. Walton said no, and what Barry, and the number he showed you of the filled positions, the largest number of those positions are in the Field Services Unit and water leaks is just one of those things we just don't have the people and we will get to that but that 37 number is probably the largest chunk of those were in … division.

Mr. Dulin said I wasn't talking about positions, I was talking about physically, oh okay 37 positions, the crews that go fix them.

Councilmember Carter said there is a program offered by the National League of Cities that I think could be of some assistance here, it is the insurance of the water pipes from our pipes into the house. It is a low cost insurance per month and there is some revenue for the City. I think that is something that we could bring forward.

Mr. Gullet said that is correct. It doesn't help us directly with the leaks that we are responding to, but you are right those types of programs do generate some amount of revenue and there are several companies that provide those and we are investigating that.

Getting back to the process of setting rates, the first step is really to determine the revenue requirements in the service levels. That is the budget process and that is what we are presenting today. That is what we will be talking about for the rest of this presentation. The second part of it is forecasting how much we are going to sell, how much water and sewer service are people going to buy from us during the year. That is just as important in setting the rate as the revenue requirement is. We are going to touch on that today, but we are going to talk in a lot more detail about it when I come back on April 13th for the second part of this presentation. The policies and guidelines part is the rate methodology primarily and our financial goals and policies. Council approved a new rate methodology on the 28th so that piece, we can check the box on that. We are using that as we go forward. The final steps is if you put all those three components together you come out with the water and sewer rates so that is what we will be bringing back again in April.

I want to start by talking about the Capital Budget a little bit and then we will talk about the Operating Budget. On the Capital side, as you know we do capital planning in five year chunks so the Capital Program for the next five years is projected to be a total of $483 million and you can see how this breaks down. It is more important to put this in the context of where we have been. In terms of speaking about that transition and speaking about the change from growth to flat or maybe stable environment and you can see the bars in blue is water and the yellow is the wastewater and these are five year numbers. If you went back to this time every year for the last five years and looked at how much is our five year capital improvements program included, you will see that we topped out at almost a billion dollars over a five year period. We have ramped that back down and in fact the five year capital program that we are proposing for this budget process is lower than it has been since 2004. Again it is syncing up our capital program with the growth and the activity that we are seeing in the community and the needs. To do that and to help defer and delay those bond sales and the debt service associated with that we've had to change some project schedules. The project costs that are shown on here are not total project costs. One of the ways we have slowed down projects is that we've stretched them, we've divided them up into phases, we've prioritized them so we are doing the things that we need to do first and putting off the things that we can live without for a few more years or that are more growth driven. The numbers on here are not full project costs, these are just the costs that have been pushed into the future. Some of these have only been pushed a few months and some of these have been pushed a few years. To do that there are some risks associated. This is the impact of that and this is also the chart that we used last year. (last slide on page 17). If you remember what it is depicting, these bright colored bars on the chart represent money that we have on hand, budgeted to invest in our capital program. So it is proceeds from bond sales and Paygo money basically. You can see from that last bond sale just off the left edge of the chart from November 2009, it was for $267 million and we've been spending that money, coming down and coming down and there is a big drop here because we had to make a lump sum payment for some system purchases and these bars up here actually represent the timing of projects. That represents the duration for example of the Erwin Creek Wastewater Treatment Plant project so you can see that the plan is that we spend down, we keep awarding contracts, keep awarding projects and we spend down and when we get down to where we are out of cash we sell bonds or we are planning for a Paygo infusion at that point so the blue bars are the Paygo amount that we've budgeted and the yellow bars are the programmed bond sales. That replenishes our capital revenue that we can spend and it continues through that cycle. It is important to know that this financing plan has worked very well for us and it has saved us a lot of money, but it also means that decisions that were made probably about June or July 2009 are still impacting us now because the debt service on that bond sale is just now kicking in. We will have a big increase in debt service coming up this coming fiscal year as a result of the bond sales that were actually made in November that I suspect Council approved probably in July preceding that, that was based on planning that was done sometime before that and it was tied to projects that were already into construction. Keep in mind that is where we've been and this is where we're proposing to go. If you will also remember, one of our financial goals is to lower our dependence on debt financing so our plan is sticking with that financial goal, that policy and I think that is a really good thing. We need to do that and it increases our Paygo contributions. If you go out another couple of years that really kicks in, but it is a painful process to get there because we have to spend cash instead of leveraging that cash for financing.

