

The City Council of the City of Charlotte, North Carolina convened for The Presentation of the Manager's Recommended Budget on Monday, May 6, 2013 at 7:32 p.m. in the Meeting Chamber 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.

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Mayor Foxx said for those of you who have been following this wonderful drama, we have for the last three years, known that we needed to figure out our Capital Budget because the last round of Capital Budgets that were passed, General Capital Budgets I should say, were passed in 2006, 2008 and 2010. Two years ago we worked to reduce the property tax rate to a revenue neutral level, recognizing that our citizens in our community were still, and are still recovering, and yet last year and this year we have been talking a lot about the capital side of the budget. I want to explain a little bit about where we've been with the Capital Budget. There is also an operating recommendation and I won't get into the details of that operating recommendation but with respect to the Capital Budget, last year there was a recommended Capital Budget of 8 years with a property tax increase that would have been about 3.06 cents. It was just at this stage of the process last year when we started having conversation about it where during the adjustment process the Council was largely in support and at some point between then and final passage things changed which is as they say, that is why you play the game. You have a right to make decisions along the pathway. We went through a series of actions to figure out how to go forward. Ultimately we left the tax rate level, no general CIP was approved. One misnomer about the CIP however, is that we didn't pass any CIP which is not the case. The billion dollar Airport CIP for instance was passed. The enterprise fund CIPs were all passed. It was the general CIP that was not.

Since last summer the Council has had three supplemental Budget Retreats in the fall, we have sent the entire recommended Capital Budget Plan to Council Committees. Those Committees have reviewed each of these capital budget issues and reported them favorably out to the full Council. Typically what happens, for those of you who don't follow this process with great closeness, typically what happens is the City Manager recommends a budget based on Council directed priorities, but the Council is typically not in a position of recommending to the Manager what to recommend back to us. But this year that is what we have done. We have essentially recommended to the City Manager a series of capital priorities and the Manager is recommending those back to us.

Let me talk to the citizens of our City about why this is important. The Capital Budget is incredibly important to our City because not just because of what it does. It is very important to build Police Stations and public safety assets which this budget would do. It is very important to help build up neighborhoods and to put in things like bridges and roads and other types of infrastructure and to help our community address affordable housing in a real way. This budget does those things. The difference between this budget and most of our Capital Budgets in the past is that it is over an 8-year period, not a 5-year period. I want to explain to our citizens why we are doing it this way, or at least we purport to be doing it this way. I'm not going to pre-judge the outcome. The reason is that just like with a mortgage or a car payment or any type of borrowing we build our capital in this City through borrowing and when we borrow money over a longer period of time we are able to use more dollars at a lower amount. Over an 8-year period we believe that we can do a combination of things – take advantage of relatively low interest rates and construction pricing, provide certainty in our capital tax rate over a longer period of time, and to be able to do almost a billion dollars of projects within a relatively low tax rate so that over the next 8 years our citizens aren't going to have to wonder whether the City is going to be going up or down on its capital tax rate and we are able to provide some measure of stability. That is important because we recognize that this community is still getting its sea legs and we also recognize that many citizens out there need their neighborhoods to be stronger, need to have police assets in their communities, we need to see revitalization happening in different parts of our city and of course with affordable housing we need to address that.

Another thrust of this budget is that it tries to get ahead of a challenge that I see happening in Charlotte over the next 10 to 20 years. I apologize Mr. Manager, but I just want to make sure the citizens understand what is at stake. During my entire adult life this city has grown out through annexation and it has grown population partly as a result of that. We are quickly coming to a point, and probably are there already, where our tax base isn't going to get much larger by virtue of annexation, in fact our annexation ability is pretty limited. In order for us to be able to raise the quality of life and also to grow revenue in the City we are going to have to reinvent parts of our City. Parts of our City that have been challenged are going to have to get stronger. That should be good for everyone. I would use monopoly phrases when I would say that we have to have a Baltic Avenue and a Mediterranean Avenue strategy in addition to a Park Place and Board Walk strategy. If we are able to grow value throughout our community and make every part of our city a good place to live, it is not only going to improve livability for our community, but it is also going to prevent the City from having annual tax increases because our revenue base will be growing organically. What does this budget do to accomplish that, the Manager will talk about this some but the budget will make investments in parts of our city that need to see revitalization, such as the Independence Boulevard Corridor. This budget will attack neighborhood improvement a little differently than we have in the past and instead of spreading that money around like peanut butter, it is going to be targeted and more impactful. With affordable housing the delay in the budget passing has actually improved our affordable housing approach. We have a comprehensive strategy that we are going to hear about today that will provide specific support for housing, specific support through our traditional housing trust fund, specific support for neighborhood improvement and specific support for land banking which can help us with some of the concentrations of poverty we've seen in the past.

As you hear about this budget and I tried to make this point very clear last year, what you are going to hear today is about how we build the future of our city. It is our job as a Council and that of our staff to lay this budget out and then go out and help the community understand the theory of action, why it is we are trying to go in this direction. My hope is that if we go in this direction, it ends up being a lower costs proposition for this City than if we do nothing. If we do nothing our tax base doesn't grow and it becomes a more expensive proposition to accomplish the goal of having a stronger City long-term. With that I will turn it over to the City Manager for some opening comments. I do also want to preface that by mentioning to our citizens who are watching that tonight is not the only night that you can come and be part of this process. We appreciate the thousands who are here tonight and the millions who are watching on TV. We will have over the next several weeks other opportunities for members of the community to weigh in on this budget. On May 13th 2013 there will be a public hearing at 7:00 here in the Council Chambers. On May 15, 2013 the Council will be doing something called Budget Adjustments at 3:00 in Room 267. For the uninitiated budget adjustments means that is an opportunity for Councilmembers who have concerns or issues about particular pieces of the budget to recommend changes to the budget. It doesn't mean that we are going to vote on those changes that day, it just means that we are going to put those changes up for consideration. I would strongly urge the Council to use that process this year because it makes our lives a lot easier when we use the process that we lay out. On May 29th there will be straw votes. This is actually when we vote on the changes that have been proposed. That will be at 12:00 noon in Room 267. On June 10, 2013 we are scheduled to have Budget adoption at 7:00. If we have done our jobs over the last year and a half our budget adjustments should be a fairly contained process because we've all had a chance to look at the budget. You have an opportunity there to make changes if you wish. Our citizens get to weigh in on May 13th and I hope that we can stick to this calendar and approve a budget on June 10th. I appreciate the work of every Councilmember this year. You have spent more time on a Capital Budget process than any City Council in the history of City Councils of Charlotte and I don't think it was because you didn't want the best thing for the City. I think everybody is trying to figure out what the best thing for the City is. All of us struggled with asking citizens to pay more, but all of us also struggle with the reality that if we don't do something our citizens are not only going to pay what we are asking them to pay this year, but it probably will be several grades more than that. I hope you will continue to engage with each other and I hope that some of the issues we have seen in the last year and a half or so can be worked through. That is what we are here to try to do.

