

The City Council of the City of Charlotte, North Carolina convened for a Budget Workshop on Wednesday, February 26, 2014 at 3:06 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Mayor Patrick Cannon presiding.

Councilmembers present were Al Austin, John Autry, Michael Barnes, Ed Driggs, Claire Fallon, David Howard, Patsy Kinsey, Vi Lyles, LaWana Mayfield, Greg Phipps and Kenny Smith.

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Mayor Cannon said what I want to do first is to update you on a couple on a couple of items; a few things that took place. One was my visit actually to Washington on yesterday. The Centralina Council of Governments had worked to pull together a host of what will be business leaders, folks in this different institutions in our community and some non-profits and even some from the private sector on the manufacturing side to go there and to talk about an opportunity to meet and strengthen our needs in manufacturing here throughout the region. It was very good, very well received. We sat down with Jason Miller, who is the President's right hand on manufacturing and we were very well received. We talked a little bit about our workforce. We talked about our needs and how we as a region have pursued strategic planning and economic initiatives to prepare for addressing various needs here throughout the region. All the sectors, are important in terms of helping us to be able to move forward with this between governments, non-profits, schools and industries in a way to collaborate to make sure that we are creating the type of training programs that our existing and future industries needs in order to be able to recruit, to train and of course to employ and so we're hoping to be able to move forward with an opportunity to be able to receive support from the Federal Government hopefully somewhere around June; get some news or some update relative to some opportunity for us to be able to land their level of support as we work to create manufacturing opportunities for those that seek them. So it was very well attended; very well received. Mayor Atkins and I were the ones responsible for leading that delegation and I've got to tell you, I think it just went over very well. Thereafter we went to a press conference where, of course, the President himself announced what they were doing in the way of additional hubs in cities like Chicago and another city right outside of Detroit. We want to continue to be on his radar and so I was able to make that clear I think and understood but it went over well.

Then the second thing is of course today we announced that the FTA has approved entering the City LYNX Gold Line Phase 2 into project development. That's a very good thing; very exciting news and thanks to all of you, the members of Council who went and voted for this along the way for this to be able to get to a place in terms of where it needs to go. You of course, will be reminded that you approved the \$12M in funding to further a design progression of the CityLYNX Gold Line Phase 2 and while there was some concern approving the initial investment into this project without any level of assurances of reimbursement, we still were able to realize this opportunity and that's a very good thing. It is just sometimes I think we get and understand that you have to be able to put yourself in a position to take the type of business risks that are appropriate in hopes that you land the type of opportunity in which your decision making did grant us to have this opportunity to go before us. I will say this; we need to do a better job in the way of making sure that we inform members of this body about announcements as they are coming up.

Councilmember Howard said I was getting ready to say that Mr. Mayor.

Mayor Cannon said because I will tell you that I don't know too many people around this table that would not have been there this day. When I looked, to my dismay, I didn't see Council represented the way that Council needed to be represented today and that's problematic for me. I don't know how you feel about it members of the body, but I do hope that going forward we will devise a better way to make sure that we convey what's happening relative to the different types of announcements that are coming forth because, but for you, we wouldn't be able to so, with that Mr. Carlee.

Ron Carlee, City Manager said Mr. Mayor I just wanted to apologize to Councilmembers for not getting the notification out in a more timely manner so that Council members could be a part of that press conference that was the intent and we dropped the ball on that and did not get it done the way that we should have. We will do our best to try to make sure that does not happen on

future press conferences around the Gold Line or other things that are important City announcements; again my apologies on that.

Mayor Cannon said so noted and thank you so much for that Mr. Manager. Councilman Howard, anything further sir?

Councilmember Howard said I got a call last night about it so I mean you know; what's going on with the press conference and I had no idea and I should have just picked up the phone and called the Manager and I don't know and then I got two calls today and nothing. I had personally put in a lot of sweat, blood and tears on this one and I just want to make sure that on this and other things, Mr. Manager that we just talk. I keep reading stuff in the paper and I want to get to the point where when somebody asks me at least I know what I'm talking about.

Mr. Carlee said understood. That's my obligation and responsibility to do.

Mr. Howard said thank you sir.

Mayor Cannon said now let's just make sure for every form of communication that we know is available to us that we reach out to members of the Council by some. Everybody doesn't check email regularly all the time so I take the manager at his word; he'll work to find a better way to be able to make sure everybody is informed so we don't have missteps like this so thank you and hats off to the number of CATS employees; Ms. Flowers to you and yours that have been working extremely hard regarding this subject matter and matters beyond it as it relates to transit. Thank you so much for what it is that all of you are doing to help us to be able to create an opportunity as such. This indeed is a good nugget to capture and one that we hope to see us realize even more opportunities as we move forward in the area of transit. So thank you again so much.

Ms. Flowers said I will share that with my staff.

Mayor Cannon said please do, please do because we certainly appreciate them and all those that were working out there today too. Jobs are being created Council; it's because of you and the leadership of the administration here so we appreciate that Mr. Manager.

ITEM NO. 1: INTRODUCTIONS

Mr. Carlee said thank you Mr. Mayor and if you have no objection, I shall cover one and three here at the beginning as part of my introduction. That's one of the most important things I did want to share with the Council. This is our first of several budget work sessions to begin to give you background in terms of the issues that we're facing on the budget as I shared with you at our Council retreat. We've had growing population and growing demand and very flat budgets. There is a lot of pinned up demand and issues that we're facing on the expense side, most of which we just simply will not be able to meet but I want to use this budget process which for me and I hope for you will be an educational process to understand the big picture and the competing priorities that we're facing as a City so that I can better informed with your guidance to make recommendations to you and that you can be well informed to ultimately make the really policy choices that you have to make. I wanted to begin by the way that I will begin each of these sessions and that is giving you an update on the revenue side that sets our spending constraint and so to that effect I have a new chart that is at your plate; yes it is the pretty colored one that we will update for you at each of our work sessions assuming that we have new information to share with you. Let me walk you through it briefly so that you can know what you have. The first set of columns are labeled July 25th estimate. This is the information that we provided to you at the Council retreat and so we will always reference back to what we've told you previously so that you can have in context the new information that we're giving you. At the retreat we meshed together several scenarios into one column which is that blue column, 2015 Revenue Neutral Property Tax Adjustment. This also combined with some expenditure projections which was a single scenario and as I told you at that time that was not a recommendation for a tax increase or a revenue adjustment and that there was insufficient information on which to make a recommendation and it certainly was not a plan. That was apparently confusing to at least one of our media outlets and so what I have done and what I will do in future years is add this red column which you did not have at the retreat and this is our projections with no property tax adjustments so you can see clearly what the base is. I thought I

had messaged that clearly verbally but there was some subsequent confusion. So you can see what was approved in the 2014 budget. You can see the 2014 projection which will change over the years as we get more information and it will change as we get to the end of 2014 as you will see momentarily so at this point you can see back on the 25th of January we're expecting to do a little better than what we're budgeted and you can see back in January based on what we knew at that time and what we thought our revenues would be and you can see the different categories there. Now if you go to the columns past the dark black line, you see two columns that are labeled, February 26th Estimate. So this is updated based on the most recent information that we have and this information will also change and again it will be updated as we go through the process. So the first of those columns is the 2014 projection and as you can see, we're actually looking to perform in our revenues substantially better than where we thought we were back in January and where we budgeted at 2014. If you look down, you can see some of that is within property tax. You can see the sales taxes performing better; utility franchise tax is performing better. This is ... marginally and a variety of other revenues slightly up which gets us to our projection of \$570.5M

Councilmember Barnes said could you talk to us about regarding a business privilege license tax; any potential adjustments in Raleigh that may be in fact on that line.

Mr. Carlee said that's right. So at this point we have not adjusted any of these estimates on proposals that are floating around the General Assembly. The best information that we have at this point and I ask Greg Gaskins to correct me if I'm wrong. He and his team are the people who pulled this together for us; that any changes in the business privilege license tax would not take effect until July 2015 and thusly affect the FY2016 and would take effect July 2015 and affect our 2016 budget.

Greg Gaskins, Director of Finance said I have not seen one that was earlier than that.

