

The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, March 20, 2013 at 3:11 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Anthony Foxx presiding. Councilmembers present were John Autry, Michael Barnes, Patrick Cannon, Warren Cooksey, Andy Dulin, Claire Fallon, David Howard, Patsy Kinsey, LaWana Mayfield, James Mitchell and Beth Pickering.

I. Introduction

Mayor Foxx called the meeting to order at 3:11 and said today is really the first day we start to dig into our budget in a real way and I want to kind of explain to those who have not, I don't know where you would have been not to see what we've been working through in the last year and a half, but in a nutshell what the City Council has done over the last several months is we've taken the budget recommendation that was made in the spring of last year and we've all voted for one version of and we've all voted against another version of it. We've gone through several workshops in the fall and now I've asked the Committees of the Council to take each piece of this almost a billion dollar budget and to dissect it, look it up and down, trial test it, stress test it and figure out what, if any, of it could be changed or improved or whatever. The Committees have now gone through and looked at these various pieces of the budget and today we will hear report outs on that. We are also going to get a report from Greg Gaskins on the state of our finances. There is some activity with the County's re-evaluation that we will be apprised of and we will also have, I'm told, a very simulating presentation on our utilities later on and how that is going. For those of you who think you might want to leave early, you want to stick around for that.

Let me try to frame a little bit of what we are dealing with. In the last 2 or 3 years I have said repeatedly that we will find ourselves in a place of economic uncertainty at some point in the future. There are clearly challenge at the federal level, clearly challenges at the state level and we are now there. The question for our City is how do we define the future. Over the last several months I've had an opportunity to talk to every one of these Councilmembers and every one of them wants to do the right thing for this City, and I believe that. As we are budgeting, the hard question for us is whether we budget for the City we have or whether we budget for the City we want to have. Recognizing that we can't all have everything, we can't see every good thing that we want to see happen in this City happen, but there are some things that are critical to the future of our City and that is why we are here. I look forward to the presentations by Committees, I look forward to working through this process with all of you, so with that I will turn it over to Julie Burch our Interim City Manager.

Interim City Manager, Julie Burch said thank you Mayor and Council for being here today. As you know this is our second Budget Workshop in a series as we work out way towards the City Manager's recommended budget. We use these workshops to give you an opportunity to provide the City Manager with input and guidance into the development of the recommended budget and give you an opportunity to ask questions and seek additional information that you may need or want along the way. Speaking on behalf of the rest of the staff, we truly appreciate that opportunity because that really does give us great guidance as we go about our work and come back to you in early May with the recommended budget. I want to thank all the Council Committees for their hard on reviewing the various CIP projects and as the Mayor pointed out each committee will be reporting out on the results of those reviews today. I would like to stress too that we seek your direction in particular on the CIP to the extent that you are comfortable and that you are prepared to give some guidance and direction on the CIP individual projects or collectively. We seek that because we would like to be able to come back on April 10th, which is your next scheduled Budget Workshop to provide some refinement around whatever direction you might give us today or whatever additional information you might need about that aspect today. We will be happy to help guide you through the process and provide the information that you need, but again we would like to get some direction and guidance from you today around the Capital Improvement Program to the extent that you are ready to do that.

Mayor Foxx said I want to layer onto what Julie said. The other piece of this that is important is that there is no capital budget currently. What we are working on now is recommending to the Manager what the Council would like to see come back in the Manager's recommendation and based on that our comments will be folded into what the Manager recommends back to us in

May. We will still go through the formal public hearing process, etc. and still have our budget adjustments and straw votes, but this is our chance to inform what the Manager sends back to us.

The second point I want to make is because there is so much going on, particularly in Raleigh right now I would like to ask the Budget Committee and staff to look at our calendar and consider backing up some of the dates that are in there. What I'm a little worried about is there may be some shoes that drop in Raleigh on the budget that require us to make some different decisions that we might have made otherwise and I think we ought to just plan to be surprised because we've got a lot of surprises going on these days. I would ask you all to take a look at that and see if we can maybe move some of those dates into June to give us a time to be able to see everything on the field if we can.

Ms. Burch said I think we can prepare a different calendar and take that through Budget Committee and then bring that back probably on the 10th of April Workshop? We will get to the CIP Committee report out to you momentarily but first I would like to ask Greg Gaskins to come up. He wants to give you a property and sales tax revenue update, particularly in light of new information provided to the County Commission last night. This is just for your information and certainly any questions or feedback that you might want to give us at this time.

II. Property and Sales Tax Revenue Update

Finance Director, Greg Gaskins said let me reemphasize what the Mayor said related to how many changes are going on. Normally when we get to this stage we have pretty good ideas about sales tax and property tax. We do not today have those and there are changes that are pending that could change anything that I say dramatically between now and when we have to act on a budget. That is unprecedented, that has never happened in my career and hope it never happens again because we don't know with certainty what the numbers will be. We may not know with certainty what those numbers will be when we have to enact a budget and that is unprecedented and that is not a good thing. If you've been where the City has been and has our fiscal reputation and the expectations that the citizens have of the way we do our business, it is not a good thing that we are in this situation. We are in a very bad place and we didn't put ourselves there, but we are there. (Mr. Gaskins used PowerPoint for his presentation to the Council. A hard copy is on file in the City Clerk's Office.)

One of the things is the sales tax. These are the sales tax estimates based on the current sales tax law. As you know a new sales tax law has been proposed and under that new sales tax law there would be changes and this might actually get better in terms of the amount of revenue. That has just happened and of course it has not been enacted so we do not know for sure that that would happen. These projected sales taxes at \$69.4 million were consistent with the mid-year projections and you see an increase based on current projected conditions. That may be what the sales taxes are, but it also may be that they are different from that, so we don't know at this point in time on the sales taxes. That is not very different from the last number that you looked at concerning these numbers.

Now let's go forward to these numbers and these numbers are the property tax estimates. These estimates were given to us based on where the tax office was a few weeks ago when we met with them. None of that is necessarily information that we can rely on today. The reason for that is multifold. The county last night considered reviews both from their County Finance Office as well as from Pierson and the result of those are that the County is looking at a more negative picture in terms of revenue than they were previously considering. Let me give you the shorthand version of that. They are basically looking at it in two different ways and they are getting about the same result. One of the ways they are doing it is they are looking at the total number of parcels that are under review, the 58 parcels across the entire county, and they are looking at what the impact of that is in terms of a potential lowering of values and what the result of that would be in terms of the overall amount of money collected. Then they are also looking at where you step back away from that and you look at all values in the County and you put that information in and you look at what that decrease in value should do. Under both of those scenarios you get close to \$25 million in reduction in terms of the revenue that would be available for the budget, so what we did, just since last night, we took a look at our situation and we tried to run those same two types of scenarios and compare what we had done to what they

had done. Given both of those scenarios from a total budget perspective you are slightly over \$9 million under both scenarios. Both scenarios you have lower revenue of about \$9 million. It is between \$9.1 million and \$9.4 million. We will continue to recheck that. For us there are 38 parcels instead of 58 and we are just now trying to review as much information as we have, but that is an approximate figure that would match up. In addition to that one of the things that we would be having to deal with is what solution might come. There is legislation proposed that has alternatives solutions. One of those solutions would involve a scenario where a calculation is made by somebody, in this case like Pierson related to all of those values and from whatever period they make that decision, going all the way back you would be readjusting values over that entire period back to 2011 and pushing money back out to people. That is very difficult for us to calculate or figure out how much impact we would have and when it would hit us. It is very difficult for example, once you have taken the money at the appropriate rate and you've spent the money, to come back and say oh, we didn't have that money to spend, if that in fact is what you are going to do and therefore the ultimate impact to us and what year that hits us we still don't know and we don't know how to make that adjustment.

We are actually in a situation where probably nobody in the state knows how to do that because nobody has ever had to do it. For the fact that happened we would not know how to tell you the total impact of that or what it would be in this year. We are continuing to work on that, but that is an issue that we may not know at the time that we do the budget. Right now think of that \$9 million shortfall, that total number 7.27.3 general fund number, in terms of a shortfall based on this type of revenue estimate and in addition to that there is a possibility that the refund number that we already had looked at, where we had set aside money for the refund, and where we had gone beyond the original recommendation by the County Tax Office, we've exceeded that and they are now saying that that thing could go beyond your number, about \$4 million or \$5 million in additional monies even beyond what we had put aside for that purpose. We are still trying to determine exactly, based on this theory, what those numbers would be. Therefore your situation with your property taxes is still very unsettled. We are looking at numbers that could be \$9 million to \$9.5 million total plus additional refund numbers, plus you have uncertainty about if the legislation actually went in and when the timing of that happened, how much additional money would be affected. So I am not able to tell you at this point in time what the total impact of all of that is going to be. This simply tells you what we are doing and we've been working with the County to try to establish the basis for them doing that in comparative. It is not happy news.

Mayor Foxx said what is the good news?

Councilmember Fallon said did you figure in the rumors that we heard about the business tax, the \$17 million being taken away too?

Mr. Gaskins said there is a Bill that has been introduced that would repeal the Business Privilege License Tax. That is not in the news that I just gave you. That would be the opposite of good news to lose that revenue because it doesn't attempt to give us any way to replace that and so that would simply be an additional hole of \$16 plus million in your next budget.

Mayor Foxx said let me describe where we are. We are on a slope and the slope is going to keep moving us down the hill. Where we've been trying to go is defining the future for this City so that we set the floor for this community long-term. The lack of a capital plan is a glaring problem for this City going forward, but it is only going to get harder. We've seen this coming and it is now here.

Mr. Gaskins said and to agree with you Mr. Mayor, I would also point out, and I hate to say it because it is more bad news, but if this happens what you get for a penny which impacts the calculations that we do for you for the CIP, drops under this scenario. That means the cost of your CIP program just went up.

Mayor Foxx said okay Greg we are going to take the microphone from you buddy.

Mr. Gaskins said I'm just the messenger.

Budget Director, Randy Harrington said there is one piece of news that might be good to hear from the standpoint of the appeals process, we've known that has been in the pipeline for the last year to two years and during that time staff has been setting aside the potential for those appeals refunds and so we have been doing that over the last three years and we have in the range of about \$11 million set aside for the purpose of the appeals process. Staff has been thinking about this for the last couple of years and we've been trying to anticipate, trying to prepare for the what ifs. I don't want you to get the impression that we haven't been thinking about it because we have, the Budget staff and the Finance staff in concert.