City Manager, Ron Carly said Randy Harrington is at the podium, he will be assisting me with the presentation tonight. I want to thank you and the other members of the City Budget staff for
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all of their work in putting the budget together. I would like to ask the members of the Budget staff to stand and be recognized. They do their work quietly behind the scenes, but I will tell you it is a first class budget team and I feel very proud to have the opportunity to work with them. I had to smile when I was listening and reading some news coverage today about how the new City Manager would have his first opportunity to have a big impact on Charlotte, introducing his recommended budget. Yeah, after one month!

The budget that we are presenting to you tonight is actually the culmination of all of the work you have done as Council literally over the past year with staff and it reflects staff's best understanding of the guidance that you have given to us. For me as the new City Manager, rather than being a culmination of a process, actually it is the beginning for me of the FY15 budget development process. This is my first budget in Charlotte although this is my 30th municipal budget to work on. I think this is a sound budget, it is a balance budget and again it is one that I think is reflective of the guidance that you have given us. It will be my first time to go through the full budget process and hear your guidance and also hear from the public at your budget hearing. If we have actually interpreted your guidance it is my hope that the Council could smoothly advance the budget for FY14, recognizing that budgets at their essence really are plans. In addition to your normal add and delete process that the Mayor just described, I am interested in using your review this year as an opportunity to develop the initial list of items into which you would want us to dig deeper for FY15. This is especially as we refine the CIP because of course in FY15 we will be looking at having a bond referendum in the fall of next year and that becomes especially important.

It is my understanding that the tradition in Charlotte is to give a fairly detailed overview of the budget at its presentation and we will do that tonight. I will begin with a very high level overview and then hand it off to Mr. Harrington to go into deeper detail. If we could advance to slide #3 we will start with the overall budget. This is a case where it is really important to look at not just the whole, but the parts itself. The City of Charlotte is in many different lines of business that are funded by very different and distinct funding streams. To some extent you can misunderstand the totality of the budget by just looking at the total \$1.97 billion, almost \$2 billion. You can see as you look at the different slices there of particular importance, but only about a quarter of the budget is the General Fund at \$495 million. That is the piece of the budget that is funded by general taxes. This is where general services are proving, as you will see in another slide, most significantly policy and fire, public safety. You can see the other very large portions of our budget including Aviation, our Transit System and of course the Capital Plan which the Mayor referenced.

When you look at the next slide you will see that the increases for the different budgets are radically different. Looking at just a single increase in the overall budget really does not tell you very much. The General Fund Budget is a very modest 1.5% increase. It is essentially a current services budget with very few enhancements, specifically those identified by Council in your work sessions. Then you can see the more significant increases in other budgets with Capital Budgets traditionally fluctuating as Capital plans ramp up and as they ramp down.

Going to the next slide, more specifically, you will see how the General Fund Budget generates its revenues or how the revenues that are generated fund the General Fund Budget. The most significant observation here is the dependence that the City of Charlotte has on the property tax. As I began my review of the City of Charlotte's budget and look for opportunities and concerns, I will identify as a concern the very heavy dependence on the property tax and while it is not within the specific purview of the City Council, a concern with regard to the property evaluation system. Not just the reval system that we are going through now but the very long periods of time between valuations. As an urban community where we are investing in ways that should actually increase at a steady and modest pace, the value of property, the lag that we have in the system in Charlotte Mecklenburg and generally in North Carolina I would identify as being potentially particularly problematic for urban communities. Fairfax Community in the Washington region, which has over a million people does its revaluations annually. Montgomery County, also in the Washington region does its evaluations on a 3-year cycle, revaluating 1/3 of the properties each year. The significant lag in evaluations here is something that is a longer-term problem, but one that I would identify as being a concern for an urban community. As you

can see sales tax, licenses, when you get beyond the property tax there is fairly limited resources for the City to depend on.

As you see on the next slide with regard to revaluation there is actually a reduction in property tax revenue this year. We have essentially plugged that hole with some one-time funds. What would typically happen when you have a revaluation is a governing body would consider an equalization tax rate to basically continue current revenues. We have not recommended that to you for this year because the revaluation is still in process and it would be my expectation and recommendation that we wait until the revaluation process is completed and to bring you recommendations on equalization next year. You may or may not want to adjust the tax rate at that time, but we would give you a full analysis once we know. Otherwise we will need to consider some expenditure reductions in order to stay within the declining property tax rate.

As we look to what is paid for in the General Fund, as I referenced earlier, it is predominantly public safety. Sixty-three percent of our General Fund budget goes into the combination of fire and police services. Solid Waste is the next largest one, which in Charlotte is supported by the General Fund in terms of solid waste collection. In many cities that is an enterprise fund that is fee supported. Then you can see the declining amounts of resources that go into other areas. Transportation is relatively small in the General Fund Budget because of a separate enterprise fund for the Charlotte Area Transit Service. As I said earlier, this is a current services budget. We've incorporated recommendations coming out of the Budget Work sessions specifically around the Charlotte INclusion Program. We've made some modest adjustments based on inflation and needs within the various operating budgets. You can see the overall General Fund Budget increase which is 2.3% and that is because some revenues were higher, offsetting some of the losses in the property tax. Within the General Fund Budget we have recommended a pay adjustment for City employees that is within the range of our market analysis. I'm proposing to you a 2% increase for general fund employees. Again in Charlotte that is not an automatic across the board increase. It actually creates a pool of resources that gets distributed to employees based on performance. Under your Public Safety Plan that you have previously adopted Public Safety Employees would get ½ of the 2% which actually is across the board in Public Safety, plus their step increases as you have previously adopted that are at different amounts, depending on their tenure within their respective Public Safety Agencies.

