

The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Monday, April 15, 2013 at 4:04 p.m. in Room CH-14 of the Charlotte Mecklenburg Government Center with Mayor Anthony Foxx presiding. This is a continuation of the Budget Workshop held on April 10, 2013. Councilmembers present were John Autry, Michael Barnes, Patrick Cannon, Warren Cooksey Andy Dulin, Claire Fallon, Patsy Kinsey, LaWana Mayfield, and Beth Pickering.

ABSENT UNTIL NOTED: Councilmembers David Howard and James Mitchell

I. Introduction

Mayor Foxx thanked the Council for agreeing to get together following their meeting last week. In order to keep ourselves on schedule we through we would just add an hour to today's meeting and finishing up the piece that did not get done last week. I will turn it over to the City Manager for any comments he wants to make and then we have quite an agenda to get through in the next hour.

City Manager, Ron Carlee said we certainly do so I will pass it over to Randy. We have been through a lot of stuff since we were together with the Council and hopefully we will push it on and get through this afternoon.

Budget Director, Randy Harrington said just a couple of quick logistical items to start out. At your place setting you do have a revised agenda and we did put on 4:00 to 6:00 p.m. but I know the Dinner Briefing starts at 5:00. You are welcome to go to 6:00 but you are welcome to break at 5:00 to go do dinner as well. The attachment relates to the Rental Assistance Program proposal which the Manager and I will touch on briefly. For any of you who do not happen to have your Budget Workshop Binder Packet, if you do need material that covers these two topics, Pam Smith can certainly get you a copy if you need it.

II. Financial Partner Recommendation

Budget Director, Randy Harrington said we go right into our first item related to the Financial Partner Recommendations. Just a brief overview, there are no new financial partners that are recommended as part of the recommendation. In the general fund our financial partners are kept flat except for those that are formula based such as CRVA and the MSDs. Of course with those as we progress through the spring those numbers were trued up and based on what we except the actual property tax received and other property tax to be considered. I just wanted to make a quick note on that.

Councilmember Dulin said I've got notes in my car in the parking deck on financial partners. If you are going to move past that I would like to go get them just so I can refresh myself. I will excuse myself for a few minutes.

Mr. Harrington said as you will recall from the conversation last Wednesday when we were talking about the general fund we are recommending that the Charlotte International Cabinet (CIC) be transitioned from a financial partner to an office within the Neighborhood and Business Services Department. There is no increase no funding, but just a transfer of that existing funding and then the management of that operation within Neighborhood and Business Services.

Councilmember Barnes said just to clarify an issue on the CIC, are those two employees currently City employees?

Mr. Harrington said they are not.

Mr. Barnes said they are not, but will they become City employees in Neighborhood and Business Services?

Mr. Harrington said they would.

Mr. Barnes said I recognize that the budget impact from a tax and benefits perspective would be not necessarily noteworthy, but it is hiring two new people and adding to our staff. I would like for someone to speak to why we would add people to our staff.

Mr. Harrington said the transition was a study by the Lee Institute and that was one of the recommendations for it to become a component of the City and some of the synergies that would result from that, so we have included it. As it related to the two positions there would be benefits that would be added to them but we are proposing that we would take that off of the existing allocation so it wouldn't be any additional funding or personnel funding to that. We would just take that existing level and build that budget within that current funding level.

Mr. Barnes said are we their sole source of funding now?

Mayor Foxx said I think they raise money through sponsorships. They do have an International Cabinet Luncheon or dinner or something like that, but we are definitely the dominant source of the resources they use.

Mr. Barnes said would those activities stop when we bring them inside?

Mayor Foxx said no I don't believe so.

Mr. Harrington said there are some questions around the 501-3 C status and what that means. I don't know if Pat Mumford can help with that.

Pat Mumford, Neighborhood and Business Services said there is some mix between the International Cabinet component and the Sister Cities. Sister Cities is a 501-3 C organization and it gives them the ability to raise money. We are working through the dynamics of that. They still would probably like to keep that 501-3 C status so they could continue to raise those funds, but as Mr. Harrington mentioned there is no request for additional money, it is moved the budget as is to accommodate the necessary staff to get those synergies that was mentioned and as outlined in the report.

Mr. Barnes said if their budget last year was \$156,000 and the request for 2014 is \$167,000 and you are suggesting that we could bring those two people into Mr. Mumford's Department and accomplish all of the work they are doing now with or without the outside funding for the \$167,000 or \$156,000?

Mr. Harrington said it would be the \$156,121. That is what would be rolled over into FY14.

Mr. Barnes said would the extra money that they raise be used for programs? Am I making any sense? It doesn't seem like you would be bringing people into the government, hiring them and putting them on the payroll and keeping our cost at the same level it was before they came inside.

Mayor Foxx said I think what Mr. Barnes is asking is for assurance that it truly is a wash. Is there going to be some costs that comes with having these positions rolled into the City? That is another way of phrasing the question as I understand it.

Mr. Harrington said and that is how I was going to respond. Over the course of future years any raises would apply for those positions but outside of that I don't foresee anything at this particular point.

Mayor Foxx said are in effect paying benefits today?

Mr. Harrington said no.

Mayor Foxx so who is doing the benefits portion for employees?

Mr. Harrington said I believe those employees do not have benefits.

Mayor Foxx said how could that be a wash?

Mr. Harrington said we will reduce the operation expense to balance out and keep within that \$156,000 level. I think as I understand it, we would gain some operational efficiencies that would help us to be able to do and still be able to provide the programming. We would manage it within that existing level of \$156,121 and keep it within that existing level.

Mr. Carlee said so they are personnel and not personnel costs to the budget so the non-personnel costs could be reduced to absorb the increased personnel costs. As over time there would be incremental increases in personnel consistent with overseeing things.

Mr. Barnes what are the salaries?

Mr. Harrington said I think around \$50,000 and \$46,000.

Councilmember Kinsey does that mean they are full-time now or not?

