

The City Council of the City of Charlotte, North Carolina convened for a Special Budget Meeting on Tuesday, October 30, 2012 at 12:00 Noon. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Anthony Foxx presiding. Councilmembers present were John Autry, Michael Barnes, Patrick Cannon, Andy Dulin, LaWana Mayfield, and Beth Pickering.

Absent Until Noted: Councilmembers Warren Cooksey, Patsy Kinsey and James Mitchell

Absent: Councilmembers Claire Fallon and David Howard

I. Introduction

Mayor Foxx thanked everyone for coming. This is our second called Capital Budget Retreat and we've got an awful lot to try to pack into the conversation today. Just a couple points based on some of the feedback from the last Retreat. First of all I want to say to the Council a really good job talking through some of the issues the last time around. I think we got a good conversation going about this issue of the budget and how important it is and how we want to go forward. For the next couple of Budget Retreats we are going to have to start fumbling our way through to a conclusion and I want to say at the outset that the intent behind these retreats was to put us in a position where by November 26th, which is the next retreat, we could go through an add and delete process. Today is really about trying to get questions answered about any portions of the budget that you have questions about and hopefully setting us so we can be in a position to start making some decision on November 26th. If you have a question about any aspect of the budget today is a really good day to ask those questions. If you don't have questions, that is fine, but we want to try to get this to a point where we can start making some decisions.

The second point I want to make, which is a bigger picture point is that we have to think about this budget in the two stages in which it exists. One stage is what can we agree on as important enough to ask citizens to pay for to get done and that is a policy decision. The other part of the decision that we very rarely talk about in this room is the fact that there is a bond package that actually gets put up to voters and we want the public to support these bonds, not only because we think it is important to get projects done, but also because the AAA bond rating is such a critical piece of our city's physical health. As I understand it, no later than 2014, if we don't have a bond package that is put out there for voters to approve we are going to put that AAA bond rating in serious jeopardy. As we work through the policy pieces, I know what is in the back of your minds is also to some extent the question of what the public will support. It is not an unimportant question.

The last thing is just to frame this because I think the media has gotten a couple of things wrong about this budget. We are going to spend some time today talking about the streetcar I'm sure, but if you take the Manager's recommendation which was a 3.6 cent increase in the property tax and you took the streetcar off of the table it would be a 3.0 cent property tax increase. The problem that we ran into in summer is that we had five councilmembers who wanted the streetcar, we had four who didn't want to raise taxes over 2.44 cents and we had two who might have supported everything but the streetcar. Where we were in terms of the continuum wasn't aligned to a majority. This is a difficult discussion and the hope is as we get more information perhaps people find a way to shift around to one position or another, but the reality is that none of us want to raise property taxes, I can guarantee you that, but none of us want to see the AAA bond rating of the City get jeopardized either. Randy Harrington had graciously put together a great presentation for us last time but we were unable to see it. He is going to delve into a little bit of what the budget scenarios looked like last time. I know from your comments that everyone is not necessarily thinking about this as a continuation of that, but a sort of different process, but this may be helpful in framing where we go with the add and delete because there were some differences there and maybe as we conclude today we can identify where we want to spend our time on November 26th.

Councilmember Kinsey arrived at 12:05 p.m.

II. Highlights of Special Meeting Materials

Budget Director, Randy Harrington said I will be brief and as the Mayor said there was one topic in particular that I wanted to touch on that we didn't get a chance to do it at the last workshop. That top is related around the CIP proposals, looking at some of the commonalities and the differences and then I want to on this real briefly a second area. At the last workshop there seemed to be some interest around a handful of alternative revenue sources including Municipal Service Districts, sometimes referred to as MSDs, Special Assessments or sometimes referred to SADs, Tax Increments Financing TIFs, and Tax Increment Grants or TIG. MSDs, SADs, TIFs, TIG become the alphabet soup of local government and just to help everybody make sure they understand the differences between and among those, I want to take a couple minutes on that as well.

First I will jump into the first topic related to Comparison of General Fund CIP Projects. Please turn to Page 7 and I will speak about Page 7 first. Page 7 and 8 really contain the same information, but they are laid out in a little different format on each side. On Page 7 we've got the three different proposals that were discussed as part of the final adoption in late June. One included the Manager's recommended CIP. There was a 3.16 cent proposal over 5 years and there was 2.44 cent proposal over 8 years. The way this table is broken out the top third of the projects that were included in both the 2.44 cent proposal as well as the 3.16. The light green shading denotes areas where there was interest in the project, but differences in the level of funding under each particular proposal. In the middle you see additional projects that were included in the 3.16 cent proposal – Southern Dixie Berryhill Infrastructure widening, some public/private partnership opportunities, Park South Drive Extension, Cross Charlotte Multi-Use Trail and the Streetcar. The additional projects, the last section that were included in the Manager's recommended budget as well as a couple projects in the 2.44 you see there related to the fire stations, Idlewild Road and Monroe Road, the UNCC Informatics Partnership, Research Drive, one of the bridges, North Bridge No. 1 in the northeast area of Charlotte and then two maintenance facilities.

I will ask you to turn to Page 8 and this might summarize it a little better.

Councilmember Cooksey arrived at 12:10 p.m.

Again we've got this laid out as far what are the commonalities among the 2.44 and 3.16 proposal and again you see these on the right hand side you see the two proposals and one was in or was included or not. Overall 22 of the 30 projects, there was commonalities so 73% of the projects it appeared that there was some commonality or similar interest among the Councilmembers. If you look underneath the projects included in the 3.16 cent proposal, that is where the differences start. You see the yes or the no and if you take that down into the third project underneath the additional projects included in the Manager's Recommendation, you've got 8 projects where there was disagreement among. The last four projects listed on that page were four projects where there was agreement between the two proposals of not funding. I wanted to highlight those in terms of where the commonalities and the differences were among all those projects and I might pause just for a second to see if there is a question on that.

Mayor Foxx said as a point of clarification on the 3.16 proposal there were some items that were deleted as I recall, that were in the 8th year of the bond cycle in the other program. Some of the differences are the difference between a 5-year program versus an 8-year program which makes me think that maybe this might be a good juncture to ask this question as to how folks feel about an 8-year program versus a 5-year program. The original recommendation was 8, but 5 is what we typically do. Does anyone have any heartburn about an 8-year approach?

Councilmember Mayfield said we are looking at the breakdown, I think we would have a better opportunity both around our table and in community to move forward with a 5-year program that we can hopefully agree upon as opposed to the 8-year and that will give us a little more time to identify and let the economy continue to change. We've seen amazing growth in Charlotte, especially compared to other cities. Here is the opportunity for us to look at letting some more of that growth happen as opposed to identifying that 8-year plan right now.

Councilmember Pickering I heard you say I believe, let me just make sure that all the projects without the streetcar, that would come to the 3.0 tax increase. Is that for a 5-year or an 8-year?

Mayor Foxx said that is an 8-year. For instance we had four members who said nothing over 2.44 and a lot of the conversation in the community was the streetcar was the holdup in the budget process, but if you had taken the streetcar out you would have been at 3.0 which would not have solved the problem for the four members who said nothing higher than 2.44.

Ms. Pickering said if we were to narrow that down from an 8-year program to a 5-year program then that would make those four even farther. Is that correct?

Mayor Foxx said if you took the same projects that were in the 8-year program and you tried to do them in five years, my understanding is you would drive the property tax rate up.

Mr. Harrington said you would, possibly between 2.35 and 3.35 is what it would jump up to. Approximately 3.3 cents total rate.

Mayor Foxx said for the entire list of projects?

Mr. Harrington said if you take out the streetcar and condense it into a 5-year program that rate would be approximately 3.3 cents.

Ms. Pickering said what percent increase would that be?

Mr. Harrington said about 7.5.

Ms. Mayfield said so we are thinking about if we were to only look at the 5-year program and to remove the additional items that were identified for the 8-year program, so basically stopping at the 5-year with only the projects we initially had listed, including the streetcar based on the Manager's recommendation, what would that rate be?

Mr. Harrington said right off the top of my head I don't know. Under this example, the assumption being that everything was condensed into a 5-year and nothing was taken off except the streetcar, but that particular scenario, if you took off one year, I don't have that number off the top of my head with the streetcar, but we can certainly get that as part of the follow-up.

Mayor Foxx said I'm asking that question because when we get together on the 26th we are going to have to decide that question, the 5-year versus 8-year and that has implications on what the rate is as well as how much we can borrow, depending on what we do.

Councilmember Cannon said would it be fair to say if you went with the 8-year you are spreading out probably less of an impact on the taxpayer per se, if you did 8 versus 5?

Mr. Harrington said correct.

Mayor Foxx said there is also the question of how much can get done within that 5-year period because when you compress a lot of that within a timeframe that way, you may find you are not able to move the projects any faster than you would have under an 8-year scenario. I don't know the answer to that, but that is a question that we can come back to.

Councilmember Autry said do we impact the ability to adjust our course for the future of the City by looking at a 5-year plan versus an 8-year plan. It seems with a 5-year plan we would have less time to see how things are working and making the adjustments looking forward to the future of the City versus an 8-year plan which has less impact on the taxpayer as far as what the tax rate is, but what does do to our community for locking us into those kinds of plans?

Mayor Foxx said that is a really good question and I would love to have the staff weigh in on this. I actually looked at the 8-year 2.44 option from last time and what became clear to me was that what you end up doing is you end up with a lower ability to do transformative projects. It is sort like an extension of a maintenance budget over an 8-year period of time. I thought that over that period of time and I know there are arguments on the other side, but over that 8-year period of time we would have locked ourselves in when at some point in the future we may decide there are other things we need to do. The problem with debt is that once you pull the trigger on debt

issuance, you really can't go back and redo it. If the Council were to say in five years with an 8-year budget say we want to do more projects, that is a whole different set of borrowing. You are not able to leverage the investment you did on the first. I know reasonable minds can differ on that but that is sort of the issue that I had with it.

Ms. Pickering said so typically we do five years. The idea for the 8-year was to do transformative budget and do these things, but typically we do five years and why is that we typically do five?

City Manager, Curt Walton said it is just really the standard in municipal budgeting for capital programs.

Mr. Harrington said let me jump in briefly and decipher some of these different terms we talked about that potentially could be funding sources. The first is Municipal Service District or MSD. Most of you are probably pretty familiar with this. In Charlotte we have five, three in the uptown, one is SouthEnd and one is the University City Area. Typically there are additional ad valorem tax rates on top of the existing rate to fund higher levels of service for that particular area or geography that has been identified. It could be services or capital expenditures and in our case they are used typically for urban revitalization and development and economic development.