With regard to the CIP which has been the subject of considerable discussion over the past year, once again you need to look at the component parts. It is not a single CIP. There are very specific and dedicated services that support different elements of it, especially Aviation and our CATS Transit program. If we go to the General CIP which has been the primary topic of discussion on the next slide, you can see that we are recommending what is essentially the program that you have previously been discussing, \$816 million, most of which goes into Transportation, although in essence I would say the entire CIP is really an economic development program. All of this is really investment in the community in order to keep the neighborhoods and all of our City in a strong position. To address the elephant in the room the CIP based on guidance and permission that the City Council gave me previously, does not include a Streetcar proposal. That will come to you separately as you previously agreed that I could do. We are in the process of finalizing alternative financing recommendations for the Streetcar and it is my hope to bring that to you within about a week.

On slide #11 you can see that the \$816 million Capital Plan is proposed to be supported by a property tax increase of 3.17 cents and none of that increase would be devoted to the Streetcar, but specifically to the other CIP programs that you have previously identified. This property tax increase would support bond cycles on two-year basis as you have previously operated beginning next year in 2014. The final significant piece of the budget are the Enterprise Funds and these are very specific lines of business where we do segregate funding away from the general City operations and you can see within each of your Enterprise Funds you have both an operating component and a capital component, the most significant of which is of course Aviation with very high levels of resources devoted to our integrated Transit Program and to basic infrastructure around water and sewer and then storm water as well.

You can see on the next slide the increases that are proposed and Mr. Harrington will be happy to go into the details behind each of those increases. So what is the bottom line on the Charlotte taxpayer? We have scenarios here for homes at different values. These are values that different

people have asked to look at. If you go to the next slide to look at it slightly differently, we've done these at different percentiles based on the values of homes within the City of Charlotte itself and as you can see 50% of homeowners under this proposal with the increase in property tax to support the Capital Program, as well as the increases in fees would pay something less than \$5 per month for the Capital Program and \$2.55 for the Utility increases. Seventy-five percent of homeowners in Charlotte would pay just shy or approximately \$12 per month, or less for the total package which is before you tonight. I would like to now turn to Randy Harrington and have him go through additional details in each of these areas.

Budget Director, Randy Harrington said it is my pleasure tonight to go into a few more details on the General Fund and the Capital Improvement Program as well as the Enterprise Funds. I'm going to start first with the General Fund, the FY14 and FY15 recommendation. I will start by talking about revenues, particularly the property and sales taxes. As the Manager mentioned earlier, due to the revaluation appeals impact, we anticipate \$5 million less property tax revenue. That is a 1.7% reduction for FY14. Going back to FY12 the amount of anticipated property tax appeals payments are estimated to be between \$13 million and \$19 million and we do have the capacity to make those refunds. In FY14 we do propose use of one-time tax and tag money which some of you are familiar with, where the state and the counties have realigned their process that when you register your motor vehicle you pay the registration fee as well as the property tax at that particular time. In the past it used to be spread. Sales tax growth is estimated at 3.5% for FY14. If you look at the impact of FY14 and FY15 on the property tax you see the drop associated with that 1.7% reduction. What the Manager's budget recommends is using one-time use of this tax and tag revenue that will be a one-time bump in the revenue for FY14 and then in FY-15 an estimated .8 cent property tax rate adjustment to replace the lost revenue and maintain a revenue neutral property tax rate. If you look at the sales tax this is 1% of the total sales tax that individuals pay in Mecklenburg County. I point this one out because it is based off of point of distribution so any services or goods that are distributed within the City of Charlotte gives you a good indication of the level of economic activity. Again you see where the drop off that we had from 2009 to 2010 and how we are slowly coming back up, but we are not yet back to pre-recession levels.

There are two new initiatives in the General Fund, the first related to the Charlotte Business INclusion Program which is a revision to your former Small Business Opportunities Program police. There are three positions that are recommended there. Then in the Rental Assistance Program Endowment, a \$2 million initial payment from the General Fund and then there is a total of a \$10 million request on that and the remaining \$8 million would be reviewed and considered in future CIPs. Base Operating Adjustments are a few – in Public Safety, Police and Fire, some adjustments to fuel, vehicle maintenance and some required training in Fire. In the residential recycling we have some increased collection counts which is a good thing, more people are recycling, and then as well as some contract adjustments and then in FY 15 we anticipate some increases in the disposal fee charged by Mecklenburg County. I will note in terms of Police cost recovery reductions, the Manager and the Superintendent did come to an agreement on a revised cost methodology for School Resource Officers that gets the Charlotte Mecklenburg Schools to a full payment for their 80% of the 100% of the time that the School Resource Officers are devoted to the schools. That in essence is a reduction to them of \$0.6 million. Then for Aviation for CMPD Officers a revise in the cost methodology that reduced the original projection by \$400,000.

Councilmember Mitchell said Randy if you can go back to slide #17 – General Fund Revenue. I missed this is in your presentation, you said the use of one-time tag and tax registration. What is the total dollar amount?

Mr. Harrington said \$6.2 million.

Mr. Harrington continued his presentation with slide #21 and said there are no new Financial Partners. One of the components you heard us talk about at one of your workshops was the transition of the Charlotte International Cabinet from being a financial partner, a contracted agency to do work on behalf of the City to becoming an office within the Neighborhood and Business Services Department. Although not general fund funded, other financial partners that are typically associated with Neighborhood and Business Services, there are no new partners

under the Housing and Community Development Programs. Although there is an increase of \$130,000 for the Charlotte Family Housing to serve 25 additional households. No changes in Crisis Assistance and then Out of School Time Partners is proposed at funding at \$1.2 million in the five agencies there. If FY15 there are no significant expenditure adjustments pending the outcome of the revaluation appeals study which the County is currently undertaking. We understand that we will likely receive their full report in the October or early November timeframe. At this particular point the FY15 based on the information we received from Mecklenburg County Tax Office it would require a 0.8 cent property tax rate increase to restore the lost funding and move the property tax revenue level to a revenue neutral level.