Mr. Carlee said so that notwithstanding as you look at threats and risks to our revenues, that is the most significant one but at this point we have nothing that would indicate that it would impact the 2015 budget, but the 2016 budget. So the blue column is our revised estimate for 2015. Again the dark green one is our projection for our current fiscal year that ends on June 30th and 2015 is for the new fiscal year, the budget that you're deliberating and at this point as was our preview somewhat by the tax assessor when he talked to you at your dinner briefing, we are expecting that property tax will perform better, that the revaluation will have less of an impact as was anticipated. The refunds will take a little bit longer to dole out than was anticipated. So we are looking at if you go to the last two columns, a net change in property tax from the 2014 budget, current year's budget, to next year's budget of about 1% or \$3.2M and you can see the re-estimates on the other revenues as well. So based on a comparison of 2015 projection, the 2014 adopted budget, we are expecting revenue increases at this point at about 2.5% and in dollar figures that's \$14.2M. Again these numbers will change as we get revisions along the way. Hopefully they'll only go in the positive direction, but they could go in the negative direction. You will notice I am not showing any column relating to property tax adjustments because I am not seeing any basis on which to do that related to the revenue revaluation and any rate changes will be considered separately as a policy matter around expenditure issues that you may consider at a subsequent date. So I have no recommendations to adjust any of the tax rates at this point at all.

Councilmember Barnes said Mr. Manager also could you talk about, I believe we set aside \$20M for refunds. Was it \$20M?

Mr. Carlee...

Mr. Barnes said so have we begun to spend any of that money? What's the balance and what's the projected spend rate on it number one? And then number two, I wanted to ask you to talk about this law enforcement line item?

Randy Harrington, Budget Director said that's the portion that the county pays for police services in the unincorporated areas of the county.

Mr. Barnes said and the first question?

Mr. Harrington said to date that is just ramping up as it relates to the refund payments and I might ask Greg Gaskins just to come up just for a second and answer what amount is set aside to this point and how much would be ... for refunds.

Mr. Gaskins said yes it was a little over \$12M I think the amount was the amount that was set aside isn't that right Adam.

Adam said originally it was 20M.

Mr. Carlee said let us research that and give it to with precision.

Mr. Gaskins said the lower number if you remember what Mr. Joyner told you, the clams on it are less but they're very very much slower than we originally anticipated; slower being paid out.

Councilmember Driggs said the County is projecting its surplus based on some favorable developments they've seen. Is there any analogy to that for us? I mean they are actually talking in terms of possibly being able to reduce their tax rate. It seems in part because the set aside they have for debt is running ahead of their anticipated needs. I realize the comparison is limited but are we seeing anything analogous in our own budget outlook?

Mr. Harrington said the one comment I'd make Councilmember, is it's a little bit difficult from an apples to apples comparison in terms of how the county started last year in their assumptions and they from what I understand had some different assumptions in terms of what they plugged in for their base component of revenue which I can't speak to but we'd be happy to provide some additional information but there are difference in terms of where the City and the County started from in terms of some of their assumptions around the exact numbers from a starting point from the budgets last year.

Mr. Driggs said but there is not a difference in terms of the way they're going about projecting the outlook and the way we are so that we're looking at the same facts.

Mr. Harrington said right. We're looking at the exact same information from the County's Tax Assessor Office.

Mr. Driggs said on the tax assessment for example.

Mr. Harrington said right.

Mr. Carlee said so we'll go back to item number two and then run down the agenda if that's alright.

ITEM NO. 2: REVIEW OF BUDGET QUESTIONS AND ANSWERS FROM MAYOR AND COUNCIL RETREAT & ITEM NO. III: REVENUE UPDATE

Mr. Harrington said one of the tweaks, opportunity that we would suggest for a process component for the workshop is an opportunity to touch just briefly on the Q&A's from the prior meeting that relate to any budgetary information. Often times Q&A's are a very important component and we want to make sure that we respond accurately to those questions. My thought is to just take a few minutes to highlight those questions that were asked; some key elements—happy to answer any particular questions. But as a way to help the Council be aware of these key Q&A's that were asked at the previous workshop. So I'll just jump right into those and it starts on page three. The first question was around what is the current contract and performance status of the Inland Recycling contract. The City has contacted with Inland Waste Services since July 2010 for residential recycling, single stream recycling service. The contract is set to expire in July 2015 and there are options for two one year renewals. The overall performance according to the contract staff has been acceptable for the terms of the contract. There have been some instances where we've had some concerns and we followed up with the contractor. There's an example in the write-up of a recent follow up with the contractor and we did receive better performance. From an overall perspective, our complaints are below the statewide average as compared to those other cities that are in the North Carolina local government benchmarking project. Question two--

Mayor Cannon said one moment or comments, please. Councilman Phipps followed by Councilman Howard.

Councilmember Phipps said Inland's accepted bid was two and half times lower than the next lowest bid.

Mr. Harrington said correct.

Mr. Phipps said now did this trigger any additional due diligence to assess their capacity to handle the city's growth rate over the seven year contract period? There was such a big disparity in that low bid and the next lowest bid.

Mr. Harrington said there are provisions in it as like population increases and add additional stops. Yes, we paid for those additional stops so that's part of the contract.

Councilmember Howard said I just wanted to know what quadrant of the city they have. Do we still do quadrants like that?

Mr. Harrington said no. They have the full city.

Mr. Howard said so what is it when I see the city trucks. The City trucks are just doing the recycle?

Mr. Harrington said they are doing refuse collection; household garbage

Mr. Carlee said and brush collection. Where you might see something different occasionally is if there are problems and we need to pick up collections that may have been missed but most specifically, the recent snow storm we essentially missed a recycling week for Inland and we made up for that with city trucks. It went into our city trucks but was actually recycled because there was not a provision and they did not have the capacity to actually do double duty since we're doing every other week recycling. So we did use city trucks recycling in that case or city crews. This is part of the value of having our city crews and not having everything contracted out where we have contractor and we have a problem we need to fix, we have the ability to fix it.

Councilmember Barnes said on this topic of Inland Mr. Manager, since they began work in southwest Charlotte I heard a number of concerns and even recently I've heard and witnessed I believe a lot of issues related to performance that may be tied to this cost issue that Mr. Phipps raised. But in terms of basic customer service, I have seen and have gotten communications from constituents about them leaving garbage and recycling materials down people's streets because of the way they dump and they don't get out and get it so they dump it and it flies everywhere and they keep going. I've heard concerns about them losing hydraulic fluid on people's street and I've had to have our people go out and try to pressure wash the areas in front of people's houses and the indication that I've gotten with all of those complaints and the things that I've witnessed myself is that its related directly to Inland work and so I have a concern about the quality of their performance as well as some of the customer service issues and to the extent that you can have an impact on that, I think it would behoove you and us to do that because the general public is holding us accountable for this contractor and I do not hear the same complaints about our folks, the solid waste services people and that's a good thing but I think Inland needs to be watched a bit more closely.

Mr. Carlee said understood and I would encourage anyone who does have a problem with the recycling or with the City collection to either call 311 and to make the complaint and let us know because we use that feedback in performance monitoring of our contractors and of ourselves. So it's helpful to get that information so that we can deal with them directly.

Councilmember Autry said I would just echo that comment also but also I'm also getting complaints regarding ... for bulk item disposal and materials not being collected when they were scheduled to be collected and sometimes actually being collected a week after. So instead of it being two weeks from the time the request is made, it can be three weeks sometimes and I don't know if that is a scheduling issue or certainly what may be encountered whenever someone

expects to go out and spend 15 minutes picking up and actually having to spend a half an hour or is that that we've cut back so much with staff who actually performed that service.

Mr. Carlee said we'll look at that one as well. I will say for certain over these past few weeks with the adverse weather, we've had significant problems with yard waste and bulky items which we have not been able to collect in a timely manner, placing priority on the recycling and on the trash collections for the multiple days that were missed. But if there are issues going before that, during our normal weather, then again I encourage people as that may occur to call 311 and let us know because all of these services because of the intensity of them, the volumes that we deal with, require perpetual performance monitoring and adjustment.

Mr. Barnes said just a brief follow-up. I had spoken with Ms. Garland a while back about some of the Inland issues maybe through an email. I think she's here and I had a question about when that contract is up for reconsideration. When is that?

Mr. Harrington said 2015. Next year.

Councilmember Fallon said do you have any stats about how often they have to replace the pails because they smash them up.

Mr. Carlee said yes ma'am.

Ms. Fallon said you do because it happened to me.

Mr. Carlee said we can certainly share that data with you.

Ms. Fallon said is it more than you would usually expect it to be?

Mr. Carlee said let me have Solid Waste—

Ms. Fallon said they're expensive to replace.

Mr. Carlee said they are. Let me have Solid Waste actually add to ...question for you and give you the detailed data on it and how we think that benchmarks against damage ...

Mr. Phipps said in reading the response to this particular question, you indicated that the performance was on par and as a matter of fact the number of complaints per 1,000 households was less than I guess state averages or statewide averages so even with these complaints, it seems like they are operating within a range of acceptability and it looks like the staff has been closely monitoring their performance based on complaints so it looks as if appropriate measures are being taken to watch Inland's performance.