III. General CIP Committee Referral Report Outs

Interim City Manager, Julie Burch said to kick this off I would like to have Randy quickly walk through the material that we have distributed to you today so you can get a feel for what you have in front of you and then we will proceed to the Committee Report Outs.

Mayor Foxx said I understand Mr. Howard has an obligation at 4:00 so what I was thinking is if we could get the Budget Committee to get through theirs and then get through Transportation that would work.

Budget Director, Randy Harrington said you have a handout which includes all of the Committee Report Outs that the various Committee Chairs will be going through. I wanted to make sure you were aware of that. It does have a table of contents on the front to help guide you through those particular projects. Another thing I will point out, in your CIP material we do have quite a bit of material in there for you and I just wanted to highlight what is in there just for your awareness. On Page 9 is a Table of Contents for this particular content and on Page 13 we have the Mayor's referral that lists the projects by Committee. Page 15 provides a copy of the original layout of the proposed CIP. On the following couple pages I wanted to note, one of the things we messaged in the fall was that in the spring time we have to relook at any of the projects that fall in that first cycle that were pushed up so to speak and the original plan as you recall, was to have the bonds in 2012, they were pushed out into 2013 we would have some cost escalation impacts for those projects in that first cycle. Staff has gone back and looked at that and we have provided that information to you in your packet starting on Page 17. There are 8 projects that would be impacted, some road projects as well as some of the Public Safety facility projects and these cost escalations are based off of construction price indexes that we've used to estimate materials costs for these types of projects.

Councilmember Cannon said you mentioned the piece about the construction escalation in there. It is my understanding from the construction industry that on April 1 of this year construction costs will double. Have you factored that number in?

Mr. Harrington said Jeb Blackwell may be able to comment more on that piece.

City Engineer, Jeb Blackwell said when you say costs doubling we have not seen any indication that costs would go up at that level.

Mr. Cannon said have you gotten any level of indication about costs increasing at all on April 1st?

Mr. Blackwell said yes we have. We have a number of indexes that track that. The costs of course are driven by two factors, one is local market which gets the labor and that sort of thing which is a large portion of our costs and of course materials tend to be more globally driven now when asphalt prices rise with the oil market just like your gas prices when gas goes up by \$1, 25% there is a similar costs to asphalt. Concrete and steel seems to be globally driven so we have looked at those indexes and made our best estimation of what those costs increases will be.

Mr. Cannon said so your guestimate is going to be in what we are going to be talking about this day in terms of future numbers, correct?

Mr. Blackwell said yes.

Mr. Harrington said on Page 19, this provides a revised listing of the projects and the peach coloring you see on the sheet reflects those projects that would experience an escalation factor and that total escalation factor equates to about \$14 million which would take the proposed CIP from \$926.4 million to \$939.7 million. Moving on in the packet on Page 21 the Transportation and Planning Committee, as well as the Economic Development Committee reviewed potential economic impacts of the projects and Michael Gallis and Associates participated and provide a review on that analysis. We do have a report that outlines the projected impacts. One of the things you will notice on Page 24 at the top, there is a table that outlines the total economic and market impact projected at about \$2.2 billion with the proposed CIP and the support of close to 18,500 jobs. Mr. Gallis is here today and can help answer any questions if you have any, but we do not have him scheduled for a presentation. That is it for the overview and I will turn it back to the Mayor and the Committee Chairs to provide the report.

Mayor Foxx said I think we all know each pretty well and folks can just get up in the order they are supposed to and I think Mr. Barnes, Chair of the Budget Committee is first and we appreciate your work.

Budget Committee – Councilmember Barnes Chair.

Councilmember Barnes said I want to begin by thanking the members of the Budget Committee, Vice Chair Andy Dulin, members LaWana Mayfield, Claire Fallon and Patsy Kinsey for their participation and leadership on the Committee. We have spent a good bit of time trying to be respectful of the instructions given to us by the full Council and going through our work efficiently. I believe we've done that and if you will join me on Page 65 of today's packet you will see the two projects that I'm going to be speaking to very briefly. We were charged with the responsibility of reviewing the Northeast Facility and the Sweden Road Facility, which is a total of \$30 million in the CIP. The Sweden Road Facility is a replacement project and the Northeast Facility is an improvement upgrade and a new facility being added. The Sweden Road Facility is a little over \$21 million and the Northeast Facility is a little over \$8 million. With the change added on at the end it is about \$30 million for the two. The Sweden Road Facility will replace the oldest facility in the City's catalog of facilities for vehicle maintenance and the Northeast Facility will be built on land currently owned by the City and it will be built among other City projects or City facilities and will help reduce the cost of operations and provide for greater efficiencies with respect to City functions and operations. The Sweden Road Facility will actually open up land for development for the South Corridor Line of the Blue Line so there are many positive aspects to the two facilities and the Committee unanimously recommended that the Council include the two facilities in its CIP. I'll be happy to take any questions that the Mayor or Council may have.

Mr. Harrington said one piece I forgot to mention in your packet is that we do have all the Committee presentations and reports that the Committee has received. Mr. Barnes had referenced a presentation from Budget Committee but all the other Committee presentations are in the packet as well.

Mayor Foxx said those projects were voted out favorably by the Budget Committee.

Transportation and Planning Committee – Councilmember Howard Chair

Councilmember Howard said I would like to thank my Committee as well, the Transportation and Planning Committee made up of Vice Chair Barnes, Mr. Cooksey, Ms. Kinsey and Mr. Autry. You charged us with looking at a number of projects as well so if you look at the packet that was provided for at the table it is Page 23. If you look at the notebook it actually starts on Page 131. We were charged to look at the 26-mile Cross Charlotte Trail, the improvements along the Northeast Corridor, the road infrastructure projects, sidewalk and pedestrian safety projects as well as the traffic control and bridge projects. All total those projects added up to \$316 million of the number with an economic benefit of well over \$1 billion in synergy and economic development benefits, and a total of about 6,900 jobs as a result of those investments.

We actually started looking at these projects back in January and we had five meetings since then where we went through each project. There are a total of 13 projects and staff gave us a great
mpl

presentation and we heard some of the same numbers from Mr. Gallis about what he thought we would benefit from these projects and we also took the time in our last meeting, just yesterday, to look at alternative funding sources and learned a lot about how TIFs, STIFs, didn't even know that was one, but that is the synthetic TIF as well as STE and the SAD districts, how they all work together. I think if we had some more time we could probably figure out how to apply some of those but given the timeframe I think we decided not to mess with those right now, but it was good information. After looking at all of the projects the Committee did recommend all the projects to Council to be included in the CIP and my support on this is Mr. Hall and Mr. Hall wanted to make sure we covered everything.

Mayor Foxx said these were all voted out favorably by the Transportation and Planning Committee.

Mr. Howard said we took some time to look at whether or not we could use the TIFs, SADs, STIFs and all those things to make a difference and I think given some time we probably could have lowered that number but each one of them had his own hair. Some required us to go to the state and some required us to go after votes from the citizens or people on corridors. I think given the timeframe and what we needed for the CIP we decided not to do that at this time, but they are methods that we should be looking at for other projects in the future I think.

Mayor Foxx said so they were voted favorably

Mr. Howard said yes.

Mayor Foxx said this is a good time to ask questions because you all asked for a deep dive into these projects.

Councilmember Cooksey said I stand to be corrected by minutes but in the committee votes that I made I was voting basically to confirm that projects had been reviewed and to submit them to Council for additional consideration for the entire CIP because it is only the entire Council that can determine what projects would go into it. I don't want to be later labeled as being favorable and then change my mind. I just thought that the committees that I was in looked at these and after we examined them that we had done what our charge was and then we would send them back to Council for consideration on how to put a CIP together.

Mayor Foxx said I understand what you are saying but let me share with you, having set through this. Did you ever see the movie Misery?

Mr. Cooksey said actually I have not.

Mayor Foxx said having set through this for a while there has been an absence of input by this Council on the budget and so the whole idea of sending this out to Committee was to get feedback, input, cut whatever recommend it back to the full Council. I'm interpreting the votes of the committees as votes that these items should be recommended back to us by the City Manager. I'm just telling you the way I'm interpreting these votes. That is what I ask you all to do and you all are doing it.

Community Safety – Councilmember Cannon Chair

Councilmember Cannon said Mr. Mayor you know one of the questions you happened to ask early on was how do we define our future. One of the things we believe in Community Safety is one way to define this is making sure we are adhering to the needs of our community relative to public safety, making sure that our houses of worship, making sure that our area businesses and most importantly our neighborhoods are safe guarded and protected accordingly. Additionally what I like to always do is to try to make sure that I'm inclusive, trying to make sure that everybody has a chance to participate along the way. We've done so in Washington and we will hopefully try to do that again today and all of us come on a level of hopefully being able to move us forward. There were three areas that we had areas of concentration in relative to the budget. One was our Joint Communication Center, the second would have been Police Divisions and then of course the third would have been land purchase for future stations, that is fire stations,

mpl

and what I would like to do is to have members of our committee who have been kind enough to say they wanted to participate in this exercise, to come up and sort of walk you through what the benefits are to each one of these particular areas. On the Joint Communication Center I would like to call on Councilmember Pickering to go over this with you. Keep in mind this Joint Communication Center originally was \$64 million. That is an old number so that number will change largely in part because there was not a motion to move forward on a motion of course that did pass relative to a CIP, but we could not agree on that so hopefully we will come back to it.