Mr. Barnes said I've spent some time with Mr. Gullet and he came to my Town Hall Meeting a couple weeks ago and he explains things very well if you give him a chance. The problem is that the very intelligent and lengthy explanations aren't conducive to sound bites. What happens is it is cast as there is going to be a shortage of money or we issued this large bond two years ago and we are not issuing another anytime soon. I want to find a way to better articulate the reality of what you are dealing with and the reality of what this community is going to be dealing with because people are now wanting to close the door now that they are here. A lot of folks who have been here want to close the door anyway, but the fact of the matter is there is a lot of infrastructure that we have to pay for. We've financed it and we've got to pay for it. The question I have is the Paygo piece, is that funded within the enterprise fund that you all have or out of our general fund?

Mr. Gullet said the enterprise fund.

Mr. Barnes said the $81 million bond package that you would propose for the fall of 2012, describe for me the needs that bond and that Paygo contribution would be sufficient to meet and at what point will we have paid off the $267 million debt?

Mr. Gullet said let me start with the last question first and the finance folks are here so they can jump in and bail me out when I get in over my head pretty quickly. The $267 million will take about 30 years to pay for. I believe it was a 30-year period so it is going to take awhile and I would like to relate that back to where I started with this presentation about when the growth has occurred. If you look at it, it has occurred over the last 20 to 25 years so most of that growth was paid for through bond sales. Those bonds are still being paid off and it is going to be quite a few years before our debt service amount starts dropping off. In other words we bought a lot of houses, we've got a big mortgage over the years and we've got to pay that off and it is going to be a few years before that starts declining. The other part of your question is what do we get for this, what are we paying for. What we've done in our capital program, we've tried to push out the growth related projects. The thinking is the growth kicks back in then there will be additional customers to help pay for that. That is why our financing model has worked well and we've had low reasonable rate increases over that 20 to 30 year time period because we had a lot of growth and consumption. We had a lot of new customers and the question that came up earlier about proportion to population and I said we've been increasing our water demands faster than our population growth. The combination of that and all the new customers has been that our sales have been really good. We've been selling a lot more so we've been able to keep the rates down. Sales aren't as good anymore, people aren't using as much water and we're not getting as many new customers coming in so until we get out of this cycle of the big bond sales with the big debt service payments we've got to cover that debt.

Mr. Barnes said would the $105 million address the debt we've experienced as result of the projects on the previous slide?

Mr. Gullet said it doesn't add those back in. The $81 million and the $24 million paid for projects that are underway and ongoing. It doesn't pay for the ones that have been pushed out. We have them programmed in, that $90 million bond sale after that were part of some of those projects that are in that timeframe. Some of those projects on that delayed list, some of them are pushed out a few months and again working on a cash flow basis what we are trying to do is time the point that we run out of cash at a point when we can afford to sell bonds and have the least impact on our rates.

Mr. Barnes said how much does the $267 million cost us?

Mr. Gaskins said I can tell you that off the top of my head, but there is one thing I want you to remember when I give you the number, remember that you are paying in future dollars so when we are looking at the total cost, if you don't put a present value in there you are not really comparing apples to apples because future dollars are much cheaper dollars because of inflation, than the dollars you issue. One of the sophisticated things that you've had in the past is that we very carefully lookout at what we are going to need, working with Barry about what his needs are and try to do it the most effective way. Low borrowing costs, we are going to pay back in future dollars that are cheaper. It is a very effective way to get the infrastructure which last a very long time, way beyond 30 years, and therefore paying it over 30 years is a good deal, not a bad deal. If you look at just total dollars sometimes it can make it look like it is costing more than it really is. We will give you the figure later.

Mr. Gullet said the annual payment on that $267 million, it kind of phases in and that is where we are at right now, it is phasing in and once it levels out, it levels out at roughly $24 million to $25 million per year debt service on that bond sale.

Ms. Carter said political reality here, it looks like you are coming to the public every year for a new bond and I'm worried that it would not be more politically feasible to come every two years for an aggregate amount and hold in abeyance.

Mr. Gullet said the answer to that is probably so. This is a financing scenario and in some cases we use short-term financing and use construction period financing and basically do a construction loan while we build it and then come back at the end of two years, pay that off and borrow enough to get us through the next two years. That is one of the reasons the last bond sale was so large, we were taking out some of that short-term financing. The answer to your question is yes.