Mr. Harrington said they currently are full-time employees and they will remain so.

Councilmember Fallon said is that you wash their benefits because they are full-time employees now or would you have to give them benefits in the future?

Mr. Harrington said we would have to give them benefits in the future consistent with all the other City employees.

Ms. Fallon said what does the package of benefits costs?

Mr. Harrington said health insurance is roughly a little over \$6,000 per employee. There is 401-K at 3% that is the City's practice and then the standard retirement, North Carolina Retirement System contribution.

Ms. Fallon said so what is that?

Mr. Harrington said probably in the 15% to 20% range.

Mr. Harrington said in the Neighborhood and Business Services Financial Partners which are funded from CDBG grants, HOME and then your innovative housing component and Pay-As-You-Go, there is one recommendation adjustment and that is with the Charlotte Family Housing, an increase of \$130,000. That comes from a regional pool of CDBG funding and that is the only recommended increase on that particular component.

Mr. Dulin said am I looking at the wrong page?

Mr. Harrington said Page 27 and 29 under Crisis Assistance.

Mr. Dulin said run that back by me one more time because frantically looking for my line.

Mr. Harrington said it would increase their funding from \$200,000 to \$330,000 and the purpose of that is for monthly rental subsidies for families in the permanent housing program. That is funded by CDBG funds.

Mr. Dulin said the CDBG is on life expectance cutback in Washington so what happens when Washington say I'm sorry there is no more money and we end up having to eat \$130,000 increase?

Mr. Harrington said this would all be contingent upon that CDBG funding so if we didn't receive he CDBG funding we wouldn't be providing that.

Mr. Dulin said does that need to be in writing?

Mr. Harrington said I think it is part of the contract that it is contingent upon receipt of those grants.

Mr. Dulin said I would like to back up one more back to the International Cabinet. Those increases and the rolling them into Neighborhood and Business Services is fine and I have no problem as I trust the leadership over there, but I was a little bit confused in that I thought it would be whatever their costs is where they are doing business now, when they roll over those costs would be about the same. Apparently there are some additional costs as we are picking up additional. You lost me when we had the additional medical insurance benefits, etc.

Mr. Mumford said right now there is no Executive Director for that organization. There is a funded spot for that. There is a full-time person there that is essentially carrying out the duties of the Executive Director. There is a contract person currently for the International Cabinet. That is all the \$156,000 and the idea is not to include any of that, move the two individuals plus that vacant funded position over and we would cover all of those costs with this current budget allocation. Then we would absorb a lot of the overhead piece for marketing, planning and those kinds of things within our departmental resources to gain some efficiency in that regard.

Mr. Dulin said thank you, I'm glad I brought it up.

Ms. Kinsey said I am too because I notice when we are talking about FY13 budget that is the one we are in now. The next is FY14 and that allocation does to go up to \$167,046. Is that correct?

Mr. Harrington said Ms. Kinsey you were referring to the Charlotte International Cabinet?

Ms. Kinsey said yes.

Mr. Harrington said if you look across at the third row at the top under general fund, their current funding is \$156,000 and then if you go all the way across to the right, the recommended financial partner funding is zero.

Ms. Kinsey said so it is going to hold at \$156,000?

Mr. Harrington said correct, and that will be transferred over into the Neighborhood and Business Services.

Councilmember Mitchell arrived at 4:19 p.m.

Ms. Kinsey said okay I understand. Let me get down to the funding for Crisis Assistance. I know I should know this, but I don't. What is Carolina's Care Partnership?

Pam Widemann, Neighborhood and Business Services said that is our partnership that manages our federal funding that we get for housing for people with AIDS and HIV.

Mr. Barnes said just to make the final point of my issues regarding the International Cabinet, I have always had a question as to whether the work of that group was not being done by the Chamber or shouldn't be done by the Chamber. I would not say that I'm going to be able to support the change, but if someone can clarify, not necessarily right now, but just clarify how that work is not inflicted in the work that the Chamber does or should do, or even the Charlotte Regional Partnership, that would help me.

Ms. Fallon said how long is current going to be? How long will that last before we have these big raises?

Mr. Mumford said our department operates on the philosophy that we do not ask for additional money except for the SBO Program this year. We've held true to that for four years so I would like to think we continue to the efficiencies gained by working through the whole department and not have to come back.

Ms. Fallon said so you are going to wash this contract person with these two people and hopefully keep it within that?

Mr. Mumford said that is our intent, however it is also our intent to speak to exactly what Mr. Barnes raised, which is what is the appropriate role for the City in this national arena and we don't want to duplicate efforts, but we do think that there is a role that this City can and should play and we are working through that.

Mayor Foxx said is the intent to hire an Executive Director for this or just to keep that position open and use those unused proceeds for this other costs?

Mr. Mumford said right now we don't know, but it doesn't look as if an Executive Director would be required, meaning I don't think we need to go from two to three people. We may need to adjust that contract before it is time, to increase that or bring that person on full-time, but probably would stick with two folks and adjust the residual amount of money.

Ms. Kinsey said I understood that they were both full-time now, but you said bring the second one on to full time, so she is not full-time now?

Mr. Mumford said correct.

Ms. Kinsey said but she will work for what department and you could still go with \$156,000?

Ms. Fallon said I'm trying to get this straight. You don't have an Executive Director now. That position is empty, but you might fill it in the future, which means two employees at that money and then the Executive Director an addition?

Mr. Mumford said our thought process today is that that Executive Director position would not have to be filled with an additional person. There is a small caveat and we are working through the CIC Board and it is going to take us a little while to see how to best utilize these resources but we don't think we need three full-time people to be able to care of it and the support of the rest of the Neighborhood and Business Services.

Councilmember Howard arrived at 4:23 p.m.

Ms. Fallon said can you maintain that without a vacant person or is that the future?

Mr. Mumford said I would look to Brad Richardson as the Executive Director of that. It rolls into our whole economic development effort so I still contend that we do not need to hire a separate Executive Director for something that is moved within our department.