Councilmember Pickering said on the Joint Communication Center, I'll just mention it briefly as I think the Council is familiar with it, and it really is exactly what it sounds like. It is an opportunity for the Police Department, Fire Department to come together and share a communications center and that would allow them both to share space, technology and resources thereby holding down costs and improving efficiencies. I would submit that one of the most important efficiencies that would be seen is in the response time to citizens when they call in for service. As many of you know when a citizen calls in for service they are asked what type of an emergency is it, is it Police, Fire or medic and at that point the call is transferred to the appropriate agency. Under a joint communication center that call would no longer have to be transferred. The initial call taker or dispatcher would be able to take all of the information right then and there and feed it to the appropriate agency so instead of two people handling a call we now have one person handling a call. That reduces response times to our citizens which of course goes to the issue of possibly saving lives. We are told that that could possibly reduce the response time from 60 seconds to a minute and a half per call. That is important. So in addition to that Police and Fire would share and standardize 911 communication equipment and training. There is also the potential of adding additional agencies, 311, C-DOT Traffic Center, Mecklenburg Sheriff, etc. Also the emergency operation center would become a central hub here. It is currently housed in a classroom which apparently is not adequate for a city of our size and I am particularly concerned about this and I'm sure you all are, as we continue to see severe weather, it is important that we have an emergency operations center operating at its maximum efficiency. Lastly we believe that this would promote revitalization of that neighborhood with economic development as well and just gives the perception of enhanced safety and the committee unanimously voted this project forward.

Mayor Foxx said the Joint Communication Center, you know that has been lampooned in some corners, but it is a very vital project and I think everyone on this body has supported that in the various iterations of budgets that I've seen.

Mr. Cannon said I think it has already been highlighted in our write-up that we can see at least what has been estimated by staff to be at least a \$4 million jump that is going north in terms of costs now. The difference a year makes is what we see in that.

Next will be Committee member Councilmember Dulin and he and Councilmember Barnes will double team benefits of the Police Department Division Offices.

Councilmember Dulin said Mr. Cannon asked me to bring you guys up to speed on the Police Stations and their development. Those of us who have been around a while, when I got on Council in 2005 and I said why are the Police Stations down in a hole somewhere, the former Police Chief said cheap rent. With Chief Monroe who I think has done our community a fine job, he said that is a problem we can fix. He has been along with Council and our backing on this crusade to get these Police Stations up where folks can see them. I want to give you a little bit of an update on that and I'm pleased with the work that our Council and our staff has done trying to get us to this point. Currently we have five of the new style Police Stations in our community, Sugar Creek and North Tryon Division, Metro Division which opened in 2009 on Beatties Ford Road, I'm very proud of that and I'm sure we all are. The Providence Division opened in 2011 in Ms. Kinsey's District. The Steele Creek Division in Ms. Mayfield's District and under construction and soon to be on Central Avenue, the Eastway Division, also in Ms. Kinsey's District. As we know these Divisions, they are deliberate as to where we put them. The Division Offices are highly visible, they are accessible to not only the citizens in the community but citizens throughout our region, including us. We know where they are, we can see them and pedestrians can see them, and they are indeed transparent to the communities of

which we all serve and I'm proud of them. The Division Offices offers space for community meetings, they are in fact an additional community asset. At the Providence Division, the Grier Heights Community loves going there, we have a nice meeting space for them, we have meeting rooms, we have a Board room so these Police Stations, although costly and the cost will rise but we are not near done. The cost rise on everything in our community and we need to keep that out front too, but they are indeed money well spent and if safety is our job number 1, then this is a job worth doing and moving forward. Lastly, these offices are standardized, they have standard floor plans and obviously, there is some engineering and some architectural expense with them but we are dealing with a template that tends to work and we tweak it a little bit for each neighborhood. Mr. Chairman, thank you for letting me give the report.

Mr. Cannon said Councilmember Barnes will report on the Divisions in terms of where they are located in terms of the City owned facilities report.

Mr. Barnes said I would share with my good friend Mr. Dulin that I believe you have borrowed from my notes and stolen my thunder.

Mr. Dulin said Mr. Barnes we've been sitting in the same class all these years.

Mr. Barnes said let's talk about some great things and it goes back to the Metro Division and the improvements that division office has created in the surrounding community, Washington Heights, Lincoln Heights and the surrounding area and that has essentially become the template for what we are trying to do. The Steele Creek Division Office, I believe will have the same impact, the Providence Division Office has had a very positive impact on Grier Heights. I think that the Westover Division will have a great impact on that corridor because it will allow us to combine in a more efficient space of City services. What we are hoping is that when you take a situation like the Hickory Grove Office, which is in what looks like a warehouse and put that into a free standing facility it invites the community in. It becomes a place that the community can identify as a resource, as a safe place to be. I'll give you a couple of good examples of why we need to move forward with the six Police Division Offices. The North Division Office is hidden in an office park, the University City Office is literally hidden in an office park and the North Tryon Office is in the Sugar Creek Service Center so it is shared with the Library. They share space with the County Library but the fact of the matter is once we are able to build these free standing facilities it literally has the effect of creating more efficiency from the Police perspective in terms of officers being able to do their jobs, but it also bridges a gap that exists between CMPD and the community at large. The Committee fully recommended these projects for inclusion in the CIP by the full Council. If I might take one second to mention something about the Joint Communication Center that Ms. Pickering talked about, one of the things we discussed at some level during the Committee meetings was the fact that that Joint Communication Center combined with the new Fire Department Headquarters could have a very much a catalytic effect on the Graham Street and Statesville Avenue Corridors and if you combine that with the applied innovation corridor it has the ability to transform parts of Mr. Mitchell's District, Ms. Kinsey's District and eventually head up north into mine so in terms of looking at the CIP and these parts of the CIP, the Public Safety piece as having a catalytic change effect I think they do and obviously the 12 of us have dug down into it much more into it than the community has and our staff has as well, but there is some really good things contained within these projects in terms of how they could improve Charlotte.

I do want to add that we will see approximately a 4% escalation of costs as a result of the delays from last year and obviously the longer we wait the greater the escalation so hopefully we can figure out to move forward. There were six Police Division Offices in the CIP so that we are trying to get out to the community.

Mr. Cannon said once again they were voted out and one of the unfortunate things as you talk about having inadequate space right now in some of these Police Divisions, it is not too farfetched to be able to see someone who has been apprehended for something be in the same space being questioned by one of our citizens that lives in and around the area where they come in just to have a conversation about what is happening in the community. It is not a proper setting for our citizens to be in. We need more adequate space than what is out there and in some cases you have settings for classrooms and we can do better than that and we do recognize

and realize that yes, we are talking about potentially a million dollar bunk but what is more these days, ones safety of how much it is going to cost us and right now we know that safety is priority number one. Relative to the next item, this also has been voted out. This will be the benefits of land purchase for future Fire Stations. Chief Hannah is represented here today and I also want to also acknowledge Chief Monroe who has joined us. Councilmember Fallon will speak on this subject matter.

Councilmember Fallon said I don't know if you were as surprised as I was, I knew we had about 750,000 people and I knew we would be getting more when one of the latest statistics indicates we have almost a million people here. Consequently, the Fire Department and Emergency Services have many more calls than normally we would have expected them to have, therefore we need to build more fire stations. We need to have emergency resources for disasters, we need to purchase land now when it is empty and at a lost cost. We can't wait to purchase it when the costs go up and as you know there is more building going on and people are purchasing land again. The purchases benefit the City because they are catalyst for economic development. Things grow up, housing grows up around fire station, stores and other things that the community needs. Our land purchase shows that we have a commitment for doing what is right for the citizens of Charlotte and that is providing the services that are one of our main services to provide which is fire, police and infrastructure.

Mr. Cannon said are they are any questions on the issues surrounding future land sites for fire. By the way these opportunities currently exists for us to be able to go out there and secure them if we so desire. As stated we want to make sure we are getting out there and taking advantage of the market place right now in terms of costs rather than continuing to delay it. Anything we can do to continue this exercise in moving forward would be great.

Mayor Foxx said has there been some thought to – we've got a pending resolution with the City and the County on consolidating among other things Medic and Fire. With the Joint Communication Center, has there been thought been given to the capacity of that Joint Communication Center to house Medic if in fact at some point in the future co-locating that service was a part of the plan?

Mr. Cannon said there actually have been several other departments that have been talked about coming into that local. We are talking about 311, C-DOT Traffic Center, Mecklenburg Sheriff, even a data center facility and so the question becomes and we had this conversation in Committee, is there even share a cost along the way if the County may be also participating in that. Something that could help us lower our costs in there as well. Not only are we sharing joint resources, but we are also sharing the expense for that particular facility. It is still out there in terms if we decide to do the Medic piece or not. As you know we continue to work on that and your office has been engaged and trying to help us see what we can do with regard to it. We will continue to move in that direction if at all possible.

Mr. Dulin said there is a piece of property behind the Joint Communication Center that I believe and Chief Monroe or Hannah could tell me, we have it under option now or do we own it already? We own it so we've got property behind our new Joint Communication Center that can be used for such a facility. We have the big question of costs and I think Chief Hannah has got something.

Mr. Cannon said the footprint of the building, square footage wise, the capacity is there. We could house a lot of things there so that is not a question. We can certainly do it and are ready, willing and able, we just need to move forward on the opportunity.

Mr. Dulin said the future of that has been a part of our conversation in Committee.

Economic Development Committee – Councilmember Mitchell Chair thank you for the opportunity to report out the Economic Development Committee work. Councilmember Cannon serves as Vice Chair, David Howard, LaWana Mayfield and Warren Cooksey make up the Committee. What really makes our work so important is the work that staff prepares for us and I have to thank Ron Kimble, Brad Richardson and Pat Mumford and their whole team for allowing us to get through so many workload items this year. Every time Council referred something to

Economic Development I look over at Ron and either Ron kind of stresses out or he will say we can do it. I thank staff for their great work and making our job a little easier.

If you would join me on Page 83 of the big notebook at the beginning of Economic Development. What I'm going to take you through is what Randy referred to earlier, the referral report out, first on Page 9. Each one Council, allow me highlight two key areas. One is the total costs of the project and more importantly just to take you back to the Council Retreat Michael Gallis report of job creation and the total economic impact. I think from my committee's standpoint, we really focused on those two items, job impact and economic development. The first one is the Airport West Corridor improvement. We referred this out and if you will drop down to the most important two items, \$942.7 million is projected for economic impact, 6,910 jobs. So as we talk about the projects and the impacts they are going to make let's make sure we remember those numbers.