Mayor Foxx said one of the questions that occurred to me is when we model out how much infrastructure we need in the future I assume we assign some factor to the population growth or something and has that model changed over time and are we looking for ways to encourage … and let our infrastructure and our debt model do a little more work for us as opposed to continuing to build out?

Mr. Gullet said yes, when we are planning our capital program and trying to decide when we need to build new facilities, we are looking at past trends to help us model the future and where we are now is in uncharted territory. Charlotte doesn't have a trend that is consistent with where we are now so that makes those longer term models, even out five to ten years, those kinds of planning models very suspect because we don't have a lot of good data in this kind of economic climate to work with. We are looking at every day at water sales, at new customer grown, we're watching building permits and all the indicators that Greg talked about in his presentation so that is how we were able to push some of those projects out. When we looked at the need, you will remember one of the charts had that water forecast from the last master plan that we did. We revisited those projections and trying to match up where we are with where we should be on that line and what we are seeing is that the whole thing needs to be shifted forward a little bit.

Mayor Foxx said let me ask the question a slightly different way. I was in Chapel Hill recently and in most of the buildings up there they are using waterless toilets and I don't know whether or not that is a building code change that they have made up there or whether they incentivized that, but my question is really are we looking at ways that we can incorporate reduction in water use and then modeling that against the infrastructure that we need or could we or should we be doing that?

Gullet: Yes, absolutely we should and we can and we are. An example of that is that one of the big water uses is irrigation and in the rate methodology that was just approved recently, there are incentives in there for people to conserve water. There are some strong incentives in there to conserve water that we haven't had before. We are continuing to push conversation programs and that is part of it, reducing the need for water and also becoming more efficient on the wastewater side. A lot of industries in particular have significantly reduced their wastewater discharges by the way they use and change their process so yes, that helps us a lot.

Mayor Foxx said in terms of our development practices and etc. are we incentivizing the utilization of things that reduce water or not?

Gullet: The bidding code has some requirements in there. We have some programs for showerhead replacements and that type of thing, but we have not set up any type of rebate programs or anything like that. We have talked about them and proposed them and actually applied for some money through the stimulus funds to do that type of thing, but we were not successful in getting the funds to do it.

Peacock: I remember the green industry when they came to us about when we cut water off and they had talked about bringing to us methods of being able to make the large irrigators use a device that would actually turn their devices off when it was raining. Has that idea been brought forward to the advisory board?

Gullet: Yes, part of the rate methodology that was approved, they are called smart irrigation controllers and they do more than turn the sprinkler off when it is raining. They actually even look at the weather forecast and decide if it is going to rain and turn it off. They are getting satellite information, weather data, they are looking at the types of soil, the types of vegetation, soil moisture and a number of different factors and deciding how much to apply. The incentives we've provided in the new rate methodology is that customers who have those types of controller get a lower price on the water they use because using those controllers has been demonstrated to save 15% to 30% on the amount of water they use. They actually have more of a conservation affect by doing that than just by charging more money because a lot of people will continue to irrigate at the high rate even though it costs more.

Mr. Gullet said there is some risk associated with a change like this, with stretching out with these programs. I think we are doing all the things that we can to mitigate those risks and I don't think any of these risks are significant enough that we shouldn't do what we are proposing, but I do want to make everyone aware of them. The first risk is that we could exceed treatment plant capacity. I have been before you in the last year and we've talked particularly about Long Creek Wastewater Treatment Plant and the need for additional wastewater treatment capacity. I have told you that we are over 90% capacity at McAlpine Creek Treatment Plan. That is still true but there is some growth room there and with the growth rates we have we believe that is manageable and we are watching those trends and we are trying to be ready with everything, get all the environmental work done, the permitting done, all that we need to do so that when the time comes we can pull the trigger and move quickly to expand the wastewater plants rather than be overly cautious maybe and spend a lot of money on them now and not have a lot of customers there. That is one risk. The second risk is treatment reliability issues. We have some plants that are fairly old. We have some plants that were originally built in the 1920's and when we've been in this rapid growth cycle, a lot of those plants have been expanded or upgraded of had major construction projects going on there every few years. During those projects, a lot of the old equipment gets replaced or repaired, fixed up or abandoned. If we are not doing those kinds of projects then we have to do are more diligent job of maintaining what is there because it is not going away in the next project. There is a risk associated from that perspective. The third risk I think is probably the most significant is, it says unusually wet weather, but it could just as easily say unusually dry weather. The real risk is weather. If we have a really wet year that could cause us to exceed our wastewater treatment plant capacity. We came very close to that in 2003 because of the weather we had at that point. If that does happen we could have a violation of an operating permit and could be fined. I think it would be a one-time type occurrence and I think we are managing that as best we can.