Mr. Barnes said I would submit to you Mr. Phipps that while the numbers may be okay, if we had, and I've actually had to do this myself; if I'm getting home and having to walk my yard to pick up recycling materials and people are calling me saying they're having to do the same thing, that's kind of the problematic piece. So to the extent we can watch them a bit closer and that they can perform a bit better, they need to be pushed to do that but according to the numbers, I understand exactly what you're saying. But I think there's room for improvement.

Mr. Harrington said question number two was related to the business relationship between the City and ParkIt; the vendor of the Central Parking Corporation. It is a turnkey operation where the vendor manages all the parking aspects of the city's on-street program. The vendor collects 10% of the revenue from the meters and permits as well as 3% of any citation revenue. That contract is coming up this September and staff is currently in the process of preparing a bid package for that.

Councilmember Lyles said I believe Councilmember Mayfield may have asked this question, but in the write-up I wasn't quite sure if I found the answer to, is it Central Parking's responsibility on bag users. Who makes the decision on how many meters are available for revenue? I don't know the answer to that.

Mr. Harrington said there is a policy on who determines bagging?

Ms. Lyles said well the question—I remember when we installed all the meters we were trying very hard to provide downtown on street parking and as I drive through, you see more bags that have been done permanently as not available so the question that I have is who decides to take a meter off or a space off line?

Mr. Harrington said why don't I follow up and we'll add that to our follow-up question list and we'll provide some more information in terms of the categories or criteria for when they are bagged and who does that bagging.

Mr. Carlee said generally it's a City decision, not a ParkIt decision.

Mr. Howard said DOT?

Ms. Lyles said right and I don't know how that decision is made or whether or not when we look at it overall are we meeting our objective to provide as much parking or it's like we may have conflicting goals here.

Mayor Cannon said Randy find out if there's some level of—typically its event, but often times its non-event. Sometimes it may be construction but if you can find out what the reason and rationale might be for maybe some of those days where we don't see construction; when we don't see events, I think that the question because the availability of parking in uptown is scarce on street and if there's availability to provide a level of convenience for where people look forward park, I think the statement here is that we ought to be parker friendly and allow that for visitors and/or residents to be able to take advantage of. Anything else on that? Thank you.

Mr. Harrington said question number three was related to in 2006 a portion of the property tax rate increase provided a supplemental infusion for the resurfacing program for the city and we had mentioned that was to achieve a 12 to 14 year level of resurfacing cycle. We had mentioned at the retreat that the current resurfacing cycle was projected to be at about 30+ years and so what are some of the factors that are leading toward this change based on the funding change that was made back in FY07? There are really two key pieces that are driving that. One is the city has added 191 center lane miles to the city over the past eight years. The other piece; actually we look back 10 years and the cost for asphalt increased 61% during this time while the gas tax revenue that come back to the city that fund that resurfacing program have increased at only 22% in comparison.

Councilmember Phipps said do we have any idea why the spike in asphalt prices in 2008 and then a leveling off in the subsequent year.

Mr. Harrington said that was really a direct relation, I remember when gas went to maybe \$4.15 to \$4.20 a gallon there in the summer of 2008 and now that it's for the most part a reflection of what was occurring there in the global marketplace.

Councilmember Lyles said this is an area that I think really impacts all of us because as we talked about Solid Waste Services, we talk about the condition of our streets, it's really important. So one of things that I wasn't quite sure if I understood is you said the number of center lane miles were constructed within the last eight years, so when we are accepting streets or paving streets, wouldn't we be paving for a lifetime that exceeds the eight year mark and I didn't quite understand that correlation because I don't know when we accept streets, whether it's for the 12 year, the 14 year period but they ought to be coming in at a level of maintenance; just to comment on that. But the more important thing for me is that when we have this bad weather and we've got the stress on the streets and we see the potholes developing, I wonder if we have separate plan out separate from the system to fill and repair and the second part of my question is maybe I just drive a lot of the major thoroughfares and when we have utility cuts and whether their private or public, the quality of that repair to me has not be consistent with the policy of having streets to the level of standard of 14 years. So you see I'm questioning how do we assess repairs and how do we accept streets when we're having this kind of change in the way that we look at it. I don't have to have an answer to that right now; it's something we really need to be aware of.

Mayor Cannon said unless you had one.

Mr. Carlee said and as we develop that answer for you, we will also try to make a distinction between the city maintained roads and the State maintained roads on some of these major thoroughfares that you're talking about.

Ms. Lyle said I know the difference between those two things

Mr. Carlee said in terms of the performance and impact.

Ms. Lyle said right okay.

Mr. Harrington said question four was requesting some background information on the Charlotte Mecklenburg Central Division Station which is located on North Tryon and Seventh Street. This division station covers essentially the I-277 Loop, some parts of South end and some parts of the Elizabeth neighborhood and the City currently leases the facility from Bank of America for one dollar per year and the Bank of America though has indicated their intent to sell the property. Staff has been in conversations with them about their intent to sell and in terms of extending our current lease as long as we can to give us some flexibility. It is CMPD's preference that that station be retained as a location from a visibility standpoint and a location standpoint. The staff has though been reviewing other potential options that might be in the uptown area for a station. One of the drawbacks though is that any new station in the uptown area, probably close to twice the cost of the potential opportunity of purchasing the existing station. We are still reviewing that and analyzing and in conversations our real estate folks are and CMPD so a developing issuing but we wanted to bring you up to speed on that particular item.

Councilmember Smith said I assume Bank of America will not charge us any holdover rent while we're still in there for the remainder portion after.

Mr. Harrington said we've got the lease currently extended I think to the late August or early September timeframe. Question five was around the number and purpose of temporary and contract employees and how many are those currently employed by the City. As you recall from the retreat, this is an area that the manager mentioned that we're reviewing and as part of the budget development process. The temporary and contract employees do provide a flexible staffing alternative for special projects and some short terms needs. One of the questions that have come around any temporary positions that have evolved into long-term type positions and so that's what we're currently reviewing. On page seven, as of February 4th, we ran a report in term of the number of positions and there are 445 temporary positions. One of the things I'll note that 323 or 73% of this number are in Aviation, Fire and Police. And in Aviation you have a number of shuttle bus drivers; in police and fire you have a number of police recruits that are actually categorized as temporary so I just wanted to point that out.

Councilmember Mayfield said I think question five was triggered by me but what I was really trying to get to that I'm still not really seeing as a response so I'm going to ask the question differently. When we look at our contract employees, what I'm trying to get to is are we tracking time. So do we have contract employees that have been contract employees for two years or more but during that same time, we've actually filled positions either full-time or part-time that may have been of interest for that contract employee? So we have a opportunity where because that contract employee has done a really good job, they end up being a trainer to help but we have not actually brought them on to the position, when they really may be interested and qualified for the position because there have been concerns that have been shared that we have in some departments long-term contract employees when there have been opportunities for that to turn into full-time employee or even permanent part-time employment and that contract employee did not really have access to that opportunity. So I want to make sure that we're looking at how we cultivate employees. How do we cultivate those trainees and those relationships in partnership with the companies that we subcontract out to?

Mr. Carlee said in many instances it's actually not contracted out. It's actually they're on the City payroll as temps. Some may be hired agency temps but others may be people that we hire as temps ourselves. So I'll check the issue from the standpoint that you're raising as my experience is that employees who are temps for whom there are comparable permanent positions do have a tendency to move into them; sometimes not as quickly as they would like but I have historically seen that as fairly common. What is more problematic is when the job that their doing as temp is

the job they really want and is really an ongoing permanent but still classified as temporary and that's part of the analysis that we're doing as we look through these. Are we keeping people as temporary for positions that really are not temporary where a recruit that's coming in, they are going to be here for a short time and then they're going on to something else where some of these shuttle bus drivers, they probably should have not been temps for as long as they should have been—some of them maybe but probably not all of them. So that's the deeper dive analysis that we're doing currently. Most of them are entry level positions and we want to make sure that we're treating people with fairness and equity in those entry level jobs so they come and do temporary. If they are truly temporary, great you get some experience and opportunity to move on to another job, but it's really a permanent job. Let's be honest about it and make it a permanent job.

Councilmember Mayfield said and just a follow-up if I can Mr. Mayor. Also and I appreciate that response Mr. Manager. Can we also look at our temp-to-perm? So when its clearly identified that there is that opportunity of permanent but again if we'd have someone that has been working with us for 36 months or more and they're still in that category, are we really utilizing their qualifications and skills to the best of their ability and are we really getting what we need as an employer?

Mr. Manager said happy to get you that.

Councilmember Fallon said are consultants considered in this?

Mr. Manager said no ma'am. Consultants would not typically be contact employees. It may be occasionally you would find them perhaps in IT but it's pretty rare. Consultants actually are hired as companies and vendors as opposed to actual temporary employees.