Let's go to our next project which Ms. Kinsey and Mr. Autry are very excited about, the Bojangles Coliseum and Ovens Auditorium area redevelopment. A total of \$25 million for that project, however when you think about the impact, there is projection for \$20 million impact and 263 jobs. Our next project we are recommending out is the East/Southeast Corridor, \$20 million funding for that project, total economic impact \$28.1 million and it will create 445 jobs. The next one and the Committee had a lot of discussion about the Streetcar expansion project of \$119 million and we recommend that Councilmember David Howard and Jill Swain, the Mayor of Huntersville are working on the MTC Funding Committee, we want to defer our discussion until they have the time to look at our whole transit system including the Streetcar and then we would like to make a recommendation after they have time to do their study. Our goal is truly once the MTC funding group has the time to look at all our transit projects that the Streetcar can come back to us probably in a way that we can finance without increasing our property taxes. That is our goal.

Mayor Foxx said has there been a jobs analysis on the Streetcar?

Mr. Mitchell said we did not get that far in our committee.

Mayor Foxx said Mr. Gallis have you done a jobs analysis on the Streetcar?

Michael Gallis said no, our analysis didn't include the Streetcar. We thought that would be done by another group.

Mayor Foxx said did another group do a jobs analysis?

Budget Director, Randy Herrington said as part of the review, the BAE Study that was done a few years ago, that is being updated right now and is being finalized and would come back to the ED Committee. That particular report won't have jobs in it, it will just have the development and commercial and residential growth in the corridor but not a jobs analysis.

Mayor Foxx said well I've had a jobs analysis done of it and out of all the projects in the CIP it creates the most jobs and if part of this is about creating jobs then we need to do the things that are going to create jobs. Another question I've asked the Economic Development Committee and I'm sure you all haven't gotten to it yet, but I want to make sure it doesn't fall off the table Mr. Mitchell, is that if we didn't do the Streetcar does anybody have an idea how we are going to help revitalize Central Avenue and Beatties Ford Road. If the answer is nothing that is unacceptable. These communities have toiled and worked and paid for infrastructure for every part of this City and it is time that we figure out some strategy to create jobs, opportunity, revitalization and growth in these areas. When I get asked questions about my support of this project, my question back to people when they ask me why do you support this, well what solutions do you have? I would like to see if there is another answer to that question.

Mr. Cannon said one of the other things that we did not talk about in Committee because we didn't get a chance to and by the way as we talk about defining the jobs that it will create, which I'm hopeful that it will create, I want to find out if we are talking about construction jobs only or if it is construction jobs and then something else in addition to that which is what I'm hopeful

mpl

that it will show. My primary interest is hoping that Councilmember Howard and/or the MTC will find a proper revenue source for us to be able to utilize which would then in turn allow us to hopefully build this project from the outside in rather than the inside out. If the idea is go and create balance in this community that we are talking about in some of our fragile and threatened areas why then would be starting in a stable area in the midst of uptown? Why wouldn't we be starting it out at least by LaSalle Street, but if you find a proper funding source through the MTC then you don't have to worry about that costs per se because now you have a designated revenue source that will allow us to build out as far as Rosa Parks if we needed to, but if we wanted to be conscious about the dollar we could go as far as the House of Prayer or LaSalle Street which gets us to really the point of where commercial is on Beatties Ford Road to allow people to be able to take advantage of riding out to that area or from that area back into the City of Charlotte and to connect further. I'm of the position to say that I hope that if we are able to move this forward and we find a proper funding source I'm all about the jobs and I think we all are, that is just a given, but it is more important to me that we work to do something from the outside in rather than the inside out.

Now the other piece, if we can't – let's say we didn't do the Streetcar to the Mayor's question, what else is there? How else do get there? When I was a District Rep for District 3 we instituted something called the Westside Strategy Plan. It had to cover a series of different things from housing to transportation to public safety to economic development. It was about job creation, it was about business development and at some point it got to be a good thing about even business retention, well not so much that because we were trying to create, but the environment and even land use was some of the other subject matters. I don't see why this Council could not find a way to come up with a Beatties Ford Road Strategy Plan centered only around economic development. I don't see why we couldn't find a way to come up with funding for Central Avenue Strategy Plan solely for economic development. In the past what we did when the Westside Strategy Plan came you all know that the Eastside Strategy Plan came as a result of the Westside Strategy Plan but that was concentrated more on infrastructure and not economic development. There wasn't a great concentration there to be able to help us with that. It is my hope that – those are some what ifs that we could be talking about around this table to create opportunity that is actually less in costs than what we are talking about with the Streetcar. I don't see the Streetcar as a catalyst, I see it as an amenity but it helps, it works if we do it the right way. I think there is some way to potentially get there, I don't know if we've talked about it all.

Mayor Foxx said let me go back on this because you made some very important points. This whole budget is an economic strategy plan. That was the whole genesis of it. Recognizing that we have parts of this community that are underperforming from a revenue standpoint but across a range of issues underperforming in terms of job creation, underperforming in terms of quality of life, across a range of things so the whole plan has been built off of a desire to see these areas become more robust and more economically viable. That is what we should want for all parts of our City. No neighborhood ought to be stuck with a bunch of crime and no neighborhood ought to be stuck with a bunch of folks that can't find good opportunities etc. To your point about how the thing was built, that is an engineering question and has nothing to do with the funding. So either the money is there to fund it or it is not there, regardless of whether it is built from the outside in or the inside out or upside down or right side up. The problem we've had is that we haven't been able to find a way to get the funding done. Again, I'm all for strategies but we've been fumbling with this for a year and what I'm concerned about quite frankly is that we are about to set in motion potentially an 8-year budget and once you pull the trigger on an 8-year budget you don't get many chances to amend it. If you carve these corridors out you are probably out. If you carve them in, I heard about a 40/40/40 Plan, carve them in with undefined spending I don't think that is a good solution either. There is a lot of work that needs to get done on this and I'm only raising this because I don't want the Economic Development Committee not to wrestle with what other options might there be to see revitalization happening in these areas. My guess is that the answers aren't going to be very plentiful. To me this is just like what happened in Ballantyne and Warren will probably give me a history lesson on Ballantyne but the City has always helped to put infrastructure in places and that infrastructure has resulted in private sector investments that have help build this community. That is the story of Charlotte and it just amazes me that when it happens to be in the east and west corridors of our City it becomes controversial.

Ms. Pickering said I couldn't agree with you more, you and also what Mr. Cannon mentioned. We discussed this at the Retreat a bit. Our priority absolutely is to revitalize the Beatties Ford Road Corridor, east side, there is no question about it. Your question is what else could we do. That is a question I raised at the Retreat, what about public/private partnership fund for that eastside corridor? We have some money for the eastside now but there is not that much. I think we all agreed on this and this is the question of the moment. The question is how do we revitalize those corridors, how do we fund it, how can we do without raising property tax? That is the question at hand and I agree with you and I think there has got to be a way that we can do this, something we can do now in this budget. We have to do something now, we cannot wait.

Mayor Foxx said let me tell you something. Ms. Pickering if we can figure out a way to do it without raising property taxes I am all for it. All in two feet. Not to interrupt you but I want you to be discerning about what you are saying because there is also a piece of this – let's say we did everything in here but figure out east/west Charlotte. Are you saying that every other place is worth the investment but that place? I'm just saying my point is that is how it could be read within a certain perspective. I don't think that is what you are saying, but what I'm saying to you is that we have to defend the decisions that we make and if we make a decision to invest in North Tryon Street, invest in Independence Boulevard, invest in wherever, but we made a conscious decision to say on these places hmm. I just don't understand that.

Ms. Pickering said I appreciate that. I'm saying exactly the opposite. I'm saying I want to invest now into those corridors. Now, how can we do it? The Streetcar may be one way. It is 18 years before it gets all the way out Beatties Ford Road. I'm not willing to wait 18 years. 18 years, some folks aren't aware of that. It is 18 years before it is fully built out to Beatties Ford Road. We cannot wait, we have to do something now.

Mayor Foxx said are you saying that if we did this 2 ½ mile stretch it would be 18 years before that got built?

Ms. Pickering said I'm saying it is 18 years before the Streetcar is fully built out to Beatties Ford Road Corridor which is the corridor I am most concerned about because as you said in the past it hasn't changed in over 20 years.

Mayor Foxx said but you agree that if we made a decision today it wouldn't be 18 years before that piece would get built out?

Ms. Pickering said West Trade is what is in the budget, not Beatties Ford Road.

Mayor Foxx said let me back up. I actually disagree with you on this point. I don't think it will ever get built because right now the sales tax is empty. There is nothing and that is what the Committee that Mr. Cannon was referencing is taking a look at, how do we refurbish our funding scenarios for our transit system, not just the Streetcar, but the Red Line, the Southeast Corridor, all of it, but the problem we have is that there is no money to do anything beyond the Blue Line Extension, which is the most important project by the way Mr. Barnes that we have on our plate right now. I don't think we are talking about 18 years. I think we are potentially talking about never.

Ms. Pickering said but what are we going to do now? That is my questions.

Mayor Foxx said we voted in 2006 to put a Police Station on Beatties Ford Road. How long did it take Mr. Mitchell?

Mr. Mitchell said from 1999 to 2006.

Mayor Foxx said and once we pulled the trigger on it, it got built when?

Mr. Mitchell said it took about 19 months to build it.

Mayor Foxx said Mr. Cooksey has road projects in the Ballantyne area that were voted on when, 2007?

Mr. Cooksey said well, it depends on which bond they were going to be on and then got postponed.

Mayor Foxx said they got put on the bonds, they passed but you still don't have the road projects. So my point is that from the time we make a decision it can be years before projects can get done, but if we don't make the decision the project never gets done.

Ms. Pickering said we know for sure it will be 18 years before it is fully built out to Rosa Parks.

Mayor Foxx said no we don't.

Ms. Pickering said how do we not know that?

Mayor Foxx said because there is no money.

Ms. Pickering said if we pass this budget which did the West Trade piece now and the next budget we'd have to –

Mayor Foxx said there is no money.

Ms. Pickering said even if we voted for the Streetcar now what are we going to do for that corridor right now?

Mr. Cooksey said the brief history lesson is the City some infrastructure to Ballantyne and then annexed the infrastructure that had been built privately in Ballantyne. Then once the City took over, for example put the Community House Bridge on its CIP and then didn't fund it until the Ballantyne area, Bissell Company stepped up to fund it to get tax refunds to build the infrastructure for us. So that is the history lesson. Ballantyne is infrastructure that was annexed, not built by the City. The question and Mr. Cannon referenced it and Ms. Pickering referenced it, but I just want to ask the question since you spoke about this moments ago, if the Manager's recommendation had passed with the 2 ½ mile \$119 million Streetcar project, when would there have been rails on Central Avenue? There is no answer. When would there have been rails on Beatties Ford Road north of Johnson C. Smith?