The next area, Special Assessments, sometimes referred to as SADs, it is an assessment on the property to pay for all or a portion of the cost of public improvements that benefits that particular property or properties. Some of the examples would be like streets or sidewalks in a particular area, a sanitary sewer system. In 2008 the General Assembly revised some of the language temporarily for Special Assessments and we refer to them as New Special Assessments where they allow the ability to use Special Assessments on public transportation. You will see that term on a couple other slides here.

Tax Increment Financing (TIF) is the use or borrowing of money to fund certain public improvements with the purpose of attracting private investment within a designated area. The debt that is incurred is both secured and repaid from the additional property taxes that result from that areas new private development. There is currently no application of this in the City of Charlotte and across the State of North Carolina. My recollection is there are two examples of what we might consider a General Statute Tax Increment Financing Option.

The Synthetic Tax Increment Financing (STIF) is similar to the TIF but the key different is that the incremental revenues that result from the added development are used to repay the debt but they are not the security to repay the debt. Other assets or general tax inability of the City is pledged to help secure that debt. An example of this would be the cultural facilities that we have in Charlotte.

The last one is Tax Increment Grant (TIG) this is where the developer fronts public infrastructure. They take the risk and then the City through a reimbursement process grants back, using a portion of the incremental tax increases to repay the cost that is associated with public infrastructure. Examples of that are in First Ward, The Levine Development would be an example and road infrastructure down in the Ballantyne area which is another recent Tax Increment Grant that Council approved.

A few other notable characteristics, again here on the MSD, it typically funds a multiple or variety of services whereas the New Special Assessment from a specific infrastructure project. Under the MSD the revenues are managed by the City or through some designated agency. Non-profits and educational institutions do not pay the property tax under an MSD. The geography is defined by the governing board and a particular case as it relates to the streetcar extension project that is proposed in the CIP, using an MSD as well as using the information extrapolated out of the BAE Study that you have in your packet, we estimate that revenue source would generate between \$150,000 and \$920,000 depending on the level of growth anticipated as well as the amount of the property tax.

Councilmember Dulin said that is the one on this page that sort of perked my interest this week-end with my reading. When you say the street extension project, we are talking from where it will be the one mile we are getting ready to build to the bus station, the extension to and pass Johnson C. Smith?

Mr. Harrington said it would be French Street to Sunnyside, a four-mile segment.

Mr. Dulin said the \$119 million was for four miles? That is longer than I thought it was.

Mr. Harrington said the extension is 2½ miles and then the streetcar starter project, which is currently underway, that is 1½ miles.

Mr. Dulin said from Presbyterian Hospital to the end of the new extension. I would really like to see where you are coming up with those numbers because I have run in my head and I've ridden in my car and I have ridden the Gold Rush about exactly where there is developmental opportunity there and somebody had to go out and study it and say there will be development here and there will be development there. It would be interesting to see where that study was done.

Mayor Foxx said they are using the BAE Study and they do it parcel by parcel in there.

Mr. Dulin said I did not go back to the study and study the parcels. That is interesting.

Ms. Pickering said on #4 under MSD, non-profits, educational institutions, and governments exempt from paying. I thought I saw something in the BAE Study, is that true, our educational institutions, Johnson C. Smith, Johnson and Wales, CPCC would they be exempt?

Mr. Harrington said yes.

Ms. Pickering said I noticed under Seattle, Seattle and Portland had educational institutions.

Mr. Harrington said they may be paying under a different finance tool that the State of Washington has that the State of North Carolina may not have, or it could be contributions by those institutions, but under this particular type of model in North Carolina, they are exempt from paying property tax.

Councilmember Mitchell arrived at 12:26 p.m.

Mr. Pickering said this is the BAE Study, Page 6, "In North Carolina, tax-exempt properties are not subject to Municipal Service District fees, however the State legislation recently authorized a new special assessment district for critical infrastructure, including public transit, and tax-exempt property owners would be required to make payment for this type of district".

Mr. Harrington said that is the second column. This new Special Assessment, one of the features of it, it does require a petition from the property owners and it has to be 51% of the property owners who at least represent 66% of the assessed value in that district. They have to sign on to it. It is specific infrastructure, the city funds the costs and the assessment could be applied to all property owners under that scenario if it is a fixed fee or the fee is based off the direct level of benefit that the property is receiving based upon the infrastructure that is placed adjacent to it. Under that scenario they would pay. Under this particular example on the Special Assessment there would need to be additional study and review done to determine what would be the level of revenue generation from that. It can vary, depending on different rates or how it is applied and some properties might receive a higher assessment versus others, depending on the level of benefit so it is really variable and that is why there is not a dollar amount up there at this point.

The last slide I have related to TIFs, STIFs and TIGs.. TIFs are initiated by the City and they typically fund infrastructure within that TIF district. The City fronts the property costs and then the incremental property taxes are pledged and used to repay that debt. The geography is defined by the governing board. One unique piece of this under the TIF the City cannot designate greater than 5% of the City's land mass to TIFs. That is one limitation that is required by General

Statutes. Again using the BAE Study and some information they had used in trying to extrapolate that down for the sake of what we are talking about, we would estimate that the TIF generation is between \$57,000 and \$306,000. A Synthetic TIF works similar to the TIF but difference in terms of the pledge of what is being pledged to be paid back. The Tax Increment Grant is really not an option here because we are not asking a developer to build the streetcar so under that scenario a TIG would not be an applicable tool for the streetcar extension.

Mr. Autry said last week in New York we heard the team BID used (Business Improvement District). Which of these align with that sort of concept?

Mr. Harrington said it is probably the Special Assessment District or it could be MSD and sometimes you hear of LIDs (Local Improvement District) or Business Improvement District because they are all variations on ways of either assessing those properties that are within that district or a flat fee or some level of property tax or some other tax that applies for them to pay for that infrastructure.

Mayor Foxx said there is one other questions I would like to ask the staff. Obviously these sources and options were on paper available to us. Can someone talk through how the streetcar landed in the capital budget, what the case was for it from a staff perspective? Also why some of these sources weren't contemplated as part of the capital program to begin with and maybe that will launch us off.

Mr. Walton said with the demonstration project that we are already partnering with the FTA on, we have already decided to get into the streetcar business and we will have that 1½ miles which is a great start, but in and of itself it doesn't accomplish a great deal. In my mind the full build out of the streetcar from Rosa Parks to Eastland is very important both from a transportation perspective and from an economic development perspective so that was the main driver of why it is there. It does have different economic development, the catalyst potential beyond the bus because the stops are different. It is a more permanent feeling and I think the Central Avenue and Beatties Ford corridors would develop differently with the streetcar than it would just by being the bus, even though those are two of highest ridership areas, we know the demand is there for transit but this provides another option. In going forward in my mind it is probably two-thirds economic development and one-third transportation because we have the transportation there now and this wouldn't change that greatly, but it does change the economic development potential I believe. As for looking at other sources, we've looked at all of these and we've looked at more than these and they all have some kind of issue associated with them. Either it puts a burden on undeveloped property which seems counter intuitive, so we didn't go with most of those. Others would potentially work but would represent such a very small percentage of the project costs, we might could get to 1% to 3% of the project but certainly nothing that got us to \$119 million. We did go through all the ones that Randy went through and anything else that was in the BAE report and there are a lot of things in there and in North Carolina we only have specifically the powers given to us by the General Assembly and most of those we don't have the authority for and that led us back to really only the source we do control which was the property tax. Some of the discussion last spring was that was a departure from what we had said we were going to do that we would never put property tax into transit and in my opinion we've already done that. We've done that several different ways, but just on the Blue Line Extension, I don't think we would have gotten to where we've now gotten, to all of yours and Carolyn's credit if we hadn't used some of our infrastructure money that has already been set aside and there is more in the plan here, to do some of the things that the Full Funded Grant Agreement just couldn't cover. We would have had a project that really couldn't get through the level of scrutiny the FTA was looking for in my opinion. The maintenance of effort is a combination of revenues, but they are all general whether it is sales or motor vehicle or just property tax dollars. We have \$19 million per year going into transit which goes back to 1998 when we were getting out of the transit business. I felt like we were already there and as I have said before, I think the model going forward is going to have to be much more locally controlled, whatever revenue we use, because I just don't see Congress having a federal transit program with a 50% share. That is just my opinion but whatever happens I think going forward I do believe that the Blue Line Extension is likely the last project of its kind. Even setting the streetcar aside, we are going to have to decide whether the 2030 plan or whatever years we put on that plan, it is something that we are really concerned about completing and that is as a countywide community because we are

not going to get there anytime soon. It would take decades and decades and decades to get the North Line, the Streetcar, the Silver Line down Independence so it is a bit of a departure from the streetcar, but just to say I think we are going to have to put more local dollars into transit and streetcar was something we were already getting in the ground. We have the tracks from the older projects, we are getting ready to do the demonstration project so it is just a logical extension of where I thought we were.

Mr. Cannon said I appreciate that and on the developmental side in terms of fostering and bringing some of that about, is that to be both commercial and residential?

Mr. Walton said it could be. I think the streetcar is a little bit different than light rail in that light rail might lend itself more to develop as residential in my mind. I don't know that that is statically proven or not, but it could be both. If I look at Central and Beatties Ford I would see them developing more from a commercial perspective, but it wouldn't preclude residential.

Mr. Cannon said would it be something where we feel that if we built the streetcar that they would come or is it more down the lines if we move forward in this direction that we are moving in a parallel manner or down a parallel track in both trying to speak to developers that potentially would come as we move forward with the process. Which is it?

Mr. Walton said I think it would be parallel and perhaps the development is going to come before the project. We saw that some on the South Line. I think we are actually seeing a little bit more movement along the Blue Line Extension than we would if we weren't doing the Blue Line Extension. I don't think it is build it and then they will come, I think it is either they come together or the development occurs before.

Mr. Cannon said I'm only asking that from this perspective. One, obviously the community knows the level of discussion we are having about the streetcar. It just seems logical that if we end up going in that direction that it makes some sense to begin to have some level of discussion with developers about their level of interest in that Central Avenue corridor or Beatties Ford Road. The last thing, you started at a certain point by way of talking about how we got to where we are, but it is fair to say that two, financially it was supported by another revenue stream along the way, or that was the intent, for the ½ cent sales tax to be the financial piece that would carry us through with this, which is where all of us had hoped that we would end up. Unfortunately it has caused us to be in a different place today because we don't have that source. But certainly it had my support 80 times if not 100 times over.

Mr. Dulin said I've been looking through the BAE report and I can't find the real estate parcels that they used to come up with the estimates of funding sources.

Mr. Harrington said I don't know that the report actually lists the parcels by number or name but the geography is a quarter mile on either side of the line.