We are moving on to the Operating Budget and we've talked already about service level issues and water leaks. Our backlog peaked at over 500 leaks and we've brought that down now to 352. We brought in some contract crews to help us catch up but it still taking way too long and there is still way too many leaks out there. Our crews are tired. They have been dealing with this, they hear the complaints and they are frustrated because they can't provide the level of service they want to provide. There is just not enough of them. We've deferred maintenance on plants and equipment. When we defer maintenance, the cost doesn't go away. We are still going to have to do that at some point and what is happening is those deferred costs are accumulating and if we don't address them soon just the deferred maintenance in itself is going to be a huge issue that we are going to have to deal with. (last slide on Page 19) This is some compared date to show you where we are. With what we have proposed in 2012 we will be adding back the funding for those 37 positions that you saw in the chart earlier. That would get us up to 752 funded positions. That is still fewer positions than we had ten years ago and you can see what our growth and the number of accounts has been since that time. This number of accounts might look at little different than some other numbers you have seen because these are water and sewer accounts added together. A lot of times we talk about having 240,000 or 250,000 accounts, but that is water and it is about the same for sewer so that is where these numbers are coming from. This is just another representation of the leaks (Page 20). These staffing numbers the blue bars represent here are just the field crews. This takes out everybody else and these are just the people that are going out in the field to fix those water and sewer lines and you can see how that has declined over the year and see what has happened to our average repair time as a result.

Mr. Howard said go back to those employee numbers. How much of that is technology and how much is actually people? Technology has gotten better so you probably didn't need as many people. How much are you really missing that you really need?

Mr. Gullet said technology took care of some but not as much as you might think. We are at minimum staffing levels. Operating permits require staffing levels at our treatment plants and we are the minimums. We can't cut anymore there. When we add technology, we also have to maintain that technology and we become dependent on it and sometimes we might be able to give up, and I will just throw some numbers out. If we can give up three operating positions it might take 11/2 or 2 to maintain the equipment that allowed us to get rid of the three. It is not necessarily a direct tradeoff, but we are using technology and we are benefiting from it and it is helping us keep our cost down. Another advantage of the technology changes is that it gives us better and more precise control over processes so it helps us save on energy costs and helps save on chemical costs and it produces a better quality drinking water and a better quality wastewater, so there are lots of benefits from the technology.

Ms. Carter said following along about the labor, have there been more incidents of accidents or injury on sites?

Mr. Gullet said I don't have any numbers to give you right now but the answer is yes, we are seeing increases in worker's comp claims and it is an issue. An example is, we have a lot of large valves and to operate these large valves you have a big wrench that looks like a T and in the past we would probably have two people turning that wrench because the valve is as big as I am and it may not have been operated for years. Now we've got in some cases just one person out doing that so we are seeing more injuries.

Ms. Carter said I'm very concerned about that.

Mr. Gullet said the things that are driving our revenue needs for next year on the Operating side, the chemical costs are the biggest and there are two things driving this chemical cost. One is the cost of the chemicals themselves have gone up. A lot of the chemicals that we use are very energy intense to manufacture and to transport to the plants so their costs have gone up. The other driver on that is that water quality drinking water rules have changed and are more strict and we are adding, one chemical particular, we are adding about three times as much as we used to add to produce drinking water that meets the new requirements. That is one of the drivers on the chemical costs. The personnel costs shown here is the 37 positions, bringing back the funding for those 37 positions. The Risk Management contribution, that and the cost allocation are estimated at this point and we don't know exactly what those numbers are going to be. The $1.3 million for maintenance and repairs is to help us catch up a little bit on some of that deferred work that we have been putting off. The power rates are going up and our contracted services are going up as well. All in all that is about $7.5 million.

Mr. Barnes said regarding the chemical you mentioned, and perhaps this is an opportunity to put more information out. Can you tell us what that chemical is and what it does?