We now go into the General Capital Investment Plan. The City has a city-wide Capital Investment Plan, you've got Aviation, Utilities, the other Enterprise Funds and then one of those other components is the General CIP. We say General CIP because that is funded by general tax dollars, primarily property tax and then sales tax as well. The Manager alluded to some of the reasons for why a CIP is recommended this year, generally related to economic development and job growth. We call this investing in corridors. Transportation infrastructure that provides greater access to job centers and mobility across the City which we call increasing connections. Finally, neighborhood infrastructure to make our community safer and provide additional housing opportunities and stronger neighborhoods, which we call improving communities. Really that is to improve the quality of life. Before I highlight a few of the General CIP projects in the recommended budget I would like to note that during the spring the Economic Development Committee as well as the Transportation and Planning Committee did review a number of the projects in the Capital Program related to their estimated economic benefits. I'm not going to go into detail, but just to summarize that the projects in the CIP were estimated to generate or to have the economic impact of about \$2.2 billion and create about 18,500 jobs.

I know you all have seen the following slide before, probably several times so I don't mean to bore you but I do want to make sure that it is clear what projects are recommended. I'll highlight the key overview as well as for the public to understand the projects that are proposed in the recommended CIP. There are four roadway projects associated with the Airport West Corridor, west of the Airport. Three sections that would extend Garrison Road and then one widening Dixie River Road, and the investments support the area plans and create a higher capacity and more efficient road network near the new Intermodal Facility at the Airport.

Mr. Mitchell said to that point because we have viewers who are watching, can you give us a total dollar amount?

Mr. Harrington said yes, \$44.7 million.

Mr. Harrington continued his presentation with slide #27. In the East/Southeast Corridor the focus is on connections to neighborhood and services for pedestrians, bicyclists and motorists and transit users. So streetscape improvements along Monroe Road and development of some key catalyst sites in particular the Coliseum to sport economic redevelopment. The investments in this area total \$67.6 million. One of those projects, the Bojangles/Ovens Area redevelopment Coliseum area, this is an opportunity to repurpose the area with a focus on amateur sports and use existing City assets in public/private partnerships to create destination defining amateur sports complex capable of hosting a variety of events. That is proposed at \$25 million.

In the Northeast Corridor – two new bridges over I-85 in the University City Area, transit connections for pedestrians, bicyclists and motorists. This is what is termed as our Northeast Corridor Improvement Program. These projects support the Blue Line Extension in terms of bikeways, sidewalks and improved roadway access to the stations. Also some streetscape and connectivity improvements throughout the region. That is proposed at \$137.2 million. Again in the Northeast Corridor, one area that is pretty exciting, the Applied Innovation Corridor which is a focus on providing infrastructure that will support growing industries around energy production bio-sciences and health care. The intent is to provide infrastructure that will attract start-up companies and expanding firms in innovative industries. This is proposed at approximately \$29 million.

There are a variety of transportation projects throughout the entire CIP but there are three in particular that stand on their own and these three include Prosperity Church, Northwest Arc Road and is associated with the completion of I-485 that is currently being constructed in that part of the City. There is also an Eastern Circumferential Roadway associated with a bridge connected to some of the work that the NC-DOT is doing related to double tracks projects for the rail lines. Then Park South Drive Extension to enhance roadwork and mitigate congestion. These projects are proposed at \$5.2 million for Prosperity Church Road, \$12 million for the Eastern Circumferential and \$8.6 million for Park South Drive.

Under Increasing Connections the Cross Charlotte Multi-Use Trail, which you've heard a little bit about is proposed at \$35 million and it is a collaborative opportunity with Mecklenburg County to provide a unique amenity through Charlotte. It would provide pedestrian and bicycle use and include recreational or alternative transportation options for those traveling to work. It would connect all the way from Pineville to the Cabarrus County line. The City maintains 735 signalized intersections and 198 bridges and culverts so we have a program in the recommended CIP to upgrade traffic signal systems and their devices as well as repair and replace bridges. The proposal on this is at \$48 million. Sidewalks and pedestrian safety are an important component of the recommended CIP. These are proposed at \$60 million total over the four bond cycles. They primarily would be located along major thoroughfares and the funding of \$60 million would fund approximately 70 new sidewalks projects.

Mr. Mitchell said Randy, you said that would fund 70 sidewalks. Do we know how many we have on the backlog currently?

Mr. Harrington said I don't know off the top of my head, but we can certainly get that to you.

Mr. Mitchell said if you could provide for Council the ones that are currently programmed for construction and those in the backlog because I know some of us have received additional request for sidewalks. You said that \$60 million on a 4-year bond cycle so that is 8 years?

Mr. Harrington said over the four cycles so it would be \$60 million over that total period.

Mr. Harrington continued his presentation with the slide #35. The next area related to Public Safety Facilities, I will comment first on the Joint Communication Center which is an opportunity to co-locate quite a number of different agencies, including Fire 911, Police 911, the Emergency Operation Center. CharMeck 311, Mecklenburg County Sheriff 911, C-DOT Traffic Camera Operations and the City IT Data Back-up Center. Quite a number and variety of components to occupy that particular facility and some of the key benefits of the facility include improved response times, eliminating 911 call transfers between different centers and some economy to scale related to the ability to leverage those resources that would all be together in one facility and then to centralize the E911 personnel and assets. There are six Police Division Stations recommended and additionally land for future fire stations. One point I will make that is a little bit different than the prior CIPs, as you recall the first bond cycle is proposed to start in 2014, however we have been able to program enough money right out of the gate that we can start one Police Station, the Westover Police Station and begin on the Joint Communication Center starting in the summer of 2013. I just wanted to point that out for the Council in terms of a couple projects being able to go right out of the gate and the reason for that is that these are funded by Certificates of Participation and gives us some more flexibility in terms of the timing so we are able to recommend those in the recommended CIP.