Mr. Dulin said they are telling us how much they could potentially make with that tax to pay for the thing. I would really like to know where they see that coming.

Mr. Harrington said I can look and see if there is some additional information.

Mr. Dulin said I haven't been able to find it and I've been looking for it. This Council has taken numbers like that at face value before, i.e. the NASCAR Hall of Fame attendance numbers without checking into it and I thought we need to, and I'm still mad at myself for not running those numbers. I think we need to trust, but verily these numbers we are getting for how we are going to pay for it.

Mayor Foxx said let me add to that point, the good thing about the study was that it was done at a time when the real estate markets were in the tank and I've actually had some developers come back to me and say that they think this study is actually understating the potential. I'm sure that along the way there would be some effort to refresh this or update it based on current conditions, but I to your point I think it was a worthwhile study.

Councilmember Barnes said I want to go back to the funding issues. For me this issue has been about funding sources the entire time and some of the things the Manager said brought some thoughts to mind. Going back to when we voted to accept the \$25 million grant from the Federal Government with the \$12.5 million match from the City, one of the things that I asked about was how we would pay for the line going forward, how we would fund the extension of the streetcar, both east and west from the terminus points along Elizabeth Avenue and we never really answered that question. I'm going to talk about the Streetcar Boundary Committee Report which Councilmember Mitchell provided to us, but we really never answered the question and where we seemingly came out was okay, nothing else really works so let's just put it on the property tax. That is the feeling I've gotten and that is what concerns me because, even to the Manager's point, if we spend the \$119 million in this budget on the streetcar there is an additional \$400 million to \$500 million that will remain to be paid to finish it. Councilmember Mayfield recently started talking about the extension out to the Airport and there have been no identified funding sources for any of those legs. That is what bothers me because from my perspective we will essentially have to continue to raise property taxes for the next several budget cycles in order to finish this 10-mile stretch and in order to run the streetcar out to the Airport. That is why I've been talking about funding sources.

One of the things that I noticed and this is on Page 22 of the materials we received, was that if you look at Atlanta, Cincinnati, Portland, Memphis, Seattle, Tampa they all have fairly robust mixes of funding. In fact if you look at Portland, for example, I think it has about 13 funding sources and the other systems have multiple funding sources as well. Of course if you look at us in the green and the blue at the beginning you see that we have essentially the initial contribution that we are making to match the federal grant plus the portion that is being paid out of our CIP or proposed to be paid out of the CIP. What I'm hoping to do and I've been saying this for the last little while here, is figure out a way to actually make our mix a healthier economic mix for the benefit of the City because I don't want us to be in a position where we are committing the next few CIPs to one project. Also going to the Streetcar Advisory Committee Studies that Mr. Mitchell provided us, I found it actually fairly instructive that the summary at the beginning was actually quite ... where it references the case studies of Portland. Again it talks about the 13 different funding sources, 20% coming from TIFs, 20% from ... and bonds and I know we have no municipal parking decks in the City. I had also talked about local improvement districts that provided 19% of the construction financing and under Seattle it mentions that half of the construction there was paid for through local improvement district levies. Then on the second page of that synopsis there was a reference made to several outstanding issues that our Advisory Committee believed were important. Among those issues were whether there were any new tools that we might have available to us or perhaps should be created. It also mentions the fact that the cost capital and inflation would mean that a TIF or MSD could cover anywhere from 15% to 25% of the construction costs and finally on that piece it mentions that there should be some explanation of benefits to the broader community. That is something we haven't done.

There are a lot of people who do not get the streetcar and a lot of them live in my district. They don't all live in Mr. Dulin's district and I think that if we are able to move forward with the streetcar at any point we should figure out how to explain the benefits of it to the broader community. For example, there is already rezoning activity in Ms. Kinsey's district related to the Blue Line. There are some rezoning coming up already so there is activity there and we are seeing the private sector interest in the line. What I have been hoping to see was interest from the private sector in the streetcar line and I have told you all this individually, but starting at the Presbyterian end of it, Presbyterian, the Clayton Road property, CPCC, Center City Partners, Johnson & Wales, Johnson C. Smith taking some active role in actually helping us finance the line and I don't think that has happened yet. I think we have asked whether there is interest among those beneficiaries and I think the answer has been no, but if anybody knows that would be helpful to know whether any of those entities have expressed an interest in their kicking in financially or to become part of that petition process for a Special Assessment District, but ultimately I think it is important to us for the financial benefit of the City to determine whether there is a way to use and create multiple funding sources for the streetcar line. I will ask the question of staff to move forward. Are any of the beneficiaries that I just mentioned expressing any interest in creating a Special Assessment District or any other kick-in or buy-in to move that line forward?

Mr. Walton said I have not ask them.

Councilmember Mitchell said Johnson C. Smith University donated land for the vehicle maintenance facility. That has been their commitment for the streetcar participation. I think it is difficult to have, and I'm just going to speak on my corridor side, and I'll let Patsy and John speak on theirs. Johnson C. Smith is probably the biggest stakeholder I have and I think the land donation is probably going to be the farthest they will go to show their participation for the streetcar. Not because they don't want it, but I think because of the University, they fall more toward academic preparation of students. When you look at the other possibility on the corridor I think it gets very challenging on Beatties Ford Road and West Trade Street where there is some vacant land and we probably have a lot of small businesses located there. I floated the idea of the MSD and BID and it would be very difficult to put another tax burden on some of those small businesses there. I agree with you, I would like to have a mixed use of funding sources to do the streetcar, but I think it becomes very challenging when you see our options. Most of them would tend to give a better source of income for us, we actually have to go to Raleigh for approval. One thing I would like to ask staff is the business privilege license that we currently have. Is there any flexibility or any creative way that we can generate possibly income from there? Like Mr. Barnes said, looking at these other streetcar, I think we have to be careful the climate when they were built. It was a whole different climate then than we are now, whether you are talking about the federal level or whether you are talking about the economy in general so some of these tools unfortunately are not available for us. I think if we are going to do this, the argument needs to be a transit plan, not just a streetcar plan. Curt, I think your comment is right, I think this conversation should be how are we going to form the 2030 Transit Plan and when you look at that, how bold we are and what we need to accomplish. We are going to have to make some tough decisions and I think we need to have the discussion now. I can remember when we were having the Blue Line Extension ribbon cutting, what was so profound with what Congressman Mel Watt said was let's don't be like Atlanta. You've got to make steps now to provide infrastructure so in the future when our children and grandchildren stay in Charlotte they will say we made the right decision in 2012. It is not easy and none of us have the \$119 million laying around, but I think we need to make the best decision we can but keep in mind this is a whole different climate that we are in. Dana and I had a conversation with Holland and Knight yesterday and there is some hope, maybe in the long session with Congress that maybe streetcar and transportation might be the only bipartisan support that gets done. I wouldn't be a betting man and think that would actually happen, but at least Holland and Knight said this might be the only initiative that both the House and Senate can agree on. Mike I agree with you on two things, one the conversation needs to be changed, this is about a whole transit plan for us and secondly I would like to have a mixed use of funding sources and quite frankly I know staff is running out of options but if you could look at the Business Privilege License, could that generate another course for us, I think it would be helpful to our discussion.

Mr. Barnes said I hope we have a Business Privilege License as of 2013. I know there has been some appetite in Raleigh to get rid of it but I hope there is one. There is something you said that I hadn't thought, I talked about it but hadn't condensed it in this way. If our strategy for funding what we used to call the 2030 Plan is to say we are going to raise property taxes to do it, I think that is dangerous. If you said to me that we are going to build the Blue Line on the property tax I wouldn't support that either. It is the diversity of funding sources that makes that line make sense in my mind. Again my concern is just about the long-term physical health of the City in terms of the need to raise taxes for essentially the streetcar program and addressing the other things of the City, the Police, roads and the other stuff we have to do, but I appreciate what you are saying.

Mr. Harrington said I just wanted to respond to Mr. Mitchell's question. I've asked Gregg Gaskins to help me out a little bit on the Privilege License piece and I'd be happy to ask Gregg to give some updated information on what that is like right now, but we'll follow up in a write-up.

Mayor Foxx said Mr. Barnes and Mr. Mitchell have just put their fingers on what I think is ultimately the stumbling block here. I think it sort of depends on the level of confidence that there is going to be an avalanche of money coming into transit at the federal and state levels or that the state is going to magically develop a greater appetite to give local options for expanding transit, which I'm skeptical of at the moment to be honest with you. If you take as a given that

those things aren't going to happen that is the only reason we are having the conversation. It would not be happening but for that and the fact that the sales tax is essentially depleted. We are having a philosophical conversation but eventually we have to start making some choices and in my mind the issue is we started along the path of transit in 1998 because we saw a growth pattern starting to happen and in fact over the last 30 years we've basically added another city on top of the old Charlotte and we are expecting a city the size of Pittsburg in the next 25 years. The growth pressures aren't going away, even if the funding sources are. Just doing a quick calculation there is \$119 million proposed in the capital budget, using property taxes, there is \$25 million from the federal grant and \$12 million we've already matched, if you took that total, that is \$156 million and about 17% is federal money. While the shovels are out there turning dirt and the materials are being purchased to put up ... and other things, I think the question is do we want to leverage or don't we. If we can find some of these other sources and make them work, great, but we need to start making some calls. I think any of these sources that you guys want to delve closer into to get.

Mr. Barnes said unfortunately David Howard is not here today because he's mentioned a funding source that we really haven't talked about and that is the 25% sales tax that the County has the power to put to the voters for approval. I'm not suggesting that we do that and I wish Dave here because he is much more articulate on that particular item than I am but it is one of the items that is actually at our local disposal and would obviously require our county partners to be more actively engaged. That would raise almost \$33 million. My point is that there are at least sources, well several sources that we have and no one of them is going to generate half the cost to construct and to operate, but cobbled together they do create some diversity of funding. The big deal for me is that the institutional stakeholders are saying we want it, but they are not willing to do much to get it. That is problematic.

Mr. Mitchell said what would you like for them to do? What I ask staff to include among the Blue Line was the neighborhood study so we would clear what capacity, what neighborhoods would benefit from the streetcar proposed line, but I would be interested in having that conversation with some of the small business owners along the West Trade Street/Beatties Ford Road. I just need to be clear what is your expectation that you would like to see them do?

Mr. Barnes said I would be happy to paint the picture. In a better setting what I would envision would be Presbyterian coming to us and saying we'd like to be a part of this Special Assessment District. CPCC would do that. Center City Partners would say we'd like to contribute part of our tax to this effort or create some overlay that would provide additional funding for the streetcar because it obviously goes through our CBD and there is some tourist value there and other value that comes along. You'd also have Johnson & Wales say that we want to be a part of this Special Assessment District to create or whatever label you want to put on it, but do they actually want to be an actual part of the project and obviously the same with JC Smith. What concerns me Mr. Mitchell is that I have heard none of that from any of them and that bothers me. I know they all want it, or at least we hear that they want it, but in terms of them actually saying yes, here is some money here is us in a Special MSD, us in a Special Assessment District with a check, here is something, that is what I would hope to see.