Mr. Gullet said it is called powdered activated carbon and it is a chemical that is added to the drinking water, most of it comes back out in the treatment process, but what it does while it is there is it reduces precursors in the water that react with chlorine when we disinfect the water and that reaction creates another compound that becomes more and more of a concern as a potential carcinogenic element compound, they are called THM, Trihalomethane and the numbers on those have been ratcheting down through the years and we are below them and have stayed below them, but to continue to stay below them we have to adjust our treatment process. Some of the water systems around us have changed their processes in a different way. They use a different disinfectant and that brings a lot of different issues with it as well. As long as we can we believe we should stick with the disinfectant that we have, try to get those precursors out of the water so that chemical reaction doesn't occur that will create those THMs in the water. That is the gist of it.

Mr. Barnes said the cost of that chemical is what drives it?

Mr. Gullet said that is correct and continued his presentation by saying we are not asking for everything, but we are pointing out some of the things that are not in our budget proposal. The first is fuel cost increases. Here is where those are going (slide on page 21) but we have not put any significant fuel costs increase allowance in. We also just heard within the last week or so, since we turned in the budget that Duke Energy rates are going up again for commercial and industrial customers, which we are. That is not budgeted. We are not back to full staffing. This is not proposing back to where we were staffing wise and we still will have some deferred plant maintenance and we have a back log for large water meter testing. Large water meters is one of our cash registers and they slow down over time and we need to test them, recalibrate and get them up to speed. We are not keeping up with that.

Mr. Gullet said a little bit of history on our operating cost, you can see here the blue is personnel, the red is other operating, the green is cost allocations primarily, but it includes billing and collection costs. The purple is the sludge disposal and chemicals and it is predominately chemical costs and the gold or orange is the power costs. You can see that our personnel costs have been flat, they are going up just a wiggle, but you can see where the cost increases are. We've done a lot to control costs over the years. I won't go into all of this unless you have specific questions about it. We've talked about some of it already. That gets us to our Total Revenue Requirements (last slide on page 22). This is what is important in the rate setting process, how much revenue do we need to generate and how do we set our rates to do that. This breaks it down into three of the major components. The first component being the operating costs which is the blue bar at the bottom. The middle bar and the red bar is the debt service component and the green part is a combination of Paygo and generating the revenue that is required to meet our debt coverage requirements. You can see from this fiscal year to next fiscal year we are looking at a $25 million increase in revenue requirement and in 2013 a little bit smaller, but still another increase. A huge part of this is due to the debt service component. This is how it breaks out so if you look at that $25 million, $18 million of it is based on those decisions that were made some time back in 2009 because that is the new debt service and the revenue that is required to generate the debt coverage from that.

Mr. Howard said can you go back one slide for me? Going back before 2007, debt service has always been a part of it. I'm looking at where it is continuing to grow like everything else is growing or do we get to a point where it starts going back down?

Mr. Gullet said it is going to be a while before it starts going back down. What I'm trying to do by pushing out those projects and delaying the capital program is to slow down that rate of growth. If you think back to the slide that showed the history of our capital program and you remember those real tall spikes in the middle, we financed a lot of projects during that time period, so you can see in this chart how the debt service has gone up significantly from 2007 to 2008 and kind of in those two-year increments in some cases because that is the way we've been selling debt, but the debt service, we are not going to pay anything off anytime soon and we are still feeling the effects of the bond sales that took place in 2009, but we are trying to reduce the need for future bond sales so that those new debt service payments are a lot lower than had been projected earlier.

Ms. Carter said I'm looking at the slide dealing with operating costs and the disposal of the sludge material, wondering how our project to treat with biomass or as sludge disposal. Is that moving ahead and if it does will it impact those costs at any rate?

Mr. Gullet said there are two things going on there. One is that the way we dispose of most of our bio-solids is through land application. We've had a record year and the most cost effective way of doing that right now is land application. We are usually weather limited and sometimes there are other factors that limit how much so we've had a record year this year in terms of the percentage that we've been able to land apply. That helped hold our cost down and it has taken a lot of work to get us there but that has gone very well. The other project that you are talking about I believe is the bio fuels project and that is still moving forward, not quite as fast, but it is moving forward. It is a relatively small scale project in terms of the total amount of bio-solids that we produce. It is not going to have a big impact.