Under improving Communities – the Comprehensive Neighborhood Improvement Program, it is an opportunity to address neighborhood revitalization on a more holistically and more collaboration with the residents in other government jurisdictions such as the school system as well as private and other stakeholders. The proposal is to fund a total of \$120 million and the five areas would be Prosperity Village in the northern area, Whitehall in the southern, West Trade/Rozzells Ferry, the western central area, Central/Eastland/Albemarle Area and finally the Sunset/Beatties Ford area. Although it is not mentioned on here specifically there is also \$60 million associated with the affordable housing program, again a neighborhood type investments.

If you look at the history of the bond referenda, just provide you a basic overview and then the four bars at the end to show what the bond levers and the amount that is associated with each bond referenda. I think the Manager spoke earlier about a pie chart that summarizes this information but again the focus on transportation. Approximately 55% of the projects in the recommended general CIP are transportation related. As you recall, in the General CIP there are two components to the General CIP. One is a debt funded component which I have just completed talking about and another one is the Pay-As-You-Go cash funded portion of the General CIP. A couple of changes related to the Pay-As-You-Go Program, Maintenance of Effort increase to support CATS Blue Line Extension. Some of you may recall, starting in 1998 a continuation at that time, existing funding levels to support bus and transit service and this recommends an increase of that to provide financial support for the Blue Line Extension. The Streetcar Starter Project is scheduled to begin in 2015 and for the last couple years we have set aside funds for the operation of that. The CDBG/HOME, we anticipate an 8.4% reduction and we are still waiting confirmation from the Federal Government on the exact number. We thought we would have that by this point in time, but we don't. The total of those two components equates to about \$500,000 and then a couple other items which you have heard before, the Solid Waste Services Building HVAC retrofit and the seat replacement at the Blumenthal Theatre. The budget does not allocate these three areas – unallocated balances, again which you have heard before \$25 million of debt capacity; \$12 million project savings and then \$5.3 million capital reserves.

If you look at the history of the City's property tax rate, I wanted to provide that for you in terms of breaking it down by changes based off of revaluation, changes based off of property tax equity adjustments, Police related tax equity adjustments and then tax rate increases. One of the things I will note even with the proposed 3.17 cent increase for the Capital program, the City of Charlotte still would have the second lowest property tax rate of the five largest cities in North Carolina. I think you've seen some of this information related to the tax increase, again focused on the debt service fund and then some examples of the impact to various residential real estate values.

I will now transition to the Enterprise Fund Highlights. In Aviation there are 11 new positions and associated operating costs to meet current customer service and service delivery needs that are requested by the Aviation Director. In CATS there are 12 new positions to support the Streetcar that would come on in 2015, the second year of the budget. In Storm Water there is a rate increase of 5.5% and for the typical customer it equates to a 41 cent increase per month. There are five new positions that are recommended as well to help address the management of projects and reduce the Storm Water Capital Maintenance Project backlog. In the Utilities Department there is a rate increase that is recommended and for the typical customer that will equate to \$2.14 per month. There are 15 new positions that are recommended and I will note in your material is says 15 new positions for FY15 and it should be 2014. Those positions are fully offset by reductions to some temporary line item contracts and other various contracting line items for a net no increase related to the new positions.

Under Employee Compensation the budget recommends a 2% merit budget for our Broadbanding or general employees; 1% Public Safety market adjustment and 2.5% or 5% adjustment on the Public Safety Pay Plan, depending position and rank. The table on slide #47 shows you how the City of Charlotte's prior history of market movement compares to what we are seeing in the market place related to other large city employers. In Health Insurance the City's contribution for employees would increase 3%. As you may recall the City provides two different health plans, one is a high PPO Plus Wellness Plan and then a PPO Basic Wellness Plan. Those that are in the high plan would experience a 4% increase in their premiums, but those in the basic plan would have zero increase for their premiums. One of the recommendations in the budget is for a new Telemedicine service and this is a 24-hour telephone or video conference service where an employee can call and talk to a doctor, a Board Certified Physician, to treat conditions such as cold symptoms, sinus, ear infections, minor type of ailments that sometimes employees would go to the emergency room for. The desire and the intent is to reduce the number of high cost emergency room visits and provide an option for employees to have an easy convenient way to perhaps get a prescription or some advice on how they can feel better.

Mr. Harrington said I'm not going to go into detail on the next four slides, but I just want to point out, sometimes there is confusion about the level of employee raise increase compared to the health insurance premium cost increase so I want to point out that in the top half, essentially what I have laid out, with the help of Cheryl Brown, Human Resources Director, what is the amount of the additional take home that employees would take home based on a particular type of plan they are in, you can see the title of the plan at the top of the slide. The four slides you have shows additional take home pay and then at the bottom it shows the additional City investment, the portion that the City increases investments for that particular individual. I won't go into the detail of these but I just wanted to point those out and we have circled those numbers on the next couple slides and you can see the impacts to various employees based on their selection of variety of PPO coverage plans.

Next Steps – On May 13th the City Manager does plan to provide a proposal presentation on the Streetcar at 5:00 p.m. at the Dinner Briefing. We have a public hearing on the budget that evening at 7:00 p.m. and then on May 15th the Budget Adjustments meeting followed by the Straw Votes and then June 10th is your scheduled budget adoption.

Residents, Members of Council and the Mayor can certainly obtain additional information. We welcome and invite folks to visit our website and to download the information from tonight. You can also contact the Budget and Evaluation Office and a copy is also available at the City Clerk's Office for inspection and review.