Ms. Fallon said do we have a list of how many consultants we are using and the costs?

Mr. Carlee said we could generate that. They come in many varieties across a wide range of different disciplines so if you have some idea more specifically, we can drill down or something very broad.

Mr. Fallon said something very broad but is it possible that we could hire people on a permanent basis that could do the same kind of consulting that we're paying high prices for outside.

Mr. Carlee said yes. Certainly that has happened and we're evaluating some of those as part of the budget reviews that I'm doing right now. The question is whether or not you will have the ongoing need for the employee and does a permanent employee give you the same flexibility has you have with the consultant in terms of changing the person now and getting a diversity of experiences that you need. But there is an analytical piece to be done where you're using consultants on an ongoing or extended basis that is part of the end of budget review. Where people get hesitant is the ... is that concern about FTEs, the workforce level and I'm trying to demystify that a little bit. If we can save money by hiring people and not doing a consultant, don't we want to consider that and I know we have to quantify it.

Ms. Fallon said I thought perhaps it might be less expensive to the city in the long run.

Mr. Carlee said we have to quantify that and really make a business case for that to be a legitimate consideration.

Mayor Cannon said you know Mr. Manager I've been listening to some of the discussion around the table and on this item of savings on another item with regard to solid waste and I'm wondering where is the privatization competition Committee in terms of making recommendations to this Mayor and Council and you has staff in where there might be opportunities for savings on behalf of the taxpayers?

Mr. Carlee said Randy's been actually working with them and I'll let him give you and update.

Mr. Harrington said I'd be happy to and in fact for your March 24th dinner briefing, you'll be getting a presentation from the PCAC in terms of what they have currently been working on, what they have in their work plan going forward and some of the projects and if it's a chance for

the Council to have that interaction with them and conversation. They have been reviewing a number of studies and one most recently related to the Solid Waste Services service and fee structure. Actually we sent some information over the last couple of weeks on that has been very helpful in part of that analysis, but you'll be getting more information on March 24th and I think that would be a great opportunity to have some of those conversations.

Mayor Cannon said I'm very interested in that and I think I saw some other nods around the table. It looks like we really need that.

Councilmember Lyles said thank you for the report that you sent out. I think it was last week and there are some recommendations in here that I think we should definitely consider as a part of this budget process and I'd like to see—they're going to come to a workshop or?

Mr. Harrington said the PCAC or the elements in the report?

Ms. Lyles said the elements in the report. Where will they be in terms of looking at the multifamily dwellings and the fee structure?

Mr. Harrington said the Manager has referred that to the Environment Committee and I believe it's not on this week's agenda but on the next meeting agenda that the committee will be taking that up.

Ms. Lyles said great thank you.

Mr. Harrington said and just real briefly I'll cover the last two real quick. Number six I think was from Councilmember Driggs related to productivity comparisons of the private and public sector. Admittedly we had some difficulty trying to come up with a good apples to apples comparison. We did contact Dr. Michael Walden at the NC State University. He's one of the leading economists in the state to help us with some of that analysis in looking at some of the Department of Commerce and Bureau of Labor Statistics Information. We weren't able to come up with an apples-to-apples type comparison. I'd be happy to chat more if you have some specific areas that you'd like to look at but it was a difficult one to come up with a good input to output-to-input productivity ratio. We did provide some benchmarking examples down below that show our costs as a comparison with other municipalities in the state; just a couple of examples but I just want to point that out.

Councilmember Driggs said I appreciate this data which does point to good productivity. I think you recognized the problems related to the different characteristics of the 17 cities, their local cost situation, the size of the city and scale economies. If we had even the same numbers several years ago so that we could track how the numbers that you've illustrated here have evolved, that it might be one metric and the other one I look at is just a kind of cost per citizen of government; whether there's any large scale like that where we can look at basically—revenue is derived from different sources like property taxes and sales taxes but if you just look at the total cost per citizen of government and try to benchmark our ability to deliver services at a certain price compared to other citizens. Again, I don't know what kind of data you're able to come up with for that but I think it would be a good accountability metric in a macro sense.

Mr. Carlee said I urge extreme caution on per capita comparisons. It's one where I've done considerable amount of work over the years myself because it fails to capture the different characteristics of cities relative to the size or the manufacturing sector or their commercial sector and the larger your non-residential sector, actually the higher your per capita cost will be and it fails to recognize that your expenses and your revenues also are derived across a much larger base but doing it straight up per capita analysis fails to capture where your actual revenues come from and so there's a lot of distortion in some of the comparison studies that are published on per capita revenues and expenses.

Mr. Driggs said I do recognize those difficulties...being economist. What I'm looking for in general is just some way that we kind of score ourselves in terms of the performance of our government and the efficiency of our use of resources and we can talk some more off line but I just think it would be useful if we were able to demonstrate to the public that we do compare well and that we are watching to make sure that we continue to.

Mr. Carlee said I agree completely. One of the scoring things that we do use and we're trying to refine is comparison on a typical homeowner. Now again, typical or average is very problematic as well but looking at fully loaded tax and fees and trying to derive that same information for what are relevant benchmarks for us. I have found that to be a helpful and valid comparison that I think may be helpful to try to attack something what you're trying to get to.

Mr. Driggs said and if we could get a time series on that.

Mr. Carlee said that would be even better.

Mr. Harrington said that's a nice segue into the final one which is a question that was raised at the recent budget committee meeting related to the tax and fee impact from the city and the count for this past budget cycle and we have it on page eight. It is outlined for you there. As we go through the budget process of course, we will as the manager indicated, will come back and update these so that you are fully aware and the citizens are of those potential impacts.

Councilmember Lyles said I may be following a little bit in Ed's path here when you do the average, that's one of the things that I find difficult to just say average. So when I look at the tax impact and fee impact, I'm wondering if there's a calculation around values of houses in certain categories say up \$200K or whatever. I think the average really is distorted by high and low and it would be for me something more valuable if we could see it in the context of more values verses the average value. And then I continue to hear this statement about our commercial tax base and having it tracked in some way verses residential tax base and just in terms of average assessments and where we are if you look at our overall, how much of it is in commercial versus how much is in residential. I think that's a better predictor of success for jobs and ... than the average household.

Councilmember Driggs said I think in a way, this illustrates some of what I was just getting at in the sense that we're noting here a 5.7% change in the total cost of these services. I would venture to guess that the income of the average household has not gone up by that much and that therefore the share of public services in the total budget of the household is increasing and I hope that's something we will keep in mind as we go through this budget process.

Mayor Cannon said Randy thank you so much. We appreciate it and Mr. Carlee did you have anything else?

Mr. Carlee said I think we're ready now to go to the CATS budget.

Mayor Cannons said we can certainly do that.

Mr. Carlee said I did the revenue update at the beginning piece so if you're ready?

ITEM NO. IV: CATS BUDGET

Carolyn Flowers, CATS CEO said I will try to be really brief. We have had a presentation to the budget Committee and I think that Manager Carlee and several other people including Mayor Cannon will see this over and over again at MTC meetings. Just quickly, the CATS budget process is a little different from the City because we have to go through the MTC for approval and recommendation to Council. Also I think the most important aspect of our budget is that there will be a fare hearing on March 26th. At that time, we will have public discussion and input on the proposed fare increase. Our key elements of our budget that provide the guide for development are the half cent sales tax that are dedicated to transit; the 2030 system plan and our financial policies. One of the things that has had a significant impact on our budget is the sales tax gap that we've had since about 2009. But on the side of the chart, we talked about the yield on investment that we have been able to attain on the operating and the capital side through the investment of the sales tax and since the implementation of the sales tax, you can see major milestones that we've been able to achieve with that investment. However, we have loss receipts and we've lost the escalation that was planned in the 2030 plan and so it's created a funding gap that's impacting our future operating and capital expansion. The 2030 Plan still is the vision. This is the vision for the system that was funded in 1998. The five major corridors are included, however, we are constrained by the capacity of our funding sources and that would be the sales tax as well as our partnerships with the Federal and the State Government; the state mobility

fund includes significant funding for projects that have statewide and regional significance. Transit has a very minor amount of funding in the Strategic Mobility Plan because those are considered local projects and so as we look to the future, we do not see a major infusion of State funding for our projects and for our financial plan and on the Federal basis, it is more competitive with no earmarks.