Mr. Peacock said will you go to your total revenue requirement slide? I think the other drivers that were mentioned earlier, I think it was either you or your predecessor that was talking about how the rating agencies were treating debt and that has changed significantly. Is that correct?

Mr. Gullet said yes it has. If your question relative to the debt coverage ratios?

Mr. Peacock said obviously, I see how the debt is growing as it gets to 2013 and you said that is when all the 2009 bond components were put out there and it was really starting to pick up steam at that point. Would the new rate model that we've come up, obviously the questions that we all experienced with the rate increase that occurred in 2008 was due to the drought, but you commented earlier about the fact that if we have a heavy rain year that also can significantly affect your ability to continue to fund debt, continue to keep projects going, keep staff at an adequate level to address leaks. With the efforts that Mr. Cooksey and his committee has worked so diligently with and all the time that we've spent on that, are we getting to a point in which we have a heavy drought or we have a lot of rainfall that we've got more shock absorbers here to handle that?

Mr. Gullet said we and with the new rate methodology, the availability fee component of that is targeted specifically at that. It helps increase the revenue stability. If you remember the availability fee is targeted to recover 20% of that debt service so that is a very stable form and something that the rating agencies will I expect to view very favorably. It helps, it won't completely eliminate that situation, but it certainly helps and it is a shock absorber.

Mr. Barnes said you may recall that you and I talked about the issue of the sludge. I talked to you about a product that I had purchased and in fact it comes from Milwaukee, whereby they actually sell it for use on lawns, etc. You don't have to respond today, but it might be helpful to give us a response and I would like for you to give us a response as to whether or not that particular methodology might work to help offset some of the costs that you are talking about if in fact we are generating enough, and I imagine we might because of the size of the system, to actually go commercial with it.

Mr. Gullet said I can give you a quick response and then follow up with more detail if you would like. We have evaluated that and Milorganite is treated to a different standard than our bio-solids are and the capital investment required to do that is very, very steep. The bio-solids that we produce is being land applied and is being used as a fertilizer but it is regulated a little more tightly than Milorganite product is so it has to be applied in a more controlled manner. We can't sell at the home improvement stores like they do the Milorganite .

Mr. Barnes said if for example the cost, the steep increase that you mentioned could be recovered, and I don't know how long it would take to recover it, but if there is some analysis we could put into that it might be worth considering in an effort to actually generate revenue from the sludge. By the way, if the best word we can come up with is sludge, it must be nasty.

Mr. Gullet said it is properly referred to as bio-solids. The other part of city rates are the sales forecast. How much are we going to sell. I have to remind you that we're in a drought but things have gotten a little better in the last few weeks, but we are watching it very carefully. That could have a big impact if we wind up in mandatory water restrictions again. I wanted to give you a sense of how sensitive the rates are to that and I don't want to get too bogged down in this slide, (Slide on Page 24) but just looking at sensitivity this is not a rate forecast so don't jump to that conclusion. If we had a decrease in water consumption that was evenly divided 1% all across the board then it would general mean about 1% difference in people's water bills, regardless of how much you use. If we go into a drought situation and we have to impose mandatory water use restrictions, when we did that last time, we saw about a 10% decrease in our sales, but most of that decrease happened in tier four and tier three which is the highest price water that we sell. The impact then is not equal anymore so in the rate methodology we assign costs that we need to recover to each of those tiers. If we wanted to recover, which we would, the same amount of revenue from the tier three and tier four blocks, then we would have to charge more per unit for the water that is sold in that block. If we did that, just to generate the same amount of revenue, the column on the right hand side shows what the impact would be on their monthly bill. It shows that a 30ccf customer which is a moderate irrigator, would see a big increase in their bill to recover the same amount of revenue. The point of this is, we are not proposing to assume a 10% decrease in consumption, but we are watching the consumption very, very closely. It could be very heavily impacted by what goes on with the weather so I wanted to point out you all were talking, before I started speaking, about the uncertainty of revenue coming in from other sources. We are dealing with the same issue here, but our uncertainty is sales. We have to forecast the sales of water and sewer and we've gotten pretty good at it but there are still a lot of variables out there and there is some risk associated with it. My point with this slide is that those assumptions can have a big impact on what the rates are. When I come back in April with the rate proposal, I'm going to propose that we are relatively conservative on those numbers so we don't come back to you mid-year and say we weren't conservative enough, we didn't sell quite as much as we thought and we're not generating enough money to pay our expenses. That is the purpose of this slide, just the sensitivity analysis. The next steps in the process are that we are continuing to work on the sales forecast. We will get our March sales numbers in in a couple of weeks and that will help us a lot. We are applying the new rate methodology. That work is in progress right now and we will be back on April 13th to give you another briefing on where we are with the overall budget and the rates. Then the rate recommendation will be part of the City Manager's presentation and rate recommendation to you in May. That was longer than I intended it to be, but that is where we are right now.