Mr. Mitchell said let me push back a little bit. I think it is always the city's responsibility to provide the infrastructure whether it is police or transportation. When you mentioned all the institutions, most of them besides the hospital is a college or university so for consistency purpose did UNCC come to us beside the land they gave us, did they come to us with any additional funding?

Mr. Barnes said the contributions from UNCC as you know are real estate and in kind contributions that total about \$4 million.

Mr. Mitchell said but it was the land right?

Mr. Barnes said the bulk of it is land and it is land where classroom buildings have been where the line goes onto the campus. Also the Blue Line would not work if they had not allowed us to come on campus because the ridership numbers reached the threshold that we needed. They actually provide a good example of what other institutions could do or should do.

Mr. Mitchell said the only reason I'm saying this is I want to make sure we are fair to the other institutions, so UNCC donated land. Johnson C. Smith is donating land for the vehicle maintenance facility, UNCC donated land for the Blue Line Extension. Correct?

Mr. Barnes said let's talk about that. As I understood it, according to materials, the Maintenance Facility for the streetcar was intended to be the Blue Line Facility up near going towards Belmont and once it was extended beyond French Street there would be a Maintenance Facility built for it. The \$119 million doesn't include a maintenance facility for the streetcar so I don't know where that land is that Smith would be donating but there is no intent to build a maintenance facility for the streetcar anytime soon, which is another issue.

Mr. Walton said the four-mile piece doesn't require it so the short piece will use the south side maintenance facility. The four-mile would use this property that James is talking about. Build may not be the right verb there but that is where maintenance would be performed until the whole line is developed and then it would require a maintenance facility somewhere along that line.

City Engineer, Jeb Blackwell said it includes \$5 million for construction for a temporary maintenance.

Mr. Barnes said within the \$119 million?

Mr. Blackwell said yes.

Councilmember Kinsey said I don't think we need to debate this any longer, but I will add that I think UNCC has a much greater interest in the light rail because of them building a campus uptown. I do appreciate what they are doing to help us do that, but I do think they have a greater vested interest in it than perhaps Johnson C. Smith or Central Piedmont might have in the streetcar.

Mayor Foxx said if in fact Johnson C. Smith has committed to providing some real estate for the maintenance facility, it won't take the \$119 million number down, but to what extent are they prepared today to go ahead and dedicate that as a contribution to the project?

Mr. Mitchell said they have earmarked and it is right in front of the School Workers Credit Union. That parcel of land just before you get on Highway 16, they have donated that as part of their commitment to the streetcar.

Mayor Foxx said can we apply a figure to that and treat that as a contribution?

Mr. Barnes said how much is it worth?

Mayor Foxx said I don't know. I don't know how much the acreage is.

Mr. Cannon said can we get just for information purpose the acreage of the land that may be in question here as well as the cost of it. Do we have projected cost estimates of future operating and maintenance for the streetcar start up project?

Mr. Harrington said yes we do, it is \$1.5 million.

Mr. Cannon said what about the additional 2.5 mile segment proposed in the recommended CIP?

Mr. Harrington said we estimate that at \$4.4 million.

Mayor Foxx said is that on top of the \$1.5?

Mr. Harrington said yes.

Mayor Foxx said so it is really \$5.9 or \$6 million.

Mr. Cannon said as we continue to talk about the future of it will the City have to raise additional revenue i.e. property taxes in the future to pay for the project operating and maintenance costs for the different streetcar segments?

Mr. Harrington said right at this point we don't have an identified funding source beyond the extension project so that could be a combination and variety of sources, but we have no identified funding beyond the extension piece. For the extension piece it would be the property tax that is part of what the existing tax rate is as well as the proposed increase.

Ms. Pickering said I think Mr. Mitchell raised a good point that this is now and many of these were then so we are in a different environment. I agree that we do need to look at the total points in time as the Manager mentioned. We need to look at the big picture and my concern is that we have competing interest. We have the need to invest in the neighborhoods that need investing and we have many property owners who feel like they are overburdened already and we risk possibly alienating them even further and driving them away. That is really a concern of mine, all over the City, not just in some areas. One specific question I had back on page 23 in the BAE Study, I immediately associated it with your point Mr. Mitchell that we are in a different time now, a different economic climate. The cost per mile which is down near the bottom, ours is 47.6 per mile which is much higher than most of these others and I am curious as to why that is. Most of them seem to be about 25 and we are at 47.6. Is there a particular reason for that? Help me understand that.

Mr. Harrington said one is, if you look at the dates when they were built. A number of the ones that are cheaper, they have been in design probably since early 2000 or mid-2000s. Ours is the last in terms of date so the cost are escalated out to 2018. Then if you look at Seattle where they are next to Charlotte, would be the last one to come on line and they are at 39.5 so you can see that further out it is a higher cost per mile.

Ms. Pickering said Cincinnati is anticipating 2014 like Seattle, but is only 25.5.

Mr. Harrington said I'm not an expert on the other systems, but the topography is sometimes is different, the level or type of cars or systems could be different and that might explain some of the difference as well.

Mr. Mitchell said Randy or Gregg, do you mind talking about the Business Privilege opportunity?

Mr. Harrington said I will ask Gregg Gaskins, the City Finance Officer to comment a little bit more on that.

Gregg Gaskins, City Finance Officer said there are a whole lot of questions about how we would do that and depending on your answers to the how we would do it, it would change the numbers. We believe that there are about 20 businesses currently paying and there is a \$10,000 cap on this particular kind of tax so if there are 20 businesses that are paying the max it would only generate about \$200,000. Clearly the current forum wouldn't work to generate anywhere close to the kind of revenue we are talking about. If you remove the cap and if you changed it to some type of parking space design and there would be an annual charge per parking space, we got some numbers to see what kind of numbers would it take to generate a net \$4.4 million. There are a number of things you have to do in terms of the financing requirements, etc. so you are having to have about \$5 million to get \$4.4 million so the \$5 million ends up being your total. These numbers may not be exact because you have to remember that they were not gathered for the same purpose. When I tell you that there is 45,000 approximate spaces of the kind that we are talking about in the City and I'm going to make an exclusion in just a second, then you do that by the per space charge and you look at what you are going to do in order to generate the \$5 million and you have an annual fee of about \$110 per space per year. Just as an example to give you an idea of what that would mean, Charlotte Douglas International Airport, if they were included, and Bob and I talked about them not being included, but if they were included, to give you an idea of what they would have to pay. They would pay \$2.8 million in tax annually on their parking spaces. If they are out, under that scenario the charge would actually go down, if they were in it would down to \$70 and everybody's would be \$70 and they
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would only pay about \$1.8 million, but if you take them out everybody is paying about \$110 per space per year. That is how you go from 45,000 spaces and generate \$5 million so it is a big, big charge which raises a lot of legal questions that Bob and I talked about whether you would actually be able to do that. There has been litigation concerning a different issue, so there would be litigation if we were to try to do that, but that is the approximate number, \$110 per space, per year.

Mr. Dulin said that is for free and for paid parking, correct?

Mr. Gaskins said no, only paid.

Mr. Dulin said for instance the new parking deck at Mosaic Village is a free parking deck so that is not included.

Mr. Mitchell said UNCC uptown, not included.

Mayor Foxx said I'm feeling a little déjà vu. Any sources that anybody wants to put on the table for further expiration. These are the same crickets that I was worried about.

Mr. Mitchell said I would like for Greg and Bob, I would like to see the legal challenges we might get involved in. I think Mr. Barnes is right, the General Assembly showed an appetite to get rid of the privilege license tax and we don't know what is going to happen in the long session but I would like to further study if Greg and Randy can provide us with a handout or something that we could really vet on that opportunity, I would like to see that flushed out more.

Mr. Barnes said I want to avoid the crickets. Let me just say a few things that might help amplify a few of my points and kind of tell you where I am. My issue isn't that I don't want the streetcar to be built. That is not what I'm saying. My issue is the methodology, the math, how we go about doing it. That is what I've been saying the whole time and if some of these funding sources can be cobbled together to create some significant or some reasonable pool of money that is great. What I'm saying to you is that without that it really, really, really concerns me to think that we are going to be spending X number of billion dollars on transit projects, particular the two streetcar lines we've talked about on the property tax. That is my concern and believe me, John beat me up last week and Howard beat me up, you beat me up and we've had some really good conversations about the project. All I'm saying is there a way to put together the project that won't result in us having to raise taxes again, and again and again to pay for it. When I looked at the long sheet, Page 23, we are the only city that is using its CIP to fund the streetcar line and I guess we don't have Sugar Daddies like Atlanta apparently does and Cincinnati does, and Seattle does and Memphis does, but it really concerns me that we essentially saying we've got one option let's go for it. I think again thinking long terms and thinking about what you said Mel said, when my kids are older are we still going to be raising property taxes to finish the streetcar. There is talk about the line going up Monroe Road, and the one that we are talking about now is the one to the Airport and the one to Monroe Road and if you are saying well there aren't going to be any funding sources other than the property tax that does concern me.

Mr. Autry said basically that is where I was going to ring in too, infrastructure is this body's responsibility. If there is a need I certainly want to explore every funding option that we have but at the end of the day it is still our responsibility to get this stuff done. If it means property tax then that is fine. That is what it has to be because that is where the sources are and where the resources are to be able to continue with this project. I just don't see if there is not a special TIF or SID or LID or a top or a bottom or anything it is still this body's responsibility to provide for the infrastructure and see that this City continues to grow.

Ms. Kinsey said I think we are fooling ourselves if we think that taxes will not be raised in the future. Not necessarily for a streetcar, but for anything because of our inability going forward to annex how are we going to pay for infrastructure and other services that we have always paid for anyway out of property tax. Saying right now that we don't want to build a streetcar because we have to raise property taxes to pay for it, if we think we are not going to have to raise taxes in the future for services I think we are fooling ourselves. Even if we could annex, there is a limited

amount of land out there that we can annex. Maybe I'm wrong Mr. Manager, but I think we've got to look ahead and understand that some Council and may not be this Council, but at some point we have to pay the piper.

Mr. Cannon said Ms. Kinsey I think you are right. You know Charlotte is not shrinking and we are continuing to grow population wise and otherwise, but I think Mr. Barnes' point of contention happens to be that you are compounding it more so on the backs of taxpayers with the streetcar by way of the single source being only property tax to fund it. Is that correct?