Mr. Harrington said I do want to say a few words of thanks, obviously to the Mayor and City Council. I think the Mayor put it well that you all have dedicated a lot of time in the past year reviewing various components of the budget. I want to thank you for that and thank you for your input and dedication in review and feedback on that. I also want to thank City Management and in particular Interim City Manager, Julie Burch who was a leader through this process through much of the spring and I thank her very much for her leadership. Obviously new City Manager, Ron Carly. I've really been impressed, day one on the job Ron and I started spending a lot of time together and he has really jumped right into learn the budget, a quick study and Ron I'm very grateful for your leadership and guidance and input on this particular budget. As well, the Assistant City Managers, Eric Campbell, Ruffin Hall and Deputy City Manager Ron Kimble very helpful and I thank you and I'm appreciative of your involvement in the budget process. Department Directors and their budget contacts, every year these are the ones who start it out and I'm very grateful for the work and dedication that they provide. Corporate Communications and Marketing, every year we rely on them to help us with the communication and make sure we are doing a good job of informing citizens and you on the material that is on the budget. Finance and Human Resources staff, we work very closely with revenue estimates and the Human Resources recommendations, grateful to Greg Gaskins and Cheryl Brown and their staffs for a job very well done. Last but certainly not least the Budget and Evaluation staff and I want to thank Manager Carly for recognizing the great group of folks who I get to work with every day. I'm always amazed by their dedication and their hard work and they have done a really outstanding job. I'm the mouth piece up here but they are the ones who have done all the work so I'm very grateful and thankful for that.

Mr. Harrington said that concludes the recommended budget presentation and I look forward to continuing the dialogue with you and making sure that this budget represents your priorities going forward.

Mayor Foxx said Thank you Randy, and let me thank the staff on behalf of the Council for the budget presentation. I want to say again to the Council this is our budget now and I remember saying that this time last year. The recommendation is on the table now and it is now our work to figure out a path forward for this community and I hope that we can do that. Frankly because we've had so much lead up to this in terms of our work on looking at the various component parts I hope that we can have a very smooth process this year.

Mr. Mitchell said I have a couple questions Randy, if you could just provide more information later on as we start our budget process. Two of the programs we had before and I notice they have been missing out of the budget, one was Community University where we would train neighborhood leaders to go through about an 8 to 10 week program. I notices that over the last
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year and a half, I didn't know we (a) had deleted the program so can you share information as to what is the cost of the program and what was the reason why we no longer have Community University. The second one is Neighborhood Symposium. I have always received positive feedback from neighborhood leaders who felt that was a great annual event. I think the last one we had was at CPCC and I can't remember how long ago that was. Patsy, I guess if I had looked at your minutes something would have come up about Neighborhood Symposium.

Councilmember Kinsey said there is something coming up. It is a little different but we got some information I think in a recent packet.

Mr. Mitchell so a Neighborhood Symposium will be held this year?

Ms. Kinsey said it is not called that, it is a little different, but there is something being held for the neighborhoods and I'm sure Mr. Mumford can get you that other information. I think it was just sent out recently.

Mr. Mitchell said Councilmember Barnes reminded me of this when we were talking about the new changes to Charlotte INClusion, he raised the question with the three positions and I shared with him that Economic Development did not make a recommendation, we think that is a full discussion of budget, but one piece of information he asked me for and I didn't have, those three new positions for Charlotte INClusion, what will be their job title and job responsibility? If we can share that with Council I think that would help us during our deliberation.

Councilmember Pickering said thank you for a good presentation. One of our number one priorities or the number one priority is to revitalize the areas of our city that have been neglected. One thing that is standing out to me as I look at the budget and I think we should consider as we move forward, we are talking about the east side and the west side generally are considered to be the areas that have been neglected. I see some things here for the east side, I see Bojangles, I see some streetscape, some public/private partnership opportunities. Certainly we have Eastland Mall we hope moving forward. I don't see a lot here for the west side in my humble opinion. I see the west corridor infrastructure surrounding the Intermodal which is great but I'm wondering if we can find a way to put some direct investment into the west side, certainly the Beatties Ford Road Corridor right away. I know that we are anticipating a Streetcar proposal coming forward and if that comes forward and is approved, great but as we all know that is years and years and years away before we actually see the Streetcar going up to Rosa Parks, about 18 years so I don't think it is wise to put all our eggs in basket alone. As you said before Mr. Mayor it takes more than that one project. I would like to explore the possibility of finding some kind of money to put directly into that corridor, maybe similar to what Mayor Pro Tem you've done previously with Wilkinson Boulevard. It seems to be there could be some way to do now. I think it is important to even lay the groundwork for a Streetcar if it is come now. That is something I am going to be thinking about and asking staff about. I think it is something to look at as we move forward in the next couple weeks.

Mr. Harrington said as far as an immediate item the Westover Police Station that is proposed to start immediately, that would be in District 3, in the western area. That is one example and the other key part is the projects associated with the Airport – West of the Airport Roadway Projects.

Mr. Harrington said I forgot one very important Thank You and was to the Budget Committee. In particular I want to thank Councilmember Barnes, Vice Chair Dulin and Councilmembers Fallon, Kinsey and Mayfield. Thank you very much for your work and dedication in attendance. It has been a pleasure to work with you all.

Councilmember Fallon said how long is it going to take to get that sidewalk on the west side where those children were killed. Can we in anyway expedite that? I was shocked when I found out that nothing had been done.

Councilmember Cannon said actually something is being done, but yes it has been 14 months and it seems like a very long time, but what has happened is you have a host of departments that are involved between Engineering, Real Estate and there has to be neighborhood and/or community meetings to be held with the folks in that particular area and beyond that as much as

we talk about Shady Lane, staff is working diligently to try to come up with a bigger plan than just the corner per se. It is actually the stretch up to West Boulevard going back in towards Shady Lane. That is my level of understanding. The District Rep, Ms. Mayfield can probably speak to further, but if I'm off on that Ms. Mayfield let me know and if I'm right on that let me know. I think that is sort of where we are going. The latest request is to find out if something can still be expedited beyond where things are right now. I think there is a call into Mr. Blackwell today with regard to that so hopefully you will get a response sooner rather than later.

Mr. Mitchell said just for clarification, I just want us to start off on the right foot talking about budget. There was a statement made about 18 years for the Streetcar to get to Rosa Parks and I just want to make sure we all are on the right foot to clearly talk about the footprint of the Streetcar. Is that a question for Jeb Blackwell or Carolyn Flowers or is it a tag team?

City Engineer, Jeb Blackwell said I guess on a budget presentation I would say it all up to Randy. It is really a funding question. Whether it would take 18 years or more or less would really depend on what kind of funding model could be developed to build it. Clearly 10 miles of Streetcar would take several years to build, but I think developing a funding source would be the first priority on that.