Mayor Foxx said within 3 to 5 years.

Mr. Mitchell said I heard 2017 or 2018.

Mr. Cooksey said a 2 ½ mile project from Johnson C. Smith to north of the hospital in an 8-year CIP would have rails on Central Avenue, so 8 years from last year would put it 2012 to 2020. When would they have been built on Central Avenue and Beatties Ford Road, what years in that CIP proposal?

Mayor Foxx said in the Manager's recommendation? There was a 2 ½ mile stretch that was programed in the budget but there was nothing beyond that.

Mr. Cooksey said to Ms. Pickering's point, in the 8-year CIP proposal from the Manager last year did 2 ½ miles on Trade Street and just north of the Hospital, but nothing on Central and nothing on Beatties Ford Road.

Mayor Foxx said no, that is not true. It would have gone to French Street which was Beatties Ford Road.

Mr. Cooksey said how far north from Johnson C. Smith?

Mayor Foxx said let me give you another piece of this, which is that when and if we make an investment, probably more if than when, there is also the opportunity to package that as a Small Start so there is an opportunity to go beyond what you have put on the table. That is an unknown because we never got that far.

Mr. Cooksey said that is the question I want answered because what I saw from the Manager's presentation last year was an 8-year CIP that did 2 ½ miles of Streetcar from Johnson C. Smith to just north of the Hospital, no rail on Central and very little rail on Beatties Ford relatively speaking.

Mayor Foxx said but here is the point. I think the point is that one of the empirical truths of transit in general, Streetcar and light rail in particular, is that the private markets follow those investments. I think what this was designed to do wasn't necessarily to get to completion, it was designed to create a catalyst where there is no catalyst. I think the goal here was to create a catalyst project, not necessarily to get 10 miles of Streetcar but to approve the concept and to get some energy into these corridors. I think the Committee is doing the right thing here and I totally agree that this process that the MTC is working through ought to be done, but I'm sort of raising these points because I don't want us to get to a point where these corridors fall off the table when we have to make a decision on the budget, whether it is the Streetcar or something else I think we've got a responsibility to really think about because remember we are the fastest growing metro region in the country. In the country, and yet we are starting to see the areas of growth and opportunity shrinking so the whole theory of this budget was to try to expand the size of the pie and if we don't figure these areas out I think we are going to leave ourselves not hitting the target.

Ms. Fallon said if we want to get money into those communities immediately, let's talk about a 40/40/40 Plan. It gets money and you are saying we have the money, everything is depending on that wherever we get it from. There is so much you can do if you put that money into a community directly and soon because it wouldn't be waiting for 2018 or 2020, it would get sidewalks and lighting and I would subsidize grocery stores that they don't have there because we subsidize everything and its brother, why not the grocery store and give those people a chance to have decent stores. It creates jobs, you have decent roads. Go on Beatties Ford Road on those little side streets, there are beautiful little houses there, that could also be revitalized but they need sidewalks on the side streets, they need lighting on the side streets, they need a lot of other things that \$40 million in each community would make the difference on.

Mayor Foxx said I didn't mean to get us way off on the ramp here, but let's get Ms. Mayfield and then close this out and keep moving.

Councilmember Mayfield said what I heard you say when mentioning the plan that Ms. Fallon just mentioned, that idea of dropping \$40 million without there being a clear goal of what that \$40 million was going to be spent on, in my personal opinion is a waste. It is throwing money without any clear direction of what that money is going to be identified for. As a member of this Committee and as someone who has supported the entire Capital Investment Plan that included public transportation, and still not clearly understanding how one piece of this project has been pulled out of an entire plan that was nearly a billion dollar plan, still not really understanding that discussion, but had a great opportunity at the Black Political Caucus meeting to answer questions and help people realize the big picture. At the end of the day what we as the Economic Development Committee looked at is the charge of the items that were broken up for us. Yes we agree that Mr. Howard and Jill Swain and others through the Committee should be looking at funding sources, but it is not an option nor is there a consideration for us not to be talking about public transportation. I've also had conversations with Ms. Flowers. She and I did a tour together to Design Line which is a local business that we have here that has finally passed the ... they needed in order to have their modes of transportation on our streets even though they have been successful in California and other areas. The conversation is happening about how we identify multiple forms of public transportation but it is unacceptable for anytime a discussion is being had for there ever to be a comment that is made regarding those people nor is it acceptable at any time to speak as if this great beyond and what they need and when comments like that are made along with the fact that it is extremely irritating. As a member of this Council and what our role is as this body and looking at what is the expectation of our Capital Investment Plan. What is the expectation of each Committee report out. What we are saying these are the reports, these are the items that we are pushing forward that we are saying as a Committee we believe that we can support right now. But there can be no misunderstanding that we are not still looking at how we expand our options for affordable public transportation to try to get some of these cars off the street as well as looking at what is true economic development, how do we

grow economic development and what is our role in to making that happen today to help prepare for the future, opposed to being afraid and getting stuck and not doing anything.

Mayor Foxx said Mr. Mitchell you've got a presentation to finish. You can come up at the end if you all want to continue this.

Mr. Barnes said you started this whole thing and now you want to stop us from talking about it. That is not right Mr. Mayor and you know that.

Mayor Foxx said I'm reclaiming the floor and I will say this. We can go right to Mr. Mitchell, we can finish the presentations and if we want to come back to this we can come back to this.

Mr. Mitchell said the next item is Applied Innovation Corridor, a \$28 million project. Potential economic impact \$151.8 million, 567 jobs. The last one is the UNCC Informatics Innovation Partnership and our recommendation is to not include this at this particular time but allow the UNCC staff as well as Ron Kimble and our Legal Department to continue to flush through this partnership because there are some outstanding issues that we need to get resolved before we can move forward. Those are our referred out items, part of economic development and I'm scared to ask if there are any questions, but are they are any questions?

Mr. Cannon said do you think at some point we might be able to have some level of discussion in Committee about maybe bringing Debra Campbell in and whomever else Mr. Chair to talk to us about a Central Avenue or Beatties Ford Road Strategy Plan?

Mr. Mitchell said I think that will work fine Mr. Cannon, what I will ask is that we finish the MTC study and let's look at what they are doing and then that could be referral for Council to make to the Economic Development Committee. I think we will welcome that.

Mr. Cannon said keep in mind that Economic Development Strategy Plan would have nothing to do with the transit piece of it. It would be a separate piece by itself and would stand alone. Remember when we had the Westside Strategy Plan, when you came in 1999 the first thing you asked me was where is the money. I was spending it and we were working it and by the time you came and you wanted to set forth your charge to get some things going, there wasn't a lot to do. If we would have had a remainder we could have had your Police Station, but in light of that not being the case if there could be something geared strictly, specifically for economic development, I'm not talking about transit, I'm not talking about anything other than economic development for Central Avenue and Beatties Ford Road, I want to know from this Council and from you if we could have that discussion at some point.

Mr. Mitchell said I welcome that discussion.

Mayor Foxx said I think it would be good.

Mr. Cannon said it would make a difference.

Mr. Dulin said Mr. Barnes isn't in the room anymore and I'm not done on the Streetcar conversation. Do you want to wait until the end or do you want to do it now?

Mayor Foxx said let's wait until the end.

Housing and Neighborhood Development - Councilmember Kinsey Chair said well we are going to spend your money, but as good citizens of this community we should be caring for those about those who are less fortunate so I'm going to be reporting out on the Affordable Housing Programs and I want to recognize and thank the Committee. LaWana Mayfield is our Co-Chair and then we have the ABCs, Autry, Barnes and Cooksey. Also at my back I have Pam Wideman, Pat Mumford, Eric Campbell and Julie Burch and I do appreciate the work they have done on this report. On Page 19 of the report that was handed out today, you will see of this and then the big report is on Page 105. The first project that we are recommending is a housing locational policy land acquisition program of \$5 million. These funds would be used to support the development of new assisted multifamily housing in permissible areas, that is in accord with the

locational policy, as defined in the revised policy. The second item is the tax credits set aside program and that is \$16 million. Funds would be made available to developers receiving a North Carolina Low Income Tax Credit award from the North Carolina Housing Finance Agency for the construction of new or rehabbed multifamily housing serving households earning 60% and that would be \$39,100 for a family of four, or less of the area medium income. The third item is supportive service program and that is \$12 million. These funds would be made available to developers for developments that further the goals of the ten-year plan to end and prevent homelessness. Developments may include a variety of service and support such as case management, domestic violence, legal, life skills assessments and you can see the rest there in front of you.

The next item is Incentive Based Inclusionary Housing Programs and that is an \$8.1 million item. We just passed that recently. Funds would be made available to developers to encourage the development of affordable housing by the private sector. Next is the Single Family Foreclosure/Blighted Acquisition and Rehab Program. That is \$6 million and funds would be made available to developers or homeowners to acquire or to rehab and reuse foreclosed and blighted single family properties to expand the supply of affordable housing in targeted areas throughout the City. The last in the housing category would be Multifamily Rehab and Acquisition Program at \$12 million. These funds would be made available to developers and multifamily owners to acquire and renovate housing units in areas of the City where there are high vacancy rates, making all or a portion of the development available for the provision of affordable housing. As you see the proposed affordable housing CIP is designed to address the continuum of housing from homelessness to maintaining home ownership. It is designed to address the need for geographical dispersion and the rehab of existing single and multifamily units that are or may be used to expand and increase the supply of affordable housing.

The proposed Affordable Housing CIP is designed to continue the creation on mixed income communities which we have found work very well. On March 18th the Housing and Neighborhood Development Committee unanimously voted to recommend the \$60 million Affordable Housing Program for inclusion in the recommended CIP. We also considered the general CIP projects referring to Housing and Neighborhood Development Committee. Our staff is wonderful at coming up with acronyms so this is CNIP. The first project is Prosperity Village at \$30 million and that is designed to capture the I-485 development interest and many of these are designed to capture things like that also the value of parks and greenways and in areas of Transportation. The second area is the Central/Eastland/Albemarle area and that is a \$20 million project. That is to expand the momentum from close-in neighborhoods revitalization and to develop new neighborhood shopping districts. The third is Whitehall/Ayrsley at \$30 million and this is to capture the values of natural amenities in the greenway and river as well as other items. Then the Sunset/Beatties Ford Road area at \$20 million and in addition to capturing the value of parks and greenways it would support the project LIFT communities. The last is the West Trade/Rozzells Ferry Road area at \$20 million and that supports the Johnson C. Smith area transformation and the Project LIFT Communities as well as some other items.