Mr. Barnes said yes.

Mr. Cannon said you don't disagree that in the future there is going to be an increase in property taxes along the way because we are not shrinking, we are growing.

Mr. Barnes said correct.

Mr. Cannon said you are not suggesting, and correct me if I'm wrong, for those persons that you are asking to be a part of what we would normally call a public/private venture, you are not suggesting that they throw a whole bunch of revenue that they don't have toward trying to be a part of this game.

Mr. Barnes said I am not.

Mr. Cannon said it sounds like more so that you are saying have some skin in the game but not skin you can't afford to have in the game.

Mr. Barnes said I'm not talking about bankrupting anybody. In fact you are correct Patsy that taxes are going to go up in the future because the City will grow. I get that piece, but what I'm saying is if we keep raising taxes, say just for sidewalks and roads, and you add on top of that the next leg of the streetcar and your sales tax keeps going up for whatever reason, at some point there won't be anybody left in the City to pay the taxes. We are close enough to other counties and a state for people to have other options and a lot of them have already taken advantage of those options. That is something that bothers me. We don't want this City to be unaffordable and unlivable or viewed as being unaffordable or unlivable so while yes there will be tax increases in the future I'm suggesting that we should also consider the things that we do that might drive up the tax rate. Again, without bankrupting anybody, if there are ways to cobble together additional funding sources to help fund the streetcar, this current leg, the one to the Airport and the one on Monroe Road, I think that is great.

Ms. Mayfield said let's say we were to have the support to move forward with the current model, will we have the flexibility where once that infrastructure starts coming in for us to adjust to start backing off from the taxes being the main funding model to give enough time because we are seeing the growth. We are seeing the development and we have so many zoning petitions that are coming in for development across the City and so many are going to be coming in, but we need, in my opinion, we need to make the investment now. If that means us doing what the City has done to grow to this point and taking that step out we need to do that but will that flexibility be there where as that development starts to happen, we can adjust and start identifying those other funding models that create that more robust. Even though this is great, to me it seems like we are stuck with thinking about what Mr. Mitchell just stated, that we are looking at what used to happen and that is just not our reality moving forward. With the reality moving forward will we have that flexibility where once that development starts to happen throughout what will be the streetcar line, even looking at 2030 Transit Plan, to make adjustments and start backing off on the tax rate?

Mr. Walton said yes ma'am you would and thank you for the question because I wanted to go back to something you and Mr. Autry said earlier, but keep in mind the whole premise of the transformational CIP was to grow the tax base, particularly in the northeast and the west. As that happens, hopefully as we move forward that allows you the potential to do exactly what you are talking about and it could be particularly if we incent commercial development or manufacturing so that the sales tax grows more for CATS and it grows more as a general revenue. The answer

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is yes, as you go forward you can look to change your funding scenario. The point Mr. Autry made about being locked in, which I think is a very good question, whatever you choose whether it is five years, eight years or ten years state law requires you to do an annual appropriation. You can adjust your plan on an annual basis. If you want to move faster or slower you have an annual option to do that. The voters approved I think about \$200 million of bond capacity in November of 2008, we put that in deep freeze for about 6 to 9 months in 2009 because of the economy. Just because you have approved a plan and the voters have approved the bonds doesn't mean that you have to go forward on the same timeline. You can go faster, slower or not at all. I think the 5 versus 8 is an important policy decision for you to make. As far as being locked in though, it doesn't lock you in, whatever number you choose.

Mayor Foxx said you said that very well, but in terms of the amount of dollars available we are locking ourselves in to the total amount available.

Mr. Walton said exactly.

The Mayor said but you can move it as fast as you want.

Mr. Walton said once we have sold the debt, you are definitely locked.

Mr. Mitchell said David Howard just texted me and said our Synthetic TIF, particular if we look at what has been generated from the light rail, the property tax that has been generated from all the new development, can we look at a Synthetic TIF currently now using the taxes from the light rail to further finance all the transit projects. He said we have calculated from the light rail line the property taxes, do we have a number that has been generated from the current light rail?

Carolyn Flowers, CATS CEO said \$1.45 billion.

Mr. Walton said not a rate but a redevelopment amount of \$1.45 billion.

Mr. Barnes said that is not a tax revenue.

Mr. Walton said no, that is assessed. We would have to take that and turn that into a rate.

Mr. Mitchell said that is David Howard's option, so don't kill the messenger.

Mayor Foxx said we obviously have to instruct the staff to either do something or not do something relative to these revenue options. Right now we have information, but we don't have a direction to give the staff to give us prior to November 26th and remember the goal on November 26 is to start the survivor game of voting things on or off. Is there any request to do that?

Mr. Mitchell said I would like to make a request that Greg Gaskins can further do research and analysis and bring back to Council the Privilege License Tax money to be generated for transit needs in our community.

Ms. Mayfield said would this also be a good time to bring back those numbers for SouthEnd because that is our most current model where we have seen success because just with the SouthEnd within the last three months we have opened up more than 18 businesses, so to look at what taxes have been generated in SouthEnd and possibly the anticipated, but looking at real numbers to bring that back to Council as well in the form of a motion.

Mr. Barnes said do we need motions to do this?

Mayor Foxx said I'm going to ask how many people want to consider a streetcar option with alternative revenue sources as part of it other than the property tax?

For: Councilmembers Autry, Barnes, Cannon, Kinsey, Mayfield, Mitchell and Pickering.
Opposed: Councilmembers Cooksey and Dulin.

Mayor Foxx said so there is an interest in looking at alternative revenue sources. Mr. Mitchell has put on the table Business Privilege License – how many would like to take a look at that?

For: Councilmember Autry, Barnes, Kinsey, Mayfield and Mitchell.

Mr. Barnes said only for information. In other words we are just trying to get information.

Mayor Foxx said but understand we are trying to tier the information so we can make a decision on November 26th. How about the Synthetic TIF?

Mr. Dulin said did 5 votes pass?

Mayor Foxx said five did not pass, but in the past we have used 5 to key up.

Mr. Walton said if you are doing straw votes, 5 keeps it going.

Mr. Barnes said as we move along I wanted to add in there the Special Assessment District, the one that provided for a statute where typically the property owners have to come us, but I think it would be worth at least speaking with the five or so constituents, Presby, CPCC, Center City Partners, Johnson & Wales, Johnson C. Smith, to find out whether they are going to be willing to participate more fully and will actually do so.

Mr. Dulin: We might want to add in that Northeastern, Wake Forest and the Charlotte School of Law would all be in that.

Mr. Barnes said I think it should only be properties that are in my opinion, that are within a quarter mile, the two blocks or three blocks.

Mr. Cannon said or on the beaten path.

Mayor Foxx said so the request is to explore the SAD, Special Assessment District, and to ask the major property owners that are on the streetcar track to give us an up or down on that. How many want to go down the path of looking at that?

For: Councilmembers Autry, Barnes, Cannon, Kinsey, Mayfield, Mitchell and Pickering.

Mayor Foxx said Mr. Howard has raised the Synthetic TIF. I imagine that would require some thoughts about a TIF District or something or you would have to figure out a mechanism to recover those dollars because in effect we already receive property tax value, but I think the idea as I understand it is to redeploy some percentage of the incremental value into a funding source for additional extensions of the line.

Mr. Harrington said for clarification, do I understand it along all transit corridors or within a particular corridor?

Councilmember Cooksey said I was going to ask a question about this particular copy. I don't want to shoot the messenger here or anything but as I understand it a Synthetic TIF operates when the City partners with a private developer that actually builds the infrastructure. How does that work with the streetcar? What private developer is going to build it for us to repay?

Mr. Harrington said I think you are thinking of a Tax Increment Grant where the developer builds the infrastructure and we reimburse. Under a Synthetic Tax Increment we would just identify any increment revenue in a particular district and Council by policy or budget then applies a certain percentage of those revenues to the specific project.

Mr. Cooksey said how is that different from the TIF then? What makes it synthetic?

Mr. Harrington said the different is what is pledged as a security. Under a statutory TIF the incremental revenue is pledged as the payment as well as the security for the bonds whereas on a

Synthetic TIF you are pledging the revenue but your security are other sources such as either other city assets or other city revenue streams.

Mr. Cooksey said what Synthetic TIF has the City done where there wasn't a private partner involved actually building infrastructure?

Mr. Harrington said the cultural facilities.

Mr. Cooksey said I thought Wachovia built those.

Mr. Harrington said we are using their revenue from that to pay the bonds.

Mr. Walton said they did build it and turned it over to us.

Mr. Cooksey said so there was a private builder that built them and then gave it to us. Did we authorize the contracts or anything or was that all handled in the private sector side?

Mr. Walton said Wachovia handled all of that.

Mr. Cooksey said that is what I'm getting at on this Synthetic TIF concept. I wasn't sure how it worked with no private partner actually building anything because we don't have any cases of using it when there has not been a private partner actually building something that I'm aware of.

Mr. Walton said perhaps the right wording would be to look at the projected incremental taxes from all the transit corridors or whichever transit corridor you designate rather than TIFs or Synthetic TIFs.

Mr. Cooksey said I think where this is going is actually a new model concept because the other thing about a TIF and if you are talking about a district and you are building within that district then this is the case of using revenue from one area for something else and of course part of the risk of that comes from assuming that you do have continued increases because I keep remembering that in FY11 the assessed value for the SouthEnd MSD was \$863 million, the next fiscal year, FY12 it was down to \$853 million. After reval SouthEnd went down \$10 million in total value so you can't always assume that you've got that kind of growth and value.

Mr. Barnes said one issue of concern with Mr. Howard's proposal and that is the 5% rule that Randy referenced earlier. I don't want us to be in a position where we have committed so much land along the transit lines to TIFs that we don't have TIF options in other parts of the City for other projects. I don't want to necessarily commit ourselves in that way.

Mr. Mitchell said it is just information.

Mr. Barnes said yes, just information I agree with you, but that one gives me some heartburn and I just wanted to express the heartburn. I also wanted to say to a point the Manager made about the contributions from the property tax of the Blue Line. I don't know what the percentages are, but what would be the corresponding percentage between the contributions we made from the general fund to the Blue Line. In other words we keep talking about treating the streetcar and the Blue Line the same way. If 1% of the Blue Line comes from the general fund should we say that 1% of the streetcar comes from the general fund. Are we going to start matching it up? It may not be possible in light of and nature of the 2030 Plan, or what is left of it, but it is certainly something to consider.

Ms. Mayfield said with this current conversation, would the question I asked earlier as we move along, whether it is the TIF or whatever it is will we still have that flexibility as the development comes along to be able to make adjustments or will we be locked in if we were to move toward a TIF or one of these others that we are discussing?