Mayor Foxx said these are some good questions on this topic. Very understandable questions and it sounds like staff is still working through some of the precaution on this so as we go through the process we should continue to ask these questions.

Mr. Harrington said the last item is related to the Out of School Time Partners and there were 11 applicants that met the eligibility requirements and those went through the review process based on the set of criteria that Council has reviewed and adopted. There are five who are recommended for funding. Again the funding amount is \$1.2 million. This is slightly less than the prior year. The prior year was \$1.24 and we are anticipating some reduction in CDBG funding coming down the pipeline from the federal government. Neighborhood and Business Services backed off a little bit from that funding component, but that is what we present to you for your consideration and the recommendation.

Councilmember Mayfield said if we adjust a reduction based on the potential of the CDBG fund but we looked at an increase for Charlotte Family Housing, looking at those same funds. I have a concern there but also when we are looking at the Housing Trust Fund model of full funding and going down, last year when we were having a conversation between Budget and Economic Development and I made the motion that would support it for us to look at no organization receiving more than 1/3 of their funding. I was under the impression that what we were looking

at was trying to create a model where we had an opportunity to bring more organizations into the fold as opposed to reducing the number. When I'm looking at the YWCA which does amazing work, but historically has had a very low percentage point that they have asked for in funding and that going from \$158,000 to \$307,000 and then looking at least two of the organizations that could have potentially received funding, and maybe I wasn't clear enough when we were having the conversation in Committee, when I was saying no more than 1/3 of your budget should come from the City being your main source, because we have some groups that receive more than 80% of their budget from the City. I wasn't saying that means that you hit that 1/3 and you get full funding for that because this seems like we are doing the opposite impact of trying to identify more programs that are addressing the needs and concerns of our youth if our main role is to help bring in more services for the youth. I'm a little confused how we go to this kind of proposal of five organizations receiving full funding as opposed to really looking at how do we expand our funding to assist with the programs that are doing really great work. I'm not saying and I never want to see what we saw last year where an organization didn't receive full funding and they came back and we made an executive order to give that money. I thought we were trying to expand access to the funding to get more services on the ground.

Mr. Harrington said I think part of that relates to the Housing Trust Fund Model in terms of the allocation of funding. One of the other staff members from Neighborhood and Business Services who manages this program might be able to help with that question.

Tom Warshauer, Neighborhood and Business Services said we talked with you all quite some time about it and you all voted to place a maximum number of \$590,000 of your money into this program with the balance coming from CDBG. We don't know exactly what that balance is, but we know that we will put in the \$590,000 of local funds plus whatever CDBG is, which we estimate will be ... so the funding allocation you all agreed would be a Housing Trust Fund Model with the maximum being \$400,000 that any one agency could get and that maximum amount could not exceed 1/3 of their budget if they were new or 66% of their budget if they were an existing ... Our funding allocation follows the prescription that you all gave us in all funding so we haven't deviated at all from what we were told to do from Council.

Ms. Mayfield said that is why I said I didn't have enough clarity when we were in Committee because I was under the impression with us moving to a model of saying no more than 1/3 of your funding, the idea was to be able to expand access to services. I am looking at some of the organizations and just based off the very minimal experience that I have, the YMCA Model has a model that nationally recognizes its use around the country. The BELL Program has not received funding from the City before but it has been active on the ground in the community for a number of years now and has done really good work. I'm just concerned that we haven't truly distributed the funds in an equitable way as opposed to looking at as your application comes in receiving full funding, especially when we have organizations that historically have requested less than 20% of their funding from the City. Of course if you have access to it you should ask for more but that doesn't mean that you really get up to that full 1/3 if it is up to \$400,000.

Mr. Warshauer said we try to be very explicit with you all about some of the risk of going up to \$400,000. This is sort of where you all ended up in that discussion so that is what we went out with. There was an opportunity for people to ask for additional funds and they could have asked for more than they asked for. This was one of the risk that we knew was going to be quite challenging when it came down to the end because there are many very qualified programs and we would have loved to have funded more of them. There are great programs out there and they can all use more money.

Mr. Harrington said the transition that Council adopted was going from 66% to 50% to 33%. I can't predict the future, but as we move toward that 33% I would think that creates the environment where they will likely see additional number of partners as we wean down that percentage.

Mr. Warshauer said it's possible because some of the older programs that are at 66% could come in at 50% and the following year would be at 33%. That may free up some additional funds that could go to others. If you would like in the future, this is a one-year program, you could decide

that you want your maximum to be \$300,000 next year instead of \$400,000. There are changes that you could make in how the allocation is done.

Ms. Mayfield said one thing that I want us to consider especially in Committee is looking at the Housing Trust Fund model of funding and going from there, trying to identify some of these other models that are being successful across the nation so that we can have a better opportunity of identifying those great programs but not being limited to the top five.

Warshauer: That is certainly a option.

Ms. Kinsey: It seems like maybe the plan worked this year. Maybe some didn't get as much money as they would have liked, but the model worked and I thank you for that because we don't seem to have quite the mess this year we had last year. There is only one new funding partner that I have never heard of and that is Above and Beyond the Students. Can you tell us a little bit about that program?

Aisha Alexander, Neighborhood and Business Services: Above and Beyond works in Southside Homes. They work with 180 students and provide a very comprehensive program on that and engages both the students and their family. We will start expanding engagement support, it requires parent commitment and it is a very holistic community support, not just the support of a child. They are going to support the whole family. Strong support from the Charlotte Housing Authority as well so they were definitely the ... favorite partner.

Mr. Barnes said I think Ms. Mayfield actually raised some issues that we were trying to deal with last year in the Budget Committee and a member of the ED Committee attempting to address these issues as well. I have a question, not necessarily about the division of money because I understand you guys are trying to follow the rules we set out. There was some conflict you and I talked about between the two committees, but regarding the performance of the entities, the CMS After School Enrichment Program has historically had very high success numbers in terms of their ability to serve young people and I think almost all those schools are in Mr. Mitchell's District of Ms. Mayfield's District so they are not in my district. I have always liked that program because we essentially pay them for the kids they serve on behalf of the City. Why did that program not get any funding and why is it that the program that apparently according to historical data has performed the poorest got a third of all the money?