This Comprehensive Neighborhood Improvement Program or as I said CNIT is a new approach and combines the City's current neighborhood improvement program and business corridor revitalization program allowing us to comprehensively address community needs. The City's existing area plans are the foundation for this work. While there is no established methodology for estimating the potential amount of increased property value that will be gained from CNIP investments we have seen that work done through the current neighborhood improvement program and business corridor program have changed the outcome in communities and result in a higher than average return on the investments. On January 23, 2013 the HAND Committee unanimously voted to recommend the comprehensive neighborhood improvement program for inclusion in the recommended CIP.

Mr. Dulin said do you happen to have a tally Ms. Kinsey from Committee or staff about the total millions of dollars spent because what you just mentioned is all spread out, but those millions out the Beatties Ford Road corridor and the Albemarle Road/Eastland Mall site. I heard those numbers come up a lot. Johnson C. Smith was mentioned.

Ms. Kinsey said I cannot do that in my head and I do not have a calculator right here, but it is in your report.

Mr. Dulin said the numbers are here I just wanted to know of the \$60 million, \$30 was going to be spend down Beatties Ford and \$30 million in Eastland Mall. Randy do you have any idea about that calculation?

Mr. Harrington said I don't off the top of my head and I'm looking at Pat Mumford and he is shaking his head. Anything to add Pat?

Mr. Mumford said if you are asking about the \$60 million affordable housing, no we do not have locations for those projects.

Mr. Dulin said we do have pinpointed X amount of monies that we want to spend in those, for instance you just mentioned \$20 million to help the service area of Project LIFT. In fact we are planning, if we can get it funded to spend money in those corridors.

Ms. Kinsey said this is really a continuation of what we've done in the past Neighborhood Improvement Projects and Corridor Projects so this isn't something necessarily new. It is a new concept by blending those two programs.

Mayor Foxx said Ms. Kinsey I just want to say I got a chance to attend your Committee meeting and you actually were not there. The conversation and level of intricacy of this work is very, very complex and I want to thank you and the Committee for putting your shoulders to the wheel.

Ms. Kinsey said thank you, the longer I'm working with this the more I realize number one how important it is, but number two how difficult it is. It is not an easy task and sometimes it is a little overwhelming, knowing the need, but also then knowing the resources.

Mayor Foxx said that is the last report. Mr. Dulin do you want to jump in, or Mr. Barnes do you want to jump in?

Mr. Dulin said I have notes on that somewhere but I'm going to let my heart do my speaking rather than my notes.

Mayor Foxx said that is always the best way.

Mr. Dulin said Mr. Mitchell reported out that the Streetcar had been pulled from their recommendation today for the MTC Study to happen and I did make a little note on the edge of my paper, said on hold for now. I was prepared to let that go today and be on hold, then the conversation started up. It started with the Mayor and then it bounced around a little bit and it got personal again and I need to remind this Council that the Streetcar, we have spent hours and hours and hours on it, and the staff thousands of hours. It remains today to be the dividing line that divides this otherwise genteel Council. There was a plan last year that did not include the Streetcar. It included \$674 million of capital improvement around this community, many of the things we've talked about today. If we had passed the darn thing last year without a tax increase we wouldn't be here today. We'd be working on other things and other issues. The fact is that we do spend money in those two corridors. We are buying every building in east Charlotte that we can and we are trying to rid areas of blight over there. We are trying to help Beatties Ford Road. We've just spent millions of dollars helping Johnson C. Smith Campus and Mosaic Village. I voted for the thing and I'm proud of that. I'm proud of other projects we've done there. Lord knows I have to defend it every day, but I'm proud of the money we spent to buy Eastland Mall and the drug houses across the street from Bojangles. I'm proud of those votes because we are helping to clean up that wonderful neighborhood behind it. But the Streetcar is the problem, and I was prepared to let that problem pass by me today without saying anything about it until it came up. It is going to continue to be a problem through this budget cycle. We at your suggestion scheduled three separate Budget Workshops in the fall to try to get ahead of it.

Mayor Foxx said let me interrupt you. It was actually at Council's suggestion. There were several Councilmembers who wanted to do that.

Mr. Dulin said very good. We scheduled three Budget Workshops, got nothing done in the first one because we were talking about the Streetcar, got nothing done in the second one because we were talking about the Streetcar and we cancelled the third one because it was too close to Christmas or Thanksgiving.

Mayor Foxx said we actually had the third one.

Mr. Dulin said we cancelled one of them.

Mayor Foxx said no we didn't, we postponed one of them.

Mr. Dulin said maybe you didn't invite me to that one because you knew what I was going to say. I just need to let everybody know that the Streetcar is still a stopper for me and it is a stopper for the community. It is a divider of this Council when we can get work done. I know it is frustrating for everybody in different ways around this dais. Everybody is frustrated. I go back to it being out of line. It was brought up by Tober trying to save the light rail money in 2007 and here we are in 2013 still fighting about it. I'm going to unfortunately have to continue my advocacy against the Streetcar now and I was planning on not saying anything today. But here we are again and it is going to continue to divide us and I'm looking into a crystal ball saying it is going to be a bloody budget cycle again if we have to do that of getting people to pick sides, which is what we've done.

Mayor Foxx said let me say in response, I think some progress has been made even today, even though it may not look like it. I think there has been some helpful suggestions Mr. Cannon to sort of look at some other strategies. I don't know what they will yield but it is worth taking a look and that is consistent with what I've asked the Economic Development Committee to do which is to say if we don't do this what can we do that will actually make an impact. In addition to that I've said in response to Ms. Pickering and I'm serious, it is not a joke, that if we can find a way to decouple it from the capital plan and figure a different way to see some progress happen on it, I'm all for it. I really am. I don't know that we can but I'm all for that and the final point is that there is a difference between investing and spending money. I want to make sure people understand the difference in my mind there. Spending money is standard operated procedure, taking a bag of money and dropping in on the corner and saying we just did something for you. Investing is having an actual strategy around those investments that yield more private sector activity, creates jobs and creates revitalization and that is where I have some departure with some of the conversation. I have friends who are actually not Democrats and one of them sat down with me and he said Streetcar is the craziest thing, why don't you just put \$200 million into infrastructure, I'd support that. It is actually very similar to what Ms. Fallon is saying, but the reality is that if our goal is to create jobs and create revitalization our staff is telling us what they impression is is to what will most likely do that. One last response Andy, and I've heard this too, that the Streetcar is sort of stuck into the 2030 Plan in an effort to save the light rail. I think that is in reference to the referendum effort. Let's assume that that is true. Let's assume that it was kind of laid there as kind of a straw man so to speak just to create the kind of buy in across the community to try to keep the transit tax. I think that is a shame. It is not the way this community ought to be run, to hang out something out there with no intention of doing it. I hope that is not true, but I've heard it. That is one of the reasons why we ought to do it.

Mr. Barnes said I had to step out abruptly to call a client by 4:30, I wasn't storming out of the room. I know it looked like that but I wasn't. I did not expect to have to re-litigate the Streetcar issue today. As I read the economic development materials you all had tabled it Mr. Mitchell and you and I talked about it and I thought it had been tabled to some extent. But I can appreciate the conversation about it. What I want to say though is that there are a number of reasons that a number of people, both on this body and in the community, have concerns about the Streetcar. Some people just don't want it because they don't think we should build it because they don't think east and west Charlotte is worth it. Some folks say that the funding methodology is problematic. I've been in that camp since I have been on the Council essentially. Essentially there are arguments to be made that the Streetcar Advisory Committee disregarded the BAE Study which never contemplated using property taxes from my perspective to build the line. There are people who would say that primarily building a line uptown doesn't really help revitalize West Charlotte or East Charlotte because it is essentially an uptown line, although I

mpl

understand the connectivity with the rest of the system. So there are a host of issues that a number of people argue about why and why not on the Streetcar and the budget that was put together that was vetoed had a \$40 million investment for West Charlotte and we are doing work now on Beatties Ford Road and other places, the Mosaic Village investment that Mr. Dulin mentioned. Those investments are taking place as Mr. Cannon mentioned, he siphoned all of the money out of the Corridor fund when he was on Council to help West Charlotte and there was \$72 million in that budget from last year that included East Charlotte that included the Bojangles investments and some other things. Mr. Dulin mentioned the \$13 million we spent buying Eastland Mall, the money we spent buying hotels and motels.

The reason I raise these issues and make these points is that I want it to be clear to people that we don't disregard parts of Charlotte. You all know I've been mad about the 84 used car dealership on North Tryon Street since I've been here. Ms. Kinsey and I have talked about it and we haven't done a thing about that. I've been hoping and praying but even the Blue Line won't help that really because of where most of them are located. That is a concern for me, we've never done anything about it but I haven't made it a class issue and all this sort of north/west east/south stuff which I think is not helpful to what we are trying to do. I do believe that we will figure out how to do the full transit plan. I believe in the 2030 Plan and the Streetcar is a part of that plan and as you indicated Mr. Mayor, and as everyone knows here the funding methodology for the 2030 Plan, the ½ cent sales tax is not sufficient to build the Red Line, to build the Purple, to build the Silver. It hopefully will help us finish the Blue Line. But we have a number of challenges that a lot of people in the community don't have a chance to appreciate because they don't have a chance to dig down into all the conversations that we all know about and we have with staff and various parts of the community.

There are I think some solutions out there that will likely involve getting some help from Raleigh. The problem there is that there isn't any help, even if they say there is as they did with the Panthers, there ultimately isn't any and that is not helpful. So if it has to be a local option it will probably take 20 more years because of the sufficiency of the funding sources. If we could get what we used to have in Raleigh, which are partnership, we might have a chance to get the full 2030 Plan done. I heard the tension here and that sort of stuff is not helpful to what we are trying to do as a body and I know these folks showed up to kind of witness what we do and people are watching now too on TV. I am determined to figure out how to get a budget passed without it being vetoed this year and I hope you all are. I know all 12 of us desperately want to pass something and I remain committed to that so hopefully it will happen and I look forward to a very, very robust presentation from Mr. Gullet on CMUD now before I have to leave to go pick up my children.