Mr. Walton said some of those would lock you in. If the debt is secured by the agreement in place, probably Special Assessment might be the one or the MSD. If there are actual contracts

that lock you into something, in order to do the financing you would be locked, but I think in more cases, no you wouldn't be locked in.

Ms. Mayfield so my ask would be that while staff is pulling this information together to look at that additional box to show to show that difference what can be changed at a later date and where we might be locked in.

Mayor Foxx said Mr. Barnes has raised some really good questions and three of them I don't think you have given full answer to. One of them is the question of how the whole system gets funded. This is the way I think about it. With transit funding right now over the last 12 years we have been able to basically apply a formula. We do X amount, the state does X amount and the federal does X amount, we can get a project done. Where we are now I think is we are trending more toward kind of a national jump ball on infrastructure dollars where the money is set in a pool and you have to go compete for it. One of the indicia of success is local funding so I believe that we've put ourselves in a position of strength in terms of seeking federal dollars for extending our transit system by putting local support behind it. Now originally we envisioned the sales tax being that source, we're just in a different place right now and whether we will be there the whole time I don't know. I actually don't think you will see 100% of the streetcar funded by property tax. In fact if you take the 4.4 miles, 100% of this project isn't funded by property taxes. There is at least 17% coming from a federal source.

Now having said all of that, I think we are talking about years of jagged edges with these projects where instead of we are going to this line for a billion dollars, we are going to do the next line \$750 billion, we are basically going to end up cutting the projects into chunks and trying to do them as we can. That is uncomfortable because I can't tell you what the formula is, but it is not for the lack of trying to figure it out. This is kind of like the Wiz when you finally get to see the Wiz and behind the door is Richard Pryor. That was number one, and number two I think the public deserves a whole lot more information on what this project is and what it isn't. We are wholly incapable of giving the public that information until we decide whether the project is in or out. We can go all day long and I just don't think you can make a community pitch for something and then vote it out of the budget. I think you've got to figure out whether it is a good policy choice and then take the steps to try to inform the public. I agree with you there is a lot of information that needs to be put out there but if the Council is not going to get behind this project there is no point in putting the information out there. Last point is that getting back to something the Manager said, I frankly don't view this project differently than I view the innovation corridor or the Independence Boulevard investment. This is trying to add value to the community ultimately and if we were talking about putting money into a sinking hole that would be one thing. If we were going to invest money and it wasn't going to return any value I would be the first one saying cut it. In fact cut it twice because it doesn't make sense, but if you take the BAE Study seriously, which was done again at a time when people were a lot less optimistic about the future than they are today, value will be created as a result of this investment. It is a matter of degree. I can't tell people of our City that we are doing the best job of planning for the future if we are going to allow an entire corridor to continue languishing, which I don't think is appropriate.

Let me say one last thing about this because next time we will be putting hands up and down on this. There is a lot of really silly commentary out there that this is about grievance politics, paying people back, fairness, justice and stuff like that. That is not what this is about in my opinion. It is about economic development and realizing that the City isn't going to grow out anymore. We might get an annexation or two down the road, but if we are going to grow the City it is going to be grown from within and if we don't prepare these parts of the City for growth within we are going to be the one losing. I agree with you the balance we are trying to figure out is how much can you add value through investment versus how much do you drive yourself out of competition for those families and for those businesses that we would otherwise want to have in the City. There is no magical wand that is going to tell us what the answer is, but I'm concerned again that we just need to figure it out and get behind it. The last point I will make, and I will say this again the next time, the public in my estimation is very skittish about the future. We have an election in 7 days and hopefully that will resolve at least kind of what the federal government is going to look like. But if we have a Council battling itself over what the right investments are going into a bond cycle, I don't think that is going to bode well for what the

public is going to say back to us. I'm hoping that over the next month or so we can build a little stronger consensus than there is about what to do going forward. I appreciate your input Mr. Barnes.

Mr. Barnes said in response to what you just said I think the reason why we see some of the creativity or diversity of funding sources that we see with these other cities is because of the issue you raised because everybody sees that the federal government, regardless of who the President is or regardless who runs the House and Senate will likely spend less and less money on some of these large ticket type items. What I am encouraging is that we essentially attempt to do the same thing with the diversity funding sources. Also and I have been struggling with how to articulate this, the streetcar project was one of the few, if not the only item in the budget that was kind of the beginning and not the end. It was in there as an initial \$119 million but if you add in the Airport piece the Monroe Road piece and the rest of that initial stretch, there is an additional billion dollars that remains to be spent and a lot of the money that is in the budget won't be spent unless there is a partner that comes to the table, so the public/private partnership, \$20 million for eastside won't be spent unless someone else comes to the table. The informatics money for UNCC, that is all a part of something that will happen on the campus that will cause us to spend money. The investments at the Airport, the same thing there. A lot of that money wouldn't be spent unless there is a contribution or a buy-in from the private sector to help move something forward. With the streetcar, yes we are talking about putting in a fixed rail asset and that is it. There is nothing to show that there will be the additional contribution. To the point Mr. Cannon made, I believe we haven't had some of the developers we all know come up and say guys, I'm going to buy five blocks along Beatties Ford Road or along Central Avenue or I'm going to building 20,000 square feet of this and 5,000 units of housing. We haven't had that. Luckily, it happened along the Blue Line where you had folks coming and Blue Sky I think was one of them that did that rezoning for that really large residential building.

Mayor Foxx said very good points, but many of these projects were built before there was any clarity at the federal level of support for the streetcar at all in any of these cities. Portland, in fact was the first city in the county in many years to actually build one. Since then there has been more support at the federal level. Atlanta got \$47 million for a streetcar project. I take your point, but I think that we have to decide to do it or not to do it. Let me push back on one point. We have a general sense that we want to explore other revenue sources, which is fine, but if the Council were to say, for instance, that we would support putting the \$119 million in place for the streetcar, if there were X number of private entities willing to put up money or if there was a private sector investor of X amount, I don't think you are going to get \$119 million of private dollars to build the streetcar. I don't think that is going to happen, but if you were looking for \$3 or \$4 million, maybe that is a conversation to be had, but right now what we have is we'd like some revenue sources, but we are still kind of ... on that so I would sort of turn that back on Council to try to figure out, if this is something that you are seriously interested in then let's try to figure out how to put some parameters about it that aren't poison pills, that are actually designed to actually see something happen.

Mr. Cannon said but sometimes Mayor you don't have to have, inasmuch as you have some people in the private sector, let me just drill down and talk about developers for second. There is no reason why we should have a developer here in Charlotte doing business out in the mid-west along a corridor that is just like Beatties Ford Road. He is being incented by the City to do some there and we should be doing that same thing I think in conjunction with what we are trying to do here. The point in case is that sometimes asking the private sector for dollars is one thing, but trying to leverage it potentially another way, if we can get those people to come in and we can incent them to do some development along Beatties Ford Road where it makes sense and we can identify Debra Campbell where those pockets might be and others that can help us along the way between the District Reps, of where future development can occur. I almost would like to see that information come back to us about where the potential might be. District Reps knowing their districts, you should know that and I'm sure you do. We'd like to have that opportunity to be able to put that on the table and begin talking to some of our local developers about their level of input. I think that begins it, at least for me. That changes some level of where I am in my thinking to move us forward because you have to have a parallel track in my opinion, of doing both those things at the same time.

Mr. Mitchell said let me share with Council that opportunity, if it could be on West Trade Street or Beatties Ford Road. I'm only going to speak on the section I know. I think if we are waiting for private developers to come in to this City Council and say they are going to invest first before we lay those tracks, it won't happen. I don't want staff to go down that path thinking that is a possibility. I think for us, like we've always done, at the end of day if it is about public service we think it is the right thing to do we can find the diverse income we need to provide public service at the end of the day. Private and public partnerships have worked great for us but I don't think when it comes to infrastructure they have been in front of the City Council, we've always led the charge and then they come in behind us and said great idea, we see that as a catalyst, let's participate. I think what I'm hearing, and correct me Mr. Cannon, and Mr. Barnes, you all are saying let's see if there is interest out there first from the private sector before we make an investment.

Mr. Cannon said no.

Mr. Barnes said no sir.

Mr. Mitchell said so what are you saying?

Mr. Barnes said I'm saying to you Mr. Mitchell that since the BAE report came out of January 2009, nobody has stepped up and said when the time is right I'm going to do X or if you guys do this I will do Y. That hasn't happened has it? Beyond the Sunnyside Drive and French Street piece nobody has stepped up in almost four years to say I'm going to do X after you guys do Y.

Mr. Mitchell said let me remind you. What has happened in the last four years? You brought up a good point, let's talk about four years ago. What has happened since 2008? It has been a whole new norm that we have face so you are right, companies have struggled, we've been in a tough environment so why would you expect during tough time that a company would step up and say I'm willing to take the lead.

Mr. Barnes said because prime is 3.25, money is cheap.

Mr. Mitchell said okay, a point for you two. Let's continue to have that conversation, so you look at our rezoning packages since 4 years ago. We went from 33 to 38 cases down to 6 cases. Prime is so cheap why do you see other development occurring even on our rezoning package? It is reality as one thing to say prime is cheap, there is still an access to capital issue you have out there why a lot of companies are not doing any development. If you think I'm wrong you can ask Debra Campbell why we see less in the pipeline now.

Mr. Barnes said there is some truth to what you just said, but our rezoning package is getting thicker and thicker as you look at what is coming, there is more and more and more stuff coming.

Mr. Mitchell said let's take the four-year window, to your point.

Mr. Barnes said we were suffering through the great recession, but my point is, even during that time there were people forecasting things that they plan to do. We are not seeing a lot of new activity around I-485, the incomplete piece, people wanting to get active up there. I think there is stuff that, and I'm not necessarily trying to pick on the streetcar project, but I'm saying in terms of how the private sector has traditionally received our out front effort, you normally get a sense that something is coming. Look at the stuff that Warren Cooksey gets off the rezoning in Ballantyne. People take these little parcels, ½ acre and want to build a thousand apartments on it. So there is stuff popping up and my concern is that along that stretch we are not seeing people say they are going to invest in Charlotte. That is what I'm saying.

Mr. Mitchell said I don't disagree with you, but I guess through my lens we've always been proactive providing infrastructure and not all of a sudden I think the discussion is we want to wait and see somebody else doing it. I'm not advocating that to nobody else. I want to advocate to City Council that we take the lead and that we be a catalyst and make change happen. I'm glad that Peter Grubb came, but he saw that we were going first. Peter Grubb didn't get out there first, he saw that we were moving and we were creating the change and he said I want to

participate. I want to make sure we are not putting this all on the private sector to do it, we are saying we are going to be a catalyst.