Councilmember Barnes said Ms. Flowers would you go back a slide please. Prior to your arrival, Pete Parker talked to us about projections and the performance of the half cent sales tax and at that time obviously was just before the downturn. At that time the predictions had been that we would have enough sales tax revenue essentially to build out the 2030 Plan early I believe Mr. Gaskins could probably correct me on that or Mr. Harrington and obviously the downturn occurred and what puzzles me about the reality of that graph is that we're not projecting, at least that graph is not projecting that we will ever get back to the performance of that sales tax that we had anticipated even considering the growth that's occurring in Mecklenburg County right now and the amount of economic activity that's taking place in Charlotte in particular. So going beyond 2035, is there ever a point where we believe those two lines will cross again.

Ms. Flowers said no. When you look at, as you project out, first of all you lost the growth between 2009 and current. You can never make up for that unless you found exponential growth potential in the future or there was a significant broadening of the sales tax but there was some very aggressive assumptions about the growth and the escalation compounding over a period of time. So right now we're only projecting that sales tax is going to grow at about 3.5% and so when you compound at a lower level into the future, plus you lose the amount that you were receiving in receipts because I think at that time before the downturn, we were probably up over \$71M in receipts and we're just starting to get back close to that and so you lost the level of receipts plus you lost the escalation compounding into the future.

Mr. Barnes said and so have we done any modeling that would incorporate the amount of, the value of the capture that we would realize if we incorporated the counties around Mecklenburg County that are potential direct recipients of transit so Gaston, Iredell, Cabarrus, Union?

Ms. Flowers said you mean if they passed the half cent sales tax?

Mr. Barnes said yes ma'am. Have we ever done any of that modeling and could we do it if we have not? In other words, if you added those I believe four counties to the tax, the capacity picture, what would be the revenue projections? How quickly could we...

Ms. Flowers said to my knowledge we have not done that because the half cent sales tax and the interlocal agreement only covers Mecklenburg County.

Mr. Barnes said I got that.

Ms. Flowers said and if the other counties were to pass the half cent sales tax, probably not all of the receipts would come to MTC, we would only be probably getting a portion for projects that may be cooperative between the two counties.

Mr. Barnes said I understand. Let me throw this at you kind of pie in the sky. If we could Mr. Manager consider some modeling that might incorporate the surrounding counties, Cabarrus, has the capacity right now if they want to use it. But if we could consider from the prospective of regionalism, what the value realized would be if we could persuade our regional partners to participate more fully in the transit system that exists primarily for this region, not just for Mecklenburg County, I think it would be an interesting lesson in terms of our ability to educate people on the State level and within the region. Does that make sense? In other words, if we could say to Cabarrus County that we will be running the Blue Line to Kannapolis and if we could have the following things done, them implementing a half cent sales tax and partnering with us to get across 485 for example and helping to fund that, how quickly could that happen if we were to tell the people in Union County that we could extend the Silver Line into Union but we need assistance with again some sort of capacity tax, how quickly could we do that with the Red Line going to Iredell with a line going west to Gaston, what would that look like? Is that too big a thing to think about?

Mr. Carlee said well no it's not too big a thing to think about and as you know we have this funding working group trying to think outside the box of how we actually provide a regional transit system so let us take that back and explore that and we have some follow up questions for you and will it raise any inappropriate or unnecessary political concerns anywhere in our discussion.

Mr. Barnes said I understand that. There are people who are looking forward who are in control in Raleigh who I think might be willing to at least listen to whatever that might look like and of course working our regional partners.

Mr. Carlee said and those other things that really ties together as a region. I just reiterate as people will get tired of hearing me say the most reliable transportation we had during the snow was light rail.

Mr. Driggs said when I look at this graph, I'm struck by the fact that we went from the projecting \$343M in 2035 to \$145M. That to me says as much about our methodology for making these forecasts as it does about the actual outlook because it's like the stock market. The stock market went from 14,000 to 7,000, bounced back again and I guess my question is isn't it possible that we're now being overly conservative. I mean it's pretty clear that the 343 was based on the euphoria of the years leading up to 2007. I just think this looks extremely conservative.

Ms. Flowers said I think we're erring on the side of conservative and we want to ensure that we have a plan that's smooth; that we have an opportunity to also be aligned with the City and the County budget assumptions long term. So our assumptions are in line with the projections from the finance department and when we went to market last year for our debt, we did go out with a very conservative growth plan and as I think the economy changes, we have a chance for correction. I think it's better to correct up than correct down and so at this point, we're erring on the side of being conservative in our approach to our financial plan and so that's the direction we have been taking to make sure that we are aligned.

Mr. Driggs said I definitely agree with that but you do reach a point where you put a burden on yourself by being overly conservative.

Ms. Flowers said yes I definitely realize that.

Mr. Driggs said it makes your planning difficult. It makes your fare policy, your capital spending so I would certainly like to be confident that this outlook has been, the congressional budget, there's different people that create economic forecasts and I just would want to be confident that the underlying economic assumptions here are consistent with the methodology that's being used elsewhere.

Ms. Flowers said yes and we wanted to ensure that our economic assumptions were as I said aligned with City finance and the county as we went forward and so we would adjust accordingly and so we also have to be aligned with our funding partners in terms of what they're projecting as their economic assumptions and so our economic assumptions are based on city, county, state and federal and all of them right now are being relatively conservative in their projections. I think that probably in the next couple of years, we probably will see some change in the economic forecast that flow down to us, but right now, we're basically ensuring that we're aligned with them.

Mr. Phipps said looking at the 2030 Plan, you have the current status as it's no longer achievable at the original cost and schedule and we just talked about the sales tax gap, I'm just wondering is the 2030 Plan still really viable or do we really have a 2045 or 2050 plan?

Ms. Flowers said it is still termed the 2030 Plan but we are saying that the schedule is at risk and that also the funding to attain the complete plan by 2030 is at risk unless we find some other innovative financing techniques or project delivery techniques that are going to ensure that we can keep the momentum moving. But at this time it has not been redefined by MTC. It's still called the 2030 Plan. Okay that takes me back to slide saying the "The Vision Remains" but we're examining how to keep the system plan moving forward and so the last bullet there talks about the transit funding working group looking at a toolbox of options including P3s, value

capture and innovative financing and project delivery options that will keep the program moving and so there's a effort on behalf of the MTC by formally adopting this working group so that they can continue to look at those options. As you know, we're going to have the P3 forum here on March 5th and 6th to look at case studies and to talk to other entities and municipalities about what they have done to advance projects through public private partnerships and social impact bonds.

Mr. Howard said I want to say it a little bit more directly. If you have not signed up for the conference already, we have people coming here from, yes I'm talking to my colleagues, if you haven't signed up, please do. We have people coming from Raleigh. We have people coming from other cities and it will be really embarrassing if I'm the only representative from the City of Charlotte there considering that this kind of grew out of our effort so I'm sure we have a website Natalie or Carolyn can tell you about where you can go to. Just tell Natalie and that includes staff that would be interested to so please let's make sure we have a good Charlotte showing. That's next week.

Mr. Driggs said I don't know if you're going to cover this Ms. Flowers, but do we have contingency plans where we prioritize and we know exactly what we're going to do first or where we're going to cut or how we're going to adapt to...

Ms. Flowers said in terms of the 2030 plan?

Mr. Driggs said in other words, I see the overall goals here but I'm just wondering how we do this dynamically in terms of responding to unexpected surpluses or deficits in our funding compared to what we're projecting.

Ms. Flower said I'm sorry I didn't get the whole question.

Mr. Driggs said I'm saying do we have a plan that says if we have less money than we thought, we know what we're going to do and if we have more money than we thought, we know what we're going to do. Like where would we cut if we come up short or where would we accelerate if we come up ahead. We're tracking along one kind of projection at this point.

Ms. Flowers said when we put together our financing plan last year to go to the market, that was actually a question that we had to provide to the rating agencies and so we had a series of actions that we would have to take if we didn't make our plan including looking at other revenue opportunities, also looking at our service delivery levels, looking at the structure of our operations so we had identified several things that we could do in the event that we didn't make our financing plan. In the event that we have additional revenues, I would just be in "hog heaven" but if we had that we would be able to move forward with the next project in the 2030 plan which was the Red Line, if we are able to solve the issue with the right-of-way acquisition with Northfolk Southern. But we would move ahead with the project. Also in our budget this year, we're including \$500K for a major investment study for the southeast corridor so that we would have that done and we would have the technology and the issues in terms of alternates over there so that we would be ready to move into engineering on that project. So we're setting ourselves up for things that we can do in the future to prepare ourselves and then we also know what we have to look at if we don't meet the plan.

Mr. Howard said just to follow along that line too Mr. Driggs. There's also some things that we can do and you being with the intergovernmental committee, there's some things that would be on our legislative agenda, setting up this year and going to the next year where we'll be asking the state to help us with some different financing mechanisms; one as a financing tool that USDOT will allow or the FAA, TIFIA that we have to get approval and that's something the state has to do. So there's some legislative things that we could do that will help us as well. The TIFIA loans could be used right down the Blue Line extension thus saving us some money because it's cheaper money. So there's some other avenues to go other than just financing and what we have from the tax payers. There's some legislative things that we need to do as well.