Mr. Mitchell said but the 10 miles stretch of the Streetcar that we have been discussing for the last couple of years, that stopped at Johnson C. Smith and I think that is what has always been in front of Council. Some people are talking about a longer distance but we always said experience additional cost if you go beyond the current footprint we are talking about, correct?

Mr. Blackwell said the same that we were talking about before that went just beyond Johnson C. Smith, to French Street. That wasn't the 10-mile Streetcar, that was the 4-mile Streetcar.

Mr. Mitchell said what I don't want to do is put information out there that we are talking about building a Streetcar to Rosa Parks. What we are talking about is building a Streetcar from down town and would stop at Johnson C. Smith.

Mr. Blackwell said yes sir, it would go to Sunnyside Avenue on the east and to French Street just beyond Johnson C. Smith on the west.

Ms. Pickering said the 18-year number that I used was provided by CATS to me. I was given a number of 18 to 20 years and the Streetcar has been touted as an economic development project to revitalize particularly what I call the Beatties Ford Road Corridor from the Excelsior out to Rosa Parks, so that is the stretch I feel that hasn't been moving at all. It has been stagnant for years and that is the stretch that I am concerned about. I know that is not even in the budget, that is so far out that it is not even in the budget that is in front of us.

Mr. Mitchell said I just want us to be clear because we are talking about what is in this budget and I don't want the media to take this and once again we are having a discussion about going out to Rosa Parks, but what the current discussion is in this budget is the Streetcar from Sunnyside to Johnson C. Smith. I just want us to be clear and making sure we are all advocating for the same thing.

Ms. Pickering said I just want the citizens to be aware when they can expect to actually see a Streetcar going all the way out to Rosa Parks.

Mr. Mitchell said I have been a District Rep for 14 years, it is not the citizens' expectation that it will go out to Rosa Parks. They have always advocated the Streetcar to be an economic development from Sunnyside Avenue to Johnson C. Smith. It never was a discussion to say we would like for it to go all the way out to Rosa Parks. That has never been a discussion among the community.

Mayor Foxx said there is going to be plenty of time. Tonight we are going to try to resolve these differences tonight although we have had a year and a half. If I can try to help a little bit here. Here is the issue and Beth I think you have laid it out pretty plainly. I know a little bit about the Beatties Ford Road Corridor because that is where I grew up and what may be hard for people to

realize is that this corridor has basically looked the same over the last 40 to 50 years and the issues that we are confronted with as a City is, if areas like Beatties Ford Road continue to stay static or even decay further that is ultimately going to result in a more expensive city to live in because a smaller and smaller part of our city is going to paying a higher and higher tax burden to keep the infrastructure up for the City. What you are talking about in terms of revitalization, trying to get something done now is a very important issue. I'm going to try to explain to you the differential diagnosis that I have taken on this. There are four things you can do to improve a neighborhood from a governmental perspective. You can use infrastructure, you can reduce regulation, you can improve public safety and you can improve schools. Those are basically the four things that will help a neighborhood lift up and if a neighborhood is missing one of those things it is going to be tough. There have been efforts in the past to improve street lights, sidewalks, curb/gutter, basic infrastructure which some of the neighborhoods in that corridor have never had and now they are starting to get them. We put a Police Sub-Station on Beatties Ford Road and some of us were around for that vote. The data research says that subsidy if you want to try to attract a grocery store a retailer, the data says that if you just put a subsidy out there with nothing else you will attract that retailer, but the retailer's financial incentive is only as good as the subsidy. We have to work with urgency, and I hear your urgency, but we also have to work smart to make sure that any investment the City makes is an investment that will draw the private sector interest and start having the private sector doing the things that we hope to have happen which is to make the investment, to lift the quality of life, job creation, etc. I don't hear you saying something fundamentally at odds with where Mr. Mitchell is, but I think the challenge is that if there were a quick easy solution we would have thought about it and it would be in the budget. If there are other good ideas, the ED Committee is sufficiently charged to come up with new ideas that don't get us into the same situation we were in last year. To date I haven't heard any so I think it is a good conversation to have, but I think what you might have to wrestle with is that there just may not be a silver bullet that will directly bear on the issue you just talked about. It may take a longer range strategy.

Councilmember Howard said Mr. Mayor you framed that very well, and the remainder of all of the system, just because I have spent more time than anybody around this dais since February learning about the transit system, it is probably not 18 years, it is probably never if we don't do something and I think that is what we've been trying to figure out is how to move it forward without losing total momentum. Actually if we don't figure out a way to get it at least Beatties Ford Road we may not be getting it anytime soon without creativity on the part of everybody around this dais and everybody in this community. Right now there is no sales tax to do anything in addition. If this dais wants to be serious about those areas that we are concerned about we are going to have to find ways to move that system forward and we know that the system is a catalyst. All you have to do is drive down South Boulevard and you see that it works. I would hope that we engage as we go forward. The community I have been working with has some ideas, I'm not sure it is solutions, but it is going to take some creativity on the part of everybody and this may be one of those ways we have to do it because if not we won't see anything.