Mayor Foxx said very well stated Mr. Barnes, let me say a couple of things in response. I really want to see us get a budget passed too. I think everybody around this table does, even Andy wants us to pass a budget. Even Warren wants us to pass a budget, now he may not vote for it, but he really wants us to pass a budget. I think everybody wants to see us get this done so I think the spirit is there to do it. The issue will become, I predict, I think the things that we've talked about today were never controversial. The rest of this budget was never controversial. I never heard people argue that much about the Cross County Thread Trail even though I think some people might pick that apart, but I think it is a good project. But I think the question is what target are we trying to hit? The neighborhood improvement investments you talked about, the \$40 million, those will make a difference and that is a substantial amount of money but I still don't see in those investments job creation. I don't see substantial job creation there and that is what I'm still struggling with there. I think the Committee has done the right thing. I think taking the time and listening to what the MTC comes up with is the right strategy so I want to make it very clear. I also want to make it very clear that if there is a way to do this outside of a property tax increase we ought to double down and try to figure out how to do it, and if there is a different and better way to accomplish the goal of creating jobs and some vitality, let's do it, but if we go through all of that and the answer is we can't get there we might find ourselves right back in the same place. I think you've got a tough job Mr. Mitchell, Mr. Cannon, Mr. Cooksey, Ms. Mayfield and Mr. Howard, you've got a tough job figuring this out for us but for the strongest horses goes the heaviest loads. Good conversation and I appreciate your engagement.

Ms. Burch said to wrap this up I want to ask again if the Council wishes to give the staff direction in terms of inclusion of any projects as far as coming back to you all on the 10th of April, a listing of those projects if you so choose along with the associated tax rate it would take to support those.

Mayor Foxx said I'm going to make a statement and if someone has an objection they can raise it. The statement I will make is I believe that the intent of this Council is that the staff will bring back the items that have been favorably reported out of Committee and adjust those items to a tax rate for discussion on April 10th.

Mr. Dulin said for purposes of study, should we include the additional Joint Operations Center for 311, Medic, etc.?

Mayor Foxx said I think it is in there already. Everything that was favorably reported, anything that was deferred will not be in there.

Mr. Dulin said we just discussed that though at the end of our report, we didn't report it out I don't believe.

Mr. Cannon said yes we did as a Committee.

Mr. Burch said that is very helpful and we will follow that direction and be back on April 10th with that information.

Mr. Barnes said I wanted to ask about the project, the UNCC Informatics.

Mr. Mitchell said you were talking to your client and the only thing we said we are going to allow UNCC and Staff to continue to have discussion.

Mr. Barnes said I know there was this issue about the public/private purpose piece and then there was a reference Mr. Mitchell to the fact that the investment could spin off two to three companies per year. It seems that the issue is between public and private kind of like the Johnson C. Smith Mosaic Village piece, not the economic value of the job creation. I thought based on the write-up that you provide us, Pages 101 and 102, it has a tremendous economic impact potential and job creation potential.

Mr. Mitchell said that is why we want to vote to move forward but deliberately, but let staff and Legal work with UNCC.

IV. Charlotte –Mecklenburg Utility Budget

Interim City Manager, Julie Burch said I would like to ask Barry Gullet to make a brief presentation on the Charlotte Mecklenburg Utility Budget, both operating and capital and the presentation will be found on Page 185 in your Workshop Book.

Utilities Director, Barry Gullet said I only have about a dozen slides and I'll go through them quickly. I want to start off by saying at CMUD as we've put our budget together and as we've continued to operate over the last few years, our focus is really to maintain and improve our service levels that we provide to our customers and to maintain the infrastructure that we have in place. Also it is to support economic development by providing the capacity that is needed to continue growth in the community and to provide the best quality we can at a reasonable rate. With that I want to tell you what the key points in my presentation are today and they really are that this year we will need to issue new debt to support our capital program. This will be the first time we've issued new capital debt since 2009. I will also say that our ten-year financial management plan is working and we are moving away from so much debt financing and more toward cash, pay as you go financing. Another point I want to make is that our residential per capita consumption, in other words the amount of water that each household in our county uses each year is declining and continues to decline and it is early for us to be making a final rate recommendation. We are going to give you a range of numbers today. We really need to get the consumption data for the month of March to factor in our projection for next year and we are
mpl

also working with preliminary budget numbers from the support services that we receive downtown. So we need to get those numbers finalized, both consumption wise and our final cost numbers before we can come up with a final rate recommendation. That will be part of the Manager's recommendation when she presents that later.

Councilmember Mitchell said I'm probably one of your biggest fans of importance of water and infrastructure but this always comes to us with a lot of pain because citizens really complain. I thought about two years ago we got to the point that we increased the rate, that we were building up capacity that we won't have annual increases. How many consecutive years have we increased our water rate?

Mr. Gullet said our financial plan is to do relative small incremental increases each year to support the increased operating cost that we have but mostly to support the ongoing investment into the system. You are correct in that the financial plan proposes and has been implementing building up more cash so that we don't have to borrow as much money. The fact that we do that will help us control the rates and keep them lower. It also give us more flexibility from year to year on what those increases are based on what we decided to build each year.

Mr. Mitchell said Ms. Burch we are going to need some help and it is not because of you Barry because you clearly ... you financial model and providing safety water. You articulated we are going to need a rate each year. We just need to communicate that to the citizens because every budget cycle when it comes down to this, citizens complain and we just need to be clear and articulate our whole vision. It might require a .3 per cent from 2012 to 2020, let's put it out there so everybody will be totally transparent. What happens the 12 of us get beat us and we've got to justify why each year we vote for a water increase. It makes us feel like if we vote no we are against clean water. It is not voting no against clean water, we are getting push back from our citizens who are saying you are nickeling and diming us each year. If we are going to take the hit let's just be up front with the citizens and say for the next 12 years we are going to increase your water rate and this is what you are going to get; new pipes, new infrastructure or water treatment. To me we are having a battle each year and you are really talking about a big vision which is a positive one. We just need to communicate that and give the 12 of us coverage.

Mr. Gullet said I understand and we really do try hard to do that but are not always successful. We've operated with this financial plan for many, many years and you are right we need to be more out there and communicating it more. We will work hard on that.

Mr. Gullet continued his presentation and said this is a chart that I have used in years past and I've updated it to show you our revenue requirement (page 186). This is half of what drives our rate, half of it is revenue requirement and the other half is how much water we are going to sell, how much our consumers are going to use. In 2013 we had budgeted an operating costs and debt service and contribution to capital. That is what the three colors on this chart represent, the blue is operating, the red is debt service and the green is our contribution to our capital for PAYGO purposes. We had budgeted that we would produce \$310 million in revenue and you can see how that was broken down. In reality those numbers are going to come in lower, we are going to come in under on our revenue. We are also going to come in under on our expenses, so we are projecting a total revenue this year of \$307 million. Last year when we looked ahead to 2014, the budget that we are working on now, we had projected a revenue requirement of \$328 million. We've worked hard on that and our projections now going forward are that is going to be lower, that is going to be \$318 million. Part of that is in operating and then our contribution to PAYGO. The number on the 2015 projection is kind of out there number right now, it is a pretty conservative number and I really expect that will be lower in the final analysis.

Again a chart that you have seen that just shows goes, the majority of the money we collect, 64% of it is going toward our capital program. The other 36% is going toward operations. The big changes this year is in the bond repayment and debt service. Some increase in maintenance and fuel repair. These are all preliminary numbers because we don't have the final numbers in place just yet. We are proposing some operating changes this year and the net result of these changes will be a savings in our operating budget of about \$152,000. We have a number of things that we have utilized, temporary employees for through the years and that we have contracted for through the years. We are not abandoning either of those strategies, we will

continue to contract for many of our services, but there are some of them that quite honestly we can do just as well if not better and cheaper in house. One of those is surveying for engineering purposes for projects so we are proposing to add two surveyors to our staff and that will eliminate some need for contracting.

We have 75 wastewater lift stations across the county, several of these are very large lift stations and if they were to fail it would cause a large amount of environmental damage or it could and a lot of disruption to a lot of people. We have those monitored electronically in at least two different ways. Our experience has been that even at that they can still fail and we not know it if we don't go by and look at them. We have been for about 15 years been using a temporary employee to go check those lift stations daily. We believe it is time that they are not temporary any more so we are proposing to bring them in. When we converted from a walk by meter reading system to an automated meter reading system for our water meters in about 2003 or 2004 we converted meter reading positions to temporary positions to help us do the installation of the equipment. Once we got the equipment installed we found that there was some problems with it and it took those temporaries to help us keep it going and respond to customer complaints and that type of thing. As a result of that we have already whittled that number down quite a bit. It used to be as high as 36 or 37, currently we are at 24. We are proposing to go ahead and convert 9 of those 24 to regular status, regular employees and to eliminated 6 of the temporary positions completely and to hold the remaining temporaries as temps until we finish our equipment replacement that you all approved a year or so ago and see where we are then to determine whether those need to be permanent or not.

We have a wastewater treatment plant that we believe needs an additional operator and the reason is that currently that plant is staffed with one person for too much of the day and the night. We believe to improve the safety and security of the facility as well as the safety and security of the person that there should be two people there so we are proposing to add another treatment plant operator at that facility. We have over 8,000 miles of pipe in our system, water and sewer combined and we receive every year at least 120,000 requests to locate that pipe before someone digs so they won't hit it. In fact we are required to respond to those calls. At our current staffing level we can only respond to about 60% of those calls so 40% of those requests for service goes unfulfilled. We are proposing to add two additional locators to help us better meet that service need and to help better protect our underground infrastructure. Again, with all of these changes the net impact in addition to the improved safety and security of our plants and our pipes is a net savings of \$152,000.