Ms. Flowers said as an enterprise fund, we face the fact that the funding environment has changed and we must balance our expenses against the dwindling sources of revenue and so as we move forward in our budget, we have to ensure that we're balanced against the receipts that we have projected and we must adhere to our financial policies to demonstrate our capacity to

fund our operations and serve our debt and that's key to ensure that we have sufficient funds to service our debt and to operate the system.

We have here basically the tenets of our budget. I want to just highlight that there is a proposal for a fare increase and as I indicated, that will be brought before MTC at a public hearing. You do see that we have basically a balance against our income on the transit and the capital side and that we also maintain a fund balance that's guided by our financial policies. And there are the major elements and our budget assumptions. I won't go into them in detail but we have talked about the sales tax growth of 3.5% that will start operations of the Gold Line LYNX Phase I and the service hours for our bus and rail and the number of passengers that we're projecting which guides our fare box calculation and other key drivers for us are fuel, utilities. Utilities for us is not only light sign in the building, we run utilities to drive the Blue Line. Its' called propulsion power but it really is electricity and then our risk premiums insuring that we have liability coverage. This is basically a pie chart depicting our operating expenses and about 70% of our costs are tied to labor and then its followed by fuel, utilities/propulsion power and risk insurance which is basically market driven. Everyone is taking an increase after Hurricane Sandy and Hurricane Sandy definitely had a major impact on transit operators and so we're all basically taking part of that coverage. One thing that we wanted to demonstrate is that we have been managing our budget. Our actual expenses we've been working diligently to contact our expenses and we've come in under budget or at budget. This chart just basically talks about the efficiencies that we have taken since 2010 in terms of fuel hedging, terming employees for the capital projects and our utility reduction initiatives and looking at reallocation of positions between different departments as demand changes. If we have a vacancy, and there's a need somewhere else, reallocate the position. We have leveraged our assets to generate revenues from advertising and we have looked at managing our fleet and consolidating facilities and we're also evaluating alternative fuel technology. This is basically just talking about our fuel hedging program. We are diligently reviewing fuel costs and we have a hedging strategy that has kept us below the market prices even though we already get a volume discount, we also insure that we hedge to keep our costs below the market.

Councilmember Smith said is our reduced hedging for fiscal year 2015, is that in order to keep us more competitive. It looks like we have an 11% drop. I was just curious.

Ms. Flowers said because we go out on a monthly basis looking at those contracts and so these are the ones that we have already forward locked in but we will continue to evaluate the market and lock in additional hedging in the future. Our fare increases are policy driven on a bi-annual basis. The MTC policy allows for increase up to 25 cents and so that will be as part of the fare hearing that we're holding on March 26th. We do have a gap in our budget that is being met as part of the budget proposal by an increase in the fares. Just to put this in perspective.

Mayor Cannon said Councilwoman Mayfield before that perspective thank you.

Councilmember Mayfield said no actually you might be getting ready to answer it.

Ms. Flowers said on how we compare with everyone else. This is a peer fare comparison. I want you to look part which is Piedmont area in the Greensborough and Triangle Transit and so here's CATS and here's PART over in Greensborough and then this is Triangle. So our fares are within peer range and regional range even with the increase and so I wanted you to see that comparison.

Ms. Mayfield said so Ms. Flowers when we're looking at a comparison, are we also comparing the unemployment rate as well as what was mentioned earlier, the fact that unfortunately, we haven't seen incomes increase as much as some of the costs have because this comparison is great but if the impact on the community is reduced ridership because it's becoming too expensive, when we are looking at we still have a high unemployment rate in some areas of the city and specifically in some communities a greater percentage.

Ms. Flowers said we take in the economic factors and overall the state comparison in terms of the unemployment rate because the state has overall a high unemployment rate and it's not just in this region, but we do take to account that and I have a slide coming up because we do look at elasticity as we look at the fares; the impact of the increased fare onto ridership and whether or not we'll be able to cover that ridership over a period of time and then I just want to make a point

about average fare and here in this chart you see that even though our cash fare is \$2.00 , because we have so many discounted media, we only collect on average 96 cents. That's the average fare that our budget is based on and so we don't have that many people who pay the cash fare. We have non-profit discounts; we have employer discounts; we have student discounts; we have senior discounts; we have discounts for DSS. So we have all kinds of programs that basically address the economically disadvantaged and we also do fare equity studies to insure that we don't disproportionately impact those who are economically unable to pay those fares so that is part of the process. Tonight at MTC we'll be presenting the results of our fare disparity study and under Title VI, we are required to do that.

Mayor Cannon said so this room is assigned for another meeting?

Ms. Flowers said at 6:00 MTC.

Mayor Cannon said we can go at least up until 5:15 for a change but we still have Storm Water and Financial Partners and it looks like we have a few more slides here so...

Councilmember Austin said so when we've had these increases, we had one just two years ago. Did we see a decrease in the number of ridership?

Ms. Flowers said we saw a decrease for about six months and we recovered the ridership and so we actually are up a half a percent ridership beyond last year. So generally you see an initial dip and then it comes back up. We also put out information trying to encourage people to look at these other fare media when we do an increase so that they get the spending power of a pass so that they have volume usage.

This is just an analysis on the different levels of a fare increase and what the impact would be in terms of the number of revenue service hours that we would have to cut from our budget to balance it because we still do have a budget that has to stay balanced and user fees only cover 28.5% of our operating costs which was shown in the last slide. The rest of the budget is covered through sales tax and state funding and federal funding.

These are basically the increases that we said will be to our operating budget next year. We are going to have some new service. In the Huntersville area from Harris Corners to Huntersville Walmart and then for you Councilwoman Mayfield, we're going to extend our service to the Charlotte Premium Outlets.

We talked about our staffing; it has been relatively flat until this budget cycle when we're adding additional positions to cover the opening of the Gold Line LYNX project and we're going to extend our special transportation services staff to create an extra board which is operators that can relieve for jury duty, time off, so we can deliver the same level of service on a daily basis and we don't have to worry about missing any trips and again this is just basically giving you detail on service level changes. We're talking very quickly about our debt program and basically what you need to know is that especially bullet when Councilman Howard was talking about the TIFIA program that we have had discussions with City Finance about the TIFIA program and Greg Gaskins consulted with the State Treasurer's Office who has indicated that we could submit a TIFIA application to get into the queue for consideration while we pursue legislative changes, hopefully in the long session for municipalities to use TIFIA. We're also meeting with members of our delegation to seek support for changes in the legislation and we're meeting with Triangle Transit and PART to coordinate support of those efforts with their delegation.

Then basically our Community Investment Program is primarily the Blue Line Extension and then replacement of our buses; some changes on the rail side which you have already approved; automatic train protection. We have a bridge program for inspection of all our bridges for safety and we're going to upgrade our radio equipment, our fare box equipment and ensure that our bus stops are ADA compliant and that concludes my presentation because I already talked about the balances and thank you very much.

Mayor Pro Tem Barnes said thank you Ms. Flowers, we appreciate it.