Mr. Dulin said name that program please, Mr. Barnes.

Mr. Barnes said Greater Enrichment got 1/3 of the money, but it has historically had some of the worst performance numbers.

Ms. Alexander said I wouldn't say that it has historically performed the poorest, because we haven't really evaluated the program.

Mr. Barnes said you have been providing us with the data it has always been towards the bottom, if the data was accurate.

Ms. Alexander said last year we didn't have a funding platform. We didn't have a direction to say these are the City's funding priorities so we went through the process with Committee and what the Out of School Time Stakeholders could tell us what our funding priorities are. They found out that family engagement was very important, connections to the community are very important and CMS really didn't have those components. They do a great job academically, but when it comes to those components of supporting the family, and the connections to the community, and they only serve 25 children during the summer time. Summer months are very important so that lack of serving kids during the summer ...

Mr. Barnes said that sounds like the exact opposite of what we've been in the years past.

Councilmember Cannon said can you speak to the YMCA in terms of the work. Is there a civic outreach component that they must comply with?

Ms. Alexander said yes, in the criteria we looked at how are we are staffing programming, family engagement and support ... by means of sustainability, academic and non-academic activities, new and engaging experiences, social interaction and community engagement.

Mr. Cannon said the YMCA would service about six schools or so, came up empty as we; and that was because they didn't meet the civic ...

Ms. Alexander said their program is strictly ... so they actually don't even look at any of the other core subjects beyond literacy. Outside of that they don't really have those components. They propose adding some of those components in the future to be able to align better with our funding priorities. CMS is in that same boat, they also propose adding some additional so they can engage in opportunities that meet the connections around better funding priorities but at this time those programs do not exist.

Mr. Cannon said and that was explained to voters pretty thoroughly?

Alexander: Yes. You all had those discussions with the Out of School Time Stakeholders. You had several sessions prior to the issuance ... and actually developed the funding model.

Councilmember Howard said I'm so happy we are having this conversation. Staff did exactly what we asked them to do. I've learned more about this than I probably ever wanted to know about it. We went category by category for this very reason so it would be the criteria that we decided on funding. I am with you. Some of these make me uncomfortable and politically having to deal with that. I haven't heard but one person say they didn't know what the process was. We went through a long drawn out conversation making sure that everyone knew what the process was and I believe that happened. One of the things that nobody agreed upon the time before and we are essentially saying this is what the criteria gave us and if we still don't like the criteria we need to figure it out, but staff did exactly what we told them to do. I actually want to say thank you for what you guys did. What I think I just heard from Mr. Barnes' question was the fact that it may be nice to get a write-up about what the scores were, kind of what the background on all of this is so we know exactly what we need to say to people when they call us. Last year we found out there were some weaknesses in applications. It would have been nice to know that before we got the phone calls. In this situation it would be nice to see the back-up information, kind of what Ms. Alexander, you shared with Mr. Barnes about what the strengths and weaknesses are so we understand what went into the decisions. There are some on here that make us uncomfortable, but I do remember us talking about the importance of the summer programs.

Mr. Dulin said last year we all scrambled with Greater Enrichment. We did a funding Bishop Battle and Greater Enrichment fully last year, but it shows \$605,854 this year and down to \$400,000 next year.

Mayor Foxx said that is the most anybody got.

Mr. Dulin said we came through for them last year with \$387,000 and this year they get that and they will continue, so they are back on line. Let me go down to YMCA – why zero this year and back up to \$400,000 next year?

Councilmember Mitchell said that was they request Andy.

Ms. Mayfield said that was their request, they didn't recommend funding.

Mr. Dulin said the Kennedy Foundation – zero this year

Ms. Mayfield said they requested \$243,000.

Mr. Dulin said okay buys, I wasted a lot of time this week-end.

Ms. Mayfield said actually if we can get the background so we can end up just start being a part of the process moving forward so that we have the application and when we have a question to
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come up, of course I'm going to look at Bethlehem Center according to last year and previous applications that already done well, that is not the case this time so I'm trying to figure out as we move forward and as we tweak it to try to create a more equitable. Some of this is the first set after the initial rules so I definitely want to echo everyone else and thank you for all the work you've done. It just lets me know that I need to be a little clearer with what my expectations are when asking the questions so I have a clear understanding of when it is time for it to actually roll out. How is that going to look? For me it would have been helpful to have seen this information prior to us going into the budget discussions along with that backup information to try to figure out an organization that was previously funded, why would they lose funding and compare to another organization that is still funded. As Mr. Barnes mentioned, according to our records has not been historically been as successful as some of the other.

Mr. Cannon said part of the task was to help as many children as we could across the board based upon knowing and understanding that the level of funding that was coming in has not and or would not be all that we've been receiving in years past. I just remember that discussion in terms of trying to help as many children as we could across the board, based upon the limited amount of capital that we would have before us. Then the other piece of that is the criteria that has spoken about and obviously we have some entities that got funded and wanted more, but we just couldn't do as much and just tried to spread out as much as we could to try to help the most that we could. If I could fund them all I would and I think we all know we did the best we could with what we had and hopefully will be able to do more in the future, but right now this is what it is.