This is also a chart that you have seen in the past and it represents our cash flow (Page 188). This is what you saw last year and it projected that we were going to need to issue debt in July of this year and again in July of 2014. We've worked hard to manage our cash flows to manage our capital projects and we've been able to defer that so that the chart today looks like this. What is shows is that a higher contribution of cash, in other words we pay more PAYGO capital now and we defer the bond sale that had been programed for July to January and the one that had been programed for the following July to the following January. What that does it pushed out debt service payments so it helps us manage our rates and keep our rates lower.

As I said earlier, we are working through a long-term financial plan. It does include projected rates increases each year. It projects our debt coverage ratios that we need to maintain our bond ratings to maintain the sound financial plan that we have in place that has been working well for us, so it is working. The result of that plan is that we wean ourselves off of debt and that we use less debt and more cash to finance our capital program. Again, it is working and this will be the most cash we've put into our capital program in any single year probably since any of us can remember. A few years ago we were contributing \$7 million a year of cash to PAYGO. This coming year we are proposing to contribute \$84 million. That is \$84 million we don't have to borrow, that we don't have to pay interest on and that we have more control over how we spend it than we would if it were borrowed money. This helps us manage and keep our rate increases lower than if we were to continue to use such heavy debt financing.

Councilmember Fallon said how long out do you see you are going to need more water treatment plants for the population coming and how expensive is that going to be?

Mr. Gullet said Ms. Fallon, this chart that is up here right now (Page 189) is really the answer to that questions and what this shows is our need for additional treatment capacity, whether it is water or wastewater treatment, pipes or pumps or whatever is dependent on how many people we are serving and how much water they are using. If you go back a few years we were adding a lot of customers every year and those customers were using a lot of water every year. Since 2003 you can see on this chart that the growth has slowed pretty dramatically, we are not adding as many customers and you can see the red line on here indicates that the people that we are adding are using less water each. What that has done is pushed out the need to expand treatment plants. That is one of the things that has helped us manage our cash flows and help us keep our rates low. We don't want to build anything until we need to build it, but when we need to build it we are going to need to put it there or the community is going to have a problem supporting new economic development. We never want to be in a position where a company or business or anyone wants to move into this county and can't do it because there is not enough water or sewer capacity for that to happen. We are trying to stay ahead of that, but not too far ahead of that. So the answer to your question is when we need to expand again will depend on what happens to these two curves. Whether the per capita consumption continues to decrease or stabilizes and how many new services we add over time. The other thing to remember is that there are a lot of people who don't live in this county who depend on Charlotte Mecklenburg Utility Department for water and sewer. We are probably the only service in this whole county that you can walk down the street and you can point to any person that you see or any building that you see and they have used our service that day and they will continue to use it every day. All those people that drive into Charlotte to work from Cabarrus or Hickory or Rock Hill or wherever, they are all using our water during the day, so it is a combination of how many services we are adding as well as how many new jobs are getting created and how many more people are coming to visit Charlotte that we need to supply water and sewer service to. We really are trying to be sure that we are not a hindrance, that we are supporting the economic development of the community. That is a long answer to your questions, but it helped to explain this chart.

Councilmember Dulin said I for one am on that chart at 2007 when the red line starts going down and the Dulins have learned how to use less water. Now your job is to make good water and to sell it so you make money and fund yourself by selling your product. That just shows me the citizens of Charlotte have retooled a little bit and have learned how to conserve. That is interesting data.

Mr. Gullet said you are absolutely right and this is a nationwide phenomenon. This is not something that is specific to Charlotte. Utility Directors from the larger cities all across the country are experiencing this same phenomenon of decreasing per capita consumption and there is a lot of reasons for it. Some of the reasons vary across the country, but this is an interesting thing that is taking place across the whole country. It is a good thing from the perspective of it conserves a limited resource – water. That is a very good thing. If lets us grow longer, let us bring in more economic development and enjoy a good quality of life.

Ms. Fallon said doesn't the price go up as you use less water?

Mr. Gullet said it can and here is the dilemma. If you look at our operation, about 90% of our costs are fixed costs. In other words we have to send the same number of people to the treatment plant, we turn on the same lights in the building, we mow the same grass, we maintain the same piece of pipe regardless of whether a little bit of water goes out of it or a lot of water goes out of it, so we have a large proportion of our costs is a fixed costs and a small portion is variable. When people use less water, for a relatively short period of time the answer is the rates do need to go up. Over time if it pushes out those expansions it can keep rates because we don't have to issue more debt, we don't have to build more plants and that type of thing so there is a balance point in there somewhere that we are going to hit. We don't know where that balance point is going to occur yet because quite honestly the trends that we've seen in development and in water consumption for the last 3 or 4 years aren't consistent with any trend we've ever seen before so it hard to make long-term projections and long-term forecast based on 2 or 3 years of data. We are watching carefully to see what happens and to be sure that we are positioned to be flexible, to be adaptable and to do the things that we need to do to keep providing the best service that we and keep the price as low as we can.

Mr. Gullet continued his presentation and said this is another slide that I have used before. It is how we set rates so basically we have to determine what our revenue requirements are and what our service levels are and that is what I have shared with you today. It is what our revenue requirements are and the level of service that we are trying to provide and budget for. The second part of that is how much water are we actually going to use. How much are our customers going to use and we have to know that to determine the rate. We need the March data to help us firm up our forecast for next year. Once we have those two pieces of information then we apply the rate methodology, the guidelines, policies and everything that Council has approved and by doing that we wind up with the water and sewer rates. I need to mention one other piece here. When Council approved new rate methodology two years ago a piece of it that was approved was something called average winter consumption billing for sewer service. That is a lot of words and what it means is that to help correct some equity issues we proposed that each individual's winter time water usage would set the cap for their sewer bill. Council allowed us to defer that to learn more about it because it is something that is done in some cities but it is not widely practiced. What we found is that there are multiple layers of complexity of doing that and that it also drives up the cost for low use customers. We are proposing again this year to defer the implementation of that average winter consumption billing to let us look for other ways to solve that equity issue that don't create the levels of complexity in customer service. We believe that it is better to dedicate those resources to continuing to get our metering equipment working properly, our billing systems upgraded and functioning the way everyone wants to see them and work on that equity issue from perhaps another angle.

Our next steps are to finalize our sales forecast based on the March data. At this point I can tell you what the estimated range looks like, but again this is all preliminary data so for that average residential customer we are looking at something between \$1.90 and \$2.25 per month for that 7CCF customer. I also want to point out that the lower usage you have the smaller this increase would be. That 4CCF customer, if you take a number that is kind of in the middle of this range, that 4CCF customer would see \$1.06 per month increase in their water and sewer bill combined. The larger customer, a 30CCF customer, there are a very small number of our customers that use that much water and when they do it is usually one or two months out of the year, but that 30CCF customer would see an increase of about \$18. You have to realize that that customer is already paying a pretty high water bill. That is someone that is watering their grass very heavily. The final rate number will be part of the Manager's recommendation in May.

Everyone always ask us how we compare to other cities so I bring this chart up and we've used it before. (Page 190) We've changed one thing about the chart that I need to point out and that is we've changed the amount of water that it is based on. All of you know that your bill is based on how much water you use. In the past we've used a chart that compared 10CCF and I'm not quite sure why we use 10 except that was one of the charts that was published in the report we were pulling this from, so this year we've said let's look at our average customer and adjust the chart to reflect that average customer. We've reduced the amount of water in this chart from 10 to 7 which is approximately 5,000 gallons per month. You can see the bottom line is where we are this year and the next line up is where we are projected for next year and those other cities there are this year's rates. I know a lot of those cities are also expecting and anticipating a rate increase this coming year so they will be moving up even higher. What we are showing here is that we have the lowest rates of this group of cities and will continue to do that even after this rate increase comes about

Mr. Dulin said that is good economic development information right there for people looking for a place to move their families. . I do have one other thing after Mr. Gullet is finished.

Mayor Foxx said are there other questions on this.

Mr. Dulin said I have received a rash of sinkhole problems throughout District 6 here in the last 4 or 5 months and some of it is because of the aged neighborhoods that we have throughout, but we all have aged neighborhoods around Charlotte. Jennifer Smith has been great and I have another on site meeting with them on Friday. When they come out they are always customer service oriented and I've had wonderful experiences but the problem is they are hamstrung, they have no staff so we have these families in older neighborhoods that have little kids and sinkholes are developing either in their driveway or next to their driveway and in one case in their back
mpl

yard. They have these little kids running around in their neighborhood and some of the sinkholes are big enough for children to go into and yet Jennifer and say well, we will put you on the list, it will be three years. I know it is a staffing problem and I tell these folks, well I'm sorry but some of that responsibility falls on my shoulders because over the years I have been cutting back budgets and cutting back and they have done what we've asked them too, they have cut their staff. I think the number is that there are 100 less people at the Engineering Department now than there were in 2005 when the Mayor, Mr. Barnes and I were elected. The only way we can help get that list down from three years, and the best would be yes we will be over there next week, is to add staff and that adds costs, but I would sure like to look at it to see if we can't do something because that is where the rubber hits the road when we are in somebody's backyard and there is a sinkhole and the children can't play in their backyard. This isn't Florida kind of stuff but it is serious. I just thought this was the appropriate time for me to bring it up. We are getting everybody together in somebody else's yard Friday.

Ms. Burch said we do have a backlog and I'm not sure about the numbers in terms of the staff. We are checking on that with Tim Richards right now but you are right, additional staff is additional costs which is in the case would translate to the Storm Water Fee and you know Jennifer Smith was here last month at your last Budget Workshop discussing the Storm Water budget for the coming year. We can get you some more information on the staffing level.

Mr. Dulin said I was in Raleigh working other issues that day and I would have brought it up then.

Mr. Harrington said we will be glad to provide additional information in terms of the history, but I'm not aware of a reduction to that level, but we will certainly report back if there have been.

Mr. Dulin said it is frustrating because that is when folks start saying things and there is no comeback, well I pay taxes too, why can't you get to me. My kid will be in middle school by the time you to it. I'm getting all that kind of stuff and Ms. Kinsey is getting some of it and other do too I'm sure.

Mr. Harrington said the staffing consideration is one of the pieces we are still reviewing as it relates to the Storm Water budget and the final recommendation that comes so we are sensitive to that.

The meeting was adjourned at 5:33 p.m.

Ashleigh Price, Deputy City Clerk

Length of Meeting: 2 Hours, 22 Minutes
Minutes Completed: April 18, 2013