ITEM NO. V: STORM WATER BUDGET

Jennifer Smith, Storm Water Engineer said I will try and do this as quickly as possible and kind of go through quickly my slides but if I don't talk to something that's on the slide and you want me to give more information, certainly just stop me. I am here to tell you a little bit about our history, goals, types of projects, challenges, our storm water fee and staff's proposal. I'll just spend a little bit of time on the history; point out that storm water utility was created in 93. At that time we decided to charge a fee based on the contribution to the problem, which is impervious surface. We have a huge backlog of both water quantity and water quality and we work on both public and private property. We've had annual fee increases since 1997 and those have been adjusted for inflation and demand. The majority has been the demand, the problems that we have. So our storm water goals over the past 20+ years have pretty much stayed the same. We've added some additional goals throughout time. I'll just touch on a couple; one that has been removed was addressed, the backlog of remedial repairs within 10 years the program started. We actually addressed that original backlog in nine years but it did require five years of 10% fee increases to get that backlog down. That's the fee increases that ended up starting in 1997. We do try and work on the worst problems first while balancing our portfolio and collaborating with other city programs to work on some of the lower priority projects and the last thing that I'll mention is that we have been relying less and less on bonds. The last debt that we issued was in 2006 and we have increased our pay-go from \$6.3M in 2004 to \$36M this past year so we've really tried to transfer a lot of that fee and use less debt. The types of projects that we do are maintenance and repair projects, our flood control projects, our surface water quality enhancement projects and as I mentioned that collaboration. So we try and do with the neighborhood improvement or transportation project is while they're out there disturbing that neighborhood, try and resolve any other storm water problems that are out there at the same time so we're only disturbing that area once. Talk a little bit about our maintenance and repair program. This is the first eyes that are on the problems. They determine if the problem or the request from the citizen actually qualifies for service and there are two criteria to qualify for our service. The problem has to receive runoff from a public street and there has to be a qualifying problem. One thing that doesn't qualify for our service is simply yard flooding. So if your yard is just flooding, that's not a qualifying problem for us. You have to have street flooding and there has to be house flooding or a hole in your yard. We currently have around 400 pending high priority projects on our list and when I say high priority, the picture on this slide is a high priority. It's a hole in the street because of a failing storm drainage system. Another high priority is house flooding or street flooding or a hole that is outside of the street but is within 10 feet of the street or even 10 feet of a house. We consider that a high priority if someone's house is too close to a hole. We have about 420 medium priority pending projects and that medium priority could be crawl space, HVAC, garage flooding or a hole that is greater than 10 feet from a house or road. So we still think it's important and we want to work on them but it's not high as that hole that's 10 feet within the house or from the road. We have about 6,000 low priority requests on the books and these are erosion in the stream that may be taking out a fence or you may be losing some yard but the erosion is not getting close enough to a house to affect the foundation of your house or to affect our roadway. We only work on those low priority projects if they're close to a high or medium priority project. We just don't have the funding at this point in time to work on those so we're really focused on that high medium. Where are we with the high priority projects? From the time a person calls the request for service and to we have it ready for construction is currently at about 3.5 years. For the medium priority projects, we're at about 4.5 years. We're able to accomplish or address about 150 projects per year with the budget and staff we currently have. We get in about 250-260 that's why the timeframe is going up.

Councilmember Autry said we have in our community investment program some expansion of your staff. How might that affect being able to address 150 projects a year is., is that going to mean 160 projects or 180 or 155?

Ms. Smith said I show that a little bit later because one of the things is that we'd want to add staff and we can do more projects. Another program is our flood control. I will say with the maintenance repairs, those projects typically touch about one to 10 properties generally. Our flood control projects are much larger, neighborhood-wide projects could affect in the range of 100 or 200 properties. The cost is around or used to average about \$5M. That cost has grown over time. We actually have some active projects on the list right now that probably will exceed \$10M each. What we try and do is about six projects a year and the way we're able to work that

with the types of projects; we're at about an 18 year backlog on those types of projects. For our surface water quality, Darryl talked to you a little bit on February 10th about the mitigation fee and the post construction controls and how we have impaired waters throughout Charlotte. This program and funding to this was started in 2000 so we've certainly made several project improvements, 47 projects within Charlotte to try and improve those waters, but there's still a long way to go with the number of water quality projects we have out there. We try and start about mile of stream restoration a year and four water quality enhancement projects. The two other funding areas that we have on this are our stream mitigation bank funding and the post construction controls mitigation funding. We are able to get funds in from outside sources to then do more projects and try and do a bigger impact regionally and that's some additional funding there. Our challenges—more projects come in than we can resolve annually and the cost of our projects have increased. Just too kind of show you a little bit of that graphically for our maintenance and repair projects, the blue line is what we can address annually. The green line is what comes in annual and the red line is the projects—the backlog that keeps growing because our blue line and green line aren't the same and the blue line certainly isn't above the green line.

Councilmember Mayfield said has there been any consideration with thinking about the question that my colleague just asked regarding additional staff to designate staff just to work on that red line before it becomes the green and move up so that we're tackling this from both ends with maintaining or trying to reduce where we're currently at but at the same time starting to address some of those issues because as you know and most of my colleagues, if you haven't already ready received a call from your constituent, we have some people that it's been five years or more so that red as we can see that increase is consistent and their concerns are very real, it's just that it hasn't gotten to the green or blue. So are we having those conversations to try to designate staff just to focus on that backlog?

Ms. Smith said actually what we do is we work on priority high medium and we work in date order so the first one that called in gets worked on in the high priority category before the most recent high priority call that came in.

Ms. Mayfield said which is what I'm saying is the opposite if we're looking at the opportunity and maybe this is a question Mr. Manager for your area to look at; identifying that staff to specifically work on what's considered that low priority. But when you have people dealing with this issue for five or more years, that's a higher priority but not to the detriment of the other projects that we definitely need to adjust for the safety of the broader community.

Mr. Carlee said you'll see momentarily here some options for program expansion for you to begin to deliberate about.

Ms. Mayfield said thank you.

Councilmember Austin said how do we compare to other cities in terms of backlog and the amount of time it takes in order to get a repair and Councilwoman LaWana is right, I am getting a number of calls about requests that are like two and three years old. How do we compare to other cities? Is this something we didn't keep pace with our growth in past administrations?

Ms. Smith said I can certainly check into what other cities are doing. What I can share with you that we do that's very unique from other cities is that we work on private property. Most communities within North Carolina do not work on private property. They only work on the right-of-way. I think Raleigh is a little bit different in where they will charge the private property owner additional fee on top of the storm water fee to work outside the right-of-way and I think it's like a 70/30 split where the property owner has to pay 30% of the cost for the city to work outside. So I think we're a little unique in our backlog in the fact that we are qualifying issues that are on private property and so it may be tough to compare to other communities that aren't working on the private property.

Mr. Austin said and that decision was made some time ago that we would do that?

Ms. Smith said that was one of the original bases of when the utility was created. We used to have folks calling in and complaining before there was even a storm water program petitioning us to do work and part of that petition process was that they also had to contribute funding if the general fund contributed funding and we probably have I'd say probably 4,000 or 5,000 files of

where we looked at those improvements and making repairs but I bet we only have maybe 100 that followed through that could actually afford the repair and I think that's a big thing. Folks just can't afford to pay for the improvements on their property.

So just to share with you how our average costs have increased with our maintenance and repair program, it's called maintenance and repair because when the program first started, we really were doing maintenance fixes and minor repairs, but over time we have seen that we can't just fix adjoin a pipe. All the joints of the pipe are bad and so we're having to completely replace that pipe system or even upsize that pipe system because it's not large enough to handle the runoff that's coming to it. So our costs have increased. We really saw that happening between 2010 and 2011 and that's what we're seeing. We just can't put a band aid on any longer, but we're having to replace pipe and to upsize that pipe.

So how are we proposing to deal with some of our issues? It's really to tweak some our goals. One thing that I failed to mention on the flood controlled projects and some of our previous goals is that we are doing some proactive work with our larger projects. We have requests that come in and as we're out there addressing that request for service, we see other problems in the area and so we try and work on those at the same time to fix a neighborhood wholly or completely. What I'm proposing is that we shift from that and go back to just dealing with our requests for service. If someone hasn't necessarily called in a complaint, we may not be able to fix it right now so let's really focus on those requests for service that have called in. What we would need to do is add some staff and budget to get that down. One way of doing that is increasing fees. Another is balancing increasing fees and relying a little bit more on bonds. As I shared with you, that we haven't really sold any more bonds since 2006 so we definitely have the capacity there to increase that and try and work on the backlog. So for an average home, and when I say an average single family home, that's within an impervious area between 2000 and 3000 square feet of impervious. They currently pay \$9.94. The majority of the fee payers are in that category and you also see on this slide, there is a city fee and a county fee. We have an interlocal agreement with the county that the city maintains everything less than one square mile within the city limits and the county works on everything greater than one square mile or maybe what you've heard referred to as the FEMA regulated flood plains. So that's why there's two separate fees and we each set our own fee to correspond with the work that we have in those areas and just to note that a one percent increase on the city fee would equate to about eight cents per month. So what are some of the options? We kind of looked at a zero percent fee increase, 2.5, five and 7.5 percent fee increase and looked at the three main programs that we do and then what that debt issuance would be. We tried to keep the debt coverage at 3.0 so that we still had capacity if emergency came up, but you can see the debt issuance certainly goes up over the five year period. Our water quality program, because we do have very impaired streams, we aren't proposing to make any changes to that program. We would keep it as is. With our flood control or the larger projects, if you see on the zero the 2.5 and the five percent increase, we would not start new projects for three years until FY2018 in order to give some of that resource and budget over to the maintenance and repair. We could start, if we have a 7.5% increase, we could start four projects next year. With the maintenance and repair, and I'll show a graph that shows this a little bit better and how this works over a five year cycle, but with a zero and 2.5% increase even with the additional bonds, we really can't take the backlog down. You need a 5% or a 7.5% increase for the backlog to start dropping and that's kind of shown in this graph. The top line is a 0% increase. You can see the line continuing to go up. The orange or yellowish orange line is the 2.5%. Again, it's still kind of going across, maybe leveling out a little bit, but where you really get the impact is with the five percent fee increase or 7.5% fee increase. You're able to really drop that backlog down. What does it look like for the flood control projects? The zero and the 2.5% and the 5% continues those flood control projects growing. The 7.5% you're at least flattening out a little bit but it's still growing a little bit. This does have an assumption that new projects are coming into this program each year and that we're only able to start four so you're adding one each year out there.