Mayor Foxx said I do think that some thought needs to be given in future years on how we measure results with these dollars. When you are going in annual cycles and making adjustments in funding different organizations and talking about kids, I think you make it very difficult to create a track record that you can measure, but that measurement needs to be part of the criteria that is used for funding in the next year. I don't know what you do about it, whether you create a two-year funding cycle or give yourself a little more leeway to see those results but that is an issue. An organization for instance YWCA got \$158,000 last years and under this they are going to jump to \$307,000 and you want to know when you make that jump what you are getting in return for it and you want to be able to measure that. I hope we have a way to do that. There are some organizations that got funded last year that aren't being recommended for funding and then there are still other categories of organizations that didn't get funded last year, but are getting funded by us for the first time this year according to the recommendations. I think measuring the results is going to be the really critical piece of it. I'm not confident you can do that in the space of a year. This is very important and I mentioned this last year, I do have a concern with an organization, and by the way I'm a big fan of the Police Activity group, but one question I have about the Police Activity Group, is there some place else in our budget where we are funding them and if there is, given that this money is competitive and we're funding different programs across the City, we may create a perception that PAL has an inside on getting these funds versus somebody who is not inside the City and should we really allow City affiliated organizations to compete for any money. I think that is a question and something that probably needs to be thought about in the future. I would like to know how much we are funding PAL outside of this process. It is not a knock on PAL, they do great work and it is not at all saying they are doing a bad job, it is just a question as to whether we ought to be having our own City affiliated agencies competing for the same dollars. That is a question I would like to pose.

Mr. Barnes said could you give us the number of kids who were being served last year under all the programs and the number of kids who are proposed to be served this year under the recommended programs?

III. Council Referrals to Budget Committee

Councilmember Barnes said under the referrals to the Budget Committee, there were three. One regarding the Budget Process Calendar, the School Resource Officers (SROs) and the funding issues there and the Rental Assistance Program. As you all recall last week we essentially touched on ... to a superficial extent, each of the topics that the Committee handled and I don't mind leading the issue because it was fairly straight forward I think. Regarding the calendar, we struggled to figure out a way to adjust the calendar. If you look at Page 35 you will see the

current schedule under proposed options A and B. The concern we had was that by moving ourselves close to the end of the fiscal year we might encounter problems if in fact we have any budget hiccups this year. Also that are some issues regarding Storm Water Services and their ability to establish a budget because that budget has to be approved by the County as well and the closer you get to the end of June the more pressure it puts on the County to essentially approve Storm Water Services budget which they would only be able to do at the beginning of July which would create a \$20,000 cost to government to make that happen. We felt comfortable recommending staying at the same schedule but we will be happy to discuss it.

Mayor Foxx said the reason this came up was because of concerns that we may get a June surprise from Raleigh on a source of revenue or a combination of sources of revenue and then we may be in a position where we have adopted a budget and set a tax rate, which I understand by law that we can only do once a year. Then we would end up having to scramble at the end of June so that was the nature of the concern. Has that been given some thought?

Mr. Barnes said I think it was. Would any tax rate adjustments be for the calendar year or the fiscal year? In other words if we set a rate in June and something strange happens in Raleigh, could we then set, if need be, set a new rate in July?

Mr. Harrington said no, the General Statutes do allow for resetting a tax rate, but under an emergency purposes. Those would probably have to be unique and administratively it is extremely difficult to do that.

Mr. Barnes said I'm not suggesting that we do that but in the event something bazar happened I think it would create what may statutorily be an emergency.

Carolyn said I think we could look at whether that is something that constitute an emergency. There's been very little evidence of ever reestablishing a budget along the property tax rate for emergency purposes. We would look into and I will talk to Bobby Little and provide some more guidance on it.

Mr. Dulin said I have never been a part of something like this, but could we adopt a budget and a tax rate contingent upon Raleigh finishing their work, but then somewhere before July 1 rotate out of the bata position into the outer. It slides into the accepted spot after we find out the gap between the Lepo and it actually slides into the spot.

Mayor Foxx said I was actually thinking the same thing. I wonder whether there is an action that can be taken by the Council that in effect creates an active date at a later point in time unless the Council intervenes. We've sort of set a provisional tax rate that would become effective July 1. That may be in effect what we do, but I think there is some language that we would probably have to think about because once we say the rate for next year shall be X, you can only do that one time. We ran into that last year and maybe there is a way to say that unless we come back to this conversation before June 30th the rate shall be X. Maybe there is a way to fudge our way around that so that we give ourselves some flexibility in the event the unthinkable happens.

Councilmember Fallon said could we do an interim rate to take effect when we know what our budget is?

Mayor Foxx said I think we are kind of talking about the same thing.

City Manager, Ron Carlee said I understand what you are saying. Let us get with the City Attorney and look at what the options may be as you get closer to that timeframe, giving him a chance to dot the I's and cross the T's.

Mayor Foxx said I will throw another thought out there. I'm not selling this, I'm just throwing it out there. Because of the capital budget issues there is a school of thought that says let's go ahead and figure that out and get that out of the way and when we're dealing with the operating side of the budget in the later part of the process we can continue our conversation to that so there is a possible way to make it two-track.

Councilmember Cooksey said summarize this conversation with a direct question to the Attorney's Office to get back to us on and that is do the statutory restrictions and changes to the property tax rate take effect from the date of adoption of the budget or on July 1?

Carolyn said the rate takes effect on July 1.

Mr. Cooksey said but does the restrictions on changing the rate?

Carolyn said the restrictions, as I understand it, once you adopt your budget then you are restricted from changing the rate.

Mr. Cooksey said we got into that last year so just a little history lesson. Last year when the rate was set at a level, we found that we could not come back to changing that decision once it was made and that was before July 1, so once you set it, it is set. I didn't know if the set becomes effective July 1 or if becomes effective the date the Council adopts the budget.

Mr. Dulin said with that said, we need the float between June 10 and July 1 and I'm for the earlier adoption date, but I'm also for less tax than more tax, but I'm also for Council having time to do our work. I don't know whether we need to really re-think the later date than to give us float if we can't do something where we adopt with an asterisk on the 10th and then wait late June or July 1 for it go hard. Then I think we need to start looking at a later date to give the Legislature, that is 2 weeks between the 10th and the 24th. They might come in with something after that. They could and I think we found out they will not do their work around what is in our best interest.