Mr. Cannon said all I would add is that no, it is not about going to them first. I'm saying run a parallel track, in other words if they can see what it is we are doing, much like Clay Grubb and others, it doesn't hurt you or any of us to knock on the door of those developers that will come to help buy down those rents so that we can have something different other than barber shops and some of the other things in our community that we've been accustomed to having in some of those areas we are talking about between Central Avenue and Beatties Ford Road. You have somebody right now in your district, I don't know if he still resides there, but he is a developer and he is asking how can I participate, how can I contribute to what is going on. Matter of fact, he happen to be at the ribbon cutting that was held across from the old A & P for Mosaic Village. If we getting these people pulling our coattails asking how can we get involved, why aren't we bringing those people to the table.

Mr. Mitchell said I guess the difference I'm saying is let us be out in front. I don't mind a parallel track and I'd be interested to see how much money he will bring to the table. But I don't want us to get into this, we've got someone out there who is willing to participate. I would rather say here is the vision, here is the catalyst, if you would like to participate, here is where we think you can help us.

Mayor Foxx said is the question whether the private sector will invest itself in the corridor and add value that way because that is what I hear you saying Mr. Cannon. Or is the question, will someone step up and underwrite part of the construction or operating costs of the streetcar. Those are two different questions and I'm trying to nail down what the issues are so that when we come back here next time we've thought about that ahead of time and we know what the issues are. Right now I'm still not clear.

Mr. Cannon said what you said to define my position is absolutely right. The latter is not what I'm asking for.

Mr. Barnes said and for me it would be, but as a part of the Special Assessment issue.

Mayor Foxx said we are going to come back with more information on those sources. There are some other parts of this budget and we've got some other business to take care but let me ask this question. Are there any other features of the Manager's budget on which people want more information?

Mr. Barnes said I like the entire budget, I just have concerns about the funding sources for one project.

Mr. Cannon said just for information purposes I would like to see the add costs because I know it is going to be additional costs, to what it would be if we were to extend the line further up Beatties Ford Road at least by the House of Prayer, to get further inside of the corridor to bring about the absolute change we are talking about trying to create. I think doing it from where we are talking about now going back toward Elizabeth. All I'm saying if we are going to do it let's try to extend it if we can, but if we can't at this particular time, fine.

Mr. Walton said \$88 million.

Mr. Mitchell said we are struggling with the \$119 million, adding another \$88 million.

Mr. Cannon said you may not be struggling with that. Sometimes it makes a little bit more sense and the case can be made greater for really going inside deeper to an area that you know is crying a little bit louder than the areas we are trying to concentrate on right now.

Mr. Mitchell said it is \$119 million plus \$88 million.

Mr. Cannon said I get that.

Mr. Mitchell said I guess the conversation is Mr. Cannon, how much property tax we would have to raise if you do \$119 million plus \$88 million?

Mr. Walton said we'd have to figure that out.

Ms. Kinsey said I understand what you are saying, but there is a section down Central Avenue that would argue the same. If you are going to take it further one way, you have to be really careful about. I've already heard people on the eastside say it is going more down the west and I said no it is not. It is exactly where it needs to go and we are going to get ours so be careful.

Mr. Cannon said we have been paying attention to Eastland Mall and people along the Beatties Ford Road corridor don't have the luxury of a mall or anything like that.

Ms. Kinsey said I wouldn't call Eastland a luxury yet.

Mr. Autry said I would compound what Ms. Kinsey says in that there has been a lot of public discussion about how to approach the streetcar project and it was all agreed by the public that it would be built equally in both directions at the same time, thereby not favoring one or the other. So if we are going to look at what it takes to extend it out for that \$88 million, I would like to know how many further \$88 million added to the top of it would send it out into the east direction.

Mayor Foxx said there are a couple issues before we close out on the budget discussion. On the streetcar, I do think there is an issue of creating more travel advantage and I know that San Francisco for instance has put in sensors that allow their streetcars to move through the traffic lights faster and actually have created a portion of right-of-way that is dedicated to streetcars in certain parts of their City. I would like to ask the staff to do some work on exploring that before our next session because I think the more of a travel advantage we can give with that particular project the better it is, recognizing that there is a substantial part of the reason for doing it is economic development.

Mr. Harrington said I was just going to add, I think a part of having that capability to advance the signals as they go through, I just wanted to point that out.

Councilmember Pickering said is it possible to get a little more information about both an upgrade in the traffic signal system and also more detail on comprehensive neighborhood improvements programs? What exactly are we talking about?

Mr. Walton said yes ma'am.

Mayor Foxx said the last thing you brought up was one that I wanted to bring up also. No-one has really brought up the neighborhood improvement programs but a couple thoughts on that. One is if in fact we are able to agree on a capital budget in November, I think some time would be well spent between November and budget approval, fleshing out a little more detail on what those projects might be. I would suggest that it is not really adding dollars, but it is an addendum to our direction on the budget that we ask staff to spend that 6 month window developing implementation plans, to the extent we can. The last point related to affordable housing, we got this packet of information responding to the last affordable housing retreat and it provided some really good information on a series of approaches to helping us address that issue. I'd like for us to consider that as part of our discussions on the 26th. One aspect of it that I didn't quite pick up in the write-up, was how much of the \$81 million plus of all those projects combined, how much of that could be bitten off within existing sources. I know there is \$60 million for affordable housing plugged into the Manager's recommendation and presumably there are some dollars available to fill a \$21 million dollar gap and I just don't know what that is.

Mr. Harrington said I think we can answer that and I will ask Pat Mumford, Neighborhood and Business Services Director to answer that.

Pat Mumford, Neighborhood and Business Services said assuming we have the total of \$13.5 million and that is comprised primarily of \$9.7 million of Trust Fund money and \$3.5 million carried over with CMBG and the rest is just some little pocket change.

Mayor Foxx said \$13.5 million available today, so that is roughly \$8 million that we would have to find to do this program here? You've got \$81 million that you need to do and you've got \$60 million that's plugged into the Manager's recommendation and \$13.5 million can be used for it and that should leave about \$8 million that we have to find.

Mr. Walton said keeping in mind that comprehensive neighborhood strategies doesn't preclude affordable housing as a component of that money. It is whatever is in the area plans that make up that bigger geography.

Mayor Foxx said so for instance with the neighborhood stabilization program we could potentially draw \$8 million?

Mr. Walton said integrate that into bigger pool.

Mayor Foxx said that is going to be something I hope we can take up. Any other questions on the budget?

Ms. Kinsey said are we going to meet at the Belmont Center on the 26th? I cannot hear in this room and it is a lot more convenient quite frankly for me to go down there, although I welcome you to District 1. I've only heard about half of what you've said when you turn your head.

Mayor Foxx said I'm sorry, I've been doing a lot of talking. We actually were invited to do it at Mosaic Village.

Mr. Mitchell said I'll make sure that we have speakers Patsy, and microphones.

Ms. Kinsey said I just like the Government Center.

Mr. Dulin said we have Council Business that day at 4:00, we have Council Dinner at 5:00 and Council Business to do afterwards and here it is 17 minutes after 2:00. This Council tends to go a little bit late and I think being off campus and getting us back on regular business schedule, I think puts us in a need to be in Room 267 that day where we are on campus and ready to go.

Mayor Foxx said why don't we have a vote on it?

Mr. Mitchell said what time is it, 12:00 to 2:00?

Mayor Foxx said no, it is 2:00 to 4:30 and we would be starting our Business Meeting at 5:00. Right now it is scheduled to be at Mosaic Village but if you guys want to do it at the Government Center I'll tell them.

Kinsey: Is it at Mosaic Village at noon?

Mayor Foxx, no at 2:00. Is there a motion to change the venue?

Barnes: So it would be 2:00 to 4:30 at Mosaic Village and be at the Government Center by 5:00?

Motion was made by Councilmember Dulin, seconded by Councilmember Cooksey, to move it back to the Government Center for efficiency for both us and for the staff it takes to get here and to give us wiggle room ongoing long as we sometimes do.

Mr. Dulin said I just think for efficiency and what makes sense I think we need to be on campus at the Government Center.

Mr. Mitchell said why are we starting at 2:00 instead of 12:00?

Mayor Foxx said I that is polling of the City Council.

The vote was taken on the motion and was recorded as follows:

YEAS: Councilmembers Autry, Barnes, Cooksey, Dulin, Kinsey, Mayfield and Pickering.

NAYS: Councilmembers Cannon and Mitchell

Mayor Foxx said are there any more questions on the budget because the next time we are going to be voting I don't want to hear people say I didn't know or I wish somebody had told me.

Ms. Mayfield said Curt, back to something I asked you earlier, when you bring it back to us can we take off the projects that were proposed out to 8 years because I think somewhere in the question I ask, I guess a conversation started up so I wasn't saying compact everything into five years. I was saying leave what we have up to five but the items that we had that were going to go into the 8 years, if we were to just lop those off and postpone those for now, what are we looking at financially as far as the tax increase if any and what funding models we will be able to identify and what programs we can identify if we were to just take off those other three years. I think somewhere in the conversation there was a conversation of condensing everything into five so I think there are some people who want to see what those numbers are, but what I'm specifically asking for are what are the five years' worth of projects, how transformational can we be with that time period opposed to looking at 8 years? That in my mind will help us get a better foothold on the economy turning around.

Mr. Walton said I thought that was the \$3.16 million model that had the streetcar in it.

Ms. Mayfield said yes, but it also removed a lot of those additional projects that we had.

Mr. Walton said basically leaving everything in except what was going to be in the 2018 referendum.

Ms. Mayfield said so keeping your original, just lopping off that piece?

Mayor Foxx said one thing that it did do I remember that it moved all of the police stations into the five year window which I think is important.

Mr. Barnes said I have some concerns about doing that because if you look at the numbers that we had, this is the Autry, Howard, Kinsey, Mayfield, Mitchell budget. If you look at what we lost by doing that and I don't have time to do that right now, but my point is that I'm concerned about losing some fairly valuable items again throughout the City by doing that. I like the \$926 million and I like the streetcar if it is done right and if it is not done right I liked everything but the streetcar.

Mr. Dulin said just so there are no surprises, when we are talking about the bond cycle, that assumes a property tax increase in election year 2013. I just want to make sure everybody at the table understood that.

Mr. Mitchell said we're not scared.

Mayor Foxx said not to prolong the pain of the conversation, but that does raise an issue because when this was initially presented we had 8 years from 2012 to 2018, basically it will run us through 2020. Now that we don't have 2012 there is a question of how you sequence a bond cycle going forward because we typically have done it every two years. Do we skip a bond cycle somewhere in the middle, do we do two in consecutive years, how does that work with the financing method? Frankly, I would actually like the staff to help us answer that question next time and give us some indication of what would help the dollars go further in terms of spacing out the bond cycles.