Mr. Dulin said you guys are working short staffed over there, but I've enjoyed the relationship and even short staffed your folks are producing what I call good results and I appreciate it.

Mr. Gullet said thank you very much. Our folks are all trying very, very hard.

State of North Carolina Budget Update

Mr. Hall said this will be brief because I don't have much to say. The Legislature is continuing to work through the budget proposals and … and his folks are continuing to watch things. I already mentioned the potential budget impacts associated with annexation. The only thing I will add is there were some bills introduced as it relates to possibly capping the gas tax and having an impact on power bill funding. We don't know what that impact will be right now but this is a reminder that the power bill funding is one of our critical sources that goes into fund street maintenance and street resurfacing, which is the element that is the most variable. If there is a reduction on power bill funding that would most likely directly impact your street resurfacing schedule and ability to pave and avoid potholes. I don't have any idea in sight as to what the probability of that is, but that is the only other thing I have noticed so far that you haven't heard about in some other context.

Mayor Foxx said I had heard that part of the effort was going to be to have a budget produced much earlier than normal. How is that tracking?

Mr. Kimble said they are still saying it but they will have to produce that.

Mr. Hall said they had originally stated the goal of April 15th so we are not quite there yet.

Mayor Foxx said usually no news is good news, but we will take it at least for the moment.

Mr. Howard said I'm sure I am not the only one around this table that is concerned about the bill introduced regarding the item of stopping the fast train running. I'm just wondering if there are any thoughts on that from the staff level and any thoughts on that from around this table. I know I had planned to individually make known my feelings about it. I didn't know if we as a body wanted to do anything. A lot of improvements from that money would have been in the Charlotte area and I have some fear that it won't stop here. I know Mr. Killian didn't have a lot of energy for the Blue Line Extension and the transit programs that we are doing. I'm a bit concerned about starting down this road without joining in with, at least saying what we could do, with other metro areas or speak as one body on this.

Mayor Foxx said we are going to talk about that at the MTC meeting tonight because there are some implications to the Red Line. It is unclear to me as to how serious it is. It is serious that somebody would make a bill to turn the money away but I can't get a sense of where it is actually going.

Mr. Howard said I doubt the leadership will let them move forward without some conversation about it.

Mr. Kimble said the number is somewhere around the $453 million range for the high-speed rail. Is that the question that you have?

Mayor Foxx said it is what the status of the bill is and how likely is it to move.

Mr. Kimble said it did not get heard last Thursday like it was intended. It will be heard this week for the first time and it is not moving real quickly yet, but that doesn't mean it couldn't move quickly once it hits a certain place on the floor, either the House or Senate.

Mayor Foxx said I think we ought to ask our Legislative person for some guidance on the status and the likelihood of that bill moving. I'm not opposed to supporting Council resolution or something on that, but I want to get a better field for where it is and I think it is reasonable for us to do that.

Mr. Kimble said you will have an update in your Council/Manager memo tonight that gives you some additional information on it. I know the Mayor and Metro Coalition have a conference call on Friday morning on this.

Ms. Carter said we have a North Carolina League Board Meeting tomorrow and if there is any message that the Council wants me to take to that Board Meeting I would be glad to.

Mr. Howard said leave our money alone.

Mayor Foxx said you talk about job killers, 4,800 jobs in the state and you've got the opportunity to reduce rail time and into the process increase manufacturing activity in the country. Let's take a look at what Dana has produced and then we will see what we do on Monday. If necessary I'm happy to put something on the agenda if we feel compelled.

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Mayor Foxx said that concludes our business today. I thank everyone and it is nice to have a budget meeting that ends 20 minutes early.

The meeting was adjourned at 4:40 p.m.

Ashleigh Martin, Deputy City Clerk

Length of Meeting: 1 Hour, 31 Minutes
Minutes completed: March 31, 2011