Mr. Barnes said to the point Mr. Dulin just made my sense is that what we do with our budget might in fact create some changes in Raleigh. We will adopt a budget and they will do something to counter our budget so I almost have this perspective that we should do our job, stick to our schedule and deal with whatever they do. By the way in terms of things that we know they may do, two of the biggies that come to mind are repeal of the Business Privilege License Tax which would be \$17 million gift and also a broadening of the sales tax and elimination of the State Income or Corporate taxes. There could be some impact in terms of broadening the sales tax and the Business Privilege License Tax and I don't know the value of the sales tax hit. We know the value of the other and perhaps it would behoove us to essentially ask staff to identify a \$17 million plug for that Privilege Tax money and otherwise move on.

Mr. Harrington said one clarification to that, the legislation that we understand now proposes those changes effective for FY15. So at least at this current point it is not an FY14 impact. It would be FY15 so that does give us a year but of course that is based on what we currently know.

Mr. Dulin said I think the Chair of the Budget Committee had a nice point there that maybe we ought to take care of our business and see where the stones fall, but we need to concentrate on catching the ball. We don't need to be worried about what is going on around us.

Councilmember Autry said what would be wrong with approving a budget and set a rate with a vote later on. In other words if we approve the budget on the 12th, but not set a rate, then the 24th we set the rate. Is there any precedent that would restrict us from that?

Mr. Harrington said the adoption of the tax rate has to co-inside with the adoption of the budget. It is considered one in the same under the general statutes.

Mr. Cooksey said the question I should have asked before, I finally tracked down GS 159-15 and so I now know the question I should have asked. The question I have is what does substantially mean in GS 159-15 which reads: if after July 1 the local government receives revenues that are substantially more or less than the amount anticipated, the governing body may before January 1 following the adoption of the budget, amend the budget ordinance to reduce or increase the property tax levy to account for the unanticipated increase or reduction of revenues. How much is substantially is my question to the Attorney's Office and I don't expect an answer right now.

Carolyn said I will make note of that and respond back to you with options and ranges of how to handle it.

Mr. Cooksey said that to me looks like the only loophole that exists – if revenues are substantially after July 1. Mr. Harrington may have something on that point.

Mr. Harrington said the one thing I understand correctly, the property tax bills go out in July so essentially under that scenario if there is an emergency declared there has to be a second set of bills that would go out in terms of that process.

Mr. Barnes said the next item is Item B which is the School Resource Officers and I believe the Manager and Mr. Harrington have some suggestions regarding next steps there.

Mr. Carlee said we've been looking at the program and the policy adopted by the City Council and the 80% funding and looking at some of the underlying methodology and the way we do our charge tax and cost allocation. Part of a little bit broader review that ... while I think the methodology review is sound it is probably ... and actually put us at some risk. We are looking at possibly recalculating our aggregate cost allocation which would bring costs down to the schools and I think we can get to our 80% funding level on SROs. It will probably be an additional increase to the schools of about a quarter of a million dollars. I talked to the Superintendent about that over the week-end and he said that is something he can work with in his budget. His budget staff and ours are going to get together and work out the details of that. I think that will resolve the SRO policy level in terms of proportionality and not be a one-time program, basically establish the level going forward.

Mayor Foxx said instead of the \$700,000 hit they would take a \$250,000 hit?

Mr. Carlee said somewhere in that neighborhood.

Mr. Howard said any thought given on the policy question?

Mr. Carlee said the 80%?

Mr. Howard said yes, whether we should just get back in this and stay. Like I said last time, either we do it or we get out of it. If it is a policy question I would like to have some feedback from you and from the Police Chief to be honest about the value. You need to be of value to the City in one of our areas.

Mr. Cannon said I think you got an answer to your policy question about an ongoing opportunity.

Mr. Carlee said this would get us actually to a policy so the future costs to the school would only be the larger incremental costs related to inflation so we would be at 80/20 policy split. This was the policy you were trying to get to that was phased in. This gets to the phase and I think establishes a very fair ratio and is reflective of the SRO Program both to the schools and to the City itself.

Mr. Howard said so essentially what you are recommending is the idea of phasing out would stop. We don't complete the phase out.

Mr. Carless said we would actually be at the 80/20 but the way the costs are actually calculated the methodology would be adjusted somewhat so that the overall cost to get to the 80% is about a third of what it would otherwise would have been. I think he is prepared to include that in his budget.

Mr. Dulin said that is a win/win.

Mayor Foxx said you have predictability going forward which is one of the things we were talking about before, the lack of predictability given where we were.

Mr. Carlee said it gets us to a stable stage and move forward with it.

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Mayor Foxx said they are still paying more, but it is not as much and we keep our ratios the same over time.

Mr. Mitchell said with the same staff?

Mayor Foxx said same staff.

Ms. Kinsey said I want to make sure that the efficiencies are coming from the Police Department. The additional money is coming from the Policy if they are looking at their costs? It is not coming from the general budget?

Mr. Carlee said yes.

Mr. Mitchell said just to follow up on how many officers we are identifying in the 80/20? Is that elementary, middle and high school or just elementary and middle school?

Mr. Carlee said I think we are at middle and high school. That would be the typical pattern of School Resource Officers.

Mr. Mitchell said 49 officers in middle school and high school?

Ms. Fallon said how did you get from \$800,000 to \$250,000?

Mr. Carlee said we are looking at trying to get some consistency on our charge backs so I'm actually looking at different ones and doing different things with different agencies. And to try to keep the charges that we applied to people who essentially contract to us for services, to our direct costs and overhead cost that are directly attributed to the delivery of those services and not other indirect costs that have a more theoretical relationship to the service. If the service would go away those costs would not go away so we would charge people to what our out of pocket costs are for the services, with the overhead necessary to support it.

Mayor Foxx said that is a better resolution than where we thought we were headed.

Mr. Dulin said that situation has me more comfortable than we were.

Mr. Carlee said when people look at what we are charging them it is more obvious to them why they are being charged what they are charged.

Mr. Dulin said I think that is a win/win for both groups so I'm comfortable with supporting that.