Ms. Mayfield said are we looking at the total impact? So if we were to move forward with this increase say that its only about eight cents, less than 10 cents but when we add that with the other potential increases, what is that impact going to be on that household that's making 30% or below or 60% and below AMI? Since that's what I'm more concerned about is what that total impact because eight cents here 10 cents there, 25 cents here; that's taking a total on the community that even though we have seen an increase of job opportunities it's still not at the level that we're aiming for.

Mr. Carlee said so that goes back to the table that Mr. Harrington showed at the end of the presentation of the Q&A. What we are going to try to do, this was the first effort at it, is to model impacts on different households and Councilwoman Lyles talked about some other variations that she'd be interested in. So we're going to refine that, that's sort of a new piece coming in and so before you would make any decisions on taxes or fees, but we would expect to show you it's not just an isolation to that program, but in the overall picture so you see the full menu of items that are in front of you so you can set your prior policy priorities.

Mayor Cannon let the meeting at 4:56 p.m.

Councilmember Lyles said one of the other sides of that too is for us to make some decisions on some potential cost reductions in other areas, whether they be the kind of service changes that that we need so that we can protect our integrity of some of our major capital processes. So I don't know what those are right now. The Privatization Committee talked a little bit about business trash collection and multifamily. So at some point when we start balancing these things off, we need to look at both sides. So bring us the fee increases and then bring us those other programs that you've reviewed that say how do we balance that so that we can accomplish some of these.

Mayor Prot Tem Barnes said just to be clear Mr. Manager; you're not proposing a fee increase?

Mr. Carlee said we're putting options in front of you at this time for you to begin to deliberate. You'll get to a point later in this process where you'll identify things you want me to actually pursue in full development.

Mr. Barnes said just options no mandatory increase.

Mr. Carlee said that's right. At some point, I will obviously make a recommended budget to you but the way the process works here in Charlotte is this collaborative deliberative process that we do together at this point. So I was showing you the options that I'm looking at and hearing other options that you want to see to develop that full picture before I actually move to a recommendation.

Councilmember Autry said Ms. Lyles brings up a good point about considering privatization where you find savings and so forth. My question would be then to someone from the attorney's office I guess about if we have an enterprise fund for instance, storm water and we have solid waste services, if we saved money from Solid Waste Services, would we be able to use that money to shore up something else. That's what I'm asking.

Ms. Lyles said I wasn't recommending that. I think I was looking at the overall burden on the tax payer so that yes the enterprises and enterprise fund that has to have if we decided to do this, we'd have to increase the fees to do that, but when you look at what I think Ms. Mayfield was saying, 25 cents here for transit, \$7.00 for this and if you can offset something else in another area; so keeping the total but not mixing the funds.

Mr. Autry said that's correct and I didn't assume that, it was just something that came; that would not be allowed is that correct?

Mr. Carlee said if I may in the specific case that you're asking, yes you could subsidize your storm sewer enterprise fund with general fund tax dollars.

Mr. Autry said so we're calling general fund tax dollars money that would be saved from some savings for instance, Solid Waste Services.

Mr. Carlee said Solid Waste in Charlotte is a general tax service and it's not in an enterprise fund. Now in many cities, Solid Waste Services is actually an enterprise fund as well but in Charlotte the policy has been largely to fund trash service with general tax dollars as opposed to an enterprise fee and you'll find the same thing in storm sewers. Some cities do storm sewer with general fund dollars as opposed to an enterprise fee and so it's a matter of policy preference and tradition from one city to another. So you can subsidize an enterprise fund generally with

general tax dollars. What you cannot do is divert legislatively restrictive funds from an enterprise fund into the general fund.

Ms. Smith said staff's proposal was to go with the 5% fee increase just because it did bring that backlog down and what I wanted to do here was really just show you what the total fee would be when you add in the city fee and the county fee, the processing fee so what the total fee would be which would ultimately be a 40 cent per month increase on the majority of single family residents. Anything non-single family would have a \$6.63 per month per impervious acre charge added to it for the total fee that's shown on the chart.

Councilmember Kinsey said those prices are based on the 2000 square foot impervious so if I have a very very small lot, mine is not that much; is that...

Ms. Smith said yes the tier one is impervious area less than 2000 square feet so the charge would be \$7.25 and the tier two is that 2000-3000, tier three would be 3000-5000 sq. ft. So you would be in the categories. You aren't charged per impervious acre or per impervious square foot for a single family home. You are in a tier.

Mr. Carlee said and just to clarify a point Councilman Autry just made to me; this is a professional recommendation from our Storm Water staff as a reasonable approach to take to bring the backlog down. To my point earlier, I won't make my recommendations until I do a budget presentation taking into account the deliberations and discussions that we have in Council and the straw votes. But this is their professional assessment of an effective way to begin to attack the backlog for that to be one of your priorities.

Ms. Smith said and with that I just want to talk to staff a little bit because I think somebody asked if adding staff we could get the backlog down. It would take 12 additional staff members and we're also recommending that three of our temporary staff, there was the conversation about temporary staff being used long term. We have three of those staff members that we would also like to convert over to permanent employees so a total addition of 15. Any questions?

ITEM NO. VI: FINANCIAL PARTNER REQUESTS

Mr. Harrington said I could be really shortly probably just one minute if that pleases the Council and Mayor Pro Tem. Starting on page 59, I won't go through the presentation but I'll just give you what's in your packet. Financial partners, what are financial partners? They're non-profit organizations typically that help advance for support Council priorities or they support focus area initiatives or particular services that departments are delivering and these groups have unique skill sets or capabilities to help deliver those services. We have two types of financial partners, those that are funded from the general fund, general tax dollars and then a second group of partners who are funded from CDBG and home grants which are federal grant monies that flow through to us as well as the city's innovative housing program which is a program that's funding into a pay-as-you-go capital side of the program. There are no new general fund partner requests for this particular year. There are seven new requests on for after school services or out of school time partners and those are highlighted in your book. What I would point you to is the summary information on the requests is between pages 69 and 73 if you're looking for the key basic overview. There are following pages that give more detailed summaries of the individual agencies and their requests. We have the full packets and applications on file if Council members or anybody would like to see more information, we're happy to provide that. The material that you have before you is summary material in terms of what the requests are. Again, no recommendations, but just a pass-through of what the requests have been and those recommendations will come back to you at a later budget meeting.

Ms. Kinsey said this particular topic usually generates a lot of discussion remember?

Mr. Barnes said yes.

Ms. Kinsey said so I'm sorry we can't do a little discussing but everybody's ready to go home including me and I don't know that our manager would have a real good feel for what this Council would like to see with some of these funding partners. It's always a

Mr. Barnes said but there are no new ones.

Ms. Kinsey said well that's very good news.

Mr. Barnes said I agree.

Ms. Kinsey said but it's always somewhat—it's not controversial. It's just there's always some discussion about it. We all have different opinions.

Mr. Carlee said to that point, if it's the full population that you think needs to have further discussion that would be good enough. It's a smaller subset if we could know what those might be, I of course, would benefit significantly from hearing the Council discussion, the relative priorities and tradeoffs on them.

Mr. Barnes said one more thing that I want to mention, I hate Danny Pleasant just left. Earlier we talked about resurfacing schedule and back in 2006 the former mayor and I went through some pains to get that schedule down to 12-13 years and now it's going back up and I understand why as you explained it and I also heard the manager talking about in response to Ms. Lyles, addressing city streets versus state maintained roads and one State maintained road that I talked to Mr. Pleasant about and would ask you to follow-up if you could is North Tryon Street. It is in like 1940s type condition. If you drive it from uptown—in fact, until we actually have done work on it just past Tom Hunter Road, it's an absolute embarrassing travesty--the condition of that road and I don't know what their plans are but if you could find out if they have any plans to resurface North Tryon Street for a host of reasons, including our interest in creating more of a gateway into uptown and so forth, that would be helpful.

Mr. Harrington said I would be happy to bring that back. Some of the items that are in the plan are in the works on that.

Mr. Barnes said any other items from the Council; anything from staff?

Meeting adjourned at 5:08p.m.



Stephanie C. Kelly, MMC City Clerk

Length of Meeting: 2 Hours and 2 minutes
Minutes Completed: March 23, 2014