Councilmember Mayfield said I'm excited to hear about all the conversation that is going on regarding District 3, but I do want to make sure that we have a clear understanding of what is considered west side and even thought James and I have a pretty good relationship and share a couple of streets where one side of the street is his and one side is mine, Beatties Ford Road and West Boulevard is not one of them. I want to make sure when we are looking at this particular budget, there are a couple concerns. One I have already shared with Randy and I have shared with our City Manager as far as the conversations we are having with tax money investment when we are in the process of having a discussion regarding the governance of our Airport and when we are identifying opportunities for development. There is still a lot more work that can go on throughout District 3 off of Nations Ford Road, off of Wilkinson Boulevard and off of West Boulevard. We have some other opportunities because Mr. Cannon did an amazing job of bringing investment in years ago into the area so we have the opportunity of continuing that now. I would also like to get a breakdown of the investments that we are looking at for the Whitehall area, I think it is about \$30 million, which it would be good for me to be able when I've having a conversation with my neighborhood leaders and community members as far as exactly how we are going to be breaking that investment out. We are seeing a little bit of growth that is happening in the area and you are seeing the amazing investment that thanks to previous Council you all made with moving forward with light rail and seeing what impact it has had along South
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Boulevard, but there are still some areas of South Boulevard on the west side that can use some infrastructure and some investment to make sure that it can look a little more like what we are seeing in SouthEnd. Especially when we are thinking about the new shopping experience that we are going to be having in the area, and how do we pull all of that in to make a complete comprehensive piece of development for the entire district. I would like to get a few updates on those if you don't mind Randy. Mr. Cannon you were correct, I have been in contact with our staff regarding the project on West Tyvola. I also attended the community meetings that we had and as you know unfortunately for anyone in the community that doesn't know, the longest process is actually the negotiation of land. Even though I am extremely happy that Council moved very quickly with identifying the funds to start this project that very well might not have started until 2016, and since we did not pass our Capital Investment Plan last year that included funding for sidewalks and additional road infrastructure maybe even 2018, we were able to get started, but I made sure that the community was not misled and hopefully no-one else has had any conversations to give the impression that this was going to be a short process and that this will be a process that is any shorter than two years. I made sure the community knew that this was not going to be an overnight fix and we want to make sure that we identify the problem and make sure the community has an opportunity to share their concerns. Once the negotiations start that is the piece that could be as short or long as it needs to be based on the community's input and based on the homeowners. So those of you that live off of West Tyvola and those of you that live in the neighborhood you have opportunity to talk to your neighbors and say this is important for us to have this sidewalk and to have quality access and build toward the greenway system that we are already working on and not have a battle well here is the opportunity for me to make a lot of money on this piece of land, recognizing that it is your tax dollars that are paying for this improvement.

Ms. Fallon said say we find money for the Streetcar, how long do we subsidize it and will it have to be subsidized. Will private industry come in to help or is it going to be something on a long-term basis that we will constantly have to subsidize? I'm willing to subsidize grocery stores because I don't want to see food deserts up there. I think that is something you should do for people to begin with, but what about the other stuff? Will we get barber shops, hair braiding or will we get some kind of business that can sustain itself that people can come into and we will not have to subsidize forever?

Mayor Foxx said I'm going to ask the Manager because it is always a good thing for me to ask the Manager to maybe respond to the question.

Ms. Fallon said what do we subsidize long-term? Say we find the money for the Streetcar, will we have private public people investing and if not how long will we have to subsidize and will it die if we don't subsidize it after a certain amount of time?

Mr. Carly said if we are talking basic public infrastructure, be it transit of any of the varieties, either bus or various rail projects or be it roads, of which we have a significant amount of capital investment here, that really is basic infrastructure and there will be some ongoing subsidy to all of that basic infrastructure because it is not fee based. Where we are looking for the investment to pay off is in our land use plans that surround those investments such that the redevelopment along transit lines and along critical roadway lines encourage the development or the redevelopment of properties to increase both the property tax returns and the sales tax returns that ultimately generate those overall General Fund revenues that enable the ongoing subsidies. In the long-term that should always be a net positive for us and if we are not stimulating redevelopment it will be in the long-term a significant deficit for us because the infrastructure will also need to have reinvestment and if the property is stagnated as we've heard reference to some of the properties tonight, then you are going to have the continuing subsidies without any revenues to support them. The reinvestments have to be targeted in a way that encourage either the maintenance of high value property or encourages the appropriate redevelopment and reinvestment consistent with our land use plans, which will of course vary from one neighborhood to another, that hopefully provide economic opportunities and housing opportunities at all income levels.

Councilmember Autry said was there anything in here about a Streetcar?

Mr. Carly said no sir. I think there is a notation in there that it is not in there.

Councilmember Dulin said that is a pretty good indication though about how this Streetcar is going to divide this community. It is not in the budget and we've just spent an hour talking about it. It is going to be a rodeo again folks.

Mr. Cannon said I think we should always talk about things that might afford to be community, especially in some of our areas that are fragile in nature to be considered with whatever it may take in order to bring those communities back. That is what we did in Midwest and Southwest Charlotte heavily and that is what we should be doing in Midwest and Northwest Charlotte. If we had to take another moment to talk about the Streetcar or any other subject that is going to improve an area or not we ought to be talking about it. There is nothing wrong with continuing to have discussions about it. It is my hope that we will have a comprehensive transportation plan, an overall comprehensive transportation plan that will involve having roads that are needed, sidewalks that are needed and different modes of transit if need be as well, all hopefully run through the MTC to get some level of a nod or some indication from where that body sits. When I've made comments relative to having the same old, same old whether it has been a place where cosmetology and/or barber shops may be or coin laundries or check cash places, it is time out for maybe a lot of those things and maybe time in for something different. That is why we continue to have conversations talking with developers about their interest in areas where they can make a difference and/or change, much like what is happening in Oklahoma City with one of own local developers here doing something out there where there is some incentive provided to him to be able to buy down the rents of what may not typically come to those sides of town, but yet it is working for those folks as a result of the rooftops, the retail is coming. Is there something out there in the wake of an opportunity for a Streetcar which in my mind is not the catalyst per say, but something that can provide an amenity to still encourage and/or produce future development. If so we ought to be having that discussion. I think the kicker for all of us has been how do you pay for it and I think that is where it has been, that is where we are and hopefully in the next week or so we will find out exactly where we will land with at least a recommendation from the Manager and we will make some determination about if we can get on board with that or not. Until that time let's continue to try to work together for the common good of all of Charlotte. As much as we talk about east Charlotte and west Charlotte I sit here and think about North Tryon and Sugar Creek every day and stretches of North Tryon. Those areas are important too and we need to be making sure we are putting together a strategy plan for those areas just as well.

Councilmember Barnes said and we are not.

Mayor Foxx said thank you all for this stimulating postscript to the staff presentation. I really appreciate your input, really appreciate the concept of adjournment.

The meeting was adjourned at 8:58 p.m.

Stephanie C. Kelly, City Clerk

Length of Meeting: 1 Hour, 26 Minutes
Minutes Completed: June 14, 2013