Mayor Foxx said I will take a pause here because I just saw some news that I wanted to share with you. Two people have been killed when two bombs exploded at the Boston Marathon today. Dozens of people have lost limbs as a result of this explosion. They don't know the cause of it but our prayers are with the folks in Boston and the families that have been affected by that.

Mr. Harrington said I might add to that Mayor, we have a Budget Analyst in our office who ran in the Marathon today and we are very proud of her and her efforts and she finished just a little bit before that occurred. She is safe and that is important to the situation in Boston.

Mr. Barnes said the final item that the Committee reviewed was the Rental Assistance Program and the funding proposal for that program we ask staff to provide us with some further options and Mr. Harrington has one to discuss. It is at your place and was handed out to us today, the second page of that handout.

Mr. Harrington said I will provide a summary and then answer any questions. As you recall the funding consideration was \$10 million to support and endowment for rental assistance support and we would like to offer to you a proposal for consideration. I'll walk you through those brief elements. The first being, as you recall we allocate \$2 million per year to the Business Corridor Revitalization Fund. We would propose redirecting that \$2 million per year for five years to
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fund the \$10 million. Related to that in the current Business Corridor Revitalization Fund you have about \$13.4 million in the account balance and we are proposing that that stays as is, not touched.

Mr. Carlee said that was the proposal that was in front you before, and here is the Part B to it. The Part B would be to backfill that Business Corridor Revitalization money, that \$10 million by reallocating \$10 million from the Comprehensive Neighborhood Improvement Program, the CNIP Neighborhood Improvement component, of the proposed general CIP. With that it would take the CNIP program from \$120 million to \$110 million and you would plug in \$5 million in the first cycle and the \$5 million in the second cycle under a category called Reserve for Business Corridor Revitalization. It could be used for similar types of uses. How you have currently used Business Corridor Revitalization money, it could be used for infrastructure type improvements. You could use that in the corridors or as a compliment to what is envisioned in the five community areas that are envisioned for the CNIP. That \$10 million could compliment business corridor type investments there or in other areas, but it gave Council that flexibility and it did not add to the total of the general CIP.

Mr. Mitchell said I just feel awkward. I think most of us around here support the Rental Assistance Program. I know I had a presentation when I was on board, but I think choosing Business Corridor versus rental substance just doesn't sit well. Randy, you say you would take revitalize funding by allocating \$10 million from the Comprehensive Neighborhood, why can't we just do that now? Why do we have to backfill the corridor, why can't you just take \$10 million out from the Comprehensive Neighborhood Program?

Mr. Carlee said because it is bond money. What we are trying to do is find a substantive for PAYGO money with bond money. We need PAYGO money for Rental Assistance Program. We can't use bond money or else we would have brought to you a proposal to take housing bond money, but we can't actually use bond money for the rental assistance.

Mr. Mitchell said how much to we allocate in the Housing Trust Fund each year?

Mr. Carlee said the last bond was \$15 million.

Mr. Mitchell said for the Housing Trust Fund?

Mr. Carlee said correct.

Mr. Mitchell said how much is left in the Housing Trust Fund?

Mr. Carlee said \$10 million.

Mr. Mitchell said so we've got \$10 million in the Housing Trust Fund. Don't you think it is a better fit that the Housing Trust Fund should go toward housing, putting people in housing?

Mayor Foxx said I think the plan, the housing strategy that is being through about does put that money to work for housing. They are looking for another \$10 million to help build a gap on this rental substitutes. Mr. Mitchell, I share your concern and I wonder why if we are looking for PAYGO money why don't we just put PAYGO money in the budget for this purpose?

Mr. Mitchell said I think we are sending the wrong message that the corridor is not that important and that is the message we don't want to send. Even if you are talking about future, we would hope that we would do other development in corridors. I know that wasn't the intent but that is the reality of how some people are going to perceive this and I don't want it to lose merit because it is a worthy program. I think it will fall because you all are tightening us in a corner through the corridor fund and rental assistance. I don't think any of us feel comfortable being in that spot. We've got \$2 million sitting aside already for the Housing Trust Fund. To me that is more of a clean and natural way to use for housing rental assistance. Mr. Manager I hear you say PAYGO but be careful. I've got to agree with Mr. Cannon, we were in ED Committee and he leaned over to me said you know the Business Corridor is slush fund. It seems like every time we get a proposal it is a recommendation to take it out of the Business
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Corridor Fund. I would rather you challenge us and say we don't have enough projects in the business corridor and go out there and get some projects to use those dollars as opposed to allowing that money to continue to sit there and then we always want to take some of it away for other programs. It is very uncomfortable for me and I'm just speaking for myself.

Mr. Carlee said the position I was articulating is what I was hearing back from the Council. I really understand that so we actually don't want to reduce resources available for the corridors. What we were looking to try to do was actually substitute money for the corridors from PAYGO to bonds so you would still have \$10 million earmarked for the corridors, but they would come in two increments of \$5 million in each bond issue. Thinking as we go into the corridors and try to find those projects you are talking about and being more aggressive about spending the money that we would likely have projects of a magnitude that would qualify for bond funding.

Mr. Mitchell said to the Mayor's point, why can't we just put the rental assistance budget allocation in the budget?

Mr. Harrington said there is simply not capacity in PAYGO funds to fund \$10 million. The only way to do it would be to reallocate, take away from existing maintenance programs in the PAYGO.

Ms. Kinsey said the Housing Trust Fund is bond money so we can't use it anyway.

Mr. Mitchell said for this purpose.

Ms. Kinsey said we don't have to do \$10 million right off the bat. We don't even have to do \$5 million, we could do \$2 million if you can locate the funds to allow us to do it.

Mayor Foxx said if this is a priority, and I think it is a worthy investment to get the substantive program done but why could we not create a PAYGO account for this particular purpose and have a sunset once we've gotten up to ...?

Mr. Harrington said in that 5-year stream of revenue there is not \$10 million of revenue growth that will cover that. The only way to cover it is to reallocate from existing programs.