Mr. Dulin said and what we don't know is in an off election year with the County Commission, whether they will be coming to the residents with a tax increase as well.

Mr. Cooksey said my former Councilmember is a former resident of District 2 and I've been talking and there is one way to address the issue that Councilmember Dulin brings up, is if you put the tax hike on the ballot along with the bonds, that covers it. It changes the cycle a bit, but that is one way to address Councilmember Dulin's issue about a June 2013 tax hike is if you put it on the ballot, you don't have that.

Mayor Foxx said that is something we need to talk about.

Ms. Kinsey said I would suggest that maybe we ought to have, if we vote to have the CIP, just get back on schedule and put it on 2014.

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III. CONTINUED DISCUSSION FROM SEPTEMBER 27TH SPECIAL BUDGET MEETING

There was no discussion on this item.

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IV. CITY MANAGER RECRUITMENT PROCESS

Mayor Foxx said we promised to give you guys an update on the Manager recruitment process. The Council Manager Relations Committee has had some conversation but we are not at a point where we have a recommendation on either a schedule or a particular firm, but you have in front of you two schedules that we have discussed. We do have a meeting tomorrow at which time we could recommend one of these two. There is also a sheet that shows the various firms that have been asked to submit some kind of response to a proposal. I think the most pressing question for us is the choice of firms and Cheryl, can you sort of walk us through what we've got here?

Cheryl Brown, HR Director said we put a spreadsheet together for you that lists the various firms we contacted and those firms that responded and I have an update. At 11:59 this morning we heard from the Spencer Stuart firm. I didn't have time to get that incorporated into the spreadsheet, but I will walk you through that information this afternoon. The front page contains the firms that did submit proposals and there are three of those firms, Waters Consulting, Springsted and Voorhees Associates that really do specialize in public sector recruitment work. Coleman Lew is a local firm with limited public sector experience, but some. They are more involved in recruitment of CEOs, Presidents, Directors, Senior Management, a bit of public, but private and international work. Waters Consulting is a firm that we have used before and they did our Police Chief recruitment for us when we hired Chief Monroe. They are very strong in the public sector and have an extensive amount of public sector recruitment experience and they have also worked with us in some of classification and compensation work out of Human Resources. Springsted is a public sector advisory group out of Minnesota and they've got extensive public sector experience, particularly on the east coast. A lot of work in North Carolina, Virginia and then more mid-west, Minnesota, Indiana, Illinois and Springsted is the preferred provider of services for the North Carolina League of Municipalities and for the NC Association of County Commissioners for non-recruitment HR activities, so Springsted is non-recruitment HR activities as well. Some of these are just consulting type firms who do recruitment and other HR type work for local government. Voorhees and Associates works exclusively in the public sector. You can see they've got extensive experience in smaller communities across the country, again particularly in the mid-west. Management Partners was one that we did contact and they are more of a general management consulting type firm. They have conducted a few recruitments at the City Manager level but they don't have that type of specialization. They do work with local governments in other type of work, including organizational analysis, performance measurement and those types of things. Spencer Stuart, as I mentioned, their contact apparently was out of town until Sunday night and I received an e-mail from him and we worked yesterday to get the information in this morning. I'm sorry it is not there, but they do not have any City Manager recruitment experience, but they do have

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experience in other governmental practice, very strong financial services, global development, philanthropy, global banking and marketing type of work. They are a very large firm. They've done 4,000 searches over the last year, 53 locations of offices in 30 countries around the world.

I didn't touch on price, if you'd like I can highlight that.

Mayor Foxx said let's see if there are questions right now.

Councilmember Autry said with other bids, etc. we are required to take the low price bid?

Mr. Walton said this is a service so you can choose.

Councilmember Barnes said I'm going to go back to what was at that time untimely and based upon the research I'd done at that time, I thought Waters was a good option for us both in terms of price and experience. I still think they are worth considering as a first option and I don't know them.

Councilmember Cannon said of the 41 City/County Managers they've had do we know how many city and how many county? That looks like a group number.

Ms. Brown said I do, but I don't have it separated out right now. I have it with me and I can answer your question after the meeting if that would be helpful.

Mr. Cannon said that is fine, and do you know, like Voorhees and Springsted, how they derived at a number which is relatively low in \$16,900 and \$18,000 respectively in terms of costs?

Ms. Brown said no sir, I don't know how they derived at that number. Your firms that do specialize in public sector seem to be more competitive than some of your more global firms. I didn't have it in the information but the Spencer Stuart bid was a third of the full total comp package similar to what Coleman Lew had proposed and a third of that package would be about \$85,000 for that recruitment process.

Mr. Cannon said I'm interested in find out from Voorhees Association, a little bit more about how they derived at that number.

Ms. Brown said she was very specific with me and said we've played in smaller markets and that bid did come in after the others had been published. That was something that we had to consider because we brought the information to the Committee early on and then we went back out and got additional information so Voorhees is one of those that came in after the first three had proposed.

Mr. Cannon said you've got the Evanston and Bloomington, etc. some of the smaller?

Ms. Brown said yes sir.

Mayor Foxx said what I'm going to suggest is that, I hear you Mr. Barnes on Waters, and you asked for more information on Voorhees?

Mr. Cannon said no, I'm fine.

Mayor Foxx said other thoughts based on this information in terms of which direction to go. We can take a deeper dive in the Council Manager Relations Committee and come back with a recommendation on the 12th of November. Both of these schedules have the 12th as sort of the starting point. Without objection we can do that.

Councilmember Mayfield said can we around this table try to reduce this number down so that what you go back to as committee opposed to the committee going through all five to jumpstart the process because I also pick Waters as far as the fact that they have experience with larger cities as well as in the sector that we are looking for. I think we can eliminate some of these

possibly and that will help reduce some of the conversation you all have, opposed to coming back again with five.

Mayor Foxx said I think that makes sense.

Mr. Autry said I would probably rather say is there anyone who wants to put forward one of these firms besides Waters at this point.

Councilmember Mitchell said I would like to put forth Springsted from St. Paul. Greensboro, North Carolina so they are used to a form of government that we have and the fact that they are used by the North Carolina League of Municipalities. Waters and Springsted would be my two to really vet on.

Mayor Foxx said I'm going to throw Spencer Stuart back in there just because we don't have the data in front of us. I would at least like to see them.

Councilmember Cooksey said regarding these timeline proposals, given the way that we've now stretched it out, shouldn't we put on here when Council should appoint an interim City Manager? We're going to have to do that and I guess December 14th we would do that because that would be our last chance to do so before Curt viciously takes his toys and goes home. I mentioned that yesterday, but I figured I would also mention it today when more people are here.

Councilmember Pickering said Spencer Stuart, this says no expertise in these types of searches. Is that correct?

Mayor Foxx said some information that was provided to staff at 11:59 today and we don't have it in front of us, so that is not updated.

Ms. Pickering said so they may have expertise.

Mayor Foxx said what has been said is they've not done a City Manager search, but they have extensive private sector. I want to know what I don't know about them.

Ms. Pickering said I'm comfortable with Waters if Mr. Mitchell would like to look at the second and third firm.

Mr. Cannon said can I get the same request on Springsted that I requested on Waters and that is just the number of actual City Managers they've hired and County Managers and the breakdown between those two?

Mr. Barnes said thinking back to when we recruited this gentlemen to be our City Manager, is it not true that we followed proposal 1, which was to get community input at the same time we were posting the position? I say that to say that if the committee has arrived at a recommendation with respect to the job description and the qualifications I'm comfortable having that put out to the public domain, getting public feedback at the same time we post the job for applicants, in other words proposal #1. As you all know I'd rather get this done sooner rather than later and even this is too long for me, but I think we can live with it. I think proposal #1 is great with Waters, but I heard Springsted, I heard Spencer Stuart. Do you want a motion?

Mayor Foxx said no.

Mr. Barnes said we've got to move this bad boy on.

Mayor Foxx said it is moving.

Ms. Mayfield said this is for clarity sake because I wasn't around when we went through this last process. So there is a process where we go to the community, my question is, is there a process where staff has an opportunity, whether it is anonymously or whatever to have some input? I'm concerned about this timeline that we are initially looking at, not being enough time to really have the door open for the most qualified candidate to come in. I don't want us to feel like we are rushed to put someone in this position because we also have to think about along with

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everything we discussed today this next City Manager is the one who is going to potentially be identifying a replacement for our Director of the Airport. There is a lot of upcoming positions that are going to need to be filled so I want to make sure that we have a comprehensive plan to make sure that we get as much input as possible to try to identify the most qualified individual.

Mayor Foxx said Cheryl you correct me if I'm wrong, but the scope of an arrangement with a search firm would involve some level of stakeholder input so they would be charged with doing some of that 360 work even with staff. I think that was done the last time we did a City Manager search.

Ms. Brown said we have built into both proposals to receive input from Mayor and City Council, to receive input from business leaders and community leaders and to receive input from employees on staff.

Ms. Mayfield said so when you are pulling that information as far as experience for some of these firms that have submitted proposals, it will be helpful for me to know at least a snapshot of how expensive their 360 is because if we are only going to identify a certain segment of staff, it would be helpful to me to know what segment of staff are we looking at because the work that Manager Walton has done, though amazing, trying to identify someone else is going to come in and be able to work with our system as expansive and detailed as it is, that is something I really want to make sure the search firm has true experience in making sure that we have a full 360 and not a spot check to the best of their ability.

Ms. Brown said when you say full 360?

Ms. Mayfield said when we look at staff, Curt you manage how many? Your total number of staff under you?

Mr. Walton said 24 direct reports.

Ms. Mayfield said so you have 24 direct reports and then thinking about all the sub groups that is under that. If we stop at executive level as far as staff having an opportunity to share, we may not get down to have the level of conversation that we may need to. I'm not saying that we need to go all the way into the weeds, but I would get a very different conversation if we were recruiting and I was speaking to Mr. Dulin who was the executive director of that department opposed to if I was speaking to a staff member that is serving under Mr. Dulin.

Ms. Brown said actually we do intend to go down into the weeds. We don't intend to stop at that mid-level.

Mr. Walton said and I would certainly hire Mr. Dulin.

Mayor Foxx said this is good input and we'll have a vote on our go forward on the 12th of November. I'm going to end this like we started. I do think one of the best things we can do for whoever becomes the new City Manager is to figure out this capital budget because I do not believe it is something we want to throw a new person in the middle of.

The meeting was adjourned at 2:30 p.m.

Stephanie C. Kelly, City Clerk

Length of Meeting: 2 Hours, 30 Minutes
Minutes Completed: December 27, 2012