Mayor Foxx said let me ask the question again. Why couldn't there be sufficient growth?

Mr. Carlee said the two ways to do it within PAYGO would be to reprioritize existing projects or change the PAYGO tax rate.

Mayor Foxx said what kind of impact would we be talking about regarding the PAYGO tax rate?

Mr. Harrington said for \$2 million a year on the tax rate would probably be somewhere in the neighborhood of .2 cents roughly. That would then reduce the capacity either in the general fund or reduce the debt capacity on the proposed general CIP.

Mayor Foxx said I personally feel like this is something we should figure out a way to do. I'm not asking myself should we do this or shouldn't we do this. I think it is a question of how and to Mr. Mitchell's point I think what is striking people is that the corridor fund is there to jump on opportunities to help revitalize our corridors. If you make a commitment today to say we are going to repurpose that money for this subsidy program and then you make replenishing that money contingent on future actions of this Council and perhaps even the community, you are trying up putting that a little bit at risk. From the Council's standpoint I think one policy question is, is this enough of a priority for us to consider creating a PAYGO account specifically for this purpose. The staff is trying to help us work within what we've put on the board so to speak last week. I appreciate and understand where you are coming from and frankly if there is a way to do it I want to see us do it. I think the choice that Mr. Mitchell pointed out is the one that is feeling a lot of heartbreak.

Mr. Carlee said so I can be clear it is that risk piece that is bothersome to you, taking the neighborhood corridor money and moving it from PAYGO to bond.

Mayor Foxx said the headache with getting those funds in the budget in the first place is very similar to the headache we are going through trying to figure this rental subsidy so there is not a large appetite to play around and we mitigate an issue that we dealt with previously.

Mr. Carlee said that is simple to understand. It sounds like we need to go back to the drawing board if the Council is interested in our trying to find a way do a rental assistance program.

Mr. Mitchell said let me follow up on Ms. Kinsey's point so I can be clear when I speak to the community. Because the Housing Trust Fund is bond money, that is why we can't use that pool of money, it has to be a PAYGO.

Mayor Foxx said if we were to create a specific account for this purpose without taking from something else that is in the budget cycle, what I just heard is that we probably are looking at .2 cent impact to the tax rate.

Mr. Harrington said we will need to conform that. We will calculate it.

Mr. Carlee said we did look at other PAYGO items to find out if there was enough money to get the \$2 million per year. Where we could substantive PAYGO for bond we were trying to keep it whole and we were finding problems with the other PAYGO lines, but I understand the sensitivity of the importance of keeping the neighborhood corridors as a PAYGO line.

Mayor Foxx said I think going forward we need to differentiate between – there is bond money for business corridors which is the \$13 million and then there is this PAYGO account that comes in every other year. I think we might need to figure out a way to differentiate that

Mr. Carlee said let me clarify that. They are actually one in the same so there actually is \$13 million in PAYGO money now for neighborhood corridors. I wouldn't touch that because I would still like to have money in PAYGO to do something opportunistically in the corridor if we are able to do it. The idea was that the future PAYGO money coming into it we would shift to bond and so we would have \$13 million in PAYGO where we need cash ready available and then back up the next \$10 million with \$5 million in 2014 and \$5 million in 2016. The idea was not to take any of that \$13 million PAYGO that is currently on the table because for all of the reasons you've said in the other meeting.

Mr. Howard said I want to understand a little more about what you are saying that the neighborhood improvement program is the money that the Planning Commission and Neighborhood Development spent to implement area plans. Is that what money is? What is CNIT and where is that normally in the budget, where is that spent?

Mayor Foxx said this is the new neighborhood improvement program and this is the one where instead of spreading money around the city like peanut butter we are going to concentrate significant spends within concentrated areas. It is a revision of our practice. Typically this fund has been used for curb, sidewalks, gutters, streetlights or whatever to help the neighborhood, but the vision for this is to actually do some different things, involving the neighborhoods, involving the county and the schools to try to imagine what cannot happen in five neighborhoods around the city. That is actually another problem I have with this proposal is that not solve a bit of our capacity on that end and there is a lot of blood spilt trying to keep that intact and I'm just worried that we are losing a little capacity there.

Mr. Howard said I actually support that we shouldn't take it out of the corridor fund but we should still leave the \$2 million additional to add to it. I don't think we spend enough money on the corridors. I actually would argue that issue be a part of every bond cycle anyway, not replacing it to do something else. That is the problem. We have these two priorities that we are talking about and they both deserve some attention and I would argue that we probably should put more in there but not less. If you drive these corridors, some we have been talking about for the last year, has been the lack of attention to at least two of these corridors we are talking about trying to do something to jump start it. We know that just paving the sidewalks is not always it so find some ways to do more Mosaic Villages or perhaps some other things, we need to figure that out.

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Mayor Foxx said is there a general feeling to ask the staff to continue working to try to get this rental subsidy piece figured out?

Mr. Mitchell said just for clarification, note #2 said use of federal HOME and CDBG grant funding is not permitted by the Federal Government. Just for clarification, why?

Mr. Harrington said the Federal Government doesn't allow the use of ... money for endowment type purposes. It is a federal regulation requirement.

Mr. Mitchell said let me play on words. They would change that if it wasn't considered an endowment program. Then could we use CDBG funding for this program?

Mr. Harrington said that is probably a legal question, but I think the spirit of it is still an endowment so that would still raise the eye brow of the federal government if it were used that way.

Mr. Carlee said that is really the core of the rental assistance program, and that is why the Foundation is going out and seeking private donations so we are essentially matching those to be able to get one-time gifts that would then spin off interest to support the rental assistance program.

Mayor Foxx said this is good conversation on this. Mr. Barnes anything else on this?

Mr. Barnes said that is it.

The meeting was adjourned at 5:29 p.m.

Stephanie C. Kelly, City Clerk

Length of Meeting: 1 Hour, 25 Minutes
Minutes Completed: May 